

**MINUTES OF APRIL 14, 2011 RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
INTERIM MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Michael Cross, Chairman ^{2,4}	Steven Bland, Retirement Administrator
Michele Evans ¹	Arthur Lynch, Retirement Specialist
Bruce Johnson ⁴	Theresa Nugent, Pension Communication Specialist
Shirl Mammarella (Alternate) ^{2,3}	
Ed Milner ¹	
Cheryl Orr ^{3,4}	
Morgan Routt ³	
Al Tierney ⁴	
Laura Triggs ^{2,3}	
Michael Wimer	

Committee Membership

¹Buyback Committee

²Technical Correction Committee

³Training Opportunities Committee

⁴Vendor & Service Provider Committee

CALL TO ORDER

The meeting was called to order at 8:35 AM on April 14, 2011.

Chairman Cross reflected on the progress the board and the investment consultant had made in improving investment performance and diversification over the last six years.

MINUTES

Staff mentioned that the February 10, 2011 minutes had been revised to reflect the motion to move investments to Comerica was applicable to the defined benefit plans and not defined contribution. The revision was in the board packet.

There was a motion by Ms. Triggs to:

Approve the February 10, 2011 Board minutes as revised by staff.

Mr. Wimer seconded the motion. The motion was unanimously approved 7 – 0.

Ms. Orr asked that the February 14, 2011 meeting minutes reflect her attendance in the page 1 table of those present at the meeting.

There was a motion by Ms. Orr to:

Approve the February 14, 2011 Board minutes as revised by staff.

Mr. Wimer seconded the motion. The motion was unanimously approved 7 – 0.

The motion as amended was unanimously approved (7 – 0).

Mr. Johnson arrived at 8:40 AM.

OLD BUSINESS

CUSTODIAL SERVICE CONTRACT

Staff referred to handouts 2(i) and 2(i) (1). The former is from Prudential and the later from staff. The \$188 to \$246 figures are annual per person administrative fees. Prudential proposes to increase administrative fees if they have less assets under management. Staff spreadsheet demonstrates the Fire & Police Board will have to achieve incremental earnings plus investment fee savings of .11% (eleven basis points) to offset these fee increases. Staff recommends the asset transfer to Comerica and establishment of separate accounts continue as planned.

PRUDENTIAL CONTRACT

Staff would work with management to sign a short term contract with Prudential for administrative services only.

There was a motion by Mr. Tierney:

A contract extension should be signed with Prudential for administrative services only. The term of the contract should not exceed 12 months.

Mr. Johnson seconded the motion. The motion was unanimously approved 8 – 0.

Efforts should be made to get the charges down.

Ms. Orr asked about the term of the Comerica contract.

INVESTMENT MANAGER SELECTION

Staff distributed the revised calendar, handout 4(i)(3). Staff then distributed and discussed 4(i)(4), the calendar of upcoming meetings. April 27 is a presentation on farmland. May 4th is a presentation of the 2010 actuarial results. May 11 is primarily for a Large Cap Growth manager

search but there will also be a one hour educational presentation by Research Affiliates Fundamental Indexation. May 12 will begin with a Due Diligence meeting, followed by a Large Cap Value manager search, the balance of the Due Diligence meeting, Barry Bryant's presentation on fixed income and bond alternatives, and the Board retreat.

Chairman Cross said that the PIMCO representative will be coming directly from his company's annual retreat and is expected to bring the latest insights.

Ms. Evans arrived at 9:05 AM.

Staff recalled that at a February meeting Barry Bryant was left with the task of evaluating approaches to the small cap and mid cap. At present there are four managers for value and growth, small and mid-caps. These might be consolidated for: better fees and access to better managers. Mr. Bryant reported that the plan would be best served to have a small cap core manager and a mid-cap core manager. The Board would allocate funds between small and mid-cap and the investment manager would allocate funds between value and growth.

There was a motion by Mr. Johnson:

Mr. Bryant should issue an RFP for a small cap core manager as well as one for a mid-cap core manager.

