

**MINUTES OF REGULAR  
RETIREMENT BOARD MEETING**

Thursday, May 12, 2022

Virtual Meeting

6:00 p.m.

**NOTICE:** This virtual meeting of the Retirement Board was held pursuant to and in compliance with the Virginia Freedom of Information Act, Section 2.2-3708.2 and state and local legislation adopted to allow for continued government operation during the COVID-19 declared emergency.

All participating members of the Retirement Board were present at this meeting through electronic means. All members of the public may view this video of this meeting on the City's website at [www.fallschurchva.gov](http://www.fallschurchva.gov).

1. **Call to Order** The virtual meeting was called to order by Chair Connie Rydberg at 6:10 PM

2. **Roll Call**

**Present:** Connie Rydberg, Charles Collier, Marshall Jarrett, Kevin Knudsen, Nate Dupree and Matthew Parker

**Vacant:** City Council Appointee

**Staff Present:** Cindy Mester, Meaghan DeCelle, Shari Davidson, Steve Mason and Kiran Bawa

**Also Present:** Larry Little, former trustee

Kristen Michael, FCCPS COO

Robert Burrell, Segal Consulting

Mary Nye, AndCo Consulting

Lauren Albanese, Financial Investment News

3. **Introductions and Welcome**

Connie Rydberg welcomed newly elected Police Plan representative, Officer Matt Parker, to the Retirement Board and thanked Richard Campbell and Larry Little for their service and prudent fiduciary oversight to the City of Falls Church Retirement Board. Mr. Little served as a City Council appointee since 2010 and Mr. Campbell served as the elected Police Plan representative since 2007.

4. **Receipt of Petitions:** none

5. **Review and approval of draft Minutes from February 10, 2022 meeting:**

Marshall Jarrett moved and Charles Collier seconded to approve the minutes of February 10, 2022 as presented. **The motion passed 6-0-1** (one vacancy).

6. **First Quarter of 2022 for the Basic and Police Pension Plans and OPEB—Mary Nye of AndCo Consulting**

**Market Performance:**

Broad US Equity markets experienced negative returns during the 1<sup>st</sup> quarter of 2022, due to elevated inflation, rising interest rates and geopolitical events in Ukraine. The 2022 year-to-date returns continue to be negative. 12-month returns still show positive gains in US Equity markets.

Basic and Police Plan and OPEB Market Values, Net Flows and Returns on Investment were presented in a consolidated chart. Market Value for the Basic Plan at the start of the first quarter was \$143 Million with net flows of \$1.46 Million out of the plan, market loss of \$6.7 Million and an ending market value of \$134.8 Million. Thus the gross return for the Basic Plan in Q1 was negative 4.72%.

The Police Plan at the start of the third quarter was \$46.9 Million, net flows totaled \$472 thousand out of the plan, market loss of \$2.27 Million and the ending market value for Q1 was \$44.15 Million. Thus the gross return for the quarter was negative 4.84%.

Gross returns for the 12-month period were 6.07% for the Police Plan and 7.11% for the Basic Plan.

Asset Allocations: Fixed income is outside policy range end in the Police Plan due to movement in the market. Allocations will be brought back into range when assets are next liquidated to make benefit payments.

Comparative performance for the Basic and Police Plans showed the Total Funds are ranking in the median for the overall universe this quarter and the five-, seven- and ten-year rankings show ranking in the top decile. Individual fund managers are performing as expected with the exception of Templeton for international equities. AndCo recommends keeping Templeton on watch.

OPEB funds started at \$20.7 Million at the beginning of Q1, showed investment return of negative \$1.08 Million and an ending market value of \$19.6 Million. Growth in the OPEB plan for the last 12 months showed a gross return of 5.63%.

OPEB broad asset allocations show all funds within policy. Individual funds are also within policy with the exception of Vanguard Large-Cap index due to market growth. AndCo recommends continuing to watch the market before making any adjustments. Returns are tracking their underlying indices. The Q1 returns show a loss of 5.22%, ranking 56<sup>th</sup> in the universe. The 1-year performance rank the OPEB in the top quartile.

#### Templeton Comparison Research Follow-Up

Mary Nye presented a report of International Value investment manager options that could potentially replace Templeton International Equity in the Basic and Police Plans. The report compared 5 managers in terms of their strategy, portfolio construction, market capitalization, fund performance and other factors. AndCo recommends continuing to watch Templeton and discuss the comparison again at the next meeting of the Retirement Board. This is typical of peer plans and the Board concurred after brief discussion. Action was deferred to a future meeting.

#### 7. ESG Investment Research

At recent Board meetings there was a discussion of the Environmental, Social, and Governance (ESG) component in the Pension investments, at the request of City Council. AndCo contacted several of the Plans' investment managers to better understand their approach to integrating ESG into their investment process, and identify possible commonalities in ESG reporting among the investment managers. AndCo also surveyed the active managers on their exposure to investments in fossil fuels.

Of those managers that use the MSCI scale, most scored in the A to AAA range for ESG components based on the MSCI scale (AAA is the highest). Neither Schroder nor Summit Creek use third party review of ESG of their funds due to nature of their investment funds (small cap and emerging market with little or inconsistent disclosure),

Only 4 of the current pension funds include exposure to fossil fuels, and the average exposure for these four is less than 7% in the Plans. The dollar amount of exposure in the pension funds (Basic and Police) \$3.1 million. Exposure for the OPEB funds is currently unknown.

