

## *City of Gulfport Police Pension Fund*

### **Minutes: Meeting January 23, 2014**

#### **1. CALL TO ORDER**

Alex Falconeri called a meeting of the Board of Trustees for the Gulfport Police Pension Fund to order at 3:04 PM. Those persons present included:

##### TRUSTEES

Alex Falconeri, Chairman  
Josh Stone  
Wes Whittaker

##### OTHERS

Pam Nolan, Pension Resource Center  
Jack Evatt, The Bogdahn Group  
Andrew Holtgrieve, Rockwood Capital Advisors  
Scott Christiansen, Christiansen & Dehner  
Patrick Donlan, Foster & Foster

#### **2. PUBLIC COMMENT - None**

#### **3. APPROVAL OF MINUTES**

**Josh Stone made a motion to approve the minutes of the October 24, 2013 meeting as submitted. Wes Whittaker seconded. The motion passed 3-0.**

#### **4. INVESTMENT REPORT**

##### **Rockwood Capital Advisors Portfolio Review, Andrew Holtgrieve**

Mr. Holtgrieve advised the Board that the fourth quarter began with the all cap equity portfolio at \$1.2M and ended the quarter with \$1.4M; a 9.1% return for the quarter. This was roughly 1% under the portfolio's S&P 500 / Russell 3000 benchmarks, which closed the quarter at 10.5% and 10.1%, respectively. He described Rockwood's investment strategy as being all-cap, opportunistic, theme based and more focused on a long term perspective. This last year saw a broad-base market improvement, and was the best year for stocks since 1997. For 2014, US stocks are still thought to be the best investment opportunity; with the economy slowly improving there is potential for growth in the consumer, financial, industrial, and health care sectors. Rockwood will be looking to avoid interest rate sensitive stocks, as in the housing and telecommunications sectors. The portfolio has been ahead of the Russell 3000 & S & P 500 benchmarks since inception.

##### **Total Portfolio Review, Jack Evatt, The Bogdahn Group**

Mr. Evatt noted that domestic equities had a very strong performance of 10.5% in the fourth quarter of 2013. International equities also performed above average at 4.8% for the quarter. The fixed portion of the market was down, with negative returns for the quarter. Investors are moving from assets to other investment types.

The plan closed 2013 at \$8M, and Mr. Evatt advised the board that the allocation to the investment managers need to be realigned to the plan's target allocations.

**Wes Whitaker moved that the Board authorize Mr. Evatt to adjust the plan's investments to be in line with the target allocation as outlined in the Investment Policy Statement. Josh Stone seconded the motion. The motion passed 3-0.**

Mr. Evatt advised that the plan saw \$374,000 in capital appreciation for th quarter, with \$60,000 in income The quarter ended at 5.55%, over the benchmark of 5.14%. Domestic and international equities performed at or slightly above their benchmarks; Agincourt, the

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manager of the plan's fixed portfolio, closed the quarter at 0.14%, which was good, compared to its benchmark, which returned -.014%.

Mr. Evatt then reviewed the compliance checklist with the Board. There are now very few "no" answers on the criteria to be met by the investment managers. There is some concern around the continuing 'nos' for Rockwood and Mr. Evatt has prepared a letter to them. Mr. Evatt noted they will be watching this manager a little more closely in the coming quarters. Mr. Holtgrieve pointed out that the third quarter of 2011 was a very bad quarter that negatively affects both the three and five year measurement. He noted that they have returned 14% since inception, and reiterated the long term focus of their investment strategy. Mr. Evatt noted that this letter was a part of The Bogdahn Group's due diligence and they would continue to closely monitor Rockwood's performance in the coming quarters.

**Josh Stone moved that the Board authorize a letter to Rockwood Capital Advisors per Mr. Evatt's direction. Wes Whitaker seconded. The motion passed 3-0.**

### **5. ACTUARIAL VALUATION – Patrick Donlan, Foster & Foster**

Mr. Donlan reported that this year's valuation resulted in the City's funding requirement decreasing from 22.4% of payroll to 14.14% of payroll. This is the second year in a row that the City's funding requirement decreased. Mr. Donlan observed that there were no negatives to report from the valuation. The actuarial value of the investments was slightly less than the market value, but the market performed well enough that this did not have a significant impact. He pointed out that the use of the four-year smoothing was to achieve a more stable funding requirement. This valuation reflects a decrease in the plan's assumed rate of return from 8.0% to 7.75% and a decrease in the salary increase assumption from 7.0% to 6.0%.

Josh Stone inquired about the use of State money to lower the City's cost. Mr. Donlan explained that the base benefit level established in 1999, was changed in 2000, 2006 and 2010 ordinance updates, with no cost to the City by basing them on the use of excess State money. The ordinances had a provision that if there were no excess State money, the multiplier would be reduced.

**Josh Stone moved to accept the 2013 Actuarial Valuation as submitted. Wes Whitaker seconded. The motion passed 3-0.**

Mr. Donlan also advised the Board that, in conjunction with the actuarial valuation, Foster & Foster has added a death check and future benefit change review to their process. The only reduction noted for the upcoming year was a social security reduction in benefits for a retiree as of November 1, 2014. Ms. Nolan will check with Fifth Third to verify they have this future change noted in their system.

### **6. ATTORNEY REPORT – Scott Christiansen, Christiansen & Dehner**

Mr. Christiansen advised the Board of the need to make a declaration of the expected annual rate of return and submit it to the State

**Josh Stone made a motion that, based on the advice of their investment consultant, the Board has determined that the expected annual rate of return for the fund for the next year, the next several years, and the long-term thereafter, shall be 7.75% net of investment related expenses. Wes Whitaker seconded the motion. The motion passed 4-0**

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Mr. Christiansen advised the Board that he sent a Trustee Responsibility document for the edification of new Trustees. Ms. Nolan reported she had forwarded it on to Wes Whitaker and posted it on the Trustee section of the plan's website. She will forward a link to all Trustees.

Mr. Christiansen reported that in addition to legislation to allow municipalities to add a defined contribution component to their benefit plans, new legislation has been proposed under Senate Bill 246 and House Bill 509. This proposed legislation will affect how additional state money can be used, based on the plan's funding ratio. If the plan is less than 80% funded, then the State money must be used to pay down the Unfunded Actuarial Accrued Liability. If the plan is 80% funded or better, the money can be used to improve defined benefits. The League of Cities is not supportive of the legislation. Mr. Christiansen will monitor and advise the Board of developments in the proposed legislation.

### **7. ADMINISTRATOR REPORT - Pam Nolan, Pension Resource Center**

**Josh Stone made a motion to authorize Wes Whitaker to attend the upcoming FPPTA Trustee School. Alex Falconeri seconded the motion. The motion passed 3-0.**

### **8. PLAN FINANCIALS**

**Josh Stone made a motion to approve the Warrant dated January 23, 2014 as submitted. Wes Whittaker seconded. The motion passed 3-0.**

The Trustees reviewed the Benefit Approvals dated January 24, 2014.

**Josh Stone made a motion to approve the Benefit Approvals as amended. Wes Whitaker seconded the motion. The motion passed 3-0.**

### **9. OLD BUSINESS - None**

### **10. NEW BUSINESS - None**

### **11. NEXT MEETING**

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, April 24, 2014 at 3:00 PM.

### **12. ADJOURNMENT**

**There being no further business, Josh Stone made a motion to adjourn the meeting at 4:29 PM. Wes Whittaker seconded. The motion passed 3-0.**

Respectfully submitted,

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Josh Stone, Secretary