Ms. Orr seconded the motion. The motion was unanimously approved 8 – 0.

Staff asked if in deference to the schedules uncertainty the Board would like to approve an expenditure for lunch.

There was a motion by Mr. Tierney:

To authorize an expenditure for lunch for the May 12, June 9, and July 14 meetings.

Ms. Orr seconded the motion. The motion was unanimously approved 8 – 0.

Mr. Wimer asked what materials might be available in advance. Staff said typically the vendors bring large packets, but that Mr. Bryant prepares helpful summaries that vary but typically are about two pages. These summaries are frequently available but not always distributed in advance. Mr. Wimer asked staff to forward the request to Dahab associates that these summaries are made available for review in advance of the manager selection meetings.

Mr. Cross asked staff with to work with Chris Spera to clarify the rules on confidentiality of the selection process if it is managed through Dahab Associates as opposed to the Purchasing Division.

COMMITTEE REPORTS

BUYBACK COMMITTEE

The Buyback Committee met several months ago and will defer further meetings until after the proposed plan amendment goes to City Council. At that time the committee will develop a draft buyback policy to guide any potential purchase of service credit programs. Ms. Evans would like to schedule the plan amendment for a May docket.

Mr. Milner arrived at 9:20 AM.

TECHNICAL CORRECTIONS

Staff was asked to address agenda item 4 (a) (4). The plan is required to periodically obtain a Determination Letter from the IRS. The first such letter was requested in 2004 and was received in late 2006. Recently Ken Hoffman sought another Determination Letter. The IRS did grant a favorable Determination Letter how it was contingent upon the Plan adopting several minor technical changes. These changes are for compliance only and would not impact benefits, eligibility, or contributions. The amendments must be adopted by City Council by June 28, 2011.

Ms. Evans reminded the Board of the 60-day notice requirement. Staff referenced Article 12.1 which allowed the Board to waive the 60-day notice requirement in the event a proposed amendment did not change benefits, eligibility, or contributions.

A motion was made by Mr. Tierney to:

Waive the 60-Day notice requirements and to move the proposed plan amendment forward to City Council.

Ms. Evans seconded the motion.

Discussion:

Ms. Triggs said management would combine all of the four plan amendments for the Fire & Police plan, Supplemental Retirement Plan, Retirement Income Plan for Deputy Sheriffs, Medics, and Fire Marshals, and the "Old" Fire & Police Plan into one docket item. The waiving of the 60-day notice was an effort to make the timelines. Staff is directed to take steps to post information on the proposed change and to notify employees.

Mr. Johnson asked that Article 12.1 specifically be mentioned in communication to employees.

The motion passed (8-0).

TRAINING OPPORTUNITIES COMMITTEE

Mr. Milner showed a copy of an International Foundation of Employee Benefit Plans (IFEBP) flyer for its fall 2011 meeting. The fees are \$1260 for the conference plus an additional \$925 for the CAPPP program (Certificate of Achievement in Public Plan Policy).

Citing budget considerations Ms. Orr suggested no more than two people attend the meeting.

Mr. Milner made a motion to:

Approve travel and conference expenses for up to three Board members and staff to attend May Investment Course at Wharton. Members and staff with shared responsibilities for multiple plans will have their costs allocated to the plans in proportion to the plans' assets.

Mr. Tierney seconded the motion. The motion was approved unanimously 8 – 0.

Chairman Cross asked the Training Opportunities Committee to bring a policy to the full board for review. The policy should specifically address dollar amounts.

Mr. Johnson asked the policy justify the expense. Mr. Tierney said: 1) The Board manages a significant amount of assets, and 2) The City indemnifies the Board members so training lowers the City's liability.

Mr. Cross asked Mr. Wimer to serve on the Training Committee and that the committee considers guidelines for training new and ongoing board members as well as guidelines for expenditures.

Mr. Tierney asked that unused funds be carried forward three years.

Mr. Cross mentioned the IFEBP procedures and attested to the expectation that the board member attend all sessions of the training.

