



**MINUTES OF MARCH 14, 2013 RETIREMENT BOARD
CITY OF ALEXANDRIA SUPPLEMENTAL RETIREMENT PLAN
INTERIM MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Shane Cochran (General Schedule)	Steven Bland, Retirement Administrator
Brenda D'Sylva (General Schedule, Alternate)	Barry Bryant, Dahab Associates (telephonic)
Bill Eger (General Schedule, Alternate)	Bryan Capelli, Retirement Specialist
Tom Gates, Chairman	Kadira Coley, Retirement Specialist
Robert Gilmore (Deputy Sheriff, Alternate)	Patrick Evans, Fire & Police Board
Nancy McFadden (Medic/Fire Marshall)	Mark Jinks, Fire & Police Board
Jean Niebauer (Alternate)	Arthur Lynch, Retirement Specialist
Marietta Robinson (General Schedule)	Rick Muse, Fire & Police Board
Morgan Routt (Management)	Shirl Mammarella Fire & Police Board
Laura Triggs (Management)	Ed Milner Fire & Police Board

Absent: Jarrod Overstreet

Note: This meeting was a joint meeting of the Boards for the Supplemental Retirement Plan and the Firefighters and Police Officers Pension Plan. The discussions reported in these minutes include comments from members of both Boards. All discussions are of value to each Board, even if the following motion did not apply to one Board. However, the motions noted in these minutes only relate to the Supplemental Retirement Board.

CALL TO ORDER

The meeting was called to order at 8:33 AM on March 14, 2013.

APPROVAL OF MINUTES

There was a motion by Ms. Triggs to:

Approve the March 6, 2013 minutes.

Mr. Routt seconded the motion.

The motion was unanimously approved (8 – 0).

ADMINISTRATOR'S REPORT

Staff began the administrator’s report with a highlight that month-end assets had reached an all-time high. Assets do not require rebalancing, but that the recent gains had been concentrated in domestic equities. If markets continued, rebalancing would be required soon.

Staff recommended the two motions on page 28 of the board packet.

There was a motion by Mr. Cochran:

1. The Fixed Income Allocation may include cash.
2. Cash will normally be kept to a minimum.
3. Cash will be reported in the monthly investment rebalancing report.
4. Cash may be raised in anticipation of upcoming cash needs.
5. The ad hoc Policies & Procedures workgroup should review the Investment Policy Statement’s references to cash levels and report to the Board any recommended changes.

Ms. Robinson seconded the motion.

DISCUSSION:

This clarifies that within limitations, holding some cash is acceptable.

The motion was unanimously approved (8 – 0).

There was a motion by Mr. Gilmore that:

1. Cash calls for the Real Asset partnerships will be funded by Fixed Income.
2. Distributions (dividends, interest, capital gains, rent, etc.) from Real Assets (farmland, real estate, and timber) will be allocated to Fixed Income.

Mr. Cochran seconded the motion.

DISCUSSION:

Farmland, Real Estate, and Timberland investments shall collectively be referred to as "Real Assets." Fixed Income and Real Assets will be combined for liquidity purposes and collectively referred to as the "Income Component."

Target Allocations for all asset classes remain unchanged, specifically for the Income Component:

- Fixed Income 20%
- Real Estate 5%
- Timberlands 5%
- Farmland 2%

The motion was unanimously approved (8 – 0).

Staff discussed the new monthly Real Estate Cash Flow Report. It follows the format of the timber and private equity cash flow reports. Until recently all distributions were reinvested. Cash flows to the plan began in fourth quarter 2012.

EDUCATION: SEMINARS, CONFERENCES, AND TRAINING

Mr. Cochran made a motion that:

The Supplemental Retirement Plan provide standing instructions to provide 40% of the cost to send staff to the semi-annual AMRSVA meetings.

Ms. McFadden seconded the motion.

DISCUSSION:

- 1) The registration costs have been less than \$200 for the two day meetings and \$300 for the three day meetings.
- 2) Traditionally, we have split investment based expenses in proportion to plan assets, and administrative based expenses closer to 50/50. The AMRSVA conferences support both investment and administrative education. Therefore, Staff recommend the expense split be a melding of the two:
 - 50% Fire & Police Pension
 - 5% Fire & Police Disability
 - 40% Supplemental Retirement Plan
 - 5% Post-Employment Benefit Trust

The motion passed unanimously (8-0).

FOLLOW-UP ITEMS

Staff said it had made steady progress on the follow up items. There was an expectation that responders to Dahab’s timber RFP will attend the April 11th meeting.

Mr. Bryant was connected via telephone at 8:50 AM.

OLD BUSINESS

POLICY STATEMENT ON LIQUIDITY

Staff discussed handout 3(a), Liquidity – the Big Picture (page 42). The key points are:

- Illiquid investments tend to have higher return than liquid investments
- Illiquid investments often provide increased diversification to a portfolio because of low correlations to domestic equities.

- Illiquid assets tie up money for long periods of time.
- Illiquid assets tie up money for indeterminate periods of time.
- There are a number of ways a portfolio may address illiquidity.

Handout 3 (a) Exhibit 2 (pages 43-44) is from Dahab Associates' asset allocation modeling programs. Page 1 is the original. Staff reformatted it into page 2 to enhance readability and focus on a subset of the document. This handout verifies the bullet points above.

