

**APPROVED MINUTES OF REGULAR
RETIREMENT BOARD MEETING**

Thursday, September 8, 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.

1. **Call to Order** The virtual meeting was called to order by Chair Connie Rydberg at 6:01 PM

2. **Roll Call**

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

Absent: None, one vacancy

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

Also Present: Mary Nye and Jason Peacock, AndCo Consulting

Robert Burrell, Segal

Ryan Davis, citizen/public

James Baratta, reporter Financial Times

Lauren Albanese, Reporter- Financial Investment News

3. Introductions and Welcome

4. Receipt of Petitions: none

5. Review and approval of draft Minutes from May 12, 2022 meeting:

Marshall Jarrett moved and Nate Dupree seconded to approve the minutes of May 12, 2022 as presented.

The motion passed 6-0-1 (One vacancy).

6. Second Quarter of 2022 Investment Performance for the Basic and Police Pension Plans and OPEB–
Mary Nye of AndCo Consulting

Market Performance:

Global monetary tightening increased during the quarter with interest rates rising. The crisis in Ukraine negatively impacted global economic growth, specifically due to higher energy costs. The US equity markets experienced a second consecutive negative quarter of performance. Bond markets continued their recent trend delivering negative returns.

The primary drivers of returns during the period were rising inflation, the path of interest rates, and future economic growth. The S&P 500 large cap stock index led relative equity market performance but still returned a disappointing -10.6%. The downside outlier was the Russell 2000 small cap index, which declined by -25.2%. Similar to domestic equities, the developed international and emerging markets suffered negative returns over the trailing 1-year period. The developed market MSCI EAFE Index

posted a return of -17.8% while the MSCI Emerging Markets Index pulled back by -25.3%. Bond market returns were 10.3% negative over the 1-year period.

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 quarter was \$134.78 Million with net flows of \$1.32 Million out of the plan, market losses of \$12.53 Million and an ending market value of \$120.94 Million. Thus the gross return for the Basic Plan in Q2 was -9.34%.

The Police Plan at the start of the quarter was \$44.15 Million, net flows totaled \$245 thousand out of the plan, market losses of \$4.07 Million and the ending market value of \$39.83 Million. Thus the gross return for the Police Pension in Q2 was -9.25%.

Gross returns for the 12-month period were -8.63% for the Basic Plan and -8.64% for the Police Plan.

Asset Allocations: Our Asset Allocation helped buffer the Basic and Police Plans from negative returns. Even though Real Estate is out of investment policy range, AndCo is comfortable leaving it as is in the current market.

Comparative performance for the Basic and Police Plans showed the Total Funds are still ranking in the top decile in overall universe for the five-, seven-, ten-, and fifteen year rankings. For the quarter, the ranking was 41st percentile for Basic Plan and 39th percentile for the Police Plan.

OPEB funds started at \$19.65 Million at the beginning of the quarter, with net flows of \$174 thousand, market losses of \$2.58 Million and an ending market value of \$16.89 Million. Thus the gross return for the OPEB Plan in Q2 was -13.15%. The OPEB plan results for the last 12 months showed a gross return of -13.44%.

OPEB broad asset allocations show all funds within policy. OPEB's return was lower than Basic and Police Plans and was at the 92nd percentile. The longer returns (beyond 2 years) were in the top quartile.

Proposed Basic and Police and OPEB IPS Range Revisions: AndCo recommended no action.

AndCo shared that they were the recipient of the Greenwich Quality Leader Award for mid-sized consulting firms

- a. Templeton Research Follow-up: The Retirement Board reviewed the International Value Equity Manager Analysis provided by AndCo with performance through June 30, 2022. Current vendor Templeton has been on watch due to underperforming and changes at the portfolio level team. The Retirement Board, after discussion, chose TransAmerica as the new Manager over other options because:
 - Least risk of the candidates shown with solid returns.
 - Historically outperformed the index and most competitors on a long term basis. Short term returns lower due to 2 long held stocks.
 - Strategy protects capital on the downside relative to the index as well as adding alpha in up markets. The value bias has been a strong headwind in recent years.
 - Good rolling excess returns and risk/reward of returns (low risk and high returns)
 - Average fees and less than current
 - Solid, experienced team with no changes
 - Relatively low fossil fuel involvement

AndCo comfortable with all candidates put forward but agreed TransAmerica would be a good fit based on Board preferences.

Marshall Jarrett moved and Nate Dupree seconded to authorize the Plan Administrator to liquidate Templeton Institutional International Equity and to purchase TransAmerica for liquidated value based on trade date. **The motion passed 6-0-1** (One vacancy).

7. ESG Investment Research update – Reviewed the Falls Church Fossil Fuel and Carbon Solutions involvement, which varies from 3.9% (MFS) to 12.6% (Schroder) under the Pension Plans. No federal regulations on ESG have been finalized. Marshall Jarrett reminded the Board that the ESG concept is still in its infancy.
8. Annual Investment and Service Fee Review – The City of Falls Church investment fees (69 basis points) are in the lower half of the fees range versus other plans of similar size.

