

**MINUTES OF JULY 9, 2015 RETIREMENT BOARD  
CITY OF ALEXANDRIA  
FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN  
INTERIM MEETING**

**PRESENT**

<u>Members</u>	<u>Others</u>
Michael Cross, <sup>2</sup> Chairman, (Fire)	Kadira Coley, Retirement Administrator
Titania Cross <sup>3</sup> , (Management, Alternate)	Arthur Lynch, Retirement Specialist
Patrick Evans <sup>1</sup> (Fire)	Stephen McElhaney, Cheiron
Jean Kelleher <sup>2</sup> Secretary (Management)	Kathy McGugan, Cheiron
Shirl Mammarella <sup>3</sup> (Police, Alternate)	Michael Stewart, Deputy Director of Finance
Ed Milner <sup>1</sup> (Police)	Theresa Nugent, Retirement Specialist
Rick Muse <sup>3</sup> (Fire, Alternate)	Sergey Zelensky, Retirement Specialist
Al Tierney <sup>2</sup> (Police)	
Laura Triggs <sup>3</sup> (Management)	

Absent:

Jack Browand<sup>1</sup> (Management)

Terms: 1/1/2014 – 12/31/2015

<sup>1</sup>Purchase of Service Credit Committee

<sup>2</sup>Technical Corrections and Plan Document Review Committee

<sup>3</sup>Vendor & Service Provider

**CALL TO ORDER**

Mr. Cross called the meeting to order at 8:34 AM on Thursday, July 9, 2015.

**MEETING RECORD**

Ms. Triggs made a motion to

Approve the May 21, 2015 minutes.
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Mr. Evans seconded the motion. The motion was unanimously approved (6 – 0).

Ms. Triggs made a motion to

Approve the June 11, 2015 minutes.
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Ms. Kelleher seconded the motion. The motion was unanimously approved (6 – 0).

**ACTUARIAL PRESENTATION**

Cheiron presented the results of the July 1, 2014 valuation. Ms. Kathy McGugan and Mr. Stephen McElhaney made the presentation.

- City funds on 2-year lag, thus actuarial contribution is used in fiscal year two years into the future

- Actuarial Process – Mr. McElhaney walked through the actuarial valuation process and the pension funding tank.
- Regulatory Issues (slide 4)
  - GASB 67 effective for AVR 7/1/2013; GASB 68 effective 7/1/2014
  - GASB 74 & 75 just issued for OPEB plans, effective 6/30/2017 & 6/30/2018
  - Actuarial Standards Boards – discussing new rules for public pension plans. Hearing being held today.
- Changes since last valuation (slide 5) – no assumption or method changes. It was noted that this valuation is the first to include employees affected by the plan changes effective in October 2013.
- Actuarial Experience (slide 6)
  - Asset returns for the year were above assumption resulting in an investment gain.
  - Liabilities experienced a gain for the basic plan. Cheiron noted that this gain was primarily due to the COLA being less than expected and salary differences.
  - Liabilities experienced a loss for the disability plan. Cheiron noted that the actuarial loss in liability is than previous years due in part to the updates to the assumptions made in the previous valuation. The loss on the disability plan was made up of:
    - lower than expected disabilities (expected 5 and only had 2) offset by
    - workers compensation recalculations and
    - data true ups
- Historical Trends – Asset & Liability (slide 7 & 8) – the actuarial value of assets is less than market value of assets so expect deferred gains in the future.
- Contributions (slide 9) – Contributions in the basic plan for FY 17 will be down from previous year to 27.76; (slide 10) – disability contributions continue to increase.

Mr. Milner arrived at 8:55 AM. Mr. Muse arrived at 8:59 AM.

- Cash flows (slide 12 & 13) – The basic plan is in a positive cash flow situation. Cash flow is projected to flip to negative in the next few years. Disability plan is currently cash flow negative and is predicted to go positive in the near future.
  - It was discussed why benefits and administrative expenses are increasing. The actuaries explained that it is mostly attributable to more people are retiring. Administrative expenses remained level.
- Demographics – Cheiron noted that active participation and active salaries decreased by about 3%. The actuary noted that contributions are paid as a percent of pay and pay is assumed to increase by 3% annually. Any difference from the assumed increase will affect the actual contributions paid into the plan.
- Valuation Results – (slide 15 & 16) – the funded status has improved for both plans on a market and actuarial basis. Contribution rates for basic plan decrease to 27.76% and increase for the disability plan to 13.83%.
  - Cheiron noted that the amortization to repay the 2010 UAAL increased from 13.2 years to 13.4 years. Management noted that the City will recommend the dollar amount of contribution for the 2010 UAAL not decrease in FY 2017.
- Reconciliation of Contribution Rate (slide 17) – details the change in contributions rates from previous year. Cheiron noted that the contribution differences line is due to the 2-year lag in using the recommended contribution rates.

