

**MINUTES OF APRIL 17, 2007, RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
INTERIM MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Michael Cross	Steven Bland, Retirement Administrator
Michele Evans	Eli Greenblum, FSA, Segal & Co.
Pat Evans (Alternate)	Theresa Nugent, Communications specialist
Henry Howard	
Mark Jinks	
Chris Lockwood	
Shirl Mammarella (Alternate)	
Joe Seskey	
Laura Triggs	

In the absence of the Chairman and Secretary Mr. Cross served as Chair.

CALL TO ORDER

The meeting was called to order at 8:41 A.M. on April 17, 2007

MINUTES

Staff asked a motion for the February 7th meeting include amending the title from “Interim Meeting” to “Due Diligence Meeting.” Also, the calendar in the February 7th minutes was factually correct, but subsequent to the meeting the October 4th meeting was changed to October 3rd.

There was a motion by Mr. Jinks and seconded by Ms. Triggs to approve the February 7th and February 28th January 22, 2007 minutes. The motion was unanimously approved (7-0).

ELECTION PROCEDURES

Mr. Jinks questioned the need for separately identifying the two Firefighter board member positions for two separate elections. The preference was for one election with the two candidates drawing the most votes being elected. The same would be done for the Police Officers. A separate election would be held for each alternate.

Several board members mentioned the nuisance of acquiring 25 signatures for a petition.

Staff was directed to take the preceding comments to Chris Spera for his opinion. This should be brought to the May 10th meeting.

Ms. Mammarella made a motion:

The nominating procedure should not require 25 signatures. The two Firefighter representatives shall be determined in one election with the alternate being determined by a separate election. The two Police Officer representatives shall be determined in one election with the alternate being determined by a separate election. These changes should be given to Chris Spera for his opinion and brought to the May 10th meeting.

Mr. Lockwood seconded the motion.

Mr. Jinks suggested the numbering of ballots was unnecessary if mailing labels were used.

The motion passed unanimously (7-0).

INTEREST RATE POLICY

Staff reviewed the process steps taken in developing the Interest Rate Policy. Staff mentioned the change since the last meeting was the determination of interest for recouping overpayments is to be determined on a case-by-case basis.

Mr. Cross pointed out a typographical error. The word “days” will be deleted.

Ms. Triggs made a motion:

The Board adopt the Interest Rate Policy.

Mr. Jinks seconded the motion.

The motion passed unanimously (7-0).

PRUDENTIAL CALCULATION REVIEW

Staff recapped prior efforts to review Prudential’s benefit calculations. More recent efforts had indicated no issues with the retirement and DROP calculations. However, four terminations were miscalculated and overpaid. The size of the errors ranged from \$400 to just under \$2,000. The total was around \$5,000.

Mr. Jinks mentioned his meetings with Prudential on administrative issues and an upcoming meeting May 2nd. Prudential will bring its plan of corrective actions to the City Of Alexandria and meet with Mr. Jinks, Ms. Triggs, and Mr. Bland.

SUNTRUST ADMINISTRATIVE ERROR

Staff referred to the handout regarding an administrative error by SunTrust. Some 1099's for tax-free benefits were issued as taxable income. The error had been made in two prior years. Mr. Jinks asked if staff could identify specific members in advance and then review their forms prior to their being sent out in 2008. Mr. Howard asked how many were impacted – less than a dozen. Mr. Seskey asked if we could be copied on communications from SunTrust to members so that we might verify the information. Ms. Mammarella suggested people should be reminded to review their statements to check that the information is correct and if not notify the appropriate party (Prudential, Suntrust, Personnel, and/or Retirement).

DEFINED CONTRIBUTION INVESTMENT OPTIONS

Staff reviewed the Board's actions February 7 to provide more investment options to participants. Prudential made a Mailing in March to those with Retirement Income Accounts (Defined Contribution). The City had a mailing to active members in late March. Following that there were mailings to disabled and finally to retired participants with a RIA. The new investment options are all domestic equity and fixed income mutual funds. The February 7th Board action called for a follow up to consider International investment options.

DEMOGRAPHIC DISTRIBUTIONS

At prior meetings Mr. Cross had requested distribution of actives employees' age, salary, service, and so on. On a separate occasion - while discussing disability issues - Chairman Lawhorne requested distribution of disabled participants. Distributions were included in the packet. Staff said going forward mentioned they would be provided on an annual basis.

Ms. Mammarella knew of a person omitted from the list. Staff indicated the data was assembled from multiple sources. Through the process of merging data from multiple files three disabled participants came through with missing data elements. They were removed from the list rather than include them with incomplete records.

GFOA RECOMMENDED POLICY

Staff reviewed the handout from the Government Finance Officers' Association. The organization has recommended that governments voluntarily adopt a policy for benefits. This was to help members, taxpayers, and users of financial statements better understand the commitments being made. Also, it might provide guidance while considering benefit increases. It might be analogous to the City's compensation plan that serves to provide non-binding philosophies. It would not be analogous to an investment philosophy that prescribes specific steps. The general consensus was that the idea had merit. No timetable was established.

Eli Greenblum, Michele Evans and Patrick Evans joined the meeting.

COST OF LIVING ADJUSTMENTS

Staff referenced a handout on the Consumer Price Index. The page was from the Bureau of Labor Statistics. It was the source of the data that derived the 2007 COLA. Ms. Evans requested more information and narrative accompany the table on the website. Mr. Bland used the opportunity to introduce Theresa Nugent, our new communications specialist, to the Board. One of Ms. Nugent tasks will be to provide narratives and explanations to handouts as this.

