

**MINUTES OF OCTOBER 3, 2007, RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
INTERIM MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Dana Lawhorne, Chair	Steven Bland, Retirement Administrator
Michele Evans	Theresa Nugent, Communications Specialist
Pat Evans (Alternate)	Albert Tierney, Participant
Henry Howard	
Bruce Johnson (Alternate)	
Chris Lockwood	
Joseph Seskey	
Laura Triggs	

CALL TO ORDER

The meeting was called to order at 8:40 A.M. on October 3, 2007.

MINUTES

There was a motion by Ms. Triggs and seconded by Ms. Evans to approve the September 3rd, 2007 minutes. The motion was unanimously approved (8-0). Mr. Evans voted in place of Michael Cross and Mr. Johnson voted in place of Mark Jinks.

ADMISTRATIVE RULE

Staff referred to the handout (agenda item 2: Beneficiary form for Retirement Income Account). The plan's attorney, Ken Hoffman, recommended the plan have a formal motion to adopt Prudential's designation of beneficiary form for those disabled participants who elect to purchase an annuity with their Retirement Income Account.

Mr. Seskey made a motion:

The designation of beneficiary form Prudential uses for Retirement Income Accounts and included in the board packet is adopted as the plan's designation of beneficiary form for disabled participants

electing to annuitize their City funded defined contribution account.

Mr. Lockwood seconded the motion. The motion passed (8-0).

REPORT FROM THE VALUATION COMMITTEE

In the absence of the committee chairman staff reported on the Valuation Committee. On September 18th Board members met with the Pension Subcommittee of City Council. The Subcommittee recommended the proposed Seventh Plan Amendment to the full City Council. The 60-day notice was initiated with a mailing and posting on the City website. Member meetings were scheduled for the Lee Center and the Hoffman facility.

ELECTION UPDATE

Ms. Nugent referred to a handout in the meeting packet. She recounted the balloting, counting, and verification process. A member of the internal audit staff was present throughout the tallying procedure. Candidates were notified of the results September 25th. The Election Administrator certified the results. The next step is to prepare a docket item for December.

Ms. Evans suggested the docket memo include information on how many ballots were received and how many eligible voters there were.

PERSONNEL CHANGES

Staff reported Marisa Boone, Retirement Specialist, had resigned and the recruitment process had begun. Ms. Evans suggested the advertisement be done at the full range. Staff reported that was being done.

She asked about the recruitment timetable. Staff indicated the process was currently in the hands of the Personnel Services Department. Mr. Howard indicated he would look into the progress.

Chairman Lawhorne asked if anyone would like to serve on the interview panel. Mr. Evans volunteered.

UPDATE ON OLD BUSINESS

REAL ESTATE

Staff referenced the Investment Performance of PRISA handout in the Board packet. The handout displayed investment return broken down between income and appreciation. Ms. Triggs asked if the column titled, "Appreciation" was realized or unrealized. Staff indicated it was likely both realized and unrealized.

Mr. Johnson commented on the initial dominance of the income component.

Ms. Evans commented on vacancy rates increasing. Staff suggested the impact on income was muted by the long-term nature of leases, but that vacancies could impact appreciation or depreciation much more quickly.

Mr. Seskey suggested the board not entertain market timing and should complete the real estate commitment initiated in November 2006.

Ms. Triggs asked if gains on sales were reflected in the income or appreciation column of the handout. Staff will follow up with Prudential on this question.

Mr. Seskey mentioned the motion made and carried in November 2006 in which the board committed to fund real estate. Mr. Howard asked the amount of the commitment. It was \$2.5 million.

Mr. Seskey asked if staff had authorization to make a real estate purchase. Staff indicated the intent of the November 2006 motion was clear, but the specifics were too vague to provide guidance. Most importantly the five percent of the fund value was \$5 million at the time of the motion but was now \$6 million. Also, it was not clear if the second commitment had to be in a lump sum or if periodic purchases were permissible or desired. Mr. Seskey said in November the Board should vote on several items with respect to real estate: 1) should there be a further commitment, "Yes" or "No." 2) What was the amount of that commitment? 3) What was the timing of the commitment?

Ms. Triggs mentioned in November 2006 there were discussions of transfers out of the Guaranteed Deposit Account (GDA). She asked if there was a tie between the real estate purchases and the withdrawal restrictions from the GDA? Staff indicated there was not. All of the accounts other than the GDA are very liquid and could raise cash easily without loss.

Chairman Lawhorne acknowledged the November 2006 motion and affirmative vote and reminded the Board that they were free to change the direction in the future.

