

**MINUTES OF APRIL 15, 2010 RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
INTERIM MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Michael Cross, Chairman	Steven Bland, Retirement Administrator
Michele Evans	Arthur Lynch, Retirement Specialist
Patrick Evans	Theresa Nugent, Communications Specialist
Bruce Johnson	
Ed Milner	
Cheryl Orr	
Al Tierney	
Laura Triggs	
Michael Wimer (Alternate)	

CALL TO ORDER

The meeting was called to order at 8:34 AM on April 15, 2010.

MINUTES

There was a motion by Ms. Triggs and seconded by Mr. Wimer to approve the February 16, 2010 minutes. The motion was unanimously approved (5-0).

The Chairman indicated items will be taken out of order to assure completion of certain topics.

Staff circulated three original documents for review during the meeting and return to staff. They included announcement of a PRISA webinar with a password, an article from the Free Lance-Star on real estate and REIT stocks, and an article from the Financial Times on U.S. Treasuries.

ACTUARIAL VALUATION

Delivery of the 2009 actuarial valuation was postponed. Considering a new date was deferred until the end of the meeting.

OLD BUSINESS

Mr. Tierney and Ms. Evans arrived at 8:42 AM.

Staff discussed the recent history of the asset allocation study and the adoption of new targets for the pension component. No such adoption was made for the disability component.

Staff discussed the merits and relative performance of the three mandates with SunTrust in the disability component: domestic large cap core, domestic fixed income, international developed markets.

Staff referred to a handout. Staff recommends the board pursue either Scenario #1 in which SunTrust manages the large cap core equities of the consolidated pension and disability components or scenario # 2 in which 100% of the assets are held and managed by Prudential. To best prepare for making this selection staff recommends having both SunTrust and Prudential come to the May 13 meeting and presenting their case for managing funds. Also, they should address the issues of: fees, contracts, custodial arrangements, and so on.

Chairman Cross believes the most efficient allocation leads to the best returns. He would like Prudential to answer questions about contracts, fees/compensation, and ability to flex with the Board to create the best asset allocation for the board, be it on or off the Prudential platform.

Ms. Orr arrived at 9:52 AM.

Chairman Cross indicated Barry Bryant should comment on this.

Staff reported there were news item on the internet reporting SunTrust was engaged in talks to sell some of its money management subsidiaries. Barry Bryant had indicated this some time ago. A question arose as to which of the three mandates would be effected.

Mr. Tierney asked if the City can break a contract/RFP into parts to enable a vendor to bid on one or all parts.

Mr. Evans arrived at 9:53 AM.

Mr. Cross asked for information on the custodial relationships.

Mr. Johnson directed staff to work with Prudential on custodial issues.

Chairman Cross asked how much we can go off platform.

Mr. Tierney said his view of the question was to pick between: "Should we get a contract first and then move the money or move money first and then work on a contract?"

Mr. Milner said that if Prudential says no to our requests then the City will have to move all the faster to accomplish an RFP.

Ms. Triggs said there is one restriction in moving funds from Prudential. That restriction is the limitation of moving no more than 16% per year from the Guaranteed Deposit Account without penalty.

Mr. Johnson indicated returns in the disability plan had been sub par.

Staff asked if the Board was ready to move to either scenario # 1 or #2 at this time.

Chairman Cross said the plan should move money now with no multi year contract. Staff asked for clarification. Chairman Cross said he preferred option # 2.

Staff expressed preference to resolving administrative issues prior to moving funds.

Mr. Tierney said he would like to know what Barry Bryant recommends.

Staff is directed to ask which of the three SunTrust funds might be managed by the subsidiaries being sold and which were still to be managed by SunTrust? Would administration stay with SunTrust or would the bill paying capability also be moved?

Direction is given to explore moving funds to Prudential by checking out custodial arrangements, asking Barry his thoughts prior to the meeting, and creating a timeline.

Ms. Orr asked why SunTrust may have to retain funds. The reason is to pay monthly benefits. The transfer of administrative services, if it is even done, cannot go as fast as the transfer of investments.

COMMITTEE REPORTS:

BUYBACK COMMITTEE

Mr. Milner reported the committee had met and prepared several letters, one to the actuary and one to the participants. However, it was deemed best to wait for the results of the budget meetings in early May to determine the next step.

DISABILITY COMMITTEE

The disability committee had not met. Mr. Tierney said he was waiting to find out if policies were to be absorbed by the risk management oversight committee.

Mr. Tierney asked if the date of determination of non-service connected partial disability had been included in the proposed plan amendment.

TRAINING OPPORTUNITIES COMMITTEE

Staff presented a draft guideline for using the plan's funds for education & training expense reimbursement. This referred to handout 4 (iii).

Mr. Tierney was comfortable with the guidelines.

Mr. Milner suggested there should be no dollar limit. Mr. Tierney and Chairman Cross preferred a dollar limit and said it could be increased if needed. Mr. Johnson said the document could be written to require a supermajority to change.

