

**MINUTES OF JUNE 9, 2022 CITY OF ALEXANDRIA
FIREFIGHTERS AND POLICE OFFICERS PENSION BOARD
DUE DILIGENCE MEETING**

PRESENT:

<u>Members</u>	<u>Others</u>
Patrick Evans ¹ (Fire)	Lauren Albanese, Public
Jean Kelleher ¹ (Management)	John Kevin Balaod, Public
Jesse Maines (Management)	Lynda Barbieri-Strain, Supplemental Retirement Board
Shirl Mammarella ² (Alternate – Police)	Kelsea Bonkoski, Supplemental Retirement Board
Ed Milner, Chair (Police)	Adriana Bradford, Staff
Jason North (Police)	Barry Bryant, Consultant
Laura Triggs ² (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

¹Technical Corrections and Plan Document Review Committee

²Vendor & Service Provider

Absent:

Dylan Kempton (Fire)

Rick Muse² (Alternate – Fire)

CALL TO ORDER

The meeting was called to order at 8:51 AM Thursday, June 9, 2022 without a quorum.

MEETING RECORD

Meeting minutes were approved once a quorum was attained.

Ms. Triggs made a motion to:

Approve the April 14, 2022 minutes.

Ms. Kelleher seconded the motion. The motion was unanimously approved (6–0).

DC PLANS OVERVIEW

- Jeff Kuchta, & Co Associates reviewed the 12/31/2021 and 3/31/2022 returns and performance reports.
- Mr. Kuchta walked the Boards through their dashboard and their recommendations.
 - & Co recommends moving from the existing Invesco REIT fund to Vanguard REIT fund.
 - They noted that PIMCO All-Asset and High Yield funds underperformed the index but noted this not a major concern at this time.
 - They noted that the All-Asset fund is compared to hedge funds index which may not be a perfect fit. Noted it is more important to review that the fund is well diversified and that the fees are reasonable.

Ms. Kelleher and Ms. Taylor arrived at 9:13 am.

FINACIAL & QUARTERLY REPORT REVIEW

Dahab reviewed their quarterly report and went over the markets during the first quarter of 2022.

- The average pension plan portfolio return was -3.7%.
- The fund had a -6.3% return ranking in the 96th percentile.
- Active management underperformed leading to a poor quarter.
- Growth also did well and the portfolio is short growth so this also contributed to the underperformance.
- Global bond manager is the only manager who outperformed.

Dahab presented a history of the FED including the background of world banking system, the primary responsibilities, the tools at its disposal.

Mr. Bryant led a discussion about whether the economy was headed for recession and if the portfolio is prepared to withstand a recession if it comes.

The Board engaged in a discussion about active versus passive management.

MANAGER PRESENTATION – Wellington (Claire Lewis & Sara)

- The team introduced themselves, their team, the nature of their business and experience.
 - They noted that had a CEO change in July 2021.
 - They also walked through their investment strategy.
- Past year performance down 15.5% compared to benchmark being down 11%
 - On page 19 of their presentation, they presented the key drivers of their prior year performance
 - One driver was Russia and the Ukraine war. They noted they were overweight Russia but trimmed exposure to energy when the invasion happened. They were not able to trim enough once the damage had been done.
 - China had also been a challenge for them. They had been overweight China and had averaged 6% of the portfolio. Today exposure has been reduced to 4%.
 - They noted their industry analysts do not pay attention to the location. Country exposure is driven by bottom-up choice.
- Mr. Milner as if there was an exit strategy related to China/Taiwan since they had “gotten it wrong with Russia”?

- Wellington focuses on a bottom-up choice so there was no specific exit strategy.
- The Board expressed some concerns about the lack of plan or lessons learned from Russia.
- Wellington was asked if there were any limitations their exposure to China.
 - They are limited to 10% over the benchmark. Benchmark exposure is 30% and the portfolio is 36%. However, China and Taiwan together make up 48% of the portfolio.
- Board members expressed a need for Wellington to provide a concrete contingency plan related to the exposure to China and Taiwan.
 - Mr. Bryant noted they re “the best in the business and have good numbers throughout the firm”
 - Given the trustees concerns about their contingency plans Mr. Bryant walked the Board through their options which included moving the index (which would still include significant exposure to China) or move to another active manager who would likely also have significant exposure to China.
- Mr. Bryant will follow-up with Wellington to get details on when and what happened in terms of Russia and more details on their plans related to China.

MANAGER PRESENTATION – Hardman Johnston (Jim Pantone)

- Mr. Pantone introduced himself, his team, the nature of their business, and experience.
- Hardman Johnston noted that they had had a difficult quarter and year. They attributed this to rising interest rates, increasing inflation, increasing wages and war.
- The manager described their investment philosophy and the impact of the different types of markets. They noted there had been seven value environments since 1993 and their product always rebounded.
- Portfolio had no Russia exposure

Ms. Triggs arrived at 11:05am. The meeting was officially called to order when a quorum was attained.

INVESTMENT POLICY STATEMENT

Dahab presented an updated investment policy statement for both Boards. The major changes included adding an ESG section for all equity managers and the consolidation of the Hamilton Lane private equity funds into one section. The investment policy statement is intended to be reviewed annually.

- Ms. Triggs noted that by 2021 there is a recommendation that the City investments establish sustainability criteria.
 - Ms. Coley reminded the Board that part of strategy to attain this goal is talking with and asking managers about their approach to sustainability.

Ms. Mammarella made a motion to:

Approve the Investment Policy Statement.

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

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

- The education listing was provided 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

ADJOURNMENT

The meeting adjourned at 12.10 PM.

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