

**MINUTES OF DECEMBER 20, 2012 RETIREMENT BOARD  
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS  
PENSION PLAN  
SPECIAL MEETING**

**PRESENT**

<u>Members</u>	<u>Others</u>
Michael Cross, Participant Representative <sup>3, 5, 6, 7</sup>	Steven Bland, Retirement Administrator
Tom Gates, Deputy City Manager	Barry Bryant, Dahab Associates
Shirl Mammarella Participant Representative Alternate <sup>3, 4</sup>	Bryan Capelli, Retirement Specialist
Edward Milner Participant Representative <sup>1, 2, 6</sup>	Kadira Coley, Retirement Specialist
Morgan Routt, Acting Director OMB <sup>4, 6</sup>	Jennifer Harris, Communications Officer
Al Tierney, Participant Representative <sup>5</sup>	Arthur Lynch, Retirement Specialist
Laura Triggs, CPA CFO, Director Finance <sup>3, 4, 5, 6</sup>	Theresa Nugent, Communications Specialist
	Christopher Spera, Deputy City Attorney

Absent:

Pat Evans, Participant Representative Alternate <sup>1, 2</sup>  
 Mark Jinks, Deputy City Manager  
 Jean Niebauer, Director Human Rights Alternate

- <sup>1</sup> PLOP/DROP Committee
- <sup>2</sup> Purchase of Service Credit Committee
- <sup>3</sup> Technical Corrections Committee
- <sup>4</sup> Training Opportunities Committee
- <sup>5</sup> Vendor & Service Provider Committee
- <sup>6</sup> Adjustment Mechanism Committee
- <sup>7</sup> Chairman
- <sup>8</sup> Secretary

**CALL TO ORDER**

The meeting was called to order at 10:00 AM.

Ms. Triggs made a motion to:

Enter executive session.

Mr. Routt seconded the motion.

The motion passed (6-0). The Board entered executive session at 10:00 AM.

The Board exited executive session at 10:30 AM.

Ms. Triggs made a motion to:

Mister Chairman, I move that the Board adopt the following resolution:

WHEREAS, the Alexandria City Fire Fighters and Police Pension Plan Board has this 20th day of December, 2012, recessed into closed executive session pursuant to a motion made and adopted in accordance with the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 of the Code of Virginia requires a certification by the Board that such closed executive session was conducted in accordance with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Board does hereby certify that, to the best of each member's knowledge, only public business matters that were identified in the motion by which the closed executive session was convened, and that are lawfully exempted by the Freedom of Information Act from the Act's open meeting requirements, were heard, discussed or considered by the board during the closed executive session.

Mr. Milner seconded the motion. The motion passed (6-0).

Staff said ICMARC had left the board with two extreme proposals and a middle ground might be possible. Per head account fees overcharge those in both plans. In all likelihood those with two accounts did not get twice the value from the ICMARC website or twice as many visits from Gloria Moody. On the other hand those with two accounts did incur some extra expense for having two accounts. As an alternative to \$69 for all accounts ICMARC had proposed two fees, \$74 for the deferred compensation account and \$0 for the Defined contribution account. Staff suggested a middle ground of \$70, \$71, or \$72 for the deferred compensation participants and \$40, \$50, or \$60 for the defined contribution plan participants. Once the data was available it would be easy to calculate. Mr. Tierney supported this approach.

There was a motion by Mr. Tierney to:

Staff is directed to renegotiate the ICMARC contract to attain ICMARC's revenue requirement, provide an annual fee per account based with one fee for Deferred Compensation participants and another fee for defined contribution participants. The proposed fee arrangement should be approved by Ms. Triggs and the contract reviewed by Mr. Spera.

Mr. Milner seconded the motion.

The motion passed (6-0)

Mr. Spera left the meeting. Ms. Harris arrived at 10:35 AM.

Mr. Bryant noted that defined contribution plans, in general, have three downfalls: 1. Participants do not invest enough, 2. Participants do not invest their money properly and 3. The removal of monies via loans and other distributions.

Mr. Bryant noted that he has had discussions with Mr. Cross and staff about the investment platform. They each had specific concerns about the investment platform. Mr. Cross is concerned about keeping fees low and expediting the contract and transition. Mr. Bryant is concerned with keeping the platform simple and less confusing for participants. Staff is concerned with offering participants significant and diversified investment options.

