MINUTES OF MEETING OF BOARD OF TRUSTEES OF THE
CITY OF NEWPORT NEWS EMPLOYEES’ RETIREMENT FUND
April 30, 2020
Zoom Web Meeting
9:00 a.m.

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

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

Others Present: Disability Applicant #049686

1. Call to Order:

Mr. James called the Retirement Board meeting to order at 9:02 a.m. on April 30, 2020.

Ms. Goodwin noted that the meeting was being conducted electronically pursuant to the
authorization of City Council in Ordinance No. 7613-20 because of the ongoing coronavirus
emergency.

The citizen comment portion of the agenda was suspended for this meeting, however, citizens were
able to submit comments to the Finance Department prior to the meeting.

2. Minutes of the Meeting of February 27, 2020:

Upon motion duly made and seconded, the minutes of the February 27, 2020 meeting were
unanimously approved.

3. Committee on Investments:

a. Wilmington Trust Contract- Custodian Bank

Mr. Brooks noted that the Board was previously informed that the Fund’s guarantee with
Wilmington Trust, the Fund’s custodian bank, was expiring on February 1, 2020, and that Meketa
was negotiating a new fee on the Fund’s behalf. Mr. Brooks reminded the Board that since
Wilmington was hired in 2017, the Fund paid a flat fee of $75,000. Wilmington no longer offers flat
fees and instead proposed an asset based fee structure. Mr. Brooks noted that Meketa negotiated
a new fee structure that they estimated would result in the Fund paying between $125,000 and
$150,000 per year which they advised was a competitive rate. After discussion, the Committee
unanimously agreed to recommend that the Board adopt the revised fee schedule for Wilmington
Trust as presented.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to adopt the
revised fee schedule for Wilmington Trust as presented.
Mr. Brooks noted that since the Board had taken over investment responsibilities for the Line of Duty Fund, there was a need to add the Line of Duty Fund to the contract with Wilmington. Staff and the City Attorney’s office coordinated with Wilmington’s attorneys and determined the best course of action was to amend the existing contract to add the LODA Fund under the same terms and fee schedule as the Pension and OPEB plans. After discussion, the Committee unanimously agreed to recommend that the Board approve amending the Wilmington Trust contract, pending City Attorney review, to add the Line of Duty Act Fund to the contract.

Approved  Upon motion duly made and seconded, the Retirement Board unanimously agreed to amend the Wilmington Trust contract, pending City Attorney review, to add the Line of Duty Act Fund to the contract.

b. AbelNoser, LLC Contract - Commission Recapture

Mr. Brooks noted that NNERF currently utilizes AbelNoser as the commission recapture broker. Mr. Brooks reminded the Board the current agreement would expire May 1, 2020 and that Meketa recommended the Fund continue to participate in a commission recapture program with AbelNoser. After discussion, the Committee unanimously agreed to recommend that the Board approve the revised contract with AbelNoser to extend commission recapture services for three years beginning May 1, 2020, with the option to renew each year thereafter.

Approved  Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the revised contract with AbelNoser to extend commission recapture services for three years beginning May 1, 2020, with the option to renew each year thereafter.

c. Funds Review – March 31, 2020

Mr. Brooks provided a review of the funds for March.

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<tbody>
<tr>
<td>Pension</td>
<td>$816,781,391</td>
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<tr>
<td>Post Retirement</td>
<td>$30,784,244</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$847,565,635</td>
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Mr. Brooks noted the Fund lost approximately 11% net of fees in March. He also noted that Meketa explained that the primary market driver in March was the global Coronavirus pandemic. Meketa further explained that with the uncertainty related to the ultimate impact of the virus on economic growth, company profitability, and societal norms, many investors sought perceived safe haven assets like U.S. Treasuries. Stocks experienced large declines globally, with U.S. stocks declining from their recent peak into a bear market territory at the fastest pace in history. Mr. Brooks also noted that Meketa provided the Committee with detail on the market sectors most impacted as well as information on the governmental response to the crisis. Mr. Brooks noted that Meketa was closely monitoring the situation and reminded the Committee to maintain a long-term focus.

Mr. Brooks also noted that given the market volatility, Meketa made several recommendations to rebalance the Fund’s portfolios and reposition certain assets. These recommendations included rebalancing the pension portfolio’s US Equities, rebalancing the OPEB portfolio, reallocating a portion of the pension fund’s equities into a defensive equity index and reallocating a portion of the pension fund’s fixed income investments into an aggregate bond index. Mr. Brooks noted that
Meketa believed those shifts, while not dramatic, would slightly reduce the volatility of the portfolio. After discussion, the Committee unanimously agreed to recommend that the Board approve the movement of $4M from each active mid cap and small cap manager (Federated, LSV, Pier, Earnest) to the BNY Mellon Large Cap Index Fund to rebalance the Pension Fund.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the movement of $4M from each active mid cap and small cap manager (Federated, LSV, Pier, Earnest) to the BNY Mellon Large Cap Index Fund to rebalance the Pension Fund.