Mr. Tierney recommended a limit of no more than \$20,000. The consensus is to eliminate the dollar limit for educational and training expense from the document.

Ms. Orr asked that staff identify local training and educational opportunities. Ms. Nugent specifically mentioned MATPERS – Mid Atlantic Public Employees Retirement Systems.

Mr. Tierney made a motion to adopt the draft Training and Educational Policy Guidelines after the third paragraph on total annual expenses is removed. Ms. Evans seconded the motion.

Discussion: Chairman Cross recommended members attend training at least once every two years. Ms. Evans recommended staff create a calendar of training events.

Mr. Johnson left at 9:40 AM.

Ms. Nugent and Chairman Cross discussed the training requirements of section 10.4 (n) of the plan document on page 100. This does not mandate continuing education.

The motion passed (7 – 0).

Staff distributed a handout and requested funding for the CAIA exam program. The CAIA is the Chartered Alternative Investment Analyst program. It is a two exam sequence focusing on alternative investments: commodities, credit derivatives, ethics, hedge funds, managed futures, private equity, real estate, and venture capital.

Mr. Johnson returned at 9:50 AM.

Mr. Milner made a motion for the board to pay for the CAIA registration, exam fees, books, study guides, review materials, class, and travel. Ms. Evans seconded the motion.

Discussion: Mr. Tierney suggested the plan pay for half the cost because other plans might also benefit.

Mr. Johnson made a motion to amend the prior motion that the funding might be in proportion to the City managed pension fund assets. Ms. Orr seconded the motion. The motion passed (7-1) with the following votes:

Ayes: Chairman Cross, Ms. Evans, Mr. Evans, Mr. Johnson, Mr. Milner, Ms. Orr, Ms. Triggs.

Nays: Mr. Tierney

The Board then voted on the amended motion. The motion passed (7-1) with the following votes:

Ayes: Chairman Cross, Ms. Evans, Mr. Evans, Mr. Johnson, Mr. Milner, Ms. Orr, Ms. Triggs.

Nays: Mr. Tierney

VALUATION AND TECHNICAL CORRECTIONS COMMITTEE

The Board will meet May 5 at 4:30 with Mayor Euille and Councilman Smedberg to review the proposed plan amendment. Staff mentioned the posting of information and initiating the 60 – day notice.

VENDOR AND SERVICE PROVIDER COMMITTEE

Staff reported the contract for legal services was complete. Procurement had sent a draft RFP for the investment consultant.

Mr. Tierney asked for a timetable of an RFP for the Third Party Administrator. Mr. Johnson said that Pension and Procurement staff will develop a timeline.

ADMINISTRATOR'S REPORT

FOLLOW UP ITEMS

Meeting times, frequency, and duration were discussed. Ms. Evans suggested some meetings had gone five hours or more and that was too much.

Chairman Cross has said the meetings were covering essential business. He asked if others would prefer fewer longer meetings or more frequent shorter meetings.

Ms. Evans suggested action items requiring a vote be placed in the first hour of the meeting. Mr. Cross said some vendors traveling great distances were placed towards the top of the agendas to accommodate their travel schedules. Also, often discussions with these people led to votes later in the meetings.

Mr. Tierney echoed the desire to have priority items in the beginning of the meeting.

Mr. Johnson suggested times be placed on agenda topics. This would not prohibit longer discussions, but it would create an effective guide for time management by reminding trustees how much time is appropriate.

Mr. Johnson asked staff to send a link to Board members of a recent City Council docket memo.

Mr. Johnson asked the investment rate of return assumed by the Virginia Retirement System. He thought it might be 8%. Staff agreed it had been 8.0%. However, within the last several years it had been lowered to either 7 ³/₄% or 7 ¹/₂%.

Staff referenced two handouts distributed at the meeting. Both handouts were excerpts from regular Prudential reports: 1) the Asset Summary, and 2) the Quarterly performance report. One evidenced the recent purchase of \$1,000,000 of real estate. The other substantiated the

projection of Kevin Smith of PRISA who several weeks ago projected first quarter returns to be about flat with investment income virtually offsetting modest depreciation. Total return for the quarter was -.20%.

Staff asked the Board if the recent presentation by Kevin Smith of PRISA was helpful. The Board said that it was and that other such presentations should be arranged. However, in deference to meeting agendas being crowded for several months no invitation should be made for the next three to four months. Staff suggested the first manager to invite would be Turner because of its volatility. Others might request PIMCO because they manage the largest portion of the plan's funds.

REGULAR INVESTMENT REPORTS

The March 31, 2010 monthly Investment & Rebalancing Report was distributed via e mail a week or so prior to the meeting. Staff indicated no rebalancing was required. However, in the Disability component the domestic large cap core allocation was nearing its rebalancing target. Staff will monitor this.