VENDOR and SERVICE PROVIDER COMMITTEE

Ms. Triggs said that following the current transition of investment management from Prudential to Comerica the next effort will be to pursue administrative services. This might be done via an RFP or it might be done in house. That was to be determined.

ADMINISTRATOR'S REPORT

FOLLOW UP ITEMS

MONTHLY & QUARTERLY REPORTS

Rebalancing reports were recently distributed via e mail.

Recently Prudential distributed \$98,471 from PRISA. When the plan originally bought real estate the expectation was that the bulk of the return would be in the form of income – or rents – and that capital appreciation would be small. That is currently the case and the expectation once the financial crisis is completely behind.

Staff referenced handout 4(ii)(3), the Volatility report. Volatility continues to fall and concurrently the equity markets continue to rise. Volatility is now roughly the average of the last sixty years.

Staff referenced handout 4(ii) (4), the Summary of Activity Report. In 2010 the disability component was added to the report and there was a bump in otherwise steady increases in cash flows. In 2011 the disability component will be included for the entire year. There will be another bump in these cash flows. Beginning in 2012 we would expect to see more smooth patterns.

Staff referred to handout 4(ii) (5), a Hancock timber report. Staff is enthusiastic about alternative investments and would not be surprised if in years to come the plan has even more alternatives. However, the reports from these limited partnerships often leaves things to be desired. In the case of private equity and timber the reports used appraisals, and to date less than fifty percent of committed capital had been called. The reports were on only a fraction of the assets and the values were not verifiable. It was an exercise in faith. Several years down the road there would be many more cash flows so there would be more grounds for making estimates of the partnerships returns.

Ms. Evans said that San Diego was backing out of their timber contract. Staff said there was a lot of publicity on that but that ultimately the issues were resolved and San Diego is proceeding with a \$50 million commitment to Molpus, a company the Board had interviewed at a timber RFP. Staff would forward information on that.

Ms. Evans indicated that Denver had been trying to back out of their timber contract with Hancock. Mr. Johnson recalled that this was a cash flow issue. They had overcommitted to timber. While still interested in timber Denver is a mature system and needs more cash for benefit payouts. Staff said material on this could be found and distributed to the board.

Mr. Johnson commented on weather events in Australia. Staff added that Hancock was not rushing out to make ill-advised or premature statements about the floods or cyclon's damage. It takes months to fully assess the damage and it is best to wait rather than hurry and mis-guide.

Staff called attention to handout 4(ii) (6) Private Equity Cash Flow Report. Hamilton Lane's Fund VII had called \$900,000 in the first quarter. They are putting money to work faster than the Secondary Fund II had.

ADMINISTRATION

Mr. Lynch reported on the February 2010 to January 2011 increase in the CPI and the May 1, Cost of Living Adjustment. Those receiving a COLA received an increase of 1.63%.

Staff reported on an upcoming Association of Municipal Retirement Systems of Virginia (AMRSVA) meeting in Richmond in April. This meeting is focused on administrators. Staff volunteered to bring questions to their roundtable discussion, for example questions from the Benefits Advisory Group.

In October there is a AMRSVA meeting in Roanoke. This meeting is for administrators and trustees the first day and administrators only the second day. All Trustees are welcome October 23-24.

In 2010 the Board passed a motion to support staff taking the Chartered Alternative Investment Analyst exam. Costs were to be allocated to all the City plans in proportion to plan assets. Staff reported that the first of the two exams was a success. Exam fees, books, etc. were spread over the City sponsored defined benefit plans. Once the Benefits Advisory Board's work is complete studies will resume.

NEW BUSINESS

Ms. Mammarella expressed concern for those receiving disability benefits who may not be disabled. She recognizes the separation of duties and responsibilities of the various parties involved. The disability determination is not up to the Board. However, the cash flows, expenses, and sustainability may be. It is a gray area.

Ms. Orr said the determination may be made by the Workers Compensation Board.

Ms. Mammarella asked about a mechanism or process to inquire on a questionable disability status.

Ms. Evans said that disability status was reviewed in the past.

