

**MINUTES OF JUNE 27, 2012 RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
SPECIAL MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Michael Cross ^{3,5}	Rod Alcazar, ICMA-RC
Michele Evans ^{1,2}	Steven Bland, CFA, CAIA, MS, Retirement Administrator
Patrick Evans ¹	Barry Bryant, Dahab Associates
Tom Gates	Rod Crane, TIAA-CREF
Bruce Johnson ⁵	Gabe Delise, Prudential
Shirl Mammarella ^{3,4}	Dana Foster, Prudential
Ed Milner ^{1,2}	Arthur Lynch, Retirement Specialist
Al Tierney	Chris Matzke, ICMA-RC
Laura Triggs ⁴	Brett McInnes, Prudential
	Sean McLaughlin, Prudential
	Gloria Moody, ICMA-RC
	Theresa Nugent, Communications Spec.
	Sara Reinman, TIAA-CREF
	David Sharer, ICMARC
	Lisa Stewart, TIAA-CREF
	Steven Taylor CFP®, ICMARC
	Tammy, Prudential
	Orestes West, TIAA-CREF
	Kathleen Wilson, ICMARC
	Terrance Woods, ICMARC
	John Zeck, Prudential

Absent:

¹ PLOP/DROP Committee

² Purchase of Service Credit Committee

³ Technical Corrections Committee

⁴ Training Opportunities Committee

⁵ Vendor & Service Provider

CALL TO ORDER

The meeting was called to order at 1:02 PM.

The approval of the May 10, 2012, minutes will be deferred until the June 28 Board meeting.

Staff distributed an email from Cheiron (the actuary) about the recent adoption of the new GASB pension accounting standard.

ELECTION

Staff reported that both Chairman Cross and Mr. Tierney are running unopposed. They both are qualified and have submitted nominating petitions that were verified and deemed acceptable. The deadline for others to submit petitions has passed.

Staff would like to bypass the balloting. However, the election procedures are silent on the possibility of doing this. Staff recommends that the election procedures be amended to omit balloting if candidates are unopposed.

Mr. Milner made a motion to:

I move the Election Procedures effective June 17, 2010, be amended as follows and that this change be effective for the 2012 elections.

In the Election Procedures, after the section “Nomination Procedures” on page three and preceding the section “Ballot Procedures” on page four, the following shall be inserted:

If a candidate submits a nominating petition, and the Election Administrator determines that the nominating petition is valid, and if the candidate is unopposed, then the balloting for that position will be waived. The Board shall recommend that City Council appoint the candidate to the position.

Ms. Triggs seconded the motion.

The motion passed 5 – 0. Chairman Cross abstained from voting on this motion.

Mr. Tierney arrived at 1:07 PM.

REVIEW OF RFP FOR THIRD PARTY ADMINSTRATOR

Mr. Bryant distributed his book summarizing results of the Third Party Administrator (TPA) search. Mr. Bryant provided background on the RFP effort. Here were twelve respondents. He then described how fees were split between the TPA, the Mutual fund, and sometimes the Plan Sponsor. There was clarification that there has been no fee sharing or rebates to the City of Alexandria during the current administration. Mr. Bryant clarified that it was legal to have plan participants pay a portion of Plan Administration payroll but that the practice was not universal.

Mr. Evans arrived at 1:21 PM.

Mr. Bryant said the key to success was to:

- 1) get employees enrolled and begin making meaningful deductions,
- 2) have reasonable asset allocations
- 3) have few in service distributions (emergency withdrawals & loans), and
- 4) create a reasonable withdrawal strategy

Mr. Johnson asked about page six of the Dahab book. It was explained this page uses the current holdings.

Mr. Cross said costs are not proportionate to assets. The effort to create statements, loans, etc., is not proportionate to account balances. Mr. Johnson agreed, and said to also consider the value of helping to plan for retirement, customer service, etc.

Mr. Bryant said that all three candidates want an independent investment consultant helping to select the fund line up. The mappings beginning on page ten illustrate how the total fees were derived.

Staff distributed a list of six questions for the vendors to work into their presentations or address in their Q&A.

ICMARC

At 2:00 PM the team from ICMARC arrived and Mr. Matzke introduced them:

Rod Alcazar
Chris Matzke
Gloria Moody
David Sharer
Steven Taylor CFP ®
Kathleen Wilson
Terrance Woods

Mr. Matzke said ICMARC was founded in 1972 and exclusively serves the public sector. They have high retention rates for clients and employees. In referring to their booklet *Third Party Administration Services*:

Page 9: ICMARC offers to develop metrics to measure and report performance to the City of Alexandria.

