

**MINUTES OF APRIL 11, 2013 RETIREMENT BOARD  
CITY OF ALEXANDRIA SUPPLEMENTAL RETIREMENT PLAN  
INTERIM MEETING**

**PRESENT**

<u>Members</u>	<u>Others</u>
Shane Cochran, Secretary, (General Schedule)	Steven Bland, Retirement Administrator
Brenda D'Sylva (General Schedule)	Bryan Capelli, Retirement Specialist
Bill Eger (General Schedule, Alternate)	Tim Cayen, Hancock Timber Resources Group
Tom Gates, Chairman	Kadira Coley, Retirement Specialist
Jean Niebauer (Alternate)	Michael Cross, Fire & Police Board
Marietta Robinson (General Schedule, Alternate)	Patrick Evans, Fire & Police Board
Morgan Routt (Management)	Mark Jinks, Fire & Police Board
	Arthur Lynch, Retirement Specialist
	Shirl Mammarella, Fire & Police Board
	Edgar Marshall, Molpus Woodlands Group
	Theresa Nugent, Communications Specialist
	Thomas Sarno, Hancock Timber Resources Group
	Al Tierney, Fire & Police Board

Absent: Robert Gilmore  
Nancy McFadden  
Jarrod Overstreet  
Laura Triggs

**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 10:13 AM on April 11, 2013. This segment of the meeting was a joint meeting with the Firefighter & Police Officer Board.

**APPROVAL OF MINUTES**

There was a motion but there was no quorum. This item will be brought up at the May 1 meeting.

**TIMBER**

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Mr. Bryant distributed a handout on the timber RFP, *Timber manager Search, April 11, 2013*. Mr. Bryant wants to have two managers to diversify. Staff pointed out that diversification comes from investing in properties in partnerships staggered over a series of vintage years.

#### Molpus Woodlands Group

Mr. Marshall from Molpus Woodlands Group introduced himself and his firm. He distributed a booklet, *Timberland Investments, April 2013*. Molpus is an integrated Timber Investment Management Organization. They currently manage over \$1 billion in assets.

Page two displays their “Pillars of Success.” They believe Molpus adds value through being vertically integrated, focusing employees through incentives, quality software, and a disciplined acquisition process.

Page three displays performance. Page four includes a corporate timeline. Pages five and six have org charts.

The map on page seven shows company offices, investments, and areas of timber concentration.

Pages eight through eleven discuss why this is a good time to buy timber. The Board asked about the Pine Beetle infestation in British Columbia.

Pages twelve through fourteen explain Molpus’ approach to building their portfolio. They intend to invest half the assets into land with smaller younger trees and half into larger, more mature trees. They will thin and fertilize trees to enhance growth. They will seek higher and better use opportunities, but they do not underwrite for it. Fund III was roughly half softwoods and half hardwoods.

Page sixteen discusses risk management. They prefer to buy near many mills so there is competition for the logs. Molpus estimates they lose about 1/10<sup>th</sup> % of their trees annually to weather, infestation and other natural hazards.

There was a discussion of leases versus ownership.

Page seventeen includes the fund’s terms.

Ms. Niebauer asked about environmental fines. Molpus had none. They work with consultants to assure acquired land is free of environmental entanglements; then they implement environmentally sustainable practices.

Mr. Cochran asked about drought. Mr. Marshall said this was a problem with smaller trees, not larger ones. Periodically they do have to replant. If an area is particularly sensitive they will adjust spacing between plans and species selection.

Mr. Marshall left the meeting. Mr. Sarno & Mr. Cayen joined the meeting at 11:15.

#### Hancock

Mr. Sarno and Mr. Cayen introduced themselves and their firm. They distributed a booklet on timber.

**DRAFT**

**DRAFT**

**DRAFT**

Page three contains an overview of the firm's partnerships' size and diversification. They have invested internationally for twenty years.

Page four indicates a plan for broader diversification in international than existing partnerships.

Page five has an org chart. They have separate acquisition and selling teams.

Page six shows statistics for the City's current investments in Fund X, and page seven their location. The best acquisition was in taking public property private.

Brazil has provided land ownership challenges. It is best to find a business partner from Brazil. Staff asked if Hancock finds the right partner how much are they willing to invest in Brazil. Hancock is willing to invest around 25% of the partnership in Brazil.