The Volatility Report indicated equity markets were becoming somewhat complacent. Volatility by several measures is as low as it has been in two years. It is not at all time lows, but it is approaching that level.

Data for the Summary of Activity by Fund Report was not received in time to prepare the report for the meeting.

ADMINISTRATION

The May 1, COLA has been calculated. Staff referred to handout (5) (iii) (1). The increase is 2.63% for those retired at least 12 months and whose benefits have not doubled. The handout in the board packet displayed the relevant data from the Bureau of Labor Statistics website and how the 2.63% figure was calculated.

Staff announced the election is ready to proceed. Staff will initiate the process a few weeks earlier than the 2007 election to allow for any potential slippage in the timetable that may occur.

Staff reviewed one component of the election guidelines and procedures. Two of the four trustees will have four year terms and two will have two year terms. The plan document did not specify whether the two Fire participant representatives, and the two Police representatives should each have one election with the candidate receiving the most votes earning the four-year term and the candidate getting the second most votes getting the two-year term, or if there should be separate terms. A motion which staff recommended at the February Board meeting was in conflict with the 2008 election guidelines. Staff asked the February motion stand and that the election guidelines be amended to reflect the motion that passed in February. Staff apologized for the inconvenience.

Mr. Tierney made a motion that the Election Guidelines be amended so that:

The two Fire participant representatives and the two Police participant representatives should each have one election with the candidate receiving the most votes earning the four-year term and the candidate getting the second most votes getting the two-year term Ms. Evans seconded the motion. The motion passed (7 - 0)

Ms. Nugent discussed the upcoming seminar schedule, meeting announcements, and communications to plan participants.

Ms. Evans discussed the 5% employee contribution that is currently being made by the City to VRS on the employees' behalf. There is legislation that has passed the house and senate and awaits the Governor's signature. While this may not directly impact plan participants it may impact broad pay and benefits discussions that ultimately impact plan participants.

OTHER ITEMS

The Hancock timber limited partnership will close April 23, 2010. The original closing was deferred from March 31, 2010 to accommodate a client, the State of Maryland retirement systems. The contract was amended because there was a slight variance between the contract and the marketing materials. The contract now prohibits investing more than 25% of the fund in Latin America.

Staff distributed a picture of a pine beetle and a map of South America. There is an infestation of pine beetles in British Columbia Canada. The Chilean earthquake of February caused severe damage to the country's pulp manufacturing facilities. Both of these could impact near term timber prices. The broader issue is that the plans are more diversified than several years ago. However, there will always be earthquakes. There will always be unpredictable events like pine beetle infestations, so some investment risk will always remain.

Staff referenced handout (5) (iv) (2). Staff reported that Hamilton Lane had called \$82,000 and distributed \$40,000. The net of \$42,000 was a week earlier.

NEW BUSINESS

Staff discussed item #6 from the board packet. The handout is a summary of model legislation written by NASRA, the National Association of State Retirement Administrators. Staff believes NASRA is an excellent source of information.

Mr. Tierney asked that retirees have a way to view itemized deductions to their retirement income. Unlike employees' ability to see their gross earnings and then deductions itemized on their biweekly paychecks the retiree only sees the net amount. Staff will ask Lisa Powell of Prudential to address this. Mr. Milner said retirees typically receive this information at retirement in the form of an award letter which will tell when changes are made and then only receive information annually from a 1099R. Staff said that life insurance changes (if any) are typically made January 1, tax tables are typically changed March 1, COLAS are payable May 1, and health insurance changes July 1.

Ms. Triggs will ask Prudential to discuss itemizing deductions at the May Board meeting and to include this in the next RFP.

NEXT MEETING

The next scheduled meetings are:

May 5 at 4:30 PM, with the Mayor and councilman Smedberg, in the Council Workroom

May 13 at 8:30 AM, room 1101, Sister Cities Room

Staff is asked to set up a meeting with Eli Greenblum for May 24, May 25, or June 3.

ADJOURNMENT

Mr. Milner made a motion to adjourn. Mr. Evans seconded the motion. The motion passed (7-0). The meeting adjourned at 11:00 AM.

HANDOUTS

Distributed in advance:

- Agenda
- Draft of the February 16, 2010, minutes (1)
- Scenarios for Disability Benefit Administration & Investments 3(i)
- Training & Education Policy Guidelines 4(iii)
- Follow-up Memo 5(i)
- Volatility Report (5ii)(2)
- Cost of Living Adjustments 2010 (5(iii)(1)
- Pension Board Elections Calendar/Checklist (5(iii)(2)
- Private Equity Report: Hamilton Lane Cash Flows 5(iv)(2)
- National Association of State Retirement Plans (NASRA) Model Practices (6)

Distributed during the meeting:

- Chartered Alternative Investment Analyst
- Risk Budgeting
- Prudential Real Estate Investors
- Asset Summary, Alexandria Firefighters & Police Officers Pen. Plan