Ms. Orr indicated a thorough examination was performed before the employee is granted disability. The process goes through INOVA. Her department was actively working with others to make the process better.

Mr. Wimer said a doctor's decision was outside the scope of the Board's expertise and they were not qualified to discuss medical matters.

Ms. Orr left the meeting at 10:35 AM.

Mr. Johnson said he would ask the Risk Management Oversight Committee to write up a review of the process.

Ms. Evans left the meeting at 10:40 AM.

Mr. Tierney wants to focus on the process *how to retire*.

Ms. Mammarella wants to focus on a process to verify ongoing eligibility to retire.

Chairman Cross asks City management to establish a formal written policy.

Ms. Evans returned at 10:43 AM.

A motion was made by Mr. Tierney to:

The board encourages a written policy on how to retire on disability and how to verify ongoing disability status in the Firefighter and Police Officer Pension Plan.

Ms. Evans seconded the motion.

Discussion:

It was suggested an investigator is hired.

Ms. Evans suggested Ms. Triggs may not wish to hire additional FTEs. Also, there may be a need for public comment.

Mr. Johnson asked if this might be put on the docket.

Ms. Triggs suggested representatives of the Risk Management Oversight Committee attend a Fire & Police Board meeting.

Mr. Milner suggested the Risk management Oversight committee report to the Fire & Police Board every six months. The motion was amended:

The board encourages a written policy on how to retire on disability and how to verify ongoing disability status in the Firefighter and Police Officer Pension Plan. The Risk management and oversight Committee is asked to report to the Fire & Police Board every six months.

Mr. Tierney and Ms. Evans agreed to the amendment.

The motion passed (8-0) with Mr. Rouff voting in place of Ms. Orr.

Ms. Mammarella asked about a potential new shift schedule for patrol officers. The regular shift may include over 80 hours of regularly scheduled work hours. This time would not be included in the Final Average Earnings calculation. Ms. Evans said that in unionized states the inclusion of overtime was leading to very significant unfunded liability problems.

Mr. Johnson asked Chairman Cross to briefly discuss the Benefits Advisory Group. Chairman Cross asked staff to include the entire Fire & Police Board on the distribution list of Benefits Advisory Group. This will be accomplished by staff sending the Fire & Police Board members a link to the Benefits Advisory Group website.

Ms. Evans pointed out that part of the Benefits Advisory Group presentation material highlighted that Fire & Police benefits are capped at 30 years of service, not-with-standing the DROP.

NEXT MEETING

The next meeting is Wednesday, April 27, 2011. This is an educational session on farmland. The following meeting is a special meeting for Cheiron to present results of the 2010 actuarial valuation.

ADJOURNMENT

Ms. Mammarella made a motion for:

The meeting to adjourn.

Ms. Triggs seconded the motion. The motion passed (8-0). The meeting adjourned at 11:15 A.M.

HANDOUTS

Distributed in advance to Board members

- 1) Agenda
- 2) Minutes February 10, 2011 [1(i)]
- 3) Minutes February 14, 2011 [1(ii)]
- 4) Proposal from Prudential [2(i)]
- 5) Follow-up Items [4(i)]
- 6) Volatility Report [4(ii)(3)]
- 7) Summary of Activity Report [4(ii)(4)]
- 8) Hancock 12/31/2010 Finance Report excerpted pages [4(ii)(5)]
The entire report is available for anyone who is interested.
- 9) Private Equity Cash Flow Report [4(ii)(6)]
- 10) Chartered Alternative Investment Analyst I Exam [4(iii)(3)]
- 11) Determination letter from IRS and required additional amendment [4(iii)(4)]

Distributed during the meeting:

12) Prudential's Pricing Proposal [2(i)(1)]

13) A Better way to Build an Index? [4(i)(1)]

14) Low Interest Rate Environment, Investment Possibilities [4(i)(2)]

15) Firefighters and Police Officers Pension Plan Board Meeting Schedule 2011 [4(i)(3)]

16) Upcoming Meetings, Firefighters and Police Officers Pension Plan Board [4(i)(4)]