

**MINUTES OF MARCH 14, 2024 CITY OF ALEXANDRIA  
SUPPLEMENTAL RETIREMENT BOARD  
JOINT DUE DILIGENCE MEETING**

**PRESENT:**

<u>Members</u>	<u>Others</u>
Kelsea Bonkoski (Medic/Fire Marshal - Alternate)	Barry Bryant, Consultant – Dahab Associates
Jina Edwards (General Schedule)	Kadira Coley, Staff
Robert Gilmore (Deputy Sheriffs)	Patrick Coyle, Insight Investments
Julian Gonsalves (Management)	Denise Cummings, Staff
Jean Kelleher <sup>1</sup> (Management)	Louis D’Anella, Insight Investments
Katherine Key (Management)	Patrick Evans, Fire & Police Board
Jesse Maines (Management - Alternate)	Pamela Herkes, Empower/PGIM Fixed Income
Jim Moore (General Schedule)	Catisha Jackson, Staff
Kendel Taylor (Management)	Dylan Kempton, Fire & Police Board
Dana Wedeles, (General Schedule – Alternate)	Nicole LaPoint, Staff
	Arthur Lynch, Staff
	Shirl Mammarella, Fire & Police Board
	Rick Muse, Fire & Police Board
	Jason North, Fire & Police Board
	Tom Roglieri, Empower/PGIM Fixed Income
	Steve Roth, Consultant – Dahab Associates
	Tyler Thorn, Empower/PGIM Fixed Income

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

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

**Absent:**

Cassandra Branch (Deputy Sheriff)  
James Mikell (Medic/Fire Marshal)  
Sharath Rereddy (Management - Alternate)

**CALL TO ORDER**

The meeting was called to order at 8:47 AM Thursday, March 14, 2024.

Ms. Edwards arrived at 8:50 AM, Mr. Evans arrived at 9:03 AM, Mr. Maines departed at 10:30AM

**MEETING RECORD**

Ms. Key made a motion to:

Approve the September 14, 2023 minutes.

Ms. Bonkoski seconded the motion. The motion was approved (7–0).

**MANAGER PRESENTATION – Empower/PGIM Fixed Income (Pamela Herkes, Tom Roglieri and Tyler Thorn)**

- Mr. Bryant gave an overview of Empower, its recent performance and introduced the speakers.

- Mr. Roglieri gave an overview of the risk strategy and stated that the portfolio is overweight to Collateralized Loan Obligations (CLO) and Commercial Mortgage-Backed Securities (CMBS).
- Mortgages are underweight but they have recently reduced that underweight percentage due to recent market changes.
- PGIM noted that they benchmarked to the Bloomberg Agg and expect to outperform in a full market cycle. They expect to overperform in an up market and may underperform in a down market.
- Mr. Bryant asked about the name of the PGIM and if they have changed to Empower.
  - PGIM has kept their name as they are a separate group and have chosen to keep the Prudential logo, but the Plans have access to them through Empower with the merger.

## **MANAGER PRESENTATION – Insight Investments (Patrick Coyle and Louis D’Anella)**

- Mr. Bryant gave an overview of Insight Investments, its recent performance and introduced the speakers.
- Mr. Coyle gave an overview of their portfolio and how they select investments.
- Mr. Gonsalves asked to clarify the 1-3 rating for risk taking.
  - Mr. D’Anella clarified that looking at the market right now with declining inflation and moderate growth would score more than a 1 and maybe a two. For valuation because this trend has stayed steady for a while it would be good to hold caution since this may be close to the end of the cycle. Those two factors together give a credit beta number to rank the strategy.

## **FINANCIAL & QUARTERLY REPORT REVIEW**

- Mr. Bryant gave an overview of the current market and the fourth quarter 2023 returns.
- Economic Overview
  - GDP was over 3%.
  - This was an ideal quarter with most asset classes adding significant value. The only down sector this quarter was real estate. Overall growth did better than value.
  - Interest rates are projected to decrease.
  - The quarter was good with bond returns higher than a typical year for one quarter.
- Pension fund return was 6.7% and ranked in the 77<sup>th</sup> percentile. The mean pension plan return for the quarter was 8%.
- PIMCO RAFI did well for the plan.
- Large cap manager did better than the Fire and Police large cap manager, but the fund overall did worse overall.
- Brandywine underperformed.
- Hardest for large cap growth and value to beat the market.
- Brandes is doing well right now because companies that are mid-quality are dominating the market. Champlain is not performing as well because they have very high-quality companies.
- Wellington has been underperforming, they are aware and are adjusting, but we will continue to watch for future performance.
- Mr. North asked which manager concerns you the most.
  - Mr. Bryant stated that Wellington is the most concerning currently. Dahab thought they would perform better.
- Ms. Mammarella asked what changed about Wellington.
  - Mr. Bryant stated that nothing changed but the stocks picked in China are not performing well. The person responsible for those decisions has been replaced.
  - Mr. Roth added that they had stock in Russia and did not believe Russia would invade the Ukraine so when the markets froze they were still holding Russia stocks.
  - Mr. Bryant noted that the Board asked them about the Russia investments at their last presentation prior to the invasion and they did not have much of an answer.