Ms. Cross arrived at 9:15 AM

- Mr. McElhaney discussed the potential of combining the pension and disability trusts. He noted that the City of Alexandria is unique in having the two separate trusts. He noted that funding and actuarial work would remain the same and that the combination would make the burden of administration quite a bit

simpler. He noted that he believed the two trusts were separate because a disability trust would have been created separately when the main retirement plan was a defined contribution plan and the separate trust structure was maintained when the defined benefit plan was created in 2004.

- Projections
  - The actuarial team walked the board through their P-Scan projections.
  - Cheiron recommended the board review the amortization period which is currently has 15 years remaining. They recommended layering future actuarial gains and losses beginning with the 7/1/2015 valuation.
    - Staff was asked to follow up with the plan attorney to determine what changes would be required to plan document to change the amortization period.
  - Board members requested Cheiron discuss the potential for changing the investment return assumption. Cheiron did not recommend any change at this point in time but the board and the actuary will continue to monitor.
- GASB review – Cheiron briefly discussed GASB 67 and 68.

Cheiron left at 9:49 AM.

## **ADMINISTRATOR'S REPORTS**

### **Regular Investment Reports**

No rebalancing was required.

### **Private Equity**

Hamilton Lane Fund VI had a distribution since the previous meeting.

### **Real Estate**

A distribution occurred on June 30<sup>th</sup> that was reinvested per the motion passed at the March 2014 meeting.

### **Timber**

A distribution occurred on June 30<sup>th</sup>.

### **Other Items**

#### **Education: conferences, seminars and training**

AMRS-VA – Details about the October conference in Williamsburg, VA is included the board packet. Trustees are asked to review their schedules and interest in attending the conference. Hotel reservations need to be made by September 16, 2015.

Staff provided a quick overview of the upcoming classes offered by the International Foundation of Employee Benefit Plans (IFEFP). Mr. Tierney noted that he is not planning to attend the Masters Class and Conference travel that was approved at a previous board meeting.

#### **Herndon Top-10 Holdings**

Staff provided the board with the Top-10 holdings reports provided by Herndon. Both the pension and disability funds are slightly over 30%. The board will continue to monitor the top-10 holdings.

#### **Champlain Management Transition**

Staff distributed an email from Champlain about recent staffing changes.

### ICMA-RC Fee Notification

Staff distributed a notification from ICMA-RC about the quarterly fee that was incorrectly applied at the end of June.

## **COMMITTEE REPORTS**

### Technical Corrections and Plan Document Review Committee

No report was given.

### Purchase of Service Credit Committee

No report was given.

### Vendor & Service Provider Review Committee

Committee will be recommending a legal service RFP.

## **OLD BUSINESS**

None.

## **NEW BUSINESS**

USERRA – Staff distributed a PowerPoint presentation with background information on USERRA.

- Board members expressed concern about the effect on the plan of paying the employee portion of the contributions. Members also expressed concern that the employer portion of the contribution is being rolled into the actuarial gains and losses.
- Board members want to ensure the City is paying what is required of the City and that the employees are not paying for any part of the contribution that is required to be paid by the employer.
- Staff was asked to follow up on the following items:
  - Contact AMRS-VA/local jurisdiction peers to determine who pays employee contributions and how/when employer portion of contribution is paid.
  - Determine how much costs are attributable to USERRA historically.
  - Contact plan attorney to confirm if there is a conflict between the language in USERRA and the proposed contribution sharing that will take effect next year.
  - Include the discussion on a future agenda so board can determine any future recommended steps.

COLA – Mr. Tierney noted that he has fielded some questions and concerns about the Plan's negative COLA. He requested Staff put together documentation to help explain the cause of the negative COLA.

## **NEXT MEETINGS**

1. Thursday – August 13<sup>th</sup> at 8:30 AM, Sister Cities 1101, Interim Meeting
2. Thursday - September 10<sup>th</sup> at 8:30 AM, Sister Cities 1101, Due Diligence Meeting
3. Thursday – October 8<sup>th</sup> at 8:30 AM, Sister Cities 1101, Interim Meeting

## **ADJOURNMENT**

The meeting adjourned at 10:32 AM.

## **HANDOUTS**

Distributed to Board members in the Board Packet:

Agenda
Minutes of Prior Meeting - May 21, 2015 [1(a)]
Minutes of Prior Meeting - June 11, 2015 [1(b)]
Monthly Investment & Rebalancing Report [2(a)(i)]
Private Equity Cash Flow Report [2(a)(iii)]
Real Estate Cash Flow Report [2(a)(iv)]
Timber Cash Flow Report [2(a)(v)]
AMRS-VA Fall 2015 Registration Details [2(b)(i)]
Herndon – Top 10 Holdings Report [2(b)(ii)(1)]
Champlain Partners Update [2(b)(iii)]
ICMA-RC Fee Notification [2(b)(iv)]
USERRA Presentation [6(a)]

Items Distributed at the Board Meeting

Cheiron's Actuarial Valuation Presentation as of July 1, 2014