MINUTES OF MAY 4, 2011 RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN
SPECIAL MEETING

PRESENT

Members	Others
Michael Cross, Chairman	Steven Bland, Retirement Administrator, CFA, CIO
Michele Evans	Janine Bosley, Benefits Advisory Group
Morgan Routt	Fiona Liston, Cheiron
Al Tierney	Arthur Lynch, Retirement Specialist
Laura Triggs	Stephen McElhaney, Cheiron
Michael Wimer	Kathy McGugan, Cheiron
	Theresa Nugent, Communications Specialist
	James Ray, Benefit Advisory Group

CALL TO ORDER

The meeting was called to order at 1:10 PM on May 4, 2011.

Ms. Liston distributed the report from Cheiron, *The City of Alexandria Firefighters and Police Officers pension Plan, Actuarial Valuation as of July 1, 2010*.

Page 1 provides an outline of the presentation.

Page 2 provides a schematic of the valuation process. The empty part of the tank is the Unfunded Liability.

Mr. McElhaney discussed page 3, the process of transitioning from valuations from Segal Company to Cheiron. It is to be expected that there will be a difference in two actuaries' work. Segal did not provide as much data as some actuaries might and thus the reconciliation process was slower, less conclusive, and harder to explain than it could have been.

Page 4: experience studies will not be performed for some time, until there is more data available.

Page 5: the active liabilities determined by Segal and by Cheiron varied by 2%. Cheiron said a difference of less than 5% is acceptable. The Normal costs differed by more than 6%.

Page 6: the changes in the pension and disability components were in opposite directions. The composite change was relatively small. One difference for disability arose from the fact that Segal's actuaries projected future salaries to grow at 7 ½% rather than the long term salary assumption.

Page 7 displays how smoothing works. Had market value of assets been used the funding ratios would have been 57% in 2009 and 62% in 2010. Investment results were good in 2010 but smoothing in deferred losses lowered the return on actuarial value of assets.

Mr. Tierney asked if the approach to smoothing is reasonable. The approach is consistent with actuarial standards of practice and IRS guidelines for private plans. It is quite popular because it will smooth out contributions for budgeting purposes.

Page 8 shows a drop in liabilities after a significant increase in prior years. Mr. Tierney asked why this is so. Staff suggested that assets had fallen in the Retirement Income Plan and this led to smaller offsets for the disability plan. In 2010 these accounts rose in value. Using market value of assets the funding ratio in 2009 & 2010 were 57% & 71% respectively.

Page 9 displays contributions in both dollars and a percent of pay. There is a several year time lag from the close of the valuation period and using the rate in the budget.

Page 10 has a significant increase in liability. Staff believes this is attributable to a change in mortality assumptions used by Segal. They had used Social Security disability mortality which has very high rates. The replacement table had much lower rates. As people live longer plan costs rise.

Page 11: Ms. Evans asked if the retirees could be split from the disabled lives. Cheiron said yes.

Page 12: Segal waited until they got year end data to begin a valuation. Cheiron will develop a process to begin sooner. Mr. Tierney asked if expense had been under estimated. Ms. Triggs said that expenses were about the same as they had been, but the sharing between the general fund and the plans had changed.

Page 13: The shift from a 7.40%/.60% to 7.20%/.80% actually took place in 2009. It was buried in the 2009 valuation and Cheiron did not notice it. This will be changed for their 2010 report and reconciliation.

Page 14: There was some data clean up for term vested that were listed as disabled.

Page 16: 125.5% should be 125%

Page 17: The plan has not recognized all deferred loses. This will lead to higher contribution rates in the future.

Page 18: A reconciliation of year to year changes is made. A significant factor is the change in methods and assumptions between actuaries.

Page 19: Much of the change stems from Segal assuming salary increases of 7 ½% for disabled plan participants between disablement and conversion to retirement.

Page 20 projects future funding ratios and contribution rates.

NEXT MEETING

The next scheduled meeting is May 11 at 1:00 PM, room 1101, Sister Cities Room. This is a special meeting for selecting a large cap growth manager and board education.

ADJOURNMENT

Ms. Triggs made a motion for:

The meeting to adjourn.

Mr. Tierney seconded the motion. The motion passed (6-0). The meeting adjourned at 2:29 PM.

HANDOUTS

Distributed in advance:

- Agenda

Distributed during the meeting:

- The City of Alexandria Firefighters and Police Officers pension Plan, Actuarial Valuation as of July 1, 2010. (Vendor presentation)