Handout 3(a) Exhibit 3 (page 45) displays the average illiquid assets in statewide pension plans from 2001 through 2011. It currently is above 20%. It has increased significantly through this period.

Staff said that the extent of illiquidity varies enormously. For example, timber might lock up funds for ten years and real estate for less than a year. Handout 3(a) Exhibit 3.1 (page 46) is an email documenting the withdrawal limitations of PRISA.

Handout 3(a) Exhibit 4 is an excerpt of the plan's Investment Policy Statement. The statement was considered too brief and should be expanded.

Handout 3(a) Exhibit 5 is staff's Liquidity/Illiquidity Draft Policy Guidelines and Examples. The idea is to provide a checklist of considerations for review while considering an incremental allocation to an illiquid asset class.

A few of the points mentioned were:

- The degree of illiquidity varies substantially from asset to asset.
- The quality of projected cash flows is dependent upon the veracity of the plan sponsor's funding history. In this case, the City has a history of funding in full, so projections based on employer contributions are well-founded.
- Substitutes may or may not be available, and may or may not be acceptable. For example, REITS are publicly traded securities that own real estate. They are liquid. However, they may trade more like stocks than direct real estate.
- The timing of cash flows may be concentrated or rather disbursed.
- There are a number of approaches for dealing with illiquidity.

PRIVATE EQUITY

Ms. Triggs made a motion to:

Commit \$6 million to Hamilton Lane's Secondary Fund III subject to legal review of the contract by the City Attorney

Mr. Routt seconded the motion.

DISCUSSION:

Staff should demonstrate \$6 million is a reasonable amount consistent with the plan's Investment Policy Statement and target allocation. This should be brought to the April 3 meeting.

The motion was unanimously approved (8 - 0).

ENHANCED INDEXING

Staff introduced enhanced indexing saying that the Supplemental Retirement Plan utilized this strategy in its small cap mandate. Also, while the board had education on a variety of asset classes, it had not much education on the many strategies and methods that an investment manager may use within an asset classes.

Handout 3(c) (pages 65-69) provided a schematic on enhanced indexation. Futures are used to provide market exposure. The futures might be backed by risk free T-Bills, but in enhanced indexation they are backed by another fixed income product with higher return expectations.

NEW BUSINESS

There was no new business.

TOPICS FOR FUTURE MEETINGS

Staff suggested the manager presentation May 9th be PIMCO. They would speak to on their total return fund and provide education on some fixed income topics.

Handout 5(b) is a draft agenda for the June 13, 2013 Board Retreat. Staff asks trustees to provide feedback on desired topics, or future projects that might benefit from educational topics. If trustees have suggestions for board education they should please forward them to staff and/or the Chairman.

NEXT MEETINGS

April 3, Wednesday, 8:30 AM, Interim Meeting

April 11, Thursday, 8:30 AM, Interim Meeting – joint meeting fir Fire & Police Board

May 1, Wednesday, 8:30 AM, Interim Meeting

May 9, Thursday, 8:30 AM, Due Diligence Meeting – joint meeting with Fire Police Board

June 13, Thursday, 8:30 AM – all day, Board Retreat – joint meeting with Fire Police Board

July T.B.D., 8:30 AM, Interim Meeting

August 7, Wednesday, 8:30 AM, Special*

September 12, Thursday, 8:30 AM, Due Diligence Meeting – joint meeting with Fire Police Board

October 2, Wednesday, 8:30 AM, Interim Meeting

November 14, Thursday, 8:30 AM, Due Diligence Meeting – Joint meeting with Fire Police Board

December 4, Wednesday, 8:30 AM, Interim Meeting

ADJOURNMENT

Mr. Cochran made a motion to:

Adjourn the meeting of the Supplemental Retirement Board.

Ms. McFadden seconded the motion.

The joint meeting with the Supplemental Board ended at 10:55 AM.

HANDOUTS

Distributed to Board members at the meeting:

1. Agenda
2. Minutes of Prior Meeting [1(a)]
3. Administrator’s Report Cover Memo [2(a)]
4. Monthly Investment & Rebalancing Report [2(a)(i)]
5. Recommended Motions [2(a)(i)(1)] REVISED (now includes F&P)
6. Cash Flow Report [2(a)(iii)]
7. Private Equity Report Cash Flows [2(a)(iv)]
8. Real Estate Report Cash Flows [2(a)(v)]
9. Administrator’s Follow-Up Items Report [2(b)(ii)]
10. Liquidity – The Big Picture [3(a)-Exhibit 1] REVISED
11. Asset Allocation Assumption (Dahab) [3(a)-Exhibit 2]
12. NASRA – Asset Allocation Survey [3(a)-Exhibit 3]
13. Real Estate & Liquidity [3(a)-Exhibit 3.1] NEW EXHIBIT
14. Investment Policy Statement on Liquidity [3(a)-Exhibit 4]
15. Liquidity/Illiquidity Draft Policy Guidelines & Examples [3(a)-Exhibit 5]
16. Hamilton Lane – Horizon Model Analysis [3(b)]
17. Hamilton Lane Primary Fund VIII Allocations [3(b)-Exhibit 2] NEW EXHIBIT
18. Future Markets [3(d)]
19. June Board Retreat DRAFT Agenda [5(b)]