

**MINUTES OF MARCH 14, 2024 CITY OF ALEXANDRIA
FIREFIGHTERS AND POLICE OFFICERS PENSION BOARD
JOINT DUE DILIGENCE MEETING**

PRESENT:

<u>Members</u>	<u>Others</u>
Patrick Evans, (Fire)	Kelsea Bonkoski, Supplemental Board
Julian Gonsalves (Management)	Barry Bryant, Consultant – Dahab Associates
Jean Kelleher ¹ (Management)	Kadira Coley, Staff
Dylan Kempton, (Fire)	Patrick Coyle, Insight Investments
Katherine Key (Management)	Denise Cummings, Staff
Jesse Maines (Management - Alternate)	Louis D’Anella, Insight Investments
Shirl Mammarella, (Police)	Jina Edwards, Supplemental Board
Rick Muse (Fire- Alternate)	Robert Gilmore, Supplemental Board
Jason North (Police)	Pamela Herkes, Empower/PGIM Fixed Income
Kendel Taylor (Management)	Catisha Jackson, Staff
	Nicole LaPoint, Staff
	Arthur Lynch, Staff
	Jim Moore, Supplemental Board
	Tom Roglieri, Empower/PGIM Fixed Income
	Steve Roth, Consultant – Dahab Associates
	Tyler Thorn, Empower/PGIM Fixed Income
	Dana Wedeles, Supplemental Board

¹Technical Corrections and Plan Document Review Committee

²Vendor & Service Provider

Absent:

Ryan Klein, (Police -Alternate)

Ms. Edwards arrived at 8:50 AM, Mr. Evans arrived at 9:03 AM, Mr. Maines departed at 10:30AM

CALL TO ORDER

The meeting was called to order at 8:47 AM Thursday, March 14, 2024.

MEETING RECORD

Meeting minutes were approved.

Mr. Kempton made a motion to:

Approve the January 11, 2024 minutes.

Mr. North seconded the motion. The motion was approved (8–0).

MANAGER PRESENTATION – Empower (Pamela Herkes, Tom Roglieri and Tyler Thorn)

- Mr. Bryant gave an overview of Empower, its recent performance and introduced the speakers.

- Mr. Roglieri gave an overview of the risk strategy and stated that the portfolio is overweight to Collateralized Loan Obligations (CLO) and Commercial Mortgage-Backed Securities (CMBS).
- Mortgages are underweight but they have recently reduced that underweight percentage due to recent market changes.
- PGIM noted that they benchmarked to the Bloomberg Agg and expect to outperform in a full market cycle. They expect to overperform in an up market and may underperform in a down market.
- Mr. Bryant asked about the name of the PGIM and if they have changed to Empower.
 - PGIM has kept their name as they are a separate group and have chosen to keep the Prudential logo, but the Plans have access to them through Empower with the merger.

MANAGER PRESENTATION – Insight Investments (Patrick Coyle and Louis D’Anella)

- Mr. Bryant gave an overview of Insight Investments, its recent performance and introduced the speakers.
- Mr. Coyle gave an overview of their portfolio and how they select investments.
- Mr. Gonsalves asked to clarify the 1-3 rating for risk taking.
 - Mr. D’Anella clarified that looking at the market right now with declining inflation and moderate growth would score more than a 1 and maybe a two. For valuation because this trend has stayed steady for a while it would be good to hold caution since this may be close to the end of the cycle. Those two factors together give a credit beta number to rank the strategy.

FINANCIAL & QUARTERLY REPORT REVIEW

- Mr. Bryant gave an overview of the current market and the fourth quarter 2023 returns.
- Economic Overview
 - GDP was over 3%.
 - This was an ideal quarter with most asset classes adding significant value. The only down sector this quarter was real estate. Overall growth did better than value.
 - Interest rates are projected to decrease.
 - The quarter was good with bond returns higher than a typical year for one quarter.
- Pension fund return was 7.2% ranked in the 66th percentile. The mean pension plan return for the quarter was 8%.
- Active management neither helped nor hurt.
- Hardest for large cap growth and value to beat the market.
- Brandes is doing well right now because companies that are mid quality are dominating the market. Champlain is not performing as well because they have very high-quality companies.
- Wellington has been underperforming, they are aware and are adjusting but we will continue to watch for future performance.
- Mr. North asked which manager concerns you the most.
 - Mr. Bryant stated that Wellington is the most concerning currently. Dahab thought they would perform better.
- Ms. Mammarella asked what changed about Wellington.
 - Mr. Bryant stated that nothing changed but the stocks picked in China are not performing well. The person responsible for those decisions has been replaced.
 - Mr. Roth added that they had stock in Russia and did not believe Russia would invade the Ukraine so when the markets froze, they were still holding Russia stocks.
 - Mr. Bryant noted that the Board asked them about the Russia investments at their last presentation prior to the invasion and they did not have much of an answer.
- Mr. Gonsalves asked if a line about could be added to the report with equity only rather than a total that includes un-investable funds.
- Mr. Gonsalves asked about Hamilton Lane and Landmark returns since they have not seemed to do well overall.