DISABILITY COMMITTEE REPORT

The Committee's Chair, Mr. Seskey, provided a report and asked staff to also comment. The committee met numerous times. The expertise of the actuary and outside council was utilized extensively. A meeting with participants was held April 13th and roughly ten members attended to discuss disability and one to talk about the Service Credit Buy-Back. Another such meeting was scheduled for April 18th at the Lee Center. Information was placed on the website. A Q&A was being developed. The next Disability Committee meeting is scheduled for April 19th.

Mr. Lockwood pointed out the short notice of the April 13th meeting. Staff acknowledged the inadequate notice saying we rushed to get two meetings in before the next disability committee meeting scheduled for April 19th. Going forward there will be much more notice.

2006 VALUATION: PRELIMINARY RESULTS AND DISCUSSIONS

Mr. Greenblum provided an overview of the 2006 valuation using the old assumptions. In the event assumptions are changed it is actuarial practice to perform the valuation under both the old and new assumptions. This provides a way to measure the impact of the changes.

In discussing demographics some age and service groupings had only one member. This reveals personal information that is inappropriate. The report will not display groups or totals with less than 5 members.

Mr. Greenblum discussed asset smoothing. The intent is to bring an element of steadiness to otherwise volatile contribution rates. Several members asked if this was a standard actuarial practice. It is a standard practice and employed in the majority of valuations. Staff verified Mr. Greenblum's statements. Mr. Greenblum provided a numerical example.

Mr. Greenblum reviewed the Normal Cost – the cost of funding the system is paid from the point of hire and experience matched assumptions exactly.

Staff asked about the Certification the actuary provides that enables the non-service partial disability benefits to be paid on a tax-free basis. Mr. Greenblum indicated the certification is required annually. It can be included in the valuation report.

Mr. Jinks alluded to the contribution rates in the Consolidated Annual Financial Report and compared them to the results of Mr. Greenblum

Mr. Greenblum pointed out the purpose of changing assumptions is to make the model correct, not to make costs go up or down. Ms. Triggs asked if the mortality table needs to be looked at annually. It is reviewed on an ongoing basis.

The previous actuary used the Social Security Disability mortality table to set disability mortality. The standards for receiving Social Security disability benefits are more restrictive than most, including our plan. The mortality experience is severe, so the model's costs are too low. The mortality table will change.

The amortization schedule for disability is only twelve years. Mr. Jinks suggested it be set to match the period in the defined benefit plan. The board agreed with this.

Staff asked if salary assumptions used years of service credit in the pension plan or years of employment. For those who did not transfer their Retirement Income Account to the defined benefit plan there could be a significant difference. Mr. Greenblum believes service was meant to include all service, not just in the new plan.

Mr. Seskey asked when the valuation is due. Mr. Greenblum indicated it would take five weeks to complete the report but results would be ready a little earlier. The City Council should adopt its budget May 7th. Staff suggested the presentation wait for the final report. Discussing valuation results without the benefit of the report is very difficult.

SERVICE CREDIT BUYBACK

Members asked for an update on the Service Credit buyback proposal. Mr. Lockwood asked Mr. Greenblum about the buyback. His first communication to the City Of Alexandria was for the members' paying all costs with a four-year limitation on years purchased. The proposal before

City Council has different provisions, including three years of a 50/50 cost sharing with the member and plan.

Ms. Evans asked staff to call the 11 effected participants to determine their interest in the buyback proposal the City Council is considering.

Ms. Mammarella asked how the subsidy came about. Mr. Cross explained the events of the November meeting with the City Council Committee on Pensions and the subsequent March 15th meeting. Ms. Mammarella asked about the financial implications of immediate increase in the unfunded liability and the very long amortization period.

Ms. Evans suggested each buyback be considered on a case-by-case basis.

Ms. Mammarella anticipates other groups seeking similar subsidies, notably the existing Police Officers with prior time as Deputy Sheriffs. Would employee contribution rates have to increase to more than 7½%?

Mr. Cross explained the role of the Board was done and the Buyback issue was out of its hands in those of the City Council.

Mr. Lockwood pointed out there were 440 active employees that were not polled as to their interest in the proposed amendments.

Staff asked what was its roll in the 60-day notification process? If feedback was collected from participants was staff to forward it to City Council, or to the Board, or both?

Ms. Mammarella made a motion:

The Board reiterates to City Council their position there should be no subsidy of the buyback.

Mr. Seskey made a point of order. Can Ms. Mammarella make a motion if it is a repeat of a motion that has already been made?

Following discussion the motion is withdrawn.

Mr. Seskey called to question the duties and responsibilities of the board.

Ms. Mammarella made a motion:

The actuary is directed to update the costs of the Service Credit buyback to reflect the most current salaries etc.

Mr. Lockwood seconded the motion.

Following discussion the motion was withdrawn.

\$3000 TAX FREE DISTRIBUTION FOR MEDICAL INSURANCE

Staff provided a status update. Prudential was now ready to provide some support for the changes in the Pension Protection Act of 2006. That act permits the disbursement of up to \$3,000 annually for direct payment to a health insurance company for the retiree medical insurance costs of certain eligible public Safety officers. Our communications specialist has begun working on letters and announcements for our website.

NEXT MEETING

The May 10th meeting will be held in the Sister Cities Conference Room.

ADJOURNMENT

Ms. Triggs made a motion to adjourn. Mr. Seskey seconded the motion. The motion passed unanimously (8-0). The meeting adjourned at 11:05 AM.