

**MINUTES OF REGULAR
RETIREMENT BOARD MEETING-- Adopted**
Thursday, February 20, 2020
Falls Church City Hall, Council Chambers, 300 Park Ave.
6:00 p.m.

1. **Call to Order** The meeting was called to order by Chair Connie Rydberg at 6:03 PM

2. **Roll Call**

Present: Connie Rydberg, Charles Collier, Larry Little, Ryan Davis, Richard Campbell and Jason Widstrom

Absent: Marshall Jarrett

Staff Present: Cindy Mester and Meaghan DeCelle

Also Present: Kristen Michael, FCCPS COO;

Mary Nye, AndCo Consulting; Tammy Dixon, Amanda Borden and Melanie Clark, Segal Consulting

3. Introductions and Welcome

4. Receipt of Petitions: None

5. Review and approval of draft Minutes from September 12, 2019 meeting:
Ryan Davis moved and Rick Campbell seconded to approve the minutes of November 14, 2019 as presented. **The motion passed 6-0-1** (Marshall Jarrett absent).

6. 2020 Basic, Police and OPEB Experience Study Reports—Segal Consulting Team
Tammy Dixon and Melanie Clark presented the FY2015-FY2019 Experience Study for the pension and OPEB plans. The Experience Study reflects plan experience from 2014-2019 and provides a basis for actuarial assumptions used in the annual valuation.

Segal recommended making adjustments to the demographic assumptions of the Basic and Police Plan and key economic assumptions. Most notably, Segal recommended decreasing the assumed rate of investment return from 7% to 6.5%.

Segal anticipated that implementing their recommended changes to the plan assumptions would result in a decrease in the ADC for the Basic Plan from 4.11% to 4.01% of payroll and an increase in the ADC for the Police Plan from 10.29% to 11.19% of payroll.

The recommendations for the OPEB assumptions included smoothing the actuarial value of assets for valuations instead of using market values, realigning the benefit enrollment rates with actual experience and matching the salary scale and growth assumptions to the Pension plans. Segal also recommended that the demographic and applicable economic assumptions proposed for the pension plan also be adopted by the OPEB plan, including the change in the assumed rate of investment return. The overall impact of these changes would increase the City's OPEB ADC from 0% to 0.33% of pay. The schools and NVCJA OPEB ADC would remain below 0% of pay.

Ryan Davis moved and Rick Campbell seconded to accept the recommended assumptions in Segal's Experience Studies for the Pension and OPEB Plans. **The motion passed 6-0-1** (Marshall Jarrett absent).

7. Review of the Investment Performance for the Fourth Quarter of 2019 for the Basic and Police Pension Plans and OPEB –Mary Nye of AndCo Consulting

Mary Nye gave an update on staffing at AndCo, highlighting 9 new hires that came on board in 2019, 7 in the research group to help support consultants and 2 new owners (total 10 employee-owners).

Market Performance: Broad asset class returns were positive in the 4th quarter of 2019 with the exception of the US Government bond index. International markets showed 8-9% gains while domestic stocks also had positive gains, with the best gains in US Small Cap. Fixed income returns were muted this quarter with interest rates dropping in October. One-year performance showed strong numbers in all sectors. Mary Nye commented that reducing the assumed rate of return for the future is wise as these huge gains will likely not continue indefinitely.

Basic and Police Plan and OPEB Market Values, Net Flows and Returns on Investment were presented in a consolidated chart. The Police Plan at the start of the fourth quarter was \$36.1 Million, net flows totaled \$924 thousand out of the plan, and the ending market value for Q4 was \$37 Million. Thus the gross return for the quarter was 5.21%. Market Value for the Basic Plan at the start of the fourth quarter was \$112.1 Million with net flows of \$1.6 Million out of the plan, and an ending market value of \$116.5 Million. Thus the gross return for the Basic Plan in Q4 was 5.41%.

Gross returns for the 12-month period were 22.39% for the Police Plan and 22.76% for the Basic Plan.

OPEB funds started at \$15.8 Million at the beginning on Q4, showed return on investment of \$1.1 Million and an ending market value of \$16.9 Million. All OPEB asset allocations are within policy range and returns are tracking their underlying indices. Large cap domestic equity is on the high end of the policy range and the Board may consider moving some assets at the next meeting.

Asset Allocations in the Basic Plan: Total domestic equities are above target but within the policy range, International Equity is barely above target and Total Fixed Income is within range, just below target. New domestic equity managers, JP Morgan and Vanguard Equity showed balances in this quarter.

Comparative performance for the Basic and Police Plan showed the Total Funds ranked in the top third of the universe. In the three-, five-, seven- and ten-year comparative performances, the plans showed rankings in the top two percentile.

Asset Allocation in the Police Plan is very similar to the Basic Plan, however Northern Intermediate Fixed Income and Clarion Lion properties are just below the policy range. This will likely be back within range by next quarter.

Mary Nye made a note to add the cash account for the City's reserve from the Water Sale Proceeds to the financial table presentations next quarter. The cash accounts were funded in October of 2019.

8. 2020 Training Plan update—Cindy Mester

Cindy Mester is working to complete an online certification with IFEBP and has completed two of the 3 required courses.

9. Elections/Appointments—Cindy Mester

No terms are expiring this year; all seven board members will continue to serve.

10. Disability re-evaluation—Cindy Mester

There are no active cases of disability retirement needing review by the Board.

11. Ethics Policy Review and Adoption

The City of Falls Church Retirement Board Ethics Policy was reviewed and each Board and staff member reaffirmed to abide by the policy.

Ryan Davis moved and Charles Collier seconded to readopt the Ethics Policy for 2020. **The motion passed 6-0-1** (Marshall Jarrett absent)

12. CFC Administrative Fee budget allocation—Cindy Mester

Ms. Mester presented a memo to the Board requesting a review of the administrative fee paid to the City for services City Staff provide to the plans, for the benefit of plan participants, and establish an annual approval process going forward. Staff recommended that the Board approve the current FY2020 Administrative Fee of \$20,000, appropriate the same sum for FY2021 and direct the Plan Administrator to document a methodology for future appropriations. The Retirement Board discussed this amount and confirmed that, based upon the data provided as well as the Board's independent understanding of those services, the plans are receiving services from City Staff, for the benefit of plan participants, worth at least \$20,000, and therefore the fee is appropriate.

Ryan Davis moved and Rick Campbell seconded to approve the City's administrative fee at a rate of \$20,000 for FY 2020 and FY2021. **The motion passed 6-0-1** (Marshall Jarrett absent)

Staff will present research for the administrative fee methodology at the September 2020 meeting.

13. Water Sale Proceeds Administrative Manual—Chair Connie Rydberg and Cindy Mester

Ms. Rydberg shared the final draft of the Water Sale Proceeds Administrative Manual. The Board will review the final draft and make a decision to adopt at the May meeting.

14. Plan Administrator's Report—Cindy Mester

Cindy Mester presented the Administrative Quarterly Report, summarizing pension participant changes, training and administrative expenses. The Retirement Board Work Plan status was also shared and amended to capture Board-directed activities.

15. Other business not on the agenda: none

16. Adjournment:

Ryan Davis moved and Larry Little seconded to adjourn the meeting at 8:05 PM. **The motion passed 6-0-1** (Marshall Jarrett absent).

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.