- The numbers for private equity are lagged due to the nature of the business, since the actual numbers were not available at the time of the report, so zeros were used in their place which bring the returns down. Mr. Bryant referred the trustees to the “complete” returns from the prior quarter. He noted they are performing better than the benchmark.
- Ms. Mammarella asked what impact they think the Federal debt going into new highs is going to have on the economy.
 - The high debt is an issue especially with the high interest rates, eventually its going to sap away growth and government spending is going to have to go towards the interest or they’re going to have to tax us more.

FARMLAND MANAGER SEARCH

Mr. Bryant presented the result of the farmland manager search based on an RFP completed this year for a similarly sized plan. Dahab narrowed the responses down to four managers and recommended the City use the same RFP responses. He suggested making this decision a major part of the retreat in July to decide on which manager to pick. The Board agreed to choose from these four manager finalists, an education about Farmland at the June meeting and finalist presentations as part of the retreat in July.

LARGE CAP GROWTH INDEX MANAGERS

Mr. Bryant presented index fund options to the Board for their consideration der in replacement of the actively managed account by Polen. The manager search booklet included four passively managed options.

Mr. Bryant noted that he personally has is a conflict of interest with Xponance that he was not aware of prior to their presentation at last year’s annual educational retreat. The conflict was related to his son and start-up money that Xponance provided to fund a company his son has worked for.

Ms. Mammarella made a motion to:

Transition the large cap growth from Polen to Fidelity.

Mr. Kempton seconded the motion. The motion was withdrawn due to lack of support.

Discussion:

- Ms. Mammarella stated that the idea is to simplify everything by going to passive and Fidelity has the cheapest fees as well as being a mutual fund which would limit the Board from being asked to pick specific things to invest in or not invest in.
- Mr. Bryant suggested that each Board choose the same fund.
- Rhumblin & Xponance offer separate accounts and Fidelity and Vanguard offer mutual funds. There was discussion about how the Board would have no opportunity about investment in a mutual fund which removes any opportunity for comment or pressure for divestment. Mr. Gilmore stated that being a mutual fund should not be the deciding factor just to be able to say we don’t have the power to take specific investment requests. The Boards answer should be that we are investing in an index fund, and we can’t pick specific things to invest or not invest in.
 - Mr. Kempton stated that the thing he liked about Xponance is the ability to have someone speak to the Board and provide some education on the asset class.

- Mr. Gilmore stated that Xponance had the best returns and if the Board thinks they will be the most responsive to needs they seem like the most sensical option.
- Mr. Gonsalves favors Fidelity because they have the lowest cost and if the choice is to go passive then the lowers price should be chosen.
- Ms. Key stated that having the flexibility to make changes is something the Board would give up by going into a mutual fund.
- Mr. Bryant noted that Xponance stated they would be willing to match the price. He asked the board If Xponance dropped their fee would that change any decisions?

Ms. Mammarella made a motion to:

Transition the fund's large cap growth monies to Xponance if they are willing to reduce their fee. If Xponance is not willing to reduce their fee the Board will choose to go with Fidelity.

Mr. Gonsalves seconded the motion. The motion was approved (8-0).

ADMINISTRATORS REPORTS

Regular Investment and Cash Flow Reports

Rebalancing report was included in the packet.

Other Items

An updated education listing was provided.

- Ms. Kelleher and Mr. Muse recently attended IFEBP Investment Institute and gave an overview of the topics and what they learned.
- Mr. Muse asked that since employees are not staying with the City through retirement is the fund strong enough to accommodate that. Cheiron is doing an experience study right now which will look at our actual experience and compare it to our assumptions to make sure our current assumptions are correct for the fund. Any variation from the assumed rates is captured annually in the gain and losses and then amortized.

COMMITTEE REPORTS

Technical Corrections and Plan Document Review Committee

No report was given.

Vendor & Service Provider Review Committee

No report was given.

OLD BUSINESS:

None.

NEW BUSINESS:

The Firefighters and Police Officers Pension Cost of Living Adjustment (COLA) will be 3% effective May 1st.

NEXT MEETINGS

- a. Thur. April 11th at 8:45 AM – Interim Meeting
- b. Thur. May 9th at 8:45 – Interim Meeting
- c. Thur. June 13th at 8:45 AM – Joint Due Diligence Meeting

ADJOURNMENT

The meeting adjourned at 12:04 PM.

HANDOUTS

Distributed to Board members in the Board Packet:

Agenda
Minutes of Prior Meeting
Monthly Investment & Rebalancing Report
Education Listing
Firefighters & Police Officers 2024 COLA

Distributed to Board members at the meeting:

Dahab Performance Review December 2023
Empower Presentation
Insight Presentation
Farmland Manager Search
Large Cap Growth Manager Search