

**MINUTES OF FEBRUARY 16, 2010 RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
DUE DILLIGENCE MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Michael Cross, Chairman	Chuck Arrington, Iron oak Advisors
Michele Evans	Steven Bland, Retirement Administrator
Bruce Johnson	Barry Bryant, Dahab Associates
Shirl Mammarella, Alternate	Arthur Lynch, Retirement Specialist
Ed Milner	Dean Molinaro, Prudential
Cheryl Orr	Theresa Nugent, Communications Specialist
Morgan Routt, Alternate	Lisa Powell, Prudential
Al Tierney	Mike Sahakian, SunTrust Capital Management
Laura Triggs	
Michael Wimer	

The meeting was called to order at 1:00 PM.

APPROVAL OF JANUARY 14 MINUTES

Ms. Triggs made a motion to accept the minutes of the January 14, 2010, meeting. Mr. Milner seconded the motion. The motion passed unanimously (6-0).

Mr. Wimer arrived at 1:02 PM.

Chairman Cross announced City Council had approved the nomination of Patrick Evans to Firefighter Representative and Michael Wimer to Firefighter Alternate.

Mr. Tierney arrived at 1:03 PM.

COMMITTEE REPORTS

Chairman Cross provided a report for the valuation and technical corrections committee and referenced handout 7 (b) regarding the Thirty-Fourth and Thirty-Fifth Change of the First Amendment. The reference to \$3,000 from the Pension Protection Act of 2006 in section 7.6 was made flexible and changed to the maximum amount allowed by law. A typographical error was corrected in section 10.3 (c)(2) regarding the length of term of Participant Representatives who begin serving January 2011 by changing the dates so that the durations matched the two and four years terms described.

Bruce Johnson arrived at 1:04 PM

Cheryl Orr arrived at 1:05 PM.

Chairman Cross asked if the consensus was to modify the proposed plan amendment to incorporate the changes made by the handout. The consensus was to make the changes.

Mr. Cross reported the Vendor and Service provider Committee had completed the sole source service contract with Venable, the plan's outside attorney. The City Attorney had said management had the authority to approve the contract and the Board did not need to review this. The next up was the RFP for the Investment Consultant followed by the contract for the actuary.

Mr. Milner reported that the recent snowstorm prevented the Buyback committee from meeting.

REAL ESTATE

Mr. Bryant felt Real Estate was at or near a bottom. This was a good time to get into real estate. The current allocation was just under 3%. The target allocation is 5%. It could be funded all at once or over time akin to dollar cost averaging.

Mr. Tierney made a motion to transfer \$1 million quarterly to Real Estate until the balance reaches the target of 5%. Ms. Orr seconded the motion.

Discussion: This would probably take three quarters, two payments of one million in March and June, and then a third payment with the amount to be determined in September, 2010.

The motion passed (8-0).

ELECTION

Chairman Cross recalled the prior election in 2007 had an election administrator. He suggested Steven Bland hold that position during the 2010 election.

Mr. Johnson made a motion to appoint Mr. Bland the election administrator for the 2010 election. Ms. Triggs seconded the motion.

Staff pointed out the plan document calls for distinct representative positions in 2010, one being for a four-year term, the other a two-year term. The Plan Document does not specify how these are to be filled. There might be two elections for two positions, or there may one election with the candidate receiving the highest vote becoming the representative with the four year term and the candidate with the second highest votes becoming the representative with the two year term. Staff also indicated this would be a procedure for the 2010 election only. Following this time the terms will be staggered and there would only be one election at a time per employee group.

Mr. Tierney made a motion that in the 2010 election:

- The Police Officer with the greatest number of votes shall become the Police representative serving the four-year term.
- The Police Officer with the second greatest number of votes shall become the Police representative serving the two-year term.
- The Firefighter with the greatest number of votes shall become the Firefighter representative serving the four-year term.
- The Firefighter with the second greatest number of votes shall become the Firefighter representative serving the two-year term.

Mr. Milner seconded the motion. The motion passed (8-0).

Chairman Cross asked staff to amend the election procedures to include the above and bring them to the April Board meeting.

