

**MINUTES OF OCTOBER 5, 2022 RETIREMENT BOARD
CITY OF ALEXANDRIA
SUPPLEMENTAL RETIREMENT BOARD
INTERIM MEETING**

PRESENT:

<u>Members</u>	<u>Others</u>
Lynda Barbieri-Strain ² , (General Schedule)	Barry Bryant, Consultant
Jina Edwards (General Schedule)	Kadira Coley, Staff
Robert Gilmore ¹ (Deputy Sheriff) – via zoom	Denise Cummings, Staff
Julian Gonsalves (Management)	Catisha Jackson, Staff
Jean Kelleher ¹ (Management)	Arthur Lynch, Staff
James Mikell (Medics/Fire Marshal)	
Kendel Taylor (Management)	

¹Technical Corrections and Plan Document Review Committee

²Vendor & Service Provider

Absent:

Kelsea Bonkoski (Medics/Fire Marshal – Alternate)

Jesse Maines (Management)

Lillian Vagnoni (General Schedule)

Valarie Wright² (Deputy Sheriff- Alternate)

CALL TO ORDER

The meeting was called to order at 8:50 AM on Wednesday, October 5, 2022.

MEETING RECORD

Meeting minutes were approved.

Ms. Barbieri-Strain made a motion to:

Approve the March 10, 2022 and April 6, 2022 minutes.

Mr. Mikell seconded the motion. The motion was approved (3–0; Mr. Gonsalves abstained).

Ms. Edwards arrived at 8:56am.

ADMINISTRATORS REPORTS

Regular Investment Reports and Cash Flow Reports

Staff recommended rebalancing.

Ms. Barbieri-Strain made a motion to:

Approve the Staff’s rebalancing recommendation: Sell 1.1M LCV Brandywine, 1M MCC Champlain, 1M EM PIMCO RAE, 2M GFI Standish, Buy 5.1M Prudential Cash

Mr. Gonsalves seconded the motion. The motion was unanimously approved (5–0).

COMMITTEE REPORTS

Technical Corrections and Plan Document Review Committee

No report was given.

Vendor & Service Provider Review Committee

No report was given.

Other Items

Education, seminars, conferences & training

- Upcoming training opportunities were included in the Board packet.

OLD BUSINESS

Investment Policy Statement

- The IPS was discussed at a previous meeting but the Board did not have a quorum.
- Mr. Bryant summarized the changes:
 - Added how managers would act in certain markets
 - Added ESG to all managers where applicable
 - Merge all the Hamilton Lane strategies into one page

Ms. Barbieri-Strain made a motion to:

Approve the Investment Policy Statement.
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Ms. Edwards seconded the motion. The motion was unanimously approved (5–0).

- The Board will review the IPS again in March 2023. At that time the IPS will be updated for changes to the asset allocation study.

Ms. Taylor arrived at 9:13 am.

NEW BUSINESS

Elections

Nominations are open for the employee representation Board positions that are currently vacant or whose terms end on 12/31/2022. An announcement has been placed on Alex Net. The Board currently has vacancies for two deputy sheriff positions and three general schedule positions. Elections will be held at the November or December Board meeting. The nomination announcement and election procedures were included in the board packet.

ASSET ALLOCATION STUDY

- Dahab presented an overview of asset allocation booklet and the study’s methodology. Mr. Bryant also discussed some additional considerations and/or concerns.

