MINUTES OF MEETING OF BOARD OF TRUSTEES OF THE
CITY OF NEWPORT NEWS EMPLOYEES’ RETIREMENT FUND
May 30, 2019
City Council’s Conference Room / Tenth Floor
9:00 a.m.

Roll Call: JoAnn Armstrong (X), Jayne Di Vincenzo (X), Pax Goodson (X), Art Gudikunst (E), Eddie Harrah (X), Philip Hatchett (X), Frank James (X), Gregg Kublins (E), Zoe Lumpkin (X)

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

Others Present: Retirees (4)

1. Call to Order:

Mr. James called the Retirement Board meeting to order at 9:00 a.m. on May 30, 2019 in the City Council’s Conference Room, 10th Floor.

2. Minutes of the Meeting of April 25, 2019:

Upon motion duly made and seconded, the minutes of the April 25, 2019 were unanimously approved.

3. Committee on Investments:

a. Assets as of April 30, 2019:

Mr. Goodson provided a review of the Funds for April.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Pension</td>
<td>$960,087,358</td>
</tr>
<tr>
<td>Post Retirement</td>
<td>34,436,110</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$994,523,468</strong></td>
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Mr. Goodson noted the Fund earned 2.6% net of fees in April 2019 and has earned 3.3% net of fees for the fiscal year.

b. Quarterly Performance Review 3/31/19:

Mr. Goodson stated the Committee reviewed the Quarterly Performance with Rich Dahab. Mr. Goodson noted that for the first quarter, the economy was up and doing well and the Composite portfolio gained 8.5%, which ranked in the 47th percentile of the Public Fund universe. Mr. Goodson also noted that the trailing twelve-month period, the portfolio returned 3.1% ranking in
the 79th percentile. Mr. Goodson mentioned the Committee also reviewed the consolidated manager report; however, Mr. Dahab felt, and the Committee agreed, that no changes should occur at this time with Meketa starting in July as Meketa may have a different perspective on the Plan’s overall strategy and investment managers.

c. Regions Timberland Investments Update:

Mr. Goodson noted the Committee discussed with Jim Bates of Regions (via teleconference) the policy of bringing potential land sales before the Investment Committee and Retirement Board. Mr. Goodson mentioned historically all potential land sales regardless of size have been brought to the Investment Committee and Board for approval. Mr. Goodson also mentioned that the Funds agreement with Regions, similar to the Funds agreements with other managers, gives Regions the authority to manage the portfolio regarding dispositions. Due to many times land offers being time sensitive, Ms. Goodwin and Mr. Bates recommended the Committee consider a threshold by which notifications be necessary. Mr. Goodson noted that Ms. Goodwin recommended that any potential sale of 10% of the Fair Market Value of the timber assets be brought before the Committee and Board as this is consistent with Investment Policy Statement (IPS) guidelines for other money managers. Ms. Goodwin mentioned that Regions has its own due diligence process where any transaction over $100,000 is brought before their Board. Mr. Goodson noted that the Committee asked Staff to revise the IPS accordingly and bring back to a future meeting.

d. Line of Duty (LOD) Plan Update:

Mr. Goodson noted that the Committee was informed that a recommendation was made by Staff and approved by City Council that the Retirement Board and Investment Committee oversee the investment and management of the Line of Duty Trust, similar to Pension and OPEB. Mr. Goodson mentioned that the Line of Duty Act (LODA) trust has approximately $2.6 million in reserves and that Meketa Investment Group has agreed to help manage the funds. Mr. Goodson also mentioned that Staff will bring financials and a draft Investment Policy Statement to a future meeting.

e. June Investment Committee Meeting:

Mr. Goodson noted that Meketa Investment Group will be present at the June 19th Investment meeting and encouraged all Board members to attend as Meketa will update the Committee on their initial review of the Fund.