Page 10: education materials vary by medium, age, etc.

Page 11: This was offered as proof that the educational plan is working.

Page 12: highlights Ms. Moody, the ICMARC representative to the City.

Mr. Taylor referenced the *Building Retirement Security* booklet. He has provided seminars on a series of subjects, preparing for college tuition, estate planning, as well as retirement planning. He also provides one on one meetings.

Ms. Wilson spoke of using technology to create mobile access. Social media is used for “Gen Y.” Brainshark is a software package that sends targeted messages.

Page 18: mentions the awards ICMARC has received for developing communication packages.

ICMARC mentioned the transition from the Retirement Income Plan for Deputy Sheriffs as being successful and documenting their transition capabilities.

ICMARC would like to customize a webpage so that when a City employee opens it up they see the City’s brand and then it goes to the ICMAC site.

They offer to produce reports of balances and allocations by age, gender, etc.

Mr. Matzke said it takes about thirty days to set up an agreement with a mutual fund.

The Plus Fund, a stable value fund, also known as a GIC, was discussed at length. ICMARC receives an investment management fee as they are the portfolio manager for this fund. There are 792 employees in the stable value fund and it represents 35% of all assets. The current fee is .56% and they are offering to reduce it to .26%.

Mr. Tierney said there was too much focus on the Plus Fund. What can ICMARC do to reduce this attention provided the Plus Fund? Also, is there a conflict of interest? ICMARC said that the combination of pension and deferred compensation or defined contribution the participants could be more aggressive than the average investor. They could use Brainshark to address this.

Mr. Bryant asked who chooses the investment platform. ICMARC said the board would choose it in conjunction with Mesirow Financial Consultants. They would be a named fiduciary. They would be available for conference calls.

If the revenue sharing exceeds costs, where does it go? It may pay the plan expenses such as the salary of employees administering the retirement plan, audit fees, or consulting fees.

Staff asked if there were restrictions on the 1,700 funds, is there a minimum number of participants or assets required. There is not.

Staff asked is there a payroll deduct Roth. There is.

Chairman Cross asked about self-directed brokerage accounts.

Staff asked if the board elects to add or delete funds or does ICMARC. The board makes the choices.

The presenters from ICMARC left at 3:00 PM.

PRUDENTIAL

Brett McInnes introduced his team:
Gabe Delise who works with municipalities

Dana Foster of the transition team
Sean McLaughlin is the relationship manager
Tammy is a relationship manager
John Zeck of the communications program

Prudential began by reviewing the questions listed on staff's handout.

#1 FEES: The administrative fee is 11 basis points. Loan fees are \$50. In service withdrawals are \$25. The plan expense account collects revenue. Mr. Johnson asked how it might be reallocated. It may go to participants or any plan expense.

Mr. Bryant asked who chooses the funds. Prudential will make about 8,000 funds available. Mr. Bryant asked if Prudential can make fund choices for the City. Prudential will review the asset classes and provide a focused menu to select from. However, the final choice should be made by the board in conjunction with an independent advisor and consistent with the Investment Policy statement. Prudential can monitor and provide information.

Prudential will provide a full time account representative dedicated exclusively to the City.

#2 SERVICE LEVELS

Mr. McLaughlin said materials were printed in 140 languages and Prudential uses the ATT translator service. One on one meetings are provided, but the initial step is group meetings.

Chairman Cross asked about employee education, does it come from the sales representative or a trained financial advisor? Prudential requires a bachelor's degree, and series 6 and 63 licenses.

#3 IN SERVICE DISTRIBUTIONS

Prudential can support the plan administration. They are willing to administer the emergency withdrawals or have the plan sponsor do so. Enrollment may be done on line.

#4 INVESTMENT PLATFORM

The company's software package to facilitate asset allocation choices is Goalmaker®. This uses Morningstar's technology and the participant's data (age, time horizon, etc.) and risk tolerance. There is automatic rebalancing. The results will migrate over time as the person ages and approaches retirement.

There is an on-line demo. Goalmaker® is popular. If one excludes participants who use the default option (QDIA) then the remaining 40% choose to use Goalmaker®

#5 ROLL OF CITY STAFF

The level of staff involvement may vary.

#6 ROTH IRA

There is a payroll deduct Roth.