Mr. Brooks noted the Committee discussed the rebalancing of the OPEB portfolio to bring the Fixed Income allocation back within the allowable policy range by moving a small amount of assets from fixed income into large cap equities. After discussion, the Committee unanimously agreed to recommend that the Board approve the movement of $1.2M from the Vanguard Short Term Bond Index to the Vanguard Large Cap Index Fund to rebalance the OPEB Fund.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the movement of $1.2M from the Vanguard Short Term Bond Index to the Vanguard Large Cap Index Fund to rebalance the OPEB Fund.

Mr. Brooks noted the Committee further discussed the Pension fund. Meketa recommended moving half of the Fund’s large cap index investment into a more defensive index called the HEDI index. He noted the HEDI index was a stock index constructed to reduce volatility, which would reduce risk for the Fund. Meketa recommend the Fund use a HEDI index managed by Rhumbline as they offer the best fee. After discussion, the Committee unanimously agreed to recommend that the Board authorize the chairman to execute all documents needed to allow the pension fund to invest in the Russell 1000 High Efficiency Defensive Series (HEDI) Index managed by Rhumbline and approve the movement of 50% of the value of the Mellon Large Cap index to the HEDI index.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to authorize the chairman to execute all documents needed to allow the pension fund to invest in the Russell 1000 High Efficiency Defensive Series (HEDI) Index managed by Rhumbline and approve the movement of 50% of the value of the Mellon Large Cap index to the HEDI index.

Lastly, Mr. Brooks noted the Committee discussed moving all of the assets currently held by the Fixed Income manager C.S. McKee into an Aggregate Bond Index Fund. Mr. Brooks mentioned that Meketa is recommending terminating C.S. McKee due to recent organizational changes and moving these assets into a passive allocation with a longer duration which will save on fees and diversify the fixed income portfolio. After discussion, the Committee unanimously agreed to recommend that the Board approve the liquidation of all investments held by C.S. McKee and reinvest in the BNY Mellon U.S. Bloomberg Barclays Aggregate Index Fund.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the liquidation of all investments held by C.S. McKee and reinvest in the BNY Mellon U.S. Bloomberg Barclays Aggregate Index Fund.
4. Committee on Administration:
   a. Mr. Hatchett informed the Board that the Committee did not meet. He also advised the Board that staff would provide an update on the Actuarial Service Consultant RFP under new business.

5. Benefits and Welfare Committee:
   a. The Committee did not meet.

6. Disability Committee:
   a. Case #049686

   Ms. Armstrong stated that, with Case #049686, the Committee unanimously agreed to recommend that the Retirement Board approve the applicant for 20% non-occupation disability.

   Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve 20% non-occupational disability for case #049686.

   b. Case #036887

   Ms. Armstrong stated that, with Case #036887, the Committee unanimously agreed to recommend that the Retirement Board approve the applicant for 80% non-occupation disability.

   Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve 80% non-occupational disability for case #036887.

   c. Case #024616

   Ms. Armstrong stated that, with Case #024616, the Committee unanimously agreed to recommend that the Retirement Board approve the applicant for 48% non-occupation disability.

   Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve 48% non-occupational disability for case #024616.

7. Old Business:
   a. There is no old business to discuss.

8. New Business:
   a. Actuarial Consultant RFP

   A motion was made by Mr. James of the Newport News Employees' Retirement Board of Trustees, which was duly seconded and unanimously approved, that pursuant to Section 2.2-3711A of the Code of Virginia, 1950, as amended, Subsections (4), (6), (15), and (29) that the Retirement Board of
Trustees hold a Closed Meeting on the subject of application for disability retirement and partial disability benefits, and responses to a request for proposal (RFP) for an actuarial consultant position; and for the purpose of discussing applicants for disability retirement and partial disability benefits, and for the purpose of considering and discussing responses to the request for proposal (RFP) by candidates for and possible terms of a contract with candidates for an actuarial consultant position. The closed meeting is authorized under:

Subsection (4) for the protection of the privacy of individuals in personal matters not related to public business.

Subsection (6) discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected.

Subsection (15) discussion or consideration of medical and mental health records excluded from disclosure pursuant to Section 2.2-3705.5 (1)

Subsection (29) discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body.

After coming back into Open Session, Mr. James made the motion, which was duly seconded and unanimously approved, that the members of the Retirement Board of Trustees certify that, to the best of each member's knowledge, (1) only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act were discussed during the closed meeting held immediately prior to reconvening in the open meeting, and (2) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the aforementioned closed meeting of the Retirement Board of Trustees.

Ms. Goodwin provided the Board with an update on the Actuarial Services RFP. She advised the Board that responses to the RFP were due on January 31st and 9 proposals were received. A staff evaluation committee interviewed four shortlisted firms and is requesting Board approval to move forward with negotiations with the top ranked firm.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to allow staff and Purchasing to begin negotiations with the top ranked actuarial services firm for RFP #20-2362-6008.

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

   a. No comments were received.

10. Next Meeting

   a. The next Board meeting will be Thursday, May 28, 2020
11. Adjournment

a. There being no further business to come before the Board, the meeting adjourned at 10:19 a.m.

A true copy, attest:

Susan Goodwin, Secretary
Board of Trustees