

City of Gulfport Municipal Police Officers' Trust Fund
Minutes: Meeting of January 19, 2023

1. CALL TO ORDER

Jason Motte called a meeting of the Board of Trustees for the Gulfport Municipal Police Officers' Trust Fund to order at 4:13 PM.

Those persons present included:

TRUSTEES

Jason Motte, Chair
Daniel Liedtke
Larry Tosi
Michael Vandenberg

OTHERS

Sara Carlson, Foster & Foster (Actuary)
Scott Christiansen, Christiansen & Dehner (Attorney)
Richelle Cook, American Realty Advisors (Senior Vice President)
Dale Everhart, Resource Centers (Administrator)
Shannon Farrell, City of Gulfport (Director, Risk Management and Human Resources)
Jennifer Gainfort, AndCo Consulting(Consultant)
James O'Reilly, City of Gulfport (City Manager)

2. APPROVAL MINUTES: Meeting October 20, 2022

The Trustees reviewed the minutes of the October 20, 2022 meeting.

Michael Vandenberg made a motion to approve the minutes of the October 20, 2022 meeting. Larry Tosi seconded the motion, approved by the Trustees 4-0

3. REPORTS

A. Investment Report

1) Quarterly Performance Report (Jennifer Gainfort, AndCo Consulting)

Ms. Gainfort indicated that the quarter ending December 31, 2022 was positive. US GDP growth is expected to have remained strong in the 4th quarter. Globally, higher energy prices continue to be a deterrent in Europe. China is beginning to reopen its economy which should be a boost to emerging markets. The US Federal Reserve Bank increased interest rates 0.75% in November and 0.50% in December, and may do additional rate hikes as it deems necessary. In the US labor market, unemployment decreased to 3.5% in December, however, announced layoffs increased during the quarter.

US and international equity markets rebounded on expectations that inflation would continue to moderate. Large cap value stocks were the best performing domestic stock segment. The S&P 500 large cap benchmark returned 7.6% for the quarter, compared to 9.2% for the mid-cap and 6.2% for the small cap. International stocks also had strong returns. The MSCI EAFE Index returned 17.3% and the MSCI Emerging Markets increased by 9.7%. In fixed income, long-term interest rates remained relatively stable. Bond performance was aided by lower investor concerns about rising inflation. US high yield and corporate investment grade bonds led positive performance.

The market value of the Fund was \$12,007,512 as of December 31, 2022. No rebalancing of asset classes is needed. Income and appreciation for the quarter totaled \$643,726. Total fund gross return

for the quarter was 5.64% vs the total fund gross policy return of 6.03%. For the previous one year period, return was -16.63% compared to a policy return of -14.49%. For the quarter, total equities returned 9.77% compared to the policy index of 9.03%. Fixed income returned 2.16% vs the policy index of 1.87%. Total real estate returns were -5.42% for the quarter with the policy index return at approximately -5.0%. For the previous one year period, the ARA Core Property Fund returned 9.33%, compared to the gross policy return of 13.99%.

2) American Realty Advisors (Richelle Cook, Senior Vice President)

Ms. Cook stated that American Realty Advisors is a diverse and targeted real estate fund, which started in 1987. It is 100% employee owned. It manages \$13 billion in assets. Gulfport General is an investor in its Core Property Fund, which has \$8.7 billion in assets. The Core Property Fund focuses in industrial, residential, office, retail, and specialty sectors such as self-storage. The Fund has no exposure to regional malls, outlets, or stand-alone retailers. The pension plan has invested \$500,000, and the net value of that investment was \$741,485 as of September 30, 2022. Anticipated gross annual return is 7-9%. The Core Fund has provided positive net returns in 16 of the past 18 years. There is presently a que to get in and out of the fund.

B. Actuary Report (Sara Carlson, Foster & Foster)

1) October 1, 2022 Actuarial Valuation

Ms. Carlson presented the results of the October 1, 2022 Actuarial Valuation. The minimum required contribution as a percent of the projected annual payroll was calculated to be 25.4%, an increase from 24.9% in the previous valuation. The City Required Contribution rate is 12.7%, a 0.5% increase from the previous valuation. Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of the actuarial loss included an investment return of 4.34% (Actuarial Asset Basis) which is less than the 7.15% assumption and an average salary increase of 11.40% exceeding the 5.50% assumption.

