

**MINUTES OF MAY 23, 2006, RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN
DUE DILIGENCE MEETING
DRAFT**

PRESENT

Board Members

Dana Lawhorne (Chair)
Michael Cross
Pat Evans (Alternate)
Mark Jinks
Bruce Johnson (Alternate)
Chris Lockwood
Shirl Mammarella (Alternate)
Dan Neckel
Joe Seskey

Others

Herb Robinson, Pension Communications Sp.
Boyce Reed, Trusco
Geri Carroll, Prudential
Lisa Powell, Prudential
Barry Bryant, Dahab Associates

CALL TO ORDER

Meeting called to order at 8:40a.m., May 23, 2006

MINUTES

Mr. Lawhorne expressed concern that the section of the minutes from the April 17, 2006 Board meeting addressing the service buy-back was not specific enough. Mr. Neckel made a motion to table the approval of the minutes until the next Board meeting which will be held on June 12, 2006. The revised minutes will describe in greater detail the proposed service buy-back option. Mr Cross seconded the motion and it passed with a unanimous vote.

OLD BUSINESS

Ken Hoffman is finalizing the wording for the proposed service buy-back amendment. The proposed amendment and employee notice will be presented to the Board at the June 12, 2006 Board meeting for action

NEW BUSINESS

Trusco Capital Management - Investment Review as of March 31, 2006

Boyce Reid reviewed the Investment Review report. A summary of the report included economic issues, portfolio composition and performance. Current assets total \$13, 865,033 with approximately 68% in equities, 27% in fixed income and 5% in cash.

The 2006 Summary of Activity was reviewed. In the most recent quarter, the plan managed a positive return of 2.5%. Annual return of 8.5% outperforming the benchmark. The five-year performance outperformed the S&P 500 by 280 basis points.

Composition of the fixed income holdings was reviewed. The plan is still heavily invested in

high quality US Treasuries.

The equity portfolio was also reviewed. Trusco is focusing on high quality, steady growth companies at reasonable prices, while continuing to move away from cyclical stocks.

Trusco has provided the City with their investment guideline recommendation. These will be compared with the asset allocation guidelines approved by the Board. Mr. Neckel made a motion to have a Plan Administrator negotiate with Trusco and Dahab Associates with the goals of arriving at a finalized investment policy for the Disability Plan. Mr. Jinks seconded the motion and the Board approved the motion with a unanimous vote.

Prudential Financial/Dahab Associates - Investment Review as of March 31, 2006

Barry Bryant (Dahab) led the discussion of the first quarterly investment report with additional commentary provided by Geri Carroll (Prudential).

The Defined Benefit plan had a 2.8% gain for the quarter and an annual return of 9.6%. (The annual return result exceeded the plan's actuarial assumption.) Ms. Carroll explained that Prudential evaluates the plan's investment managers on a 3-5 year time frame and that all of the existing managers are beating their benchmarks/peer groups. As such, Prudential is recommending no manager changes. Mr. Bryant reported that plan assets are being transferred into the four funds approved by the Board at their last Due Diligence meeting. The transfer should be completed by the end of 2006.

The review then moved to the Defined Contribution Component. As requested, Dahab provided the Board with the overall return for all participants in the DC Component. For the quarter the return was 3.7% and for the year it was 8.2% Prudential reported that the DC manager results pretty much mirrored the results of the DB plan since all but two of the managers are the same.

Mr. Lawhorne again expressed the Board's desire that some of the reports presented at the due diligence meetings be revised. The Board would like to see a report that shows the amount of employee/employer contributions, amounts distributed in benefits (for all three portions of the plan), the number of active participants and benefit recipients, as well as any changes in the number of active employees and benefits recipients during the calendar quarter. Mr. Neckel will work with the Board's investment providers/advisors to develop a report such as that described above and submit it to Board members for review.

Mr. Cross asked for an explanation of why the March, 2006 contributions to the Plan were significantly lower than those in January and February, 2006.

Lisa Powell (Prudential) provided the Board with feedback from the investment seminars presented by one of Prudential's trainers on April 4 and 5. Five meetings were held over the two day period and a total of 95 City employees attended. Of the attendees present, 86% were full-time employees, 64% have been employed by the City for more than ten years, 83% desired more retirement/investment-related education and 54% said that they were satisfied with their City-provided retirement benefits.

Lisa also provided the Board with fourth quarter 2005 performance information on Prudential's real estate investment fund, PRISA, and confirmed that the Plan was on the wait list to invest in PRISA. The estimated wait time is expected to be nine months.

In response to the Board's previous concerns about the quality of service being provided by Prudential, Lisa outlined a number of enhancements being implemented in an effort to improve service to the City of Alexandria. Going forward Prudential has committed to improving statements, the functionality of the website, the knowledge level of the call center representatives dedicated to the City. When significant changes are being made (fund replacements, benefit changes, etc.) additional audits/reviews will be conducted prior to the changes going live. Ms. Powell welcomed input from the Board on any other changes it felt might be necessary.

The Board was informed that Caterina Tarver had resigned her position as Pension Administrator for the City of Alexandria. A search will be conducted to find a suitable replacement. Mr. Neckel asked for two employee Board members to participate in the interview panel process. Ms. Mammarella and Mr. Cross volunteered. While the search is being conducted, Mr. Neckel will serve as Pension Administrator. Marisa Boone will handle individual participant retirement benefits issues and Herb Robinson will continue to handle communications and training delivery. Mr. Lawhorne suggested that the Board draft a letter to Ms. Tarver thanking her for her dedication and hard work. The members of the Board agreed that this should be done.

The Board was reminded that additional employee educational meetings were scheduled to be held on June 13 and 14 at Lee Center. These educational meetings will cover the topics of Social Security and Financial Planning.

The lack of representation from the City Attorney's office at Board meeting was once again raised as an issue. The Board agreed that a City Attorney's Office (CAO) representative should be present at all of the interim Board meetings. CAO presence at the Board's Due Diligence meetings was not deemed necessary. Mr. Jinks agreed to discuss attorney presence at Board meetings with the City Attorney.

The next meeting was scheduled for 8:30am on June 12, 2006.

ADJOURNMENT

Motion to adjourn by Mr. Cross, seconded by Mr. Lockwood. Meeting adjourned at 10:20AM, May 23, 2006.