

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

January 30, 2020

City Council's Conference Room/Tenth Floor

9:00 a.m.

Roll Call: JoAnn Armstrong (X), Tom Brooks (X), Pax Goodson (X),
Lars Lassen (X), Eddie Harrah (E), Philip Hatchett (X),
Frank James (X), Gregg Kubilins (E), Zoe Lumpkin (X)

Patrick Murphrey (X), Marty Eubank (E), Bill Keeler (X),
Cathy Matthews (X), Susan Goodwin (X), Virginia Lovell (X),
Brian Sypolt (X), Sarah Jordan (X).

Others Present: Theresa Griffin, Senior Benefits Coordinator
Melanie Lowe, Retirement Payroll Coordinator
Moneik Robbins, Senior Benefits Coordinator
Retirees (3)

1. Call to Order:

Ms. Goodwin called the Retirement Board meeting to order at 9:01 a.m. on January 30, 2020 in the City Council's Conference Room, 10th floor.

2. Election of Chair and Vice Chair:

Ms. Goodwin opened the floor for nominations for Chairman of the City of Newport News Retirement Fund.

Approved Upon nomination duly made and seconded, the Board unanimously approved Mr. James as the Chairman of the Retirement Board for calendar year 2020.

Mr. James opened the floor for nominations for Vice Chair of the City of Newport News Retirement Fund.

Approved Upon nomination duly made and seconded, the Board unanimously approved Mr. Hatchett as the Vice Chair of the Retirement Board for calendar 2020.

Mr. James thanked the Board and Committees for their work done during 2019, in particular the employee representatives, who are elected by their peers, for being the conduit of information between the Plan members and the Board. Mr. James thanked the Investment Committee for their oversight of the Fund's investments and adherence to the Asset Allocations and Investment Guidelines, and the Benefits & Welfare Committee for their commitment to addressing retiree benefit issues in a fiscally responsible manner. Mr. James also thanked the retirees who attend the

Board meetings regularly for their feedback and support, and City Manager Ms. Rohlf for her support of the Fund.

Mr. James then highlighted the many accomplishments and changes that were made in 2019. He noted the Pension fund status decreased slightly from 71.3% to 70.3% and the OPEB funded status remained at 29.2%. He also noted that the Fund's assets have rebounded and as of December 31, 2019 were over \$1 billion. Mr. James also recalled that the Investment Committee interviewed and selected a new investment consultant, Meketa Investment Group, who has brought great insight to the Committee. He also noted that Pre-65 health insurance transitioned to Optima Health. The transition was smooth and Optima has provided great customer service.

Mr. James noted changes in Board membership during 2019: Tom Brooks was appointed to fill the seat vacated by Jayne Di Vincenzo and Lars Lassen was appointed to fill the seat vacated by Art Gudikunst.

Mr. James advised the Board of his goals for 2020, which include conducting an asset allocation study and approving a revised asset allocation to ensure 7.35% return is achieved, interviewing and selecting an actuary to support the fund over the next 10 years and transitioning the Board to the iCompass electronic Board management software. Mr. James also noted that in 2020 the Board, in coordination with the Committee on Administration, will continue to refine the City code and administrative policies.

Ms. Goodwin thanked the Board members for their commitment to serve the Newport News Employees' Retirement Fund. Ms. Goodwin mentioned the many accomplishments performed during the year, introduced members of her staff to the Board and thanked them for their hard work supporting the Fund.

3. Minutes of The Meeting of December 19, 2019:

Upon motion duly made and seconded, the minutes of the December 19, 2019 meeting were unanimously approved.