The unfunded actuarial accrued liability is \$2,236,690, with the funded ratio of the plan being 85.8%.

Michael Vandenberg made a motion to approve the October 1, 2022 Actuarial Valuation. Daniel Liedtke seconded the motion, approved by the Trustees 4-0.

2) Special Actuarial Analysis

The Board then reviewed and discussed a requested special actuarial analysis dated January 18, 2023. The analysis presented the impact of changing the benefit accrual rate to a static 3.0% for all service, and amending the requirements for Normal Retirement eligibility to be the earlier of 1) age 55 and 10 years of Credited Service or 2) 25 years of Credited Service, regardless of age. City Manager James O'Reilly was available to answer any questions on behalf of the City.

After discussion of the current benefit structure, as well as the possible changes to that structure the following motion was made:

Michael Vandenberg made a motion to authorize plan counsel to draft a proposed ordinance for a static 3.0% benefit accrual rate for all service, normal retirement eligibility of age 55 and 10 years of credited service or 25 years of credited service, regardless of age, with all future State premium tax to be used by the City in funding benefits, and increase in the employee contribution rate to 8.5%. Daniel Liedtke seconded the motion, approved by the Trustees 4-0.

Foster & Foster was authorized to prepare an actuarial impact study based upon the motion of the Board.

3) Declaration of Returns

Michael Vandenberg made a motion that based on the advice of its consultant, the Board declares that it expects the total expected annual rate of investment return for the fund next year, the next several years and the long-term thereafter, shall be 7.15%. Larry Tosi seconded the motion, approved by the Trustees 5-0.

C. Attorney Report (Scott Christiansen, Christiansen & Dehner)

Mr. Christiansen indicated that Larry Tosi's term is scheduled to end April 20, 2023. City Clerk Lesley DeMuth has been notified on Mr. Tosi's interest in continuing on the Board. She stated that she will notify City Council.

Mr. Christiansen informed the Board that Ordinance 2022-10 had received final consideration on November 1, 2022 and was approved by City Council.

Mr. Christiansen informed the Board of the ability of active members of the Plan, who have attained normal retirement age, to pre-select a benefit option that would be in effect should they die prior to retirement. He stated that at retirement, members would then elect a benefit option to take effect in their retirement. He created a form (Form PF-29) entitled Member's Pre-Retirement Election of Benefit Option, which has been distributed to the Board.

D. Administrator Report (Dale Everhart, Resource Centers)

Mr. Everhart presented the Fiscal Year 2021-2022 Administrative Expense Report.

Daniel Liedtke made a motion to approve the Fiscal Year 2021-2022 Administrative Expense Report. Michael Vandenberg seconded the motion, approved by the Trustees 4-0.

Mr. Everhart informed the Board that Resource Centers retained an outside auditor to perform a System and Organization Control Audit, also known as a SOC 1 Type 2 Audit. The Audit provides

reasonable assurance that controls at Resource Centers are operating effectively and appropriately protecting client data. These controls are tested in the course of the audit. The auditor identified no exceptions, meaning Resource Centers has a completely clean audit report.

4. PLAN FINANCIALS

A. Disbursements: Warrant dated January 19, 2023

Daniel Liedtke made a motion to approve the warrant dated January 19, 2023. Michael Vandenberg seconded the motion, approved by the Trustees 4-0.

B. Benefit Approval Dated January 19, 2023

The Board reviewed the Benefit Approval document.

Michael Vandenberg made a motion to approve the Benefit Approval document dated January 19, 2022. Larry Tosi seconded the motion, approved by the Trustees 4-0.

5. OTHER BUSINESS

There was no other business.

6. PUBLIC COMMENT

There was no public comment.

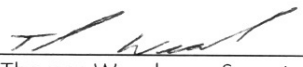
7. SCHEDULED NEXT REGULAR MEETING

Thursday, April 20, 2023 at 4:00PM

8. ADJOURNMENT

The meeting adjourned at 5:40pm.

Respectfully submitted,



Thomas Woodman, Secretary