

**MINUTES OF AUGUST 30, 2006, RETIREMENT BOARD
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN
DUE DILIGENCE MEETING**

PRESENT

Board Members

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

Others

Herb Robinson, Pension Communications Sp.
Christopher Spera, Assistant City Attorney
David Lee, Dahab Associates
Dean Molinaro, Prudential
Lisa Powell, Prudential
Chuck Arrington, Trusco

CALL TO ORDER

The meeting was called to order at 8:37a.m.on August 30, 2006

MINUTES

There was a motion by Mr. Cross and seconded by Mr. Neckel to approve the May 23, 2006 minutes as amended. The motion was unanimously approved. There was a motion by Mr.Cross to accept the June 12, 2006 minutes, seconded by Mr. Jinks. The minutes were unanimously accepted.

Dahab Associates - Investment Review as of June 30, 2006

David Lee (Dahab) led the discussion of the second quarterly investment report with additional commentary provided by Dean Molinaro (Prudential).

The Defined Contribution Component return for the quarter was -0.8% and for the year it was 7.2%. Mr. Molinaro explained that none of the funds in the portfolio are on Prudential's watch list. All of the fund managers are first or second quartile performers relative to their benchmarks and when looked at from a longer term perspective, 3-5 year time frame. At this time, Prudential is not recommending any manager changes.

The Defined Benefit Component was addressed next. For the second quarter, the DC Component return was -1.7% and for the year it was 5.4%. On a 12-month basis this portfolio is beating its benchmark. However, this cannot be said for the quarter ending June 30, 2006. Mr. Lee pointed out that currently the portfolio is under weighted in a number of asset classes, international equities, large cap value and growth equity and real estate. The portfolio is being revised over time on a dollar cost averaging basis. Once completed, it is anticipated that returns will begin to improve. Lisa Powell reviewed the progress of the fund's reallocation process. Mr. Lee pointed out that the slow pace of the reallocation is somewhat unusual. Mr. Jinks made a motion to have Dahab, Prudential and the Pension Division to come up with a plan to accelerate the movement toward the Board's adopted asset allocation goals. Mr. Cross seconded

the motion and it passed unanimously.

Trusco Capital Management - Investment review as of June 30, 2006

Chuck Arrington reviewed the Investment Review report for the Disability Component. His summary of the report included economic issues, portfolio composition and performance. Current assets total \$13,668,220 with approximately 71% in equities, 28% in fixed income and 1% in cash.

In the most recent quarter, the plan managed a return of -0.4%. Annual return of 6.4% is outperforming its benchmark.

Mr. Neckel and Mr. Cross reported that progress is being made toward improving/clarifying the Prudential statements. Lisa Powell confirmed that Prudential expects to have samples of the revised statements for Board review in the next few weeks.

Mr. Jinks asked Ms. Powell to comment on Prudential's settlement with the SEC regarding past market timing irregularities. Ms. Powell presented Board members with Prudential's statement on settlement and explained that it has had no impact on the Plan.

Mr. Lockwood asked that Prudential offer some additional training for Police and Fire Fighters. Ms. Powell said that Prudential would be glad to offer additional training to the City's employees.

Board Training

Mr. Jinks made a motion for the Board to approve member attendance, at their discretion, at either the Guns and Hoses conference or the International Foundation ((IFEBC) conference. Mr. Neckel seconded the motion. The uniformed members of the Board agreed to come up with a final decision on which training they planned to attend.

Service Buy Back

Two members of the Alexandria Police Department, Ed Milner and Tom Magyar, asked the Board to consider offering the service buyback to current participants in the Plan who had earned service while employed as Deputy Sheriffs. The Board explained that the service buyback is first being offered to a select group of plan participants who earned their prior service as fire fighters and police officers. Consideration of those with Deputy Sheriff, as well as other (EMS, etc.) prior service will be considered by the Board in the future. These officers were informed that there will be a meeting with the City Council pension subcommittee on October 3, 2006 to discuss the buyback. It was suggested that they attend that meeting and voice their concerns.

EXECUTIVE SESSION

There was a motion (below) by Mr. Seskey and seconded by Mr. Lockwood to convene discussion in an executive session. The motion was unanimously approved.

EXECUTIVE SESSION MOTION:

Mr. Chairman, I move that the Fire Fighters and Police Pension Plan Board convene in a closed executive session at this time, pursuant to Section 2.2-3711(A)(&) of the Code of Virginia, for the purpose of consulting with legal counsel and briefing by staff with respect to specific legal

matters regarding a potential claim arising out of the administration of the pension plan.

There was a motion (below) by Mr. Seskey and seconded by Mr. Howard to reconvene in an open session. The motion was unanimously approved.

POST EXECUTIVE SESSION MOTIONS:

Mr. Chairman, I move that the Fire Fighters and police Pension Board reconvene in an open session.

Mr. Chairman, I move that the Board adopt the following resolution:

WHEREAS, the Alexandria City Fire Fighters and Police Pension Plan Board has this 30th day of August 2006, recessed into a closed executive session pursuant to a motion made and adopted in accordance with the Virginia freedom of Information Act; and

WHEREAS, § 2.2-3712 of the Code of Virginia requires a certification by the Board that such session was conducted in accordance with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Board does hereby certify that, to the best of each member's knowledge, only public business matters that were identified in the motion by which the closed executive session was convened, and that lawfully exempted by the Freedom of Information Act from the Act's open meeting requirements, were heard, discussed or considered by the board during the closed executive session.

The next meeting was scheduled for Friday, October 13, 2006 at 8:30am

ADJOURNMENT

Motion to adjourn by Mr. Seskey, seconded by Mr. Howard. Meeting adjourned at 11:00am, August 30, 2006.