ADMINISTRATOR'S REPORT

Staff reported the Association of Municipal Retirement Systems of Virginia (AMRSVA) is meeting in Arlington April 19 & 20. The registration fee typically is \$150 - \$200 for a two day meeting.

Mr. Johnson made a motion that the Board authorize registration expenses for administrators to attend the April AMRSVA meeting in Arlington. Mr. Milner seconded the motion. The motion was approved (8-0).

FINANCIAL REVIEW

FINANCIAL AND ECONOMIC OVERVIEW

Mr. Bryant said that the fund did well and managers did too. Mr. Cross said that several years ago the fund had been in the 90th percentile near the bottom in peer comparison rankings. Following years of work, largely on the urging of the investment consultant, the plan had diversified effectively and had performed better, attaining the 33rd percentile for the five year period ending December 31, 2009.

Mr. Tierney asked why Wells Fargo had done so well. Mr. Molinaro attributed this to large weightings in energy. Mr. Bryant said recently the biggest movers – up or down – were financial companies and energy. Any manager getting these two asset classes right did well.

Mr. Molinaro said Turner (large cap growth) was no longer on the watch list.

Ms. Triggs left at 1:25 PM.

INVESTMENT REVIEW – DISABILITY COMPONENT

Mr. Arrington noticed a little over a year ago that growth companies had very clean balance sheets. This led him to load up on technology companies. This initially hurt, but eventually paid off. The basic materials sector also performed well for the portfolio.

Mr. Arrington believes the year 2010 will be subdued by recent standards, but will still be a positive year.

The fixed income side emphasizes high quality and 2009 was a year for low quality to perform well.

TIMBER

Staff reported the timber contract had been signed and accepted by Hancock. We expect a call for 1-2% of committed assets about April 1, 2010.

ADMINISTRATOR'S REPORT (continued)

MONTHLY REPORTS

Staff reported no rebalancing was called for at this time. The Summary of Activity Report, handout 6 (a)(ii), is enclosed for Board information.

PRIVATE EQUITY REPORT

Staff introduced the Private Equity report, handout 6 (a)(iii). Mr. Bryant and staff commented on the pitfalls of drawing too many conclusions from private equity after such a short period of time. Too little was committed and too little information had been provided to extrapolate conclusions over the full term of the partnership.

COMMUNICATION/SEMINARS

Staff reported briefly on upcoming retirement related seminars and meetings.

FOLLOW UP ITEMS

Inflation is likely to be around 2% for the 12 month period used in 2010 COLA increases.

GASB

Staff reported the GASB website had not been updated. There was no new information to provide on draft proposals to revise accounting standards.

SUMMER PROJECT

Staff reported a major project from VRS that may require staff resources over the summer.

OLD BUSINESS

Staff referred to a memorandum from Kenneth R. Hoffman dated February 15, 2010 regarding the fund for disability benefits under the City of Alexandria Firefighters and Police Officers Pension Plan. This will be discussed further in a later meeting.

NEW BUSINESS

Ms. Evans suggested that future meeting start times be changed.

NEXT MEETING:

The next meeting is scheduled for APRIL 15, 2010, 8:30 AM in the Sister Cities Room 1101. Staff reminded Board members that the April meeting will run longer than most Interim meetings because the actuary will present the 2009 valuation.

ADJOURNMENT

A motion to adjourn was made and seconded. The meeting adjourned at 1:35 PM.

Handouts distributed in advance

- 1) Agenda
- 2) Minutes of January 14, 2010 (1)
- 3) CURRENT BENEFIT STRUCTURE (3 a)
- 4) Example of Separate Accounting (3 b)
- 5) Summary of Activity by Fund (6 a ii)
- 6) PRIVATE EQUITY REPORT (6 a iii)
- 7) Administrator's Follow Up Report (6 d)
- 8) Thirty-Fourth and Thirty-Fifth Change (7 b)
- 9) TRAINING and EDUCATION POLICY GUIDELINES, PROCEDURES & EXPENSE LIMITATIONS 7(c)(i)

Handouts distributed during the meeting

- 1) Memorandum from Kenneth Hoffman to Steven Bland dated February 15, 2010
- 2) Dahab Performance Review December 2009