Mr. Bryant handed out “City of Alexandria Proposed DC Platform” He noted that the proposed two stage approach would facilitate a quick implementation of stage 1 and allow time for research and education on additional options which would add diversification to the platform.

Mr. Bryant explained that the proposed platform collapsed domestic equities investment options to two fund choices, Large Cap and Small Cap index funds. He expressed that the decreased number of options will force participants to focus on asset allocation and the passive funds will decrease costs.

Mr. Bryant noted that there are no commodities on the proposed platform. This may be something to consider in the stage 2.

Mr. Bryant noted that Self Directed Brokerage Accounts (SDBA) is another option that is not listed on the proposed platform. There may be additional issues that will complicate the adoption and implementation of the SDBA option.

Mr. Bryant discussed the different fixed income options. He noted that the Integrated Bond Fund would allow for a more diversified bond option. Mr. Bryant also mentioned that the Domestic BC Agg fund does not include TIPS or international bonds which are offered as separate options.

Mr. Tierney asked why no government bond funds were included in the proposed platform. Mr. Bryant noted that while government bonds are secure he did not feel they were the best investment option at this time. Staff noted that the proposed platform does include a stable value fund.

Mr. Tierney asked why the Global Bond Fund is an active fund. Mr. Bryant noted that historically foreign debt has been government debt which would dominate most index funds. He noted that an active manager would incorporate both corporate and sovereign debt.

Mr. Gates noted that the proposed platform addressed one of the downfalls mentioned by Mr. Bryant, simplifying the investment options, but does not address the two other issues, the amount participants are investing and borrowing against their accounts. It was discussed that ICMA-RC will provide some communication about these two concerns. Mr. Gates requested that staff provide some data detailing what options participants are investing in and who is participating in the plans.

There was a motion by Mr. Tierney to:

Approve the two stage adoption of the defined contribution and deferred compensation investment platform as presented by Mr. Bryant to be implemented in two stages.

Ms. Triggs seconded the motion.

Discussion: Mr. Bryant's handout is included in the meeting file. It calls for two stages. The first stage has comparable asset classes (or sub classes) to the existing ICMARC platform. However, Mr. Bryant's proposal includes more passive funds and fewer actively managed funds than the current platform. The recommended platform includes target risk and target date funds. The intent is to implement this as quickly as practical. Stage two includes some asset classes that will more fully diversify the platform, however, they will require more time for both education as well as selecting the appropriate fund. Rather than hold up implementation of stage 1, stage 2 will be implemented separately.

The motion passed (6-0).

Ms. Harris noted that a strong communication plan would be needed and that she is willing to help work on the plan.

Ms. Harris left at 10:57 AM.

The board discussed specific fund managers.

Mr. Tierney made a motion to:

- Use Vanguard for all passively managed funds.
- Use PIMCO Total Return Fund for the actively managed domestic fixed income fund.
- Use PIMCO for the international fixed income fund.
- Mr. Bryant and staff should make the determination with the concurrence of Ms. Triggs.

Ms. Triggs seconded the motion.

Mr. Bryant recommends Vanguard and PIMCO to streamline the investment options and because they are recognizable names.

Mr. Rouff asked about containing fees. Mr. Bryant noted that the selection of passive funds would keep fees low. He also noted that choosing Vanguard funds would aid in keeping fees low for participants.

The motion passed (6-0).

Mr. Tierney made a motion:

The method or hierarchy of migrating to the new platform should begin with

- 1) A default of the target date funds, then
- 2) A mapping of existing funds to like funds in the new streamlined platform, and lastly
- 3) An individualized portfolio in which a participant begins with a model portfolio (target risk) and then is free to adjust it.

Mr. Milner seconded the motion.

Discussion: There was a discussion of the program's complexity and the need for communication.

Mr. Tierney amended his motion to include that choices must be clearly communicated. Mr. Milner seconded the amended motion.

The motion passed (6-0).

Mr. Milner made a motion to:

Adjourn

Ms. Triggs seconded the motion.

The motion passed (6 - 0).

## **NEXT MEETINGS**

There will be an interim meeting January 10, 2013 at 8:30 AM.

## **ADJOURNMENT**

The meeting adjourned at 11:33 AM.

### Handouts distributed in advance

The materials included in this mailing are:

- Agenda

### Handouts distributed during the meeting

1. Mr. Bryant's handout – City of Alexandria Proposed DC Platform
2. Vanguard's approach to target date funds