

City of Gulfport Police Pension Fund

Minutes: Meeting of January 22, 2015

1. CALL TO ORDER

Alex Falconeri called a meeting of the Board of Trustees for the Gulfport Police Pension Fund to order at 3:30 PM. Those persons present included:

TRUSTEES

Rob Burkhardt
Alex Falconeri
Larry Tosi
Wes Whitaker

OTHERS

Scott Baur and Tracie Waight, Resource Centers
Jack Evatt, The Bogdahn Group
Scott Christiansen, Christiansen & Dehner
Patrick Donlan, Foster & Foster

2. PUBLIC COMMENT

There were no public comments.

3. APPROVAL OF MINUTES

The Trustees reviewed the Minutes for the meeting of October 23, 2014.

Wes Whitaker made a motion to approve the Minutes of July 24, 2014 as submitted. Rob Burkhardt seconded the motion, approved by the Trustees 4-0.

4. ANNUAL ACTUARIAL VALUATION (Patrick Donlan, Foster & Foster)

Mr. Donlan reported good news to the Board, since the total required contribution dropped from 27.1% of payroll for the year starting October 1, 2015 from 23.1% of payroll in 2014. The net City contribution, meanwhile, dropped from 14.7% of payroll to 10.7% of payroll. Mr. Donlan attributed the reduction in required contributions to strong investment performance for the assets, noting that the plan had a 4-year smoothed return of 9.411% compared to the 7.75% investment assumption. He also explained that the smoothing process creates additional gains not yet recognized by the plan, which might also offer some cushion to the assets in the event of short-term market losses. The City contributed \$423,332 for the fiscal year ending September 30, 2014 compared to the \$403,825 required contribution.

Mr. Donlan also explained that higher turnover than expected produced a gain for the plan as well, with 2 vested and 2 non-vested terminations during the year. Finally, payroll increased less than expected helping to further reduce projected liabilities. The Chapter 185 premium tax receipts from Florida increased slightly from the prior year. Mr. Donlan reported that the 2.86% multiplier for the Police Pension Fund was on the lower end of benefit multipliers for similar plans in Florida, while the funded ratio of 93.3% is much higher than the average funded ratio of 80.25% for Florida public plans served by the actuarial firm. The City will report the \$647,797 Unfunded Actuarial Accrued Liability (UAAL) on the 2015 City balance sheet to comply with GASB 68.

Rob Burkhardt made a motion to approve the Valuation dated October 1, 2014. Wes Whitaker seconded the motion, approved by the Board 4-0.

Mr. Donlan stated that the motion to approve the valuation automatically approved the multiplier increase to 2.86%.

5. QUARTERLY INVESTMENT REPORT (Jack Evatt, Bogdahn Group)

Jack Evatt reported that everything international for investments was bad for the quarter ending December 31, 2014, while everything domestic was good. He reviewed the performance for the international markets, noting that the foreign securities make up only a small portion of the overall plan assets. Mr. Evatt discussed the performance of the manager for the international portfolio while he reviewed the performance of the various market sectors and asset classes. The total plan assets increased to \$8,769,300 as of December 31, 2014, from \$8,502,234 as of September 30. Jack Evatt then reviewed the asset allocation compared to the target allocation in the Investment Policy.

The portfolio gained 2.83% gross of fees for the quarter ending December 31, 2014, compared to a gain of 2.48% for the benchmark. The plan assets gained 7.66% gross for the 2014 calendar year compared to 7.49% for the benchmark. Mr. Evatt then reviewed the performance for the individual investment managers. He advised that he would not yet make a recommendation for the Board to fund a global bond allocation, due to fund minimums through Fifth Third as the custodian.

The Board briefly discussed the drop in oil prices and energy. Mr. Evatt advised that he would not make any portfolio adjustments in response to the current market conditions. He explained that the price drops resulted from a combination of oversupply, falling demand, and currency fluctuations.

