

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

March 29, 2018

City Council's Conference Room/Tenth Floor

9:00 a.m.

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

Patrick Murphrey (X), Marty Eubank (E), Bill Keeler (E),
Cathy Matthews (E), 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 9:01 a.m. on March 29, 2018 in the City Council's Conference Room, 10th Floor.

2. Minutes of the Meeting of February 22, 2018:

Upon motion duly made and seconded, the minutes of February 22, 2018 were unanimously approved.

3. Committee on Investments:

a. Assets as of February 28, 2018:

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

Pension	\$950,757,329
Post Retirement	<u>33,417,483</u>
Total	<u>\$984,174,812</u>

b. NNERF Independent Evaluation:

Mr. Gudikunst explained that the Committee continued discussions on the independent evaluation of the Plan in order to allow the investment consultant, Dahab Associates, to give his thoughts. Mr. Dahab provided his review of the independent evaluation findings and addressed any questions the Committee had. Mr. Gudikunst mentioned that the Committee discussed the asset allocation and that PFM felt the allocation was aggressive for the target rate of return of 7.35%. The Committee held a discussion regarding the risks being taken by the Fund and the impact volatility could have on the ADC and funded status. Dahab felt the future return projections provided by PFM, which included a greater allocation to fixed income, were optimistic and felt the existing asset allocation gave the Fund the best chance of a 7.35% return. He felt volatility was mitigated by the Fund's alternative investments. Mr. Gudikunst advised the Board that the Committee also discussed active investments versus passive investments,

manager performance, and manager fees. Dahab indicated the recommendation to terminate underperforming managers and shift to more passive management was worth discussion as it could reduce fees for the Fund. The Committee discussed adopting more formal guidelines for measuring and terminating managers and shifting to more passive management. Dahab and the Committee also held a brief discussion on tactical management and the Outsourced CIO consulting model.

c. Quarterly Performance Review – December 2017:

Mr. Gudikunst mentioned that Rich Dahab briefly discussed with the Committee the NNERF quarterly performance report for December of 2017. After review, the Committee pointed out several items they would like to discuss moving forward. Mr. Gudikunst advised that the Committee would like to conduct a review of underperforming managers and requested that Mr. Dahab begin showing the manager performance summary page in his quarterly report net of fees instead of gross in order to better compare performance against the respective indices. The Committee also informed Mr. Dahab that they would like to begin having in-depth discussions on manager strategies and performances monthly. Mr. Gudikunst pointed out that the Committee plans on reviewing the Investment Policy and discussing the bond investment strategy during upcoming meetings.

d. Retirement Fund Cash Withdrawal:

Mr. Gudikunst advised that the Committee briefly discussed the monthly cash withdrawals needed to fund monthly Pension benefits. After discussion, the Committee unanimously agreed to recommend that the Retirement Board approve the withdrawal of funds from the Large Cap manager Stoneridge: \$2.4 million each for the month of April, May, and June requirements, respectively.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the withdrawal of funds from the Large Cap manager Stoneridge: \$2.4 million each for the month of April, May, and June requirements, respectively.

e. OPEB Fund Cash Withdrawal:

Mr. Gudikunst acknowledged that the Committee also briefly discussed the cash withdrawal needed to fund OPEB benefits which are estimated to exceed budgeted funds. After discussion, the Committee unanimously agreed to recommend that the Retirement Board approve the withdrawal of \$750,000 from Stoneridge Partners for the fiscal year requirement.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the withdrawal of funds of \$750,000 from Stoneridge Partners for the fiscal year requirement.

4. Committee on Administration:

a. Pension and OPEB Budget – FY19:

Mr. Hatchett explained that the Committee reviewed the Fiscal Year 2019 Pension and OPEB budgets presented by Staff. For the pension, the requested budget reflects the actuarially determined contribution (ADC) required by the City and Schools, an estimate of investment income, and an estimate of benefit and other expenses expected in FY2019 based on the Fund's actuarial assumptions. For OPEB, the requested budget reflects the City continuing to fund OPEB under the pay as you go method. Mr. Hatchett mentioned that the Committee previously discussed the administrative costs included in the FY19 budget and that Ms. Lovell presented the Committee with additional information showing administrative costs in relation to the total members and total retirees in the Fund and relative to other Virginia localities. The Committee noted that costs are low compared to the other localities and VRS. Ms. Goodwin provided the Retirement Board with an update on the status of the City's budget process and advised the Board that she is in constant communication with the City Manager on the importance of the Pension and OPEB budgets. Ms. Goodwin noted that the Committee recommended that the Retirement Board approve the requested FY19 Pension and OPEB budgets.

Approved *Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the requested FY19 Pension and OPEB budgets.*

b. **Service Agreement:**

Mr. Hatchett informed the Board that the Committee reviewed and discussed the Administrative Policy adopted by the Board last year which lists the responsibilities and duties of the City in the administration of the Pension and OPEB funds. Staff felt a few minor updates needed to be made to the Service Agreement. Mr. Hatchett noted that, after a brief discussion, the Committee tabled the discussion to permit more time to review the Service Agreement to see if the Committee had any recommendations on changes to be made.

5. Benefits and Welfare Committee:

a. **Informational Presentations:**

Mr. Harrah noted that the Committee did not meet since last month's Retirement Board meeting; however, he did provide an update on several information presentations that will be taking place in April and May for active NNERF employees and retirees. In April, three presentations have been scheduled for active NNERF employees to review benefits upon retirement from the City. In May, two Humana sessions called Bringing Humana to You have been scheduled for retirees who are currently enrolled in Humana or are currently with Anthem and are approaching the age of 65 and would like to receive information on the Humana Medicare Advantage plan. Mr. Harrah advised the Board that the Committee does have a meeting scheduled for April 27, 2018, at 9:00 am. Ms. Goodwin mentioned that USI will be in attendance to review pre-65 health insurance plans with the Committee. Ms. Goodwin invited Board members to attend the meeting if possible because the topic will be up for discussion at a future Retirement Board meeting.

6. Disability Review Committee:

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

7. Old Business:

a. Retirement Board Member Nomination – Update:

Ms. Goodwin announced that Ms. Jayne Di Vincenzo has been appointed to serve on the Retirement Board and will begin in April. Ms. Di Vincenzo currently serves on the Investment Committee.

8. New Business:

a. Certificate of Appreciation – Mr. Eastburn:

Mr. James and Ms. Goodwin presented a Resolution of Appreciation to Mr. Eastburn for his years of service to the Board.

b. Next Meeting:

April Board meeting will be **Thursday, April 26, 2018 at 9:00 a.m.** Ms. Goodwin noted that Labaton Sucharow, who performs portfolio monitoring for the Fund, will be present to discuss Board and Committee fiduciary responsibilities and portfolio monitoring.

c. Adjournment:

There being no further business to come before the Board, the meeting adjourned at 9:52 a.m.

A true copy, attest:



Susan Goodwin, Secretary
Board of Trustees