- Implementation and administration concerns - Increasing private equity would mean a new private equity manager / legal concerns and increased calls.
- Liquidity concerns – Real estate liquidity concerns in past based on sharp declines, but declines are not the concern now but there are liquidity concerns now.
- Current portfolio is 20% illiquid, one of the sample options is as much as 35% illiquid
- If needed money and could not touch illiquid assets would otherwise have to rundown fixed income and midcap.
- Real Assets are not marked to market – may help markets in downturns gives a smoothing effect. Illiquid assets make reporting a little less current (Currently showing previous quarter with all numbers)
- Market Views – not trying to time market or what we think the market will do tomorrow or
 1. Recession – FED may push into a recession, want to push to cliff and then pull back and lower interest rates. Think will play out between now and the end of next year. Thus, bonds may be a better investment now rather than in the past.
 2. Large cap domestic equity – trades at a premium, most because of FANG stocks, Leaders on this will change and may not do as well in the future
 3. Real estate is bifurcating – multi-family is doing very well, some doing well but other struggling
 4. Gap between value & growth will likely close, foreign vs Domestic is likely to close, emerging market and foreign stock are very cheap
 - Rising interest rates make the dollar stronger, dollar is strong compared to other currencies will have to normalize
- Projected scenario – is it up to date – a new set will come out at the end of the year.
- Promote steady low long term interest rates – 3rd mandate of the FED
- Talking recession for the first time because the rate of inflation has not come down. Used to think inflation was transitory but has not proven to be true. Forced FED into position of slamming breaks
- Asset Mixes
 - Mix 1 – mean return 9.6%, lowest mean return but chance to beat is the highest because of the std dev., most return for least risk
 1. Magic is that it lowers the std deviation by so much
 2. 50/50 risk vs safety
 3. 35% illiquidity (max that Dahab would be comfortable with)
 4. The illiquid assets are private equity, real estate, timber and farmland
 5. What would it look like if we had illiquids – Equity would go down and private equity would be over target, bonds run down and illiquids would be overweight, no foresee trouble paying benefits but would be out of balance,
 6. Mix 1 is the most diversified mix
 - Mix 2 – 60/40 risk to safety, mean return is 8.71%,
 1. Is having 20% fixed income a concern
 2. 30% illiquid
 - Mix 3 – more volatile
 1. Large cap growth up to 10%, 20% fixed income

- 2. Illiquidity drops to 25%
- Mix 4 – requires the least amount of change
 - 1. Not as diverse as other
 - 2. Only private equity manager, no Global Fixed Income
- 95% TV (terminal value) amount of money after 20 years in worst case scenario – corresponds to “getting heads 3x” – hit value 95% of the time
- Board discussion
 - Mr. Bryant handed out custom summary table where trustees can suggest additional mixes
 - 20 and 10 year look at historical rates and projection uses forward looking rates set by wall street
 - Mr. Gonsalves – feels the best options are mix 1 & 2 and recommended a tweak to mix 1.
 - Ms. Kelleher recommended increasing real estate and farmland, do not reduce fixed income and illiquidity lower than 35 percent.
 - Mr. Mikell ask about increasing real estate to 20%. Mr., Bryant does not recommend this much real estate because of illiquidity concerns.

Mr. Mikell left at 10:52am. The meeting lost its quorum.

- Dahab ran 5 custom mixes based on board members suggestions
- The Board agreed on the following:
 - 30% illiquidity is better than 35%
 - Like custom mix 1 and 5 – difference if 5% from Mid cap to 5% all asset
 - Keep custom 1, 3,5 and original mix 1
 - Mr. Bryant will rerun with these mixes original mix 2,3 and custom mix 1,2,3 & 5

NEXT MEETINGS

- a. Wednesday, May 4th at 8:45 AM, Interim Meeting
- b. Thursday, June 9th at 8:45 AM, Joint Due Diligence Meeting
- c. Thursday, July 6th at 8:45 AM, Interim Meeting

ADJOURNMENT

The meeting adjourned at 10:52 AM when the board lost its quorum.

HANDOUTS

Distributed to Board members in the Board Packet:

Agenda
Minutes of Prior Meeting – March 10, 2022 [01(a)]
Minutes of Prior Meeting – April 6, 2022 [01(b)]
Notes from September 8, 2022 Meeting [01(c)]
Investment & Rebalancing Report [03(a)(i)]
Cash Flow Reports [03(a)(iii)-(vi)]
Upcoming Education Listing [2(b)(i)]
Investment Policy Statement [5(a)]
Election Announcement [6]
Board Open House Announcement [6]
Election Procedures [6]

Distributed to Board members via SharePoint:

Dahab's Asset Allocation Study