Mr. Evatt explained the notice for the change to internal control for the Bogdahn Group. A change in majority ownership at the firm requires the consent of the Board due to SEC requirements. The change should have no impact on the operations of the firm, while providing for greater long-term continuity of management and employee ownership. Schott Christiansen recommended that the Board authorize the consent.

Wes Whitaker made a motion to consent to the Change in Internal Control for the Bogdahn Group. Rob Burkhardt seconded the motion, approved by the Board 4-0.

6. ATTORNEY REPORT (Scott Christiansen, Christiansen & Dehner)

Scott Christiansen reported that the term for Larry Tosi expired at the end of April. He advised that the Board should have the selection of Chair and Secretary on the next meeting Agenda.

Mr. Christiansen then noted that the Summary Plan Description was last updated in 2013, so the Board must authorize an update to the document.

Larry Tosi made a motion to authorize Christiansen & Dehner to update the Summary Plan Description. Rob Burkhardt seconded the motion, approved by the Trustees 4-0.

Mr. Christiansen updated the Board regarding the current legislative session. He noted that SB 172 was prefiled for the current session, the same bill that failed to pass in 2014. Both the League of Cities and unions oppose the Bill. His firm is also having Ice Miller review the ordinance for any required tax compliance updates to the ordinance, including the current definition for a spouse contained in the plan.

Since the Board approved the valuation, the Board must also approve the expected rate of return on plan assets. Jack Evatt recommended that the Board should reasonably expect to achieve a return of 7.75% on plan assets for the next year, the next several years, and the long term thereafter.

Rob Burkhardt made a motion based on the advice of the Investment Consultant that the Board expected a return of 7.75% on plan assets for the next year, the next several years, and the long term thereafter. Wes Whitaker seconded the motion, approved by the Trustees 4-0.

Scott Christiansen advised that the exemptions in public records laws do not apply to the plan records held by a records custodian engaged by the Board, unless so requested by the City. He therefore recommended that the City provide a letter requesting that the Board maintain the confidentiality of the members.

7. ADMINISTRATOR REPORT (Scott Baur, Resource Centers)

Scott Baur notified the Trustees that Christiansen and Dehner would hold a local mini-conference on March 10 in Indian Shores to provide continuing education free of charge. The Trustees briefly discussed upcoming conferences and educational opportunities.

Mr. Baur then reported that his firm established the nucleus of a call center in his office. Even though his firm has a strong technology orientation, he understands the pension as a very people-oriented process for the members of the plan. As such, he always wants members of plan calling his office to have a live person to talk to during normal business hours as opposed to voicemail. Administrative staff in his office try to respond or acknowledge all contact from members of plans within 24 hours.

Mr. Baur briefly addressed a memo to his office from Christiansen and Dehner regarding records retention. His office effectively has an indefinite records retention schedule. All administrative staff in his office attend records management seminars coordinated by the State of Florida, and he has had extensive discussions with staff in the state offices as well regarding records retention requirements for the pension plans. Mr. Baur explained that a member of a plan might start work at age 25, retire after 35 years, receive a benefit for another 20 years, and then have a survivor beneficiary for continuation of the benefit for another 10 or 15 years thereafter. As such, the lifecycle of a benefit to a member of the plan often exceeds 75 years or more, requiring maintenance of plan records far longer than the requirements dictated by Florida.

Mr. Baur introduced Tracie Waight from his office.

8. PLAN FINANCIALS

The Trustees reviewed the Warrant for payment of invoices.

Rob Burkhardt made a motion to approve the Warrant dated January 22, 2015. Larry Tosi seconded the motion, approved by the Trustees 4-0.

The Board had no benefits for approval.

9. OTHER BUSINESS

The Board had no other business to discuss.

10. NEXT MEETING

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, April 24, 2015 at 3:00 PM.

11. ADJOURNMENT

There being no further business, a motion was made and seconded to adjourn the meeting at 4:28 PM.

Respectfully submitted,



~~Josh Stone~~, Secretary

WESLEY A. WHITAKER