Ireland may privatize some national forests.

There were questions about leasing land versus ownership. Some trustees believed a lease offered little land appreciation. Hancock said the leases were for 99 years. They are often renewable and transferable. The lease may share in the land appreciation. Also, historically, the greatest value from timber investments is from timber appreciation and timber growth, not from land price appreciation.

Page eight displays Fund XII objectives.

The map on page nine explains that the bulk of the world's investable forestland is in the United States. The fund will focus on Australia, New Zealand, and Brazil. They will consider Chile Uruguay, Ireland, Sweden, and Finland. The concerns about Brazil are confiscation and previous land appreciation.

Mr. Cochran asked about environmental screening and third party certification. Hancock has over 99% certified.

Ms. Niebauer asked about environmental violations. Hancock has not paid any environmental related fines.

Mr. Eger asked if Hancock assigns value to biofuel. They do not assign value to higher and better use or to carbon credits.

Pages ten and eleven display the supply & demand for timber.

Pages twelve through eighteen discuss the partnership strategies for Fund XII. These include location, alignment of interests, value added timber sales, forest management, carbon credits, certification of sustainability practices, and scale.

Terms are on page twenty. Staff indicated that Hancock's profit participation after 7% of real return was a significant benefit to limited partners in inflationary times.

Pages twenty six through twenty nine explain which countries Hancock finds advantageous for investing, and which ones not.

Staff asked if prices appeared high in the Pacific Northwest would Hancock invest more in the Southeast. Hancock would likely invest more in the South.

Mr. Cayen and Mr. Sarno left at 12:10 PM.

The meeting recessed at 12:10 PM.

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The meeting resumed at 12:22 PM.

There was a motion about Timber but there was no quorum. The subject will be brought up at the May 1 meeting.

### **ADMINISTRATOR'S REPORTS**

Rebalancing was recommended. At a recent meeting farmland was added to the target allocation. Staff recommended selling small cap securities to fund the farmland commitment. There was a motion, but there was no quorum. The subject will be brought up at the May 1 meeting.

### **TOPICS FOR FUTURE MEETINGS**

Staff presented on gains and losses from fixed income and suggested PIMCO further the conversation at the May 9<sup>th</sup> meeting.

### **OLD BUSINESS**

There was no new business.

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There was no old business.

### **NEXT MEETINGS**

1. Wednesday – May 1<sup>st</sup> at 9:00 AM, Sister Cities 1101 – Special Meeting
2. Thursday - May 9<sup>th</sup> at 8:30 AM, Sister Cities 1101, Due Diligence – joint meeting
3. Thursday - June 13<sup>th</sup> at 8:30 AM, Sister Cities 1101, Board retreat – all day
4. July Meeting is T.B.D.
5. Wednesday - August 7<sup>th</sup> 8:30 at AM, Sister Cities 1101, Special Meeting
6. Sunday – Monday, October 20 – 21, Association of Municipal Retirement Systems of Virginia (AMRS-VA), Alexandria 4641 Kenmore Ave Alexandria, VA 22304, Sunday 1:00 PM until Monday noon.

**ADJOURNMENT**

The meeting adjourned at 1:02 PM.

**HANDOUTS**

Distributed to Board members in the Board Packet:

1. Agenda
2. Minutes of Prior Meeting [2(a)]
3. Timber Finals [3]
4. Administrator’s Report Cover Memo [4(a)]
5. Monthly Investment & Rebalancing Report [4(a)(i)]
6. Cash Flow Report [4(a)(iii)]
7. Private Equity Report Cash Flows [4(a)(iv)]
8. Real Estate Report Cash Flows [4(a)(v)]
9. Administrator’s Follow-Up Items Report [4(b)(ii)]
10. Manager Presentations [4(b)(ii) – Exhibit 2]
11. Private Equity Commitment Verification
12. Recommended Motions [4(c)]
13. June Board Retreat DRAFT Agenda [7(a)]
14. Fixed Income Returns [7(a)(ii)]

Booklets distributed to Board Members:

1. Dahab – Timber Manager Search – dated April 11, 2013
2. Hancock Timber Packet – dated April 11, 2013
3. Molpus Timberland Investments April 2013