

**MINUTES OF MEETING OF BOARD OF TRUSTEES OF THE
CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND**

June 30, 2016

City Council's Conference Room/Tenth Floor

9:00 a.m.

Roll Call: JoAnn Armstrong (E), Bill Eastburn (X), Art Gudikunst (X),
Philip Hatchett (E), Frank James (X), Bobby Lanier (X),
Greg Kubilins (X), Zoe Lumpkin (X), Eddie Harrah (X).

Patrick Murphrey (X), Marty Eubank (E), Bill Keeler (E),
Cathy Matthews (X), Tom Mitchell (X), Tonya O'Connell (X).

Others Present: Retirees (3)

1. Call to Order:

Mr. James called the Retirement Board meeting to order at 9:00 a.m. on June 30, 2016 in the City Council's Conference Room, 10th Floor.

2. Minutes of the Meeting of May 26, 2016:

Upon motion duly made and seconded, the minutes of May 26, 2016 were unanimously approved.

3. Committee on Investments:

Mr. Gudikunst provided a review of the Funds for May.

a. Assets as of May 31, 2016:

Pension	\$814,685,619
Post Retirement	<u>28,082,384</u>
Total	<u>\$842,768,003</u>

Mr. Gudikunst advised the Board that the NNERF Timberland land sale transaction of approximately 4,877 acres located in Jenkins County, Georgia was finalized on June 14, 2016. The Fund will receive \$11 million in proceeds net of commissions and fees, with the funds deposited into the Short-Term Investment account held by State Street.

Mr. Gudikunst also reported that the Committee reviewed the performance of each asset class of the Fund. Due to the fact that active management has not added much value in excess of their benchmarks in recent years, the Committee asked to discuss in depth the manager performances and possible changes at the August meeting, when Dahab will have the Fiscal Year 2016 numbers. After discussion, the Committee unanimously agreed to recommend to the Retirement Board that after settlement of the Timberland sale, \$6 million of those proceeds be moved from Short-Term Investment account held by State Street into the CS McKee Bond Fund.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed that \$6 million of the proceeds from the Timberland sale be moved from Short-Term Investments into the CS McKee Bond Fund.

Mr. Gudikunst also commented that further discussion ensued concerning the allocation of the Plan assets. The Committee noted that the Timber asset class has performed well, and after the Timberland sale, the Timber asset class will be slightly below the asset allocation of 8%. Therefore, the Committee unanimously agreed to recommend that the Retirement Board authorize Dahab & Associates to pursue a new investment of \$8 to \$10 million in the timber asset class.

Approved *Upon motion duly made and seconded, the Retirement Board unanimously agreed to authorize Dahab & Associates to pursue a new investment of no more than \$10 million in the timber asset class.*

4. Committee on Administration:

a. Service Agreement:

Mr. Mitchell advised the Board that a draft Service Agreement between NNERF and the City had been presented to the Committee. The agreement lists the responsibilities and duties of the City in the administration of the Funds. Mr. Mitchell reminded the Board that the six employees who have historically been paid out the Retirement Fund will now be paid by the City with the Retirement Fund paying the City an agreed upon fee. After discussion, the Committee asked that the City Attorney's office review the Service Agreement and to provide any recommendations by the next Committee on Administration meeting on July 19, 2016.

b. Pension and OPEB Budget:

Mr. Lanier advised the Board that the Committee reviewed the Pension and OPEB budget which was presented by Staff. The budgets reflected an estimate of investment income and the actuarially determined contribution required for the City and Schools for FY 2017 for Pension. The City will continue to fund OPEB under the pay as you go method which will ensure that revenues cover the expenses incurred each year. The budget for Pension also reflects the estimated annuity payments and administrative cost. For FY 2017, the personnel costs which have been incurred by the fund will be shown as a payment to the City. Mr. Lanier noted that the Committee focused on comparing FY 17 budgeted expenses to the expenses of current year and the past several years. After review, the Committee felt that a few modifications were needed. The Committee will present the FY 2017 Pension and OPEB Budget for approval at the July Retirement Board meeting.

5. Disability Review Committee:

a. There was no report since there have been no meetings since the last Board meeting.

6. Old Business:

a. Schools Computations - Update:

Mr. Mitchell advised the Board that Staff continues to work with Schools to complete all the retirement estimates for the Vested Frozen Schools participants.

7. New Business:

a. Approval of Actuarially Neutral Lump Sum Schedule:

Mr. Mitchell reviewed with the Board two schedules -- the Lump Sum Factors and the Present Value of the \$3,300 Death Benefit-- along with the actuarial assumptions used by Cheiron in determining those schedules. The schedules will be used to compute the Lump Sum for those retirees who elect a lump sum payment in lieu of their retirement benefit payment, an option available only to those retirees with a retirement benefit of \$150 per month or less. Mr. Mitchell noted that the factors used were a compound annual interest rate of 7.5%, a blended mortality rate based upon 20% of the male rate and 80% of the female rate from the RP2000- Mortality Tables, and a cost of living adjustment of 1.33% deferred 12 months from benefit commencement.

Approved *Upon motion duly made and seconded, the Board unanimously agreed to accept the actuarial assumptions as presented by the actuary, for use in computing Lump Sum Payouts to eligible retirees.*

Approved *Upon motion duly made and seconded, the Board unanimously agreed to accept the schedules showing the Lump Sum Factors and the Present Value of the Death Benefit, as presented by the actuary, until such time as the assumptions change.*

b. Lump Sum Election Form & Letter

Mr. Mitchell presented to the Board the Lump Sum Election Form and letter prepared by Staff which will be provided to those eligible to retire on or after June 30, 2016. The completion of the form will be provided by the retiree prior to their receiving the first annuity check in order to elect to receive the lump sum payout. After review and discussion, the Board expressed that the form and letter are acceptable as presented.

c. Timber – ESA Solar Lease

Mr. Mitchell informed the Board that NNERF Timberland has two separate offers to lease land for the purpose of solar farms. One of the proposed leases has been referred to the City Attorney's office to review.

d. Excused Absence from the Board Meeting:

Ms. Armstrong and Mr. Hatchett asked to be excused due to a prior commitment.

e. Next Meeting:

July Board meeting will be **Thursday, July 28, 2016 at 9:00 am.**

f. Adjournment:

There being no further business to come before the Board, the meeting adjourned at 10:05 a.m.

A true copy, attest:



Tom Mitchell, Secretary
Board of Trustees