Marshall Jarrett moved and Nate Dupree seconded to accept the annual investment fee report and findings that the investment and contracting fees remain reasonable as compared to peers with similar asset levels. **The motion passed 6-0-1** (One vacancy).

9. Training Update: In October, the following Retirement Board members will be attending IFEBP training:
 - a. Matt Parker will be attending the IFEBP New Trustee Institute and full Benefits Conference.
 - b. Kevin Knudsen will be attending the IFEBP New Trustee Institute.
 - c. Kiran Bawa will be attending the IFEBP Benefits Conference.
 - d. All members will be attending the annual Fiduciary Training (October 20, 2022)

Marshall Jarrett moved and Nate Dupree seconded to increase the FY23 Retirement Board training budget by the amount of \$2,500, currently set at \$16,000, to cover the cost of IFEBP Annual Conference and the October 2022 Fiduciary Training. **The motion passed 6-0-1** (One vacancy).

10. Benefits Administration (Recordkeeping) and Custodian RFP Update, consulting by AndCo Authorization. The Board moved into Closed Session to discuss the status of the Custodian RFP

Marshall Jarrett moved and Nate Dupree seconded that the Falls Church Retirement Board convene in closed meeting, immediately, pursuant to VA code Section 2.2-3711.A.29 for Discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in open session would adversely affect the bargaining position or negotiating strategy of the public body. **The motion passed 6-0-1** (One vacancy).

Marshall Jarrett moved and Nate Dupree 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 Nate Dupree seconded to certify that only what was permitted, pursuant to Virginia code Section 2.2-3711.A.29, was discussed in closed session. **The motion passed 6-0-1** (One vacancy).

Marshall Jarrett moved and Nate Dupree seconded that the Retirement Board authorizes the Custody and Benefits Administration, RFP 0519-22 BPO, contract award to the top rank proposer based on the scope terms and not to exceed the cost proposal per unit pricing as outlined during the closed session, and authorizes the Chair and Vice-Chair, with the support of the Plan Administrator and Purchasing

Manager, to finalize contract terms and cost negotiations on behalf of the Board. **The motion passed 6-0-1 (One vacancy).**

Marshall Jarrett moved and Nate Dupree seconded that the Retirement Board authorize a contract amendment to the Segal Contract #0703-13-AS at the rate of \$500 for each terminated vested and \$750 for each retirement calculation and authorizes the Plan Administrator, Purchasing Manager and Retirement Board Chair to finalize terms to execute the amendment on behalf of the Board to be effective concurrently with the RFP 0519-11 BPO contract award. **The motion passed 6-0-1 (One vacancy).**

11. OPEB Legal Structure Phase 2 Update, consulting by Segal

The OPEB trust agreement is in final review and ready for adoption by the Board before going to City Council for approval. Separate Employer Documents outlining the Plan Provisions are being drafted and will be ready for approval at the October 20, 2022 training.

Marshall Jarrett moved and Nate Dupree seconded to accept the DRAFT OPEB Trust Agreement as presented by Segal and authorized the Chair Rydberg and Trustee Marshall to finalize the document on behalf of the Retirement Board. **The motion passed 6-0-1 (One vacancy).**

12. Employee Retirement Savings Plans [457 and 401(a)] Investment Fiduciary and Oversight update

Board discussed the recommendation. Connie Rydberg noted that she supported the Retirement Board accepting this new governance task and work load as it the proper fiduciary responsibility and aligns with the Trustee existing expertise.

Marshall Jarrett moved and Nate Dupree seconded the Retirement Board to follow best practice governance and agree to assume responsibility for the fiduciary oversight of the City's Internal Revenue Code (IRC) 457(b) and IRC 401(a) Plans and request Council authorization by City Code Amendment. **The motion passed 6-0-1 (One vacancy).**

Marshall Jarrett moved and Nate Dupree seconded that the consulting contract with AndCo Consulting be amended to include financial consulting services for the City's 457(b) and 401(a) plans for three years at a fixed annual cost of \$30,000 concurrent with the City Council City Code Approval for the Retirement Board to assume responsibility for fiduciary oversight of the City's IRC 457(b) and IRC 401(a) Plans, with the service details of the contract finalized by the Plan Administrator, Purchasing Manager and Retirement Board Chair. **The motion passed 6-0-1 (One vacancy).**

13. 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 Nate Dupree seconded to approve the consent agenda as presented. **The motion passed 6-0-1 (One vacancy).**

14. Other business not on the agenda:

Retiree LaShawn Timmons passed away on September 5, 2022 and the Board took a moment to honor her public service to the City including that she mentored many young people during her tenure.

15. Adjournment: Marshall Jarrett moved and Nate Dupree seconded to adjourn the meeting at 10:01 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.