The Board will continue to watch the developments in ESG investment guidance from the Department of Labor. The Plan Administrator will draft a response memorandum to City Council with consultation

from the Board Chair. Mr. Jarrett recommends emphasizing that the Board's fiduciary duty holds first priority and that the Board is listening carefully to this important issue.

8. Trustee Terms and Elections

Ms. DeCelle shared the results of the recent election for the Basic and Police Plan representatives to the Retirement Board. Charles Collier was re-elected by the members of the Basic Plan and Matt Parker was elected by members of the Police Plan to serve respective three year terms. Larry Little is not seeking reappointment to the Board. The City Council appointee position is currently vacant.

9. Officer Elections

Marshall Jarrett nominated Connie Rydberg for Chair of the Retirement Board and Matt Parker seconded the nomination. Connie Rydberg nominated Nate Dupree for Vice Chair and Charles Collier seconded. **The positions were elected as nominated 6-0-1** (one vacancy).

10. Training Policy and Plan Update

Ms. Mester presented the proposed revisions to the Retirement Board Training Policy and the proposed budget and plan for the new term year. The revisions included breaking out the annual required fiduciary training from a regular quarterly meeting to be a separate public meeting and switching the training review to the May meeting. Ms. Mester proposed a training budget of \$16,000.

Marshall Jarrett moved and Charles Collier seconded to approve the updated Training Policy and proposed Plan and Budget for the FY23 as presented. **The motion passed 6-0-1** (one vacancy).

11. OPEB Legal Structure Phase 2 Update

Connie Rydberg summarized the current status of Phase 2 of the OPEB Legal Structure project. The draft Trust agreement and Employer Plan Provision Resolutions are close to complete. Marshall Jarrett has agreed to review them before they are presented to the full Board.

12. Economic Valuations Assumption—Segal Consulting

The Segal team reviewed the economic assumptions used for the July 1, 2021 actuarial valuations of the Basic and Police Pension Plans as well as the OPEB plan, and recommended no changes for the July 1, 2022 valuations. The economic assumptions are the same for all three valuations, and are summarized as follows: Investment Return: 6.50% per year; Individual Salary Increases: 4.00% per year; Aggregate Payroll Increases: 3.00% per year; Inflation: 2.25% per year; Cost of Living Adjustments: 1.125% per year.

Marshall Jarrett moved and Charles Collier seconded to accept the 2022 Retirement Economic Valuation Assumptions as presented by Segal Consulting. **The motion passed 6-0-1** (one vacancy).

13. Benefit Administration (Recordkeeping) And Custodian RFP Update, consulting by AndCo.—Cindy Mester

The Request for Proposal (RFP) for Pension recordkeeping has been posted as a combined procurement for Benefits Administration and Custodian services. The review panel consists of City and School staff, two Trustees and Mary Nye from AndCo. The target timeframe for a contract award is late August 2022. An update will be presented at the next Board meeting.

14. Employee Retirement Savings Plan [457 and 401(a)] Investment Fiduciary and Oversight Update—Shari Davidson

Ms. Davidson briefed the Board on the Retirement Savings plans offered to permanent City staff, the 457(b) and 401(a) cash match, continuing the conversation regarding fiduciary oversight responsibilities. Staff recommended that the Retirement Board assume responsibility for the fiduciary oversight of the City's 457 and 401(a) Plans, establish an Investment Policy Statement to support

decisions on investment line-up and conduct competitive process to seek as 5-year agreement vendor optimal vendor as Benefits Administration/Recordkeeper. Information provided at this meeting was for briefing purposes only. Action is requested at the November 2022 Retirement Board meeting. More information will be discussed at the September 2022 Retirement Board Meeting.

15. New Disability Retirement Determination –Meaghan DeCelle

Marshall Jarrett moved and Charles Collier seconded that the Falls Church Retirement Board convene in closed meeting, immediately, pursuant to Virginia code Section 2.2-3711.A.16, for the discussion of medical and mental health records subject to the exclusion in subdivision 1 of section 2.2-3705.5, specifically the determination of a disability under the City’s pension plan. **The motion passed 6-0-1** (one vacancy).

Marshall Jarrett moved and Charles Collier seconded to return from closed session and cease further discussion of the confidential items. **The motion passed 6-0-1** (one vacancy).

Marshall Jarrett moved and Charles Collier seconded to certify that only what was permitted, pursuant to Virginia code Section 2.2-3711.A.16, was discussed in closed session. **The motion passed 6-0-1** (one vacancy).

Marshall Jarrett moved and Charles Collier seconded that the disability eligibility determination, based on staff recommendation [and confidential HIPPA protected information reviewed in closed session], is hereby reaffirmed. **The motion passed 6-0-1** (one vacancy).

16. Consent Agenda—Connie Rydberg

Items on the consent agenda were made public and provided to the Board in advance of the meeting for review. Items included the City Council Annual Report, Plan Administrator’s Quarterly Report, deferred action on Plan amendments, and deferred action on policy updates.

Marshall Jarrett moved and Charles Collier seconded to approve the consent agenda as amended. **The motion passed 6-0-1** (one vacancy).

17. Other business not on the agenda:

Charles Collier broached the notion of a full review of the Disability Retirement terms and benefits in the Plan Documents.

18. Adjournment: Marshall Jarrett moved and Charles Collier seconded to adjourn the meeting at 9:56 PM. **The motion passed 6-0-1** (one vacancy).

THE CITY OF FALLS CHURCH IS COMMITTED TO THE LETTER AND SPIRIT OF THE AMERICANS WITH DISABILITIES ACT. TO REQUEST A REASONABLE ACCOMMODATION FOR ANY TYPE OF DISABILITY, CALL 703-248-5129, TTY711.