4. Committee on Administration:

a. FY 2020 Pension & OPEB Budgets - City Council Adopted 5/14/2019:

Mr. Hatchett noted the Committee reviewed the Fiscal Year 2020 Pension and OPEB budgets adopted by City Council on May 14, 2019. Mr. Hatchett also noted that Council has fully funded the Actuarially Determined Contribution for pension and provided level funding for OPEB. The Committee unanimously agreed to recommend that the Retirement Board adopt the FY20 Pension budget as presented and adopted by City Council.
Approved Upon motion duly made and seconded, the Board unanimously agreed to adopt the FY20 Pension budget as presented and adopted by City Council.

The Committee proceeded to unanimously agree to recommend that the Retirement Board adopt the FY20 OPEB budget as presented and adopted by City Council.

Approved Upon motion duly made and seconded, the Board unanimously agreed to adopt the FY20 OPEB budget as presented and adopted by City Council.

b. Cost of Living Adjustment (COLA):

Mr. Hatchett mentioned the Committee reviewed and discussed the COLA, how it is computed in accordance with City Code Section 31-55 (c) - Post-retirement increases in benefits, and the consumer price index figure used in determining the COLA. Mr. Hatchett noted that based upon the City Code formula, retirees who retired prior to July 1, 2018 will receive a 1.05% COLA effective July 1, 2019.

Ms. Goodwin mentioned the Board and Staff have heard the concerns expressed regarding the COLA calculation, especially by comparison to that of VRS, and reminded the Board that they requested Staff take a look at the impact of changing the COLA calculation.

Ms. Goodwin gave a brief history of the plan and COLA formula. She reminded the Board that as a result of an economic downturn, underfunding the Actuarially Determined Contribution (ADC) and increasing benefits, the funded status of the plan dropped from over 100% in the early 2000’s to 56% in 2011. The Board and City Council recognized fully funding the ADC was critical to ensuring the long term health of the plan; however, at that time, the ADC was estimated at $57 million, which was unlikely to be met given the City’s other obligations. The Board and Council worked together to implement reforms to the pension plan to ensure the ADC could be funded. These reforms included closing the plan, requiring employees to contribute to the plan, reducing the service multiplier, and changing the COLA formula. These changes reduced the ADC from $57 million to $41 million. The City met this ADC in 2016, doubling their contribution from $20 million to $40 million over a seven year period, and the funded status has since improved to 71%.

To address the Board’s request, Ms. Goodwin noted that Staff requested Cheiron, the Fund’s actuary, run the numbers if the COLA formula was changed to reflect that of VRS. The result was an increase to the unfunded liability of $131 million and an increase to the City’s ADC of $14 million. Ms. Goodwin noted that this is a very large increase to the ADC, significantly more than the typical increase to the City’s overall operating budget in a given year, so it is unlikely the City could fund these costs without sacrifices to other services. She noted the Board and Staff have a responsibility to protect the plan for all its members, including those who have not yet retired, and to be mindful of the burden on the City’s current and future residents when incurring obligations. The Board discussed that given the plan’s current funded status, increasing benefits was not fiscally prudent and that they would not recommend reviewing changes to the COLA at this time; however, the Board agreed that the COLA could be revisited in the future when the plan is in a better financial position.
5. Benefits and Welfare Committee:

   a. The Committee did not meet and there was no business to discuss.

6. Disability Review Committee:

   a. Case #018783

   Ms. Armstrong stated that, with Case #018783, it was the opinion of Dr. Lee that the applicant was 80% disabled. The Committee unanimously agree to recommend that the Retirement Board approve the applicant for 80% non-occupational partial disability based on Section 31.58 occupational and non-occupational partial disability benefits.

   Approved Upon motion duly made and seconded, the Board unanimously agreed to approve 80% non-occupational partial disability based on Section 31-58 occupational and non-occupational partial disability benefits.

7. Old Business:

   a. There was no business to discuss.

8. New Business:

   a. Excused Absences:

      Mr. Gudikunst and Mr. Kubilins requested to be excused from today’s meeting.

9. Next Meeting:

   June Meeting will be Thursday, June 27, 2019 at 9:00 a.m.

10. Adjournment:

    There being no further business to come before the Board, the meeting adjourned at 9:42 a.m.

A true copy, attest:

Susan Goodwin, Secretary
Board of Trustees