

**MINUTES OF JANUARY 29, 2009 RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN
INTERIM MEETING**

PRESENT

| <u>Members</u> | <u>Others</u> |
|------------------------------|---|
| Michael Cross, Chair | Steven Bland, Retirement Administrator |
| Mark Jinks | Arthur Lynch, Retirement Specialist |
| Bruce Johnson | Theresa Nugent, Communications Specialist |
| Shirl Mammarella (Alternate) | |
| Cheryl Orr | |
| Laura Triggs | |

CALL TO ORDER

The meeting was called to order at 8:50 AM on January 27, 2009.

MINUTES

There was a motion by Mr. Cross and seconded by Ms. Triggs to approve the October 7, 2008 minutes. The motion was unanimously approved (5-0).

There was a motion by Mr. Cross and seconded by Ms. Triggs to approve the November 11, 2008 minutes. The motion was unanimously approved (5-0).

FOLLOW-UP ITEMS

The Follow-Up items included a request for Prudential's trading policies and procedures. This was related to the handling of the Munder transaction. This item was deferred until Mr. Spera's arrival. (Handout 2a). This item was not discussed since Mr. Spera was not present before the meeting adjourned.

FIDUCIARY RESPONSIBILITY

The topic was deferred until Mr. Spera's arrival. This topic was not discussed since Mr. Spera was not present before the meeting adjourned.

COMMITTEE REPORTS

VALUATION AND TECHNICAL CORRECTIONS COMMITTEE

Chairman Cross reported that the Valuation and Technical Corrections committee had not met since the last Board meeting. He said the committee's next tasks include a review of the definition of Compensation and Fair Labor & Standards Act (FLSA) related issues. A conversation with Ken Hoffman had taken place and Mr. Hoffman agreed clarification was in order. Mr. Hoffman asked staff to review past practices in the Defined Contribution Plan.

Staff reviewed salaries and contributions to the defined contribution plan. The employer contributions were based on smoothed salaries and not the actual pay.

Mr. Johnson asked for an example. Mr. Cross explained the uneven shift schedules for Firefighters and how they lead to varying hours worked each two week pay period.

Additionally the Committee should work to incorporate provisions of the H.E.A.R.T. Act into the plan document. This act addressed employees called to active military duty and who do not return to work for reason of death or disability.

DISABILITY COMMITTEE

In Mr. Tierney's absence staff reported on the disability committee. Mr. Tierney requested that a workgroup meet to provide information on the current disability application procedures. The workgroup included George McAndrews, Joe Reyna, and Rick Willsey. Mr. Tierney prepared an initial draft of the disability application process and circulated it among the workgroup for comment. The workgroup will meet again next week.

Mr. Jinks asked about the disability procedures for non-uniformed employees. Staff indicated the committee would work on procedures for that group as soon as procedures for uniformed officers were complete.

Ms. Orr arrived at 9:01 AM.

Chairman Cross welcomed Ms. Orr to the Board. He noted that Mr. Johnson resumes a prior position of Alternate. Mr. Jinks noted that Ms. Orr has experience with pension plans of Firefighters, Police Officers, and Sheriffs.

BUYBACK COMMITTEE

Chairman Cross asked staff about the Buyback Committee. Staff reported the members had differing opinions on a buyback policy. However, they agreed that before a policy was decided they needed to know just what pension value the participants received for their work prior to joining the Police or Fire Departments.

Staff had done significant research into records of a couple dozen-plan participants. A typical case was a participant leaving a job as a Deputy Sheriff to become a Police officer. The officer was treated as non-vested but would later become vested by reason of continued employment with the City Of Alexandria (although in another plan). Members with forfeited accounts would have their balances restored.

Staff has prepared six letters for participants in six slightly different situations. The letters had gone to Prudential for review. They were returned January 26 and will be reviewed very soon.

Chairman Cross invited Ms. Orr to join the Disability Committee and the Valuation and Technical Corrections Committee. Ms. Orr accepted.

ADMINISTRATOR'S REPORT

MONTHLY INVESTMENT REPORTS

Staff said recent market volatility caused the actual allocation of the pension component to fall outside the acceptable range. To correct this future employer and employee contributions to the pension component will be directed to domestic and international equities and benefits paid from the Guaranteed Deposit Account until the actual fixed income allocation is close to the target allocation.

Mr. Jinks asked if money was moved from the GDA. Staff reported that \$840,000 was moved in December.

PERFORMANCE REPORTING

Staff distributed a revised handout 5b. A reference to Russell 2000 Value should be changed to Russell 2000 Growth. The handout was to highlight the impact of under performance in a down market.

VOLATILITY REPORT

The volatility report was designed to convey the relationship between volatility and market performance. This report has been prepared for each Board meeting during the last year. In the future this report will be distributed less frequently, not-with-standing significant market changes.

