

**MINUTES OF MARCH 10, 2022 CITY OF ALEXANDRIA  
FIREFIGHTERS AND POLICE OFFICERS PENSION BOARD  
DUE DILIGENCE MEETING**

**PRESENT:**

<u>Members</u>	<u>Others</u>
Patrick Evans <sup>1</sup> (Fire)	Lauren Albanese, Public
Jean Kelleher <sup>1</sup> (Management)	John Kevin Balaod, Public
Jesse Maines (Management)	Lynda Barbieri-Strain, Supplemental Retirement Board
Shirl Mammarella <sup>2</sup> (Alternate – Police)	Kelsea Bonkoski, Supplemental Retirement Board
Ed Milner, Chair (Police)	Adriana Bradford, Staff
Jason North (Police)	Barry Bryant, Consultant
Laura Triggs <sup>2</sup> (Management)	Kadira Coley, Staff
Sharon Vaughan-Roach (Management)	Kevin Condy, Consultant
	Patrick Coyle, Investment Consultant
	Kevin Dunne, Investment Consultant
	Jina Edwards, Supplemental Retirement Board
	Robert Gilmore, Supplemental Retirement Board
	Pam Herkes, Investment Consultant
	John Kendall, Investment Consultant
	Jeff Kuchta, Consultant
	Nicole LaPoint, Staff
	Arthur Lynch, Staff
	Tulsi May, Investment Consultant
	James Mikell, Supplemental Retirement Board
	Brendan Murphy, Investment Consultant
	Theresa Nugent, Staff
	Jim Parajon, City Manager
	Lindsay Rosner, Investment Consultant
	Steve Roth, Consultant
	Scott Sweitzer, Investment Consultant
	Kendel Taylor, OPEB Board

<sup>1</sup>Technical Corrections and Plan Document Review Committee

<sup>2</sup>Vendor & Service Provider

Absent:

Dylan Kempton (Fire)

Rick Muse<sup>2</sup> (Alternate – Fire)

**CALL TO ORDER**

The meeting was called to order at 8:49 AM Thursday, March 10, 2022 without a quorum.

**MEETING RECORD**

Meeting minutes were approved once a quorum was attained.

Ms. Mammarella made a motion to:

Approve the December 9, 2021 minutes.

Mr. Evans seconded the motion. The motion was unanimously approved (6–0).

## **FINACIAL & QUARTERLY REPORT REVIEW**

Dahab reviewed their quarterly report and went over the markets during the fourth quarter of 2021.

- Inflation is up 7% an all-time high.
- The inflation increase is due to both temporary and constant factors.
  - Temporary factors include shifts in buying power due to Covid and economy shutdowns.
  - Constant factors include oil and food price increases that likely will not go down.
- The Fed is backing off from raising interest rates due to the Russian conflict.
- Highest real estate return in a while of 8%.
- The average pension plan portfolio is up 4.1%.
- The fund had a 3.6% return ranking in the 69<sup>th</sup> percentile.
- The asset allocation is in line with the average performance but manager performance hurt the Funds overall performance.
  - Polen was below the benchmark.
  - Brandes was below the benchmark.
  - Hardmen Johnson was below the benchmark.

The meeting was officially called to order at 10:19 AM when a quorum was attained.

## **RUSSIAN EXPOSURE EXHIBIT**

Dahab reviewed the Funds exposure to Russian assets.

- Russian securities are not currently trading and may not trade for the foreseeable future.
  - Prior to the markets closing everyone tried to sell off Russian stocks.
- The portfolios have some Russian exposure in regard to oil and foreign equity.
- The Plan holds about ¼ a point of Russian assets.
- Hamilton Lane does not hold any Russian stocks that it knows of but is reviewing their underlying portfolios to make sure.
- Research Associates, Brandes, Wellington, and BNY Mellon have no Russian exposure.
- Ms. Kelleher asked how the ruble value versus the dollar is affecting the plans.
  - Mr. Bryant explained that the ruble doesn't mean anything to the plans, the value of the dollar is increasing so the cost of Russia importing goods from the US is more expensive.
  - Mr. Condy explained that many assets in Russia held in foreign banks are frozen and companies such as Apple Pay and Google Pay have backed out of Russia.
- Ms. Triggs requested that in the next meeting Dahab highlight the managers that they thought would protect the Plans on the downside.

## **ASSET ALLOCATION STUDY PREPERATION**

Dahab reviewed a presentation explaining the asset allocation process, asset classes and equity types in preparation for later this year.

- Ms. Mammarella asked why fixed income is called fixed income if it changes over time.
  - Fixed income is fixed in the sense that if you buy a bond for 5% return you are guaranteed at least that 5% return.
- Ms. Mammarella asked what considerations are taken during the study to account for the current changing market.
  - The study used for the asset allocation is a 20-year study which encompasses a lot of ups and downs in the market as well as current trends and events. There is a future model and a historical model and

due to the long period things do not change as much as you would think.