Staff indicated the unique nature of real estate. Typically there are a number of investments with low correlations to equities and fixed income, including Treasury Inflation Protected Securities, farmland, commodities, or hedge funds. However, they were not on the Prudential platform. Therefore, the role of diversification through real estate took on a greater emphasis than with most plans.

ANNUITIZATION OF RETIREMENT INCOME ACCOUNT FOR DISABLED PARTICIPANTS

Staff reported on the annuitization of the defined contribution funds for disabled annuitants.

Ms. Evans asked what would happen if participants did not sign up by October 10th. Mr. Lockwood suggested administrators use registered mail to contact participants. Ms. Evans suggested making phone calls to those eligible. Ms. Triggs said she would work with staff to see what could be done to check what options were available. Ms. Evans asked if there was a way to get a member to indicate a “No” to the option as opposed to saying “Yes” or disregarding the letter. Mr. Johnson said he favored Registered mail. Mr. Tierney suggested certified mail might be a better option. Mr. Howard said it was never possible to construct how or why a participant did not get a letter. Ms. Evans said staff help might be available if the Pension Division needed it.

PURCHASE OF SERVICE CREDIT

Staff reported on the service credit buyback. The program expires October 10th. To date seven of the twelve participants have made an election to purchase service credit. Recent activity has picked up.

FUTURE AGENDA ITEMS

CONTRIBUTION MODES

Staff will bring demonstrations of the change from monthly to biweekly contributions to the November meeting.

INVESTMENT POLICY STATEMENT

Staffed referred to handout #8: Investment Policy Statement. Mr. Johnson asked about rebalancing by schedule, such as 3, 6, or 12 months. Staff indicated six months was typical. Mr. Howard asked about research in the field. Staff said most research was not applicable. Most research is done on larger plans. These plans have separate accounts. Within the Prudential platform we do not have fees. Also, trading can take up to three days or more. The plan's constraints are not similar to those of the typical pension plan.

Mr. Johnson recommended simplifying the structure of the rebalancing limits.

BOARD MEMBER TRAINING

Staffed indicated Board member training for new Board members would be discussed at the next meeting. referred to handout #8: Investment

NEXT MEETING

Members were asked to bring calendars for setting meeting schedules for 2008. Staff was asked to invite Mr. Edward Milner to the November meeting. Staff should place the "Calendar" as the first agenda item. If members cannot attend the meeting they should send their schedules to staff.

OTHER ITEMS

Staff distributed the monthly asset allocation report. The report verified rebalancing had been completed. Staff said the initial result of rebalancing to place an equal weighting on growth and value was a success because growth had outperformed value since the rebalancing.

Staff distributed the handout: Annual Salary Increases. The handout was to address the actuarial assumption on salary increases for amortizing the unfunded liability over future payroll. Staff pointed out the dynamics that distinguish salary increases to individuals versus groups.

Staff handed out the monthly Summary of Activity report on the plan's cash flows. An error was identified and the report will be corrected and reissued.

Ms. Nugent distributed to the Board a packet of materials given to plan participants. Ms. Evans had requested at a prior Board meeting that educational materials be sent to plan participants. Staff has accomplished this for active participants. There will be a mailing of materials to disabled participants and terminated vested participants with Retirement Income Accounts.

Ms. Evans asked what information was available to members on the website. Staff mentioned plan amendments and Board meeting minutes were posted. The I.T.S. department was in the process of installing software which enables departments to update the website directly. Currently the I.T.S. Department needs to update there is a much more cumbersome process that requires many steps and the intervention of I.T.S. staff. This upgrade is expected in 2008.

Staff distributed a handout with PIMCO'S performance. Third Quarter was very strong. Staff asked if PIMCO should be invited to the November 7th meeting. The consensus was no, do not invite PIMCO.

ADJOURNEMENT

The meeting was adjourned at 10:04 AM.

HANDOUTS

Distributed in advance:

- Agenda
- Draft of the September 5, 2007, minutes
- Administrative Rule – Designation of Beneficiary for Disability Conversion (#2)
- Memo with election results (#4)
- Disabled Participants Who Purchased an Annuity from the DB Plan (#6b)
- Participants who Elected to Purchase Prior Service (buy-back) (#6c)
- Prudential Real Estate Investment Performance PRISA (#6a)
- Notes on training for new Board members (#7f)
- Notes on Investment Policy Statement (#8)
- Follow Up Items/Old Business
- Summary of Activity 2007

Distributed During the Meeting:

- Addendum to the Investment Policy Statement
- Information Packet to Members
- PIMCO Total Return Fund: Before and After Fee Returns Since 9/30/1977