4. Committee on Investments:

a. Assets as of December 31, 2019:

Mr. Brooks provided a review of the Funds for December.

| | |
|-----------------|------------------------|
| Pension | \$990,881,770 |
| Post Retirement | <u>36,566,849</u> |
| Total | <u>\$1,027,448,619</u> |

Mr. Brooks noted that the Fund earned 2.1% net fees in December 2019. He also noted that Meketa Investment Group explained that from a market performance perspective, December capped off a

historically strong year for most risk-oriented markets, with US equities remaining expensive and equity volatility at a low level.

b. Fund Evaluation Report – Meketa Investment Group

Mr. Brooks noted that Meketa Investment Group provided the Committee with a report which included updated Investment Policy Statements (IPS) for the Pension and OPEB and a new drafted IPS for the Line of Duty ACT (LODA) Fund. The most significant change for the Pension and OPEB IPS was removing manager guidelines from the IPS and adding a separate document to contain specific guidelines for each of the Fund’s managers. Meketa also added a proxy voting policy, information about the procedures for cash withdrawals, and information on the Fund’s capital market assumptions. The new IPS for the LODA fund was modeled after the Pension and OPEB policies. Ms. Goodwin noted the City Attorney’s office felt the manager guidelines should specifically refer to City code with regards to allowable investments and that the manager guidelines needed a separate motion from the Committee. Ms. Goodwin also noted Staff will bring the revised manager guidelines back to the Committee in February.

Approved Upon motion duly made and seconded, the Board unanimously agreed to postpone the motion to adopt the Investment Policy Statements for Pension, OPEB and LODA as presented until the February meeting.

Mr. Brooks noted that Meketa discussed manager alpha and alternative beta strategies. Meketa noted that in most public market asset classes, the median manager’s alpha, or value added over the index, is close to zero before fees, and that median performance has not justified the historical median fees. However, investors can often negotiate lower fees than those advertised and the amount of value active managers can add varies by asset class: there is a greater dispersion of manager returns in more volatile asset classes such as small cap and emerging market equities. Overall, in order to beat the market, investors must select managers who, on average, are better than the majority of their peers, which is difficult as past performance is an unreliable indicator for public market managers.

Mr. Brooks also noted that Meketa discussed with the Committee alternative beta. Alternative beta strategies aim to achieve better risk-adjusted performance relative to cap-weighted indices and are constructed with a specific objective such as targeting value, momentum, or quality exposures; lowering volatility; or reducing stock specific risks. Meketa’s analysis suggests certain alternative beta strategies offer superior risk-adjusted returns and could be used to reduce risk within the portfolio.

c. Wilmington Trust Contract – Custodian Bank

The Committee was reminded that on February 1, 2017 NNERF elected to switch custodian banks to Wilmington Trust Bank. The contract with Wilmington Trust does not expire; however, the current fee of \$75,000 per year was only guaranteed for three years and expires on February 1, 2020. Meketa is working with Wilmington on a new fee structure and Staff will keep the Committee updated as further information is received.

5. Committee on Administration:

- a. The Committee did not meet.

6. Benefits and Welfare Committee:

- a. The Committee did not meet.

7. Disability Review Committee:

- a. The Committee did not meet.

8. Old Business:

- a. Line of Duty Act

Ms. Goodwin updated the Board on the death of the Officer Thyne earlier this year. She informed the Board that Staff members have been in contact with the Officers' family and that family members of an Officer killed in the line of duty receive a \$100,000 death benefit from the LODA Fund.

9. New Business:

- a. Excused Absence

Mr. Harrah and Mr. Kubilins requested to be excused from today's meeting.

10. Citizen Comments on Matters Germane to the Business of the Retirement Board

- a. Mr. Ron Pegram informed the Board that a member of the Public Safety retirement family had passed away.
- b. Mr. Kenneth Jones has some concerns about the COLA and rate of return on investments that he wanted to address with the Board. He stated that the cost of living adjustment every year is very low and this impacts retirees who had low salaries. He stated that the Board should diversify their investments and look into other investment opportunities to maximize their returns. In particular, Mr. Jones mentioned the Board should consider investing in gold.
- c. Mr. Bill Jackson thanked the Board and Staff for their continued efforts with working on benefits and trying to keep costs low for the retirees.

11. Next Meeting:

- a. February Board meeting will be Thursday, February 27, 2020

12. Adjournment:

- a. There being no further business to come before the Board, the meeting adjourned at 9:50 a.m.

A true copy, attest:

A handwritten signature in blue ink, appearing to read "Susan Goodwin".

Susan Goodwin, Secretary
Board of Trustees