### **MANAGER PRESENTATION – PIMCO FIXED INCOME (KEVIN DUNNE, TULSI MAY)**

- Kevin Dunne introduced himself, his team, the nature of their business and experience.
- Ms. Mammarella asked if ESG should be reevaluated due to the changing economy and Russia.
  - ESG is a fluid conversation and changes based on current data, but it is never a conversation that is not important to have.
- Ms. Kelleher asked if the sustainability approach when choosing investments subsides when looking into a bargain and become less of a consideration.
  - ESG is looked at in all funds but at the end of the day the most important objective is to provide returns, so no strategy is directly focused on ESG.

### **MANAGER PRESENTATION – PRUDENTIAL (PGIM) (PAMELA HERKES, LINDSAY ROSNER, SCOTT SWEITZER)**

- Pamela Herkes introduced herself, her team, the nature of their business, and experience.
- Mr. Bryant made a note that the PGIM fixed income investment is more aggressive than PIMCO's and outperforms over longer period of times however in hard times PIMCO's investment performs better.
- Mr. Condy asked what the nonrated assets are.
  - Nonrated assets are generally smaller assets such as a hotel in NY that will not spend the money to get rated so Prudential rates them internally.
- Ms. Coley inquired about the organizations approach to sustainability and ESG principles.
  - Prudential has launched two ESG funds and have a proprietary ESG rating system using their credit analyst to give an impact score to funds invested in.
  - Every bond has a rating from 0-100 scale in 5-point increments and use those ratings to come up with a threshold for investment.

### **MANAGER PRESENTATION – STANDISH BYN MELLON (PATRICK COYLE, BRENDEN MURPHY)**

- Patrick Coyle introduced himself, his team, the nature of their business and experience.
- Ms. Coley inquired about the organizations approach to sustainability and ESG principles.
  - Being UK based, the UK has been ahead of the US when focusing on ESG. ESG is part of the investment process and analyst are looking at the companies that make conscious decisions towards ESG. They have dedicated resources focused on ESG.
- Ms. Kelleher asked about the workplace composition.
  - The workplace is fairly diverse and focuses on ensuring they hire from a diverse background of people.

### **DC PLANS OVERVIEW - & CO (JEFF KUTCHA)**

Mr. Kutcha's report was postponed until the next meeting in the interest of time.

- Ms. Mammarella wanted to know if they had reviewed the ICMA-RC/Mission Square platform and if they had any recommendations.
  - Mr. Kutcha briefly explained that their quarterly report has performance metrics that they use to look review the vender. They have highlighted funds that are not currently meeting criteria and funds that have not matched criteria for more than 4 quarters and they have recommendations for those. Most of the funds offered meet criteria.

## **ADMINISTRATORS REPORTS**

### **Regular Investment Reports**

Reports were included in the Board Packet. No rebalancing was recommended.

### **Cash Flows Reports**

Reports were included in the Board Packet.

### **Other Items**

Education, seminars, conferences & training

- Upcoming virtual and in-person training opportunities were included in the packet.
  - Ms. Kelleher asked if there has been any changes to travel approvals.
    - Ms. Triggs stated that the City Manager is looking into the situation and guidance should be out soon.

Annual Updates

- Retirements by year included in the Board packet.
- Lump sums by year included in the Board packet.

## **COMMITTEE REPORTS**

### **Technical Corrections and Plan Document Review Committee**

No report was given.

### **Vendor & Service Provider Review Committee**

No report was given

## **OLD BUSINESS**

None

## **NEW BUSINESS**

2022 COLA was included in the Board packet.

## **NEXT MEETINGS**

- a. Thur. April 14<sup>th</sup> at 8:45 AM – Interim Meeting
- b. Thur. May 12<sup>th</sup> at 8:45 AM – Interim Meeting
- c. Thur. June 9<sup>th</sup> at 8:45 AM – Joint Due Diligence Meeting

## **ADJOURNMENT**

The meeting adjourned at 12.32 PM with no quorum.

## **HANDOUTS**

### **Distributed to Board members in the Board Packet:**

Agenda
Minutes of Prior Meeting
Russian Exposure Email
Monthly Investment & Rebalancing Report
Volatility Report
Private Equity Cash Flow Reports
Real Estate Cash Flow Report
Timber Cash Flow Report
Upcoming Education Sessions
Retirements by Year
Lump Sums by Year
2022 COLA

### **Distributed to Board members at the meeting:**

Dahab Performance Review December 2021
PIMCO Due Diligence Presentation
Prudential Due Diligence Presentation
BNY Mellon Due Diligence Presentation
& Co Performance Review December 2021
Dahab Asset Allocation