- Mr. Gonsalves asked if a line about could be added to the report with equity only rather than a total that includes un-investable funds.
- Mr. Gonsalves asked about Hamilton Lane and Landmark returns since they have not seemed to do well overall.
  - The numbers for private equity are lagged due to the nature of the business, since the actual numbers were not available at the time of the report, so zeros were used in their place which bring the returns down. Mr. Bryant referred the trustees to the “complete” returns from the prior quarter. He noted they are actually performing better than the benchmark.
- Ms. Mammarella asked what impact they think the Federal debt going into new highs is going to have on the economy.
  - The high debt is an issue especially with the high interest rates, eventually it’s going to sap away growth and government spending is going to have to go towards the interest or they’re going to have to tax us more.

### **FARMLAND MANAGER SEARCH**

Mr. Bryant presented the result of the farmland manager search based on an RFP completed this year for a similarly sized plan. Dahab narrowed the responses down to four managers and recommended the City use the same RFP responses. He suggested making this decision a major part of the retreat in July to decide on which manager to pick. The Board agreed to choose from these four manager finalists, an education about Farmland at the June meeting and finalist presentations as part of the retreat in July.

### **LARGE CAP GROWTH INDEX MANAGERS**

Mr. Bryant presented index fund options to the Board for their consideration der in replacement of the actively managed account by Polen. The manager search booklet included four passively managed options.

Mr. Bryant noted that he personally has is a conflict of interest with Xponance that he was not aware of prior to their presentation at last year’s annual educational retreat. The conflict was related to his son and start-up money that Xponance provided to fund a company his son has worked for.

Mr. Gonsalves made a motion to:

Transition the fund’s large cap growth monies to Xponance if they are willing to reduce their fee. If Xponance is not willing to reduce their fee the Board will choose to go with Fidelity.

Ms. Wedeles seconded the motion.

Discussion:

- Ms. Mammarella stated that the idea is the simplify everything by going to passive and Fidelity has the cheapest fees as well as being a mutual fund which would limit the Board from being asked to pick specific things to invest in or not invest in.
- Mr. Bryant suggested that each Board choose the same fund.

- Rhumblin & Xponance offer separate accounts and Fidelity and Vanguard offer mutual funds. There was discussion about how the Board would have no opportunity about investment in a mutual fund which removes any opportunity for comment or pressure for divestment. Mr. Gilmore stated that being a mutual fund should not be the deciding factor just to be able to say we don't have the power to take specific investment requests. The Board's answer should be that we are investing in an index fund, and we can't pick specific things to invest or not invest in.
  - Mr. Kempton stated that the thing he liked about Xponance is the ability to have someone speak to the Board and provide some education on the asset class.
  - Mr. Gilmore stated that Xponance had the best returns and if the Board thinks they will be the most responsive to needs they seem like the most sensible option.
  - Mr. Gonsalves favors Fidelity because they have the lowest cost and if the choice is to go passive then the lower price should be chosen.
  - Ms. Key stated that having the flexibility to make changes is something the Board would give up by going into a mutual fund.
  - Mr. Bryant noted that Xponance stated they would be willing to match the price. If Xponance dropped their fee would that change any decisions?

The motion was approved (8–0).

## **ADMINISTRATORS REPORTS**

### *Regular Investment and Cash Flow Reports*

Rebalancing report was included in the packet.

### *Other Items*

An updated education listing was provided.

- Ms. Kelleher and Mr. Muse recently attended IFEBP Investment Institute and gave an overview of the topics and what they learned.
- Mr. Muse asked that since employees are not staying with the City through retirement is the fund strong enough to accommodate that.
  - Cheiron is doing an experience study right now which will look at our actual experience and compare it to our assumptions to make sure our current assumptions are correct for the fund. Any variation from the assumed rates is captured annually in the gain and losses and then amortized.

## **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:**

None.

**NEXT MEETINGS**

- a. Wed. April 3<sup>rd</sup> at 8:45 AM – Interim Meeting
- b. Wed. May 1<sup>st</sup> at 8:45 – Interim Meeting
- c. Thur. June 13<sup>th</sup> at 8:45 AM – Joint Due Diligence Meeting

**ADJOURNMENT**

The meeting adjourned at 12:04 PM.

**HANDOUTS**

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

Agenda
Minutes of Prior Meeting
Monthly Investment & Rebalancing Report
Education Listing
Firefighters & Police Officers 2024 COLA

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

Dahab Performance Review December 2023
Empower/PGIM Fixed Income Presentation
Insight Investments Presentation
Farmland Manager Search
Large Cap Index Growth Manager Search