SUMMARY OF ACTIVITY BY FUND

The Summary of Activity Report was distributed. The version in the Board packet had the PRISA account value as of September 30, 2008. Soon after the packet distribution the updated figure of \$5.7 million was released.

STATE STREET

Staff reported the stock of State Street fell about 40% in a day. This was due to investing their capital in mortgage related securities. State Street is Prudential's custodian. Prudential's securities are in State Street's vault, but Prudential is not investing in State Street. Staff contacted Dean Molinaro at Prudential to ask if this was a concern to them. It is not a concern at this time but the situation will be monitored.

PRUDENTIAL ADMINISTRATION

Staff referred to the handout 5f, Administrator's Report. Prudential's primary contact with the City of Alexandria had been on maternity leave for 12 weeks. She was one of the best Prudential representatives that the City had in years. When she returned to work Prudential began a re-organization and all defined benefit work will now be done in the Hartford Connecticut office. She is located in Iowa and has been assigned to work on defined contribution accounts. She began training coworkers in Hartford at the same time as her job change. During this transition period the workload developed a backlog. Staff hopes the new defined benefit client representative will whittle away at the backlog. Board members expressed some dissatisfaction with Prudential's administrative performance. Staff indicated that Ms. Powell has been contacted about the backlog

In prior years Suntrust did not always properly indicate on the annual 1099 tax form whether the benefit was taxable. Staff reported that as of December 2008 all benefits were non-taxable and that the 1099 forms all indicated non-taxable benefits.

COMMUNICATIONS

Ms. Nugent reported on the communication concerns during the past couple of months. Following the recent passage of the Plan amendments Ken Hoffman and his associates are working on obtaining a determination letter from the IRS. The signed copy of the restated plan has been posted on the Pension web site. The web site has also been updated with current 457 Deferred Compensation Plan information.

The 2009 schedule of Board meetings is posted on the web site and has been sent to "Interested parties" as well as the retiree organization. Staff attended the retiree's November retiree meeting to discuss the proposed amendment changes scheduled for consideration at the December City Council meeting. The retirees were pleased to be contacted by the City.

Staff is working on the seminar schedule for 2009. Seminars will include presentations from Social Security and ICMA-RC on saving. A detailed retirement workshop will be presented for employees retiring in the next 12-18 months. General informational seminars will also be provided for all other employees. Seminars have been scheduled in May for City employees retiring under the VRS and the Supplemental Plan provisions. Staff spoke to Chief Baker and he agreed to encourage Police Officers to attend any seminars that are held.

PRISA INVESTOR MEETING

Staff reported that Prudential Real Estate was conducting client meetings in ten locations around the country. On March 5, 2009, there is a meeting in Washington D.C. at the JW Marriott on 1400 Pennsylvania Avenue. Prudential invited all Board members to attend. Board members who are interested in attending should notify Mr. Bland so he can RSVP with Prudential.

NEW BUSINESS

The topic of proposed state legislation to allow the City of Alexandria to impose term limits on certain boards and commissions was deferred until Mr. Spera is present.

Chairman Cross raised the issue of Mr. Spera representing the Board while he was assuming all his regular duties along with those of the Acting City Attorney. Mr. Jinks requested staff provide a list of prioritized outstanding items related to this plan.

NEXT MEETING

The next regularly scheduled meeting will be February 17, 2009, at 8:30 a.m. in the Sister Cities Room 1101 on the first floor of City Hall. The prospective Private Equity managers should be scheduled for 10-10:30 a.m. There will be three Private Equity presenters which will include one offering secondary investments.

Ms. Mammarella asked if Barry Bryant was still enthusiastic about private equity. Staff believed he still is enthusiastic. Financing may be harder to obtain but purchase prices should be lower than the last few years. Mr. Johnson added that a few distressed companies will go under but that others will survive and returns for them will be excellent.

ADJOURNMENT

A motion was made by Chairman Cross, and seconded by Mr. Jinks to adjourn. The motion passed (6-0). The meeting was adjourned at 9:42 AM.

HANDOUTS

Distributed in advance:

- Agenda
- Draft of the October 7, 2008, minutes (1b)
- Draft of the November 11, 2008, minutes (1a)

- Follow-up Items/Old Business (2)
- Monthly Investment Reports dated January 21, 2009: 1) Current Allocation of Biweekly Contributions and 2) Actual vs Target Allocation (Percent over Target) (5a)
- Performance Measurement (5b)
- Revisions to chapter five of January 7th Board Retreat notebook relating to investments – Number of days with change in S&P 500 exceeds 1%, 1.5%, 2%, and 3% (5c)

Distributed during the meeting:

- Performance Measurement – revised (5B)
- Administrator's Report (5f)
- Invitation to Prudential Real Estate Investment Meeting (5h)
- Follow-up Items – Munder (2a)
- City of Alexandria Firefighters and Police Officers Pension Plan as restated on January 1, 2009
- Chart of Fund Performances 1980 - 2008