

**MINUTES OF OCTOBER 13, 2022 RETIREMENT BOARD
CITY OF ALEXANDRIA
FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN
INTERIM MEETING**

PRESENT:

<u>Members</u>	<u>Others</u>
Patrick Evans ¹ (Fire)	
Julian Gonsalves (Management)	Barry Bryant, Consultant
Jean Kelleher ¹ (Management)	Kadira Coley, Staff
Dylan Kempton (Fire)	Denise Cummings, Staff
Katherine Key (Management)	Catisha Jackson, Staff
Shirl Mammarella ² (Alternate – Police)	Arthur Lynch, Staff
Kendel Taylor (Management)	

¹Technical Corrections and Plan Document Review Committee

²Vendor & Service Provider Committee

Absent:

Jesse Maines (Management)

Rick Muse² (Alternate – Fire)

Ed Milner, Chair (Police)

Jason North (Police)

CALL TO ORDER

The meeting was called to order at 8:50 AM on Thursday, October 13, 2022.

MEETING RECORD

Ms. Mamarella made a motion to:

Approve the September 7, 2022 minutes.

Mr. Kempton seconded the motion. The motion was unanimously approved (7–0).

ADMINISTRATORS REPORTS

Regular Investment Reports and Cash Flow Reports

- Rebalancing was recommended by staff for the pension component.

Ms. Kelleher made a motion to:

Rebalance to target based on the Staff recommendation to Sell 3 million Prudential cash, 2 million PIMCO Fixed Income, Buy 5 million Johnston.

Mr. Evans seconded the motion. The motion was unanimously approved (7–0).

- No rebalancing was recommended for the Fire and Police Disability Plan.

The Board discussed the option of allowing staff to do an automatic rebalancing without a board motion. Staff noted that current process provides a checks and balance. Mr. Bryant noted that Dahab can create a rebalancing report and staff can act on it. Staff agreed to work with Dahab to come back with a recommendation.

Other Items

Education, seminars, conferences & training

- Upcoming virtual and in-person training opportunities were included in the packet.
 - Ms. Triggs made note that there is discussion about essential travel.

ASSET ALLOCATION STUDY

- Dahab gave an overview of the asset allocation study results.
 - How the study works
 - Start with a return study
 - Start with amount of money at beginning of the year
 - Study rolls the dice (Monte Carlo study)
 - Returns a mean and std dev
 - Then gives an end of year number
 - Repeats for 20 years and provides a terminal value
 - Based on asset classes and ranges in 5% increments
 - Calculated CTB (Chance to Beat) assumption – then ranked
 - Dahab reviewed and narrowed the selections and chose the following options: CTB high, Standard Deviation low, Liquidity low and summarized final mixes into 3 groups – best performing, middle performers and less liquidity and easier implementation (private equity is complicated, challenges with contracts, administration concerns calls and distributions, RFPs)
 - Recommend split real estate no matter the asset allocation decision
- Market views
 - Fed will do what it has to do to get inflation under control – predict recession in the next 18 months. Because FED will have to overshoot before it knows it can stop
 - Domestic outperform foreign stocks for the past year, think valuation gap will close the two and also between growth and value

- Real estate is bifurcating – office is going down and no valuation, retail is going changes, some up some will never go up, has done so well over the last 10 years
- Bonds are positioned to do better, if interest rates go down then bonds will shoot up
- Mix 1 –
 - Looks almost too good to be true, risk to safety 50/50, highest return and lowest std deviation, most stable, highest returning but illiquidity is 35%, current is 20%
 - Liquidity returns – Private equity so would rearrange from mid-cap, leave in public equity; real estate, timber, farmland would take from fixed income until liquid again
 - Implementation – would recommend a second private equity manager for 5% increase
- Mix 2 –higher standard deviation (short term measure of risk)
- Mix 3 – 86% CTB, standard deviation is higher, 25% illiquidity, only 5% private equity
- Mix 4 – easiest implementation – would need new real estate and farmland manager

Mr. Bryant pass out summary table so trustees can make suggestions about an additional scenario they would like to see run

- Ms. Kelleher expressed concerns about going to 35% illiquidity – would like to limit
- Ms. Mammarella has concerns about looking at other scenarios other than those from the model and already presented by Dahab
- Board agrees 35% illiquidity is too high
- The Board discussed whether implementation be a concern when selecting asset allocation? Most of the Board agrees it should be considered
- SM likes mix 3, DK like 10% PE, JK likes some global FI,
- JK ok with 30% illiquidity
- Mix 3 5% - decrease EM and increase PE – DK and JG like it

Dahab ran two custom scenarios – alternatives to mix 3 and mix 4 and provided the results to the Board.

Ms. Mamarella made a motion to:

Select Mix 3A as the asset allocation for the Board.

Mr. Kempton seconded the motion.

Large Cap Growth 10%; Large Cap Value 5%, Mid Cap 10% Small Cap 10%, International 5%, Emerging Markets 5%, International Small Cap 5%, Private Equity 10%, Real Estate 10%, Timber 5%, Farmland 5%, Fixed Income 10%, Global Fixed Income 10%

The motion was unanimously approved (7–0).

- The next steps will be to discuss how to implement the allocation including a discussion on active versus passive management.

OLD BUSINESS

- None.

NEW BUSINESS

Elections

- Ms. Coley provided an overview of the upcoming elections. The nomination announcement has been sent out via the department communicators and is provided in the packet.

Ms. Mamarella made a motion to:

Elect Kadira Coley as the Election Administrator.

Mr. Gonsalves seconded the motion. The motion was unanimously approved (7–0).

Ms. Mamarella made a motion to:

Approve the Election Procedures.

Mr. Kempton seconded the motion. The motion was unanimously approved (7–0).

NEXT MEETINGS

- Thursday, November 10th at 8:45 AM, Interim Meeting
- Thursday, December 8th at 8:45 AM, Joint Due Diligence Meeting

ADJOURNMENT

The meeting adjourned at 11:03 AM.

HANDOUTS

Distributed to Board members in the Board Packet:

Agenda
Minutes of Prior Meeting [2(a)]
Monthly Investment & Rebalancing Report [4(a)(i)]
Cash Flow Reports [04(a)(ii) – (v)]
Education Listing [2(b)(i)]
Election Documents [7(a)]

Distributed to Board members via SharePoint:

Dahab's Asset Allocation Study

