

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

February 22, 2018

City Council's Conference Room/Tenth Floor

9:00 a.m.

Roll Call: JoAnn Armstrong (X), Art Gudikunst (X), Pax Goodson (X),
Philip Hatchett (X), Frank James (X), Gregg Kubilins (E),
Zoe Lumpkin (E), Eddie Harrah (X).

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

Others Present: Retirees (4)

1. Call to Order:

Mr. James called the Retirement Board meeting to order at 9:00 a.m. on February 22, 2018 in the City Council's Conference Room, 10th Floor.

2. Minutes of the Meeting of January 25, 2018:

Upon motion duly made and seconded, the minutes of January 25, 2018 were unanimously approved.

3. Committee on Investments:

a. Assets as of January 31, 2018:

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

Pension	\$982,218,058
Post Retirement	<u>35,390,116</u>
Total	<u>\$1,017,608,174</u>

b. NNERF Independent Evaluation:

Mr. Gudikunst explained that in September 2017, the Board approved PFM Asset Management, LLC to conduct an independent evaluation of the Plan. The evaluation was completed and presented to the Investment Committee by Mr. Khalid Yasin, Mr. Biagio Manieri, and Mr. Kevin Rotty of PFM. Mr. Yasin discussed with the Committee that PFM's independent study process included reviewing the investment policies, conducting an asset/liability analysis, evaluating the asset allocation, examining the active versus passive mix, reviewing fees, assessing governance, and review of several other items to understand the current investment strategy and identify any potential improvements. PFM presented several recommendations, including reducing risk in the portfolio by modifying the asset allocation, transitioning to more passive management, and considering a discretionary consulting model. After conversation, the Committee agreed to review the findings with the Fund's investment consultant at a future Committee meeting.

c. Manager Update – Morgan Stanley Emerging:

Ms. Goodwin mentioned that in December 2017, the Board approved the recommendation from the Committee to approve the Emerging Market manager Morgan Stanley switch from a commingled fund to a mutual fund with fees 17bps (basis points) lower, which would save approximately \$32,000 a year in management fees. Ms. Goodwin advised that, while working with Morgan Stanley to get the process of switching over to a mutual fund completed, Morgan Stanley came back with an offer that would keep NNERF in the commingled fund with fees 25bps lower than the current fees, which equates to approximately \$50,000 per year savings in management fees. Ms. Goodwin advised the Board that Dahab had recommended staying with the current Morgan Stanley commingled fund as opposed to switching to the mutual fund and that the Board make a motion to do so.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve continuing with the current Morgan Stanley commingled fund as opposed to switching to the mutual fund.

4. Committee on Administration:

a. Insurance Contributions Review:

In January, the Board approved refunds be issued to 32 retirees whose benefits were erroneously reduced due to a misapplication of the fund’s contribution to retiree health and dental insurance. Mr. Hatchett provided an update that refunds were issued with January annuity payments and letters were sent in advance of the refunds explaining the situation to the impacted retirees.

In addition, the Board also approved requesting the City Manager waive repayment for three retirees who received overpayment of benefits due to a misapplication of the fund’s contribution to retiree health and dental insurance through no fault of the retirees. Mr. Hatchett notified the Board that the City Manager agreed to waive repayment for those three retirees and that the retirees have been notified.

b. Pension and OPEB Budget – FY19:

Mr. Hatchett advised that the Committee will meet again in March to review and analyze the Fiscal Year 2019 Pension and OPEB budgets presented by Staff and then bring to the Board for approval.

5. Benefits and Welfare Committee:

a. Pre-65 Health Insurance Review:

Mr. Hatchett explained that the Committee met and reviewed an updated presentation concerning the pre-65 health care plan. He stressed the importance of reviewing the current pre-65 health care plan as retirees are projected to experience a 22% premium increase in 2019 if no changes are made. Mr. Hatchett reported the Committee discussed that the only ways to make

the plans more affordable for retirees are plan design changes or changes to the City's contributions which is currently limited in code. Mr. Hatchett discussed the challenges and complexities of the current health care industry and advised the Board that the Committee reviewed various scenarios based on proposed plan design changes and the potential reallocation of the City's contribution. Preliminary rates were also provided if any of the various options were pursued.

Mr. Hatchett noted that further discussion was tabled until the next meeting when USI will be present to answer any questions the Committee may have and to better explain details behind proposed plan design changes.

6. Disability Review Committee:

- a. The Committee did not meet and there was no business for discussion.

7. Old Business:

- a. There was no old business to discuss.

8. New Business:

- a. Retirement Board Member Nomination:

Mr. James advised that, due to the resignation of Mr. Eastburn from the Board, there is a need for an additional Board member. Mr. James nominated Ms. Jane Di Vincenzo to fill the vacancy. Ms. Di Vincenzo currently serves on the Investment Committee and is enthusiastic about the opportunity to serve on the Retirement Board as well. A motion was made to recommend City Council appoint Ms. Di Vincenzo to the Board of Trustees of the City of Newport News Employees' Retirement Fund.

Approved *Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve recommending City Council appoint Ms. Di Vincenzo to the Board of Trustees of the City of Newport News Employees' Retirement Fund.*

- b. Excused Absence:

Mr. James noted that Ms. Lumpkin and Mr. Kubilins were excused from today's meeting.

- c. Next Meeting:

March Board meeting will be **Thursday, March 29, 2018 at 9:00 a.m.**

- d. Adjournment:

There being no further business to come before the Board, the meeting adjourned at 9:48 a.m.

A true copy, attest:

A handwritten signature in blue ink, appearing to read "Susan Goodwin", with a long horizontal flourish extending to the right.

Susan Goodwin, Secretary
Board of Trustees