

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

March 30, 2023

EDA Board Room, 3rd Floor

City Center

9:00 a.m.

Roll Call: JoAnn Armstrong (E), Tom Brooks (X), William Donaldson (X),
Travis Fisher (X), Eddie Harrah (X), Derry Haywood (X),
Lars Lassen (X), Andrew Pribush (X), James Young (X)

Lynn Spratley (X), Marty Eubank (E), Bill Keeler (X),
Shanti Mullen (X), Susan Goodwin (X), Virginia Saunders (X),
Brian Sypolt (X), Teresa Tornari (X)

Others Present: Retirees (4)

1. Call to Order

Mr. Fisher called the Retirement Board meeting to order at 9:00 a.m. on March 30, 2023.

2. Minutes of the Meeting of February 23, 2023:

Approved Upon motion duly made and seconded, the minutes of the February 23, 2023 meeting were unanimously approved.

3. Committee on Investments:

a. Funds Review – February 28, 2023 Financials:

Mr. Lassen noted the Fund lost approximately 1.5% net of fees in February.

<i>Pension</i>	\$ 992,014,504
<i>Post Retirement</i>	<u>43,336,106</u>
	\$ 1,035,350,610

<i>LODA</i>	\$ 3,223,602
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b. February Market Update:

Mr. Lassen informed the Board that Meketa reviewed the February market conditions and performance with the Committee. He noted better than expected economic data indicated policy tightening in the U.S. and Europe was likely to continue, which drove major equity and bond markets down. Treasury yields surged, with the 10-year Treasury hitting 3.9% and the 2-year

reaching 4.8%, maintaining the inverted yield curve. Mr. Lassen also noted that Meketa provided a brief update on the banking industry with the recent failure of two large banking institutions, Silicon Valley Bank and Signature Bank. He noted the U.S. government and other government related entities have taken steps to stabilize markets by announcing the full return of deposits to customers of these banks (including those above the \$250,000 FDIC guarantee) and introducing funding programs to support banks facing similar challenges, although Meketa expects continued volatility in the banking industry. The Fund as little to no exposure to these banks.

c. Asset Allocation Review and Risk Analysis:

Mr. Lassen informed the Board that Meketa provided the Committee with their asset allocation and risk analysis study for the Fund. He informed the Board that the last asset allocation was performed in 2020 and is reviewed every 3 to 5 years as outlined in the Fund's Investment Policy Statement. Mr. Lassen noted that Meketa recommended the asset allocation be reviewed this year given the timing of the last review as well as the updated capital markets expectations. Based on the expected increase in capital market assumptions, the current portfolios expected long-term return is 8.6%, well above the Fund's current assumed rate of 7%, which provides the opportunity to remove some risk from the portfolio while still having a high chance of achieving the fund's assumed rate of return. Mr. Lassen mentioned Meketa presented several asset allocation options for the Committee to consider. Each option decreased the fund's target to equities and increased the allocation to bonds and real assets, reducing some risk in the portfolio. Meketa also modeled a portfolio with an expected return of 7%. Mr. Lassen noted this portfolio would be a dramatic shift in the fund's allocation and was provided for illustrative purposes only. Mr. Lassen also noted the Committee held a discussion about the trade-offs between the various portfolios modeled. Most members agreed the Fund should make some adjustments to reduce risk, but also wanted to ensure the Fund benefited from current high interest rates and participated in any upcoming market rallies. He noted no action was taken to allow the Committee additional time to review the recommendations presented and receive additional information requested from Meketa.

d. Molpus Woodlands Fund III Update:

Mr. Lassen reminded the Board that the Fund currently has two timber investments through Molpus. He informed the Board that Molpus recently sent an amendment for the Fund III, requesting the Board consent to either extending the fund's life for another 10 years or selling to a lead investor at a discount of 19.7% of the 2022 year-end valuation. He noted if the majority of investors do not agree to either term, the fund will start to wind down. Mr. Lassen added that Meketa discussed options with the Committee. Meketa also reached out to a broker to get a secondary sale price to compare to the offer made by Molpus. Mr. Lassen noted at this time, the bids from the broker were in line with the lead investor from Molpus, but would include a transaction fee like the Molpus amendment. Meketa recommended not consenting to either option at this point as the options are not particularly attractive for NNERF.

Approved Upon motion duly made and seconded, the Investment Committee unanimously agreed to recommend that the Retirement Board authorize staff to execute necessary documentation to not consent to the Molpus amendment options.

4. Committee on Administration:

The Committee did not meet.

5. Benefits and Welfare Committee:

The Committee did not meet.

6. Disability Committee:

The Committee did not meet.

7. Old Business:

There was no old business to discuss.

8. New Business:

a. City Code Revisions - Secure Act 2.0

Ms. Goodwin asked Ms. Saunders to review the proposed code changes with the Board. Ms. Saunders informed the Board that the Secure Act 2.0 was signed into law in December of 2022 and that the overall law was designed to improve retirement saving options and builds on the original SECURE act of 2019. Ms. Saunders noted the major changes included requiring automatic enrolment in 401(k) and 403(b) plans, changes to the required minimum distribution (RMD), changes to catch up contribution limits, and expanded access to retirement funds for personal emergencies and disasters. Ms. Saunders noted that while most of the provisions only apply to deferred compensation plans, certain provisions do apply to NNERF which include changes to the RMD age and changes to rules surrounding overpayments. In addition to the Secure Act 2.0 change, Ms. Saunders noted that one unrelated change to the partial disability benefit section of code was made to clarify that the Board may, but is not required to, increase partial disability benefits if it deems it appropriate to do so based on the evidence provided in a case. She noted this has been the practice of the Committee and Board but was not clear in Code, so it was recommended by City Attorney's office that the language be clarified.

Approved Upon motion duly made and seconded, the Investment Committee unanimously agreed to recommend that the Retirement Board adopt the revisions to Chapter 31 "Pensions and Retirement" as presented.

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

Mr. Jones, a current retiree, discussed an article regarding crypto currency and block chain technology.

10. Next Meeting:

- a. The next Board meeting will be held on Thursday, April 27, 2023 in the EDA Board Room, City Center at 9:00 a.m.

11. Adjournment:

- a. There being no further business to come before the Board, the meeting adjourned at 9:28 a.m.

A true copy, attest:



Susan Goodwin, Secretary
Board of Trustees