Staff asked if there are qualifying standards for accessing the 8,000 funds. Is there a minimum number of dollars or participants required to put a fund on the platform? No. All that is needed is that the board must select the fund.

Chairman Cross would like to see education for participants in the retirement process and afterwards.

Mr. Johnson sees value in person to person meetings, information on line, call centers, and so on. He then asked how Prudential deals with information from many sources, such as deferred compensation, defined contribution, defined benefit, and prior employment.

Ms. Evans is concerned about Data security. Prudential said their computers have not been successfully hacked, there have been no breaches.

Chairman Cross asked about self-directed brokerage account fees. They are in addition to the other fees. He would like to see a way to combine the defined benefit plan & defined contribution data.

The presenters for ICMARC left at 4:05 PM

TIAA-CREF

Sara Reinman introduced her team:

Rod Crane, Senior Director of Government Markets

Sara Reinman, Senior Director, Institutional Business Development

Lisa Stewart, Relationship Manager, Institutional Relationships

Orestes West, Director, Field Consulting Group

TIAA-CREF believes one on one counseling leads to more dollars being saved per participant and more participants saving.

Page 6 of the TIAA-CREF booklet mentions their financial strength.

There are local offices with retirement consultants and counselors for one on one appointments.

Ms. Stewart is the relationship manager. She would work with the City to develop a business strategy. She discussed administration and record keeping. Communication could use the City's branding and could be customized.

Ms. Reinman said employees can change allocations and do enrollment on line, or that can be outsourced to TIAA CREF. Mr. Crane just completed a transition from ICMARC for Shoreline Oregon. It involved \$25 million and went off without a hitch.

Chairman Cross asked how assets are mapped. Mr. Crane said it could start with the investment consultant determining a mapping. It could be done by the member in the re-enrollment process.

Page 20 of the TIAA-CREF booklet shows a multipronged approach to education. One on one meetings are held on site. A team would be assigned to Alexandria. Ms. Reinman said the fee

includes 52 days of on-site visits. Mr. Tierney and staff asked how many individual and group meetings are held and where. Some group meetings would be held at TIAA CREF facilities.

Their phone centers are open 8AM – 10PM Monday – Friday and Saturday 8 AM – 6 PM.

Page 21 of the TIAA_CREF booklet asks three questions: Am I saving enough? How do I allocate funds? When can I retire?

Page 22: TIAA-CREF believes the reports to individuals should be customized, individual, and actionable.

Page 24: They believe the result of these advice sessions show people change their investment programs and have confidence in their program.

Everything is available in Spanish, written material, counseling, etc.

Young employees seek mobile applications, Twitter, Facebook, etc.

TIAA-CREF does significant participant research.

Mr. Tierney asked if participants can see the impact of taking a loan. The on line version does not show how the current or future account balance will change for taking a loan. Ms. Stewart said loans could be eliminated if the City requested, or loans could go through a call center which would provide counseling.

Mr. Crane said the City could control investments.

Mr. Bryant asked if there are fee breaks for selecting one or more TIAA-CREF managed funds. Ms. Reinman said no.

TIAA-CREF does not offer a payroll deduct Roth IRA but they do have ACH.

The TIAA-CREF team left at 5:15 PM.

Mr. Bryant would like to research the lockup provisions of the ICMARC stable value fund. The fees for the three vendors are so close (.10%, .11%, and .12%) that other factors should determine the outcome.

The board will follow up on this at the Thursday meeting at 11:15 AM.

ADJOURNMENT

There was a motion by Mr. Tierney to:

Adjourn.

Mr. Evans seconded the motion. The motion passed unanimously (7-0).

Handouts distributed prior to the meeting

1. Agenda
2. Election Procedures

Handouts distributed during the meeting

3. E mail from Cheiron to Staff (June 26, 2012), "Cheiron Pension Alert"
4. Dahab Associates, Inc.: Third Party Administration Search June 27, 2012
5. ICMARC: City of Alexandria, VA, Education Curriculum
6. ICMARC: City of Alexandria, VA. Third Party Administration Services
7. ICMARC: City of Alexandria, VA, Building Retirement Security
8. Prudential: *Defined Contribution Fee Quote*
9. Prudential: *Meeting Your Challenges For More Secure Retirements*
10. Prudential: *Customized Communication and Education for City of Alexandria*
11. TIAA CREFF: Defined Contribution Retirement Plan Guide
12. TIAA CREFF: *Comprehensive Solutions for City of Alexandria*
13. TPA Interviews