

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

May 26, 2022

9:00 a.m.

Roll Call: JoAnn Armstrong (E), Tom Brooks (X), William Donaldson (X),
Travis Fisher (X), Pax Goodson (X), Eddie Harrah (X),
Frank James (X), Lars Lassen (X), Andrew Pribush (V).

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

Others Present: Colleen Munday, Internal Audit
Retirees (4)

1. Call to Order

Mr. James called the Retirement Board meeting to order at 9:00 a.m. on May 26, 2022.

2. Minutes of the Meeting of April 20, 2022:

Approved Upon motion duly made and seconded, the minutes of the April 20, 2022 meeting were unanimously approved.

3. Committee on Investments:

a. Funds Review - April 30, 2022 Financials:

Mr. Goodson reported that the Fund lost approximately 5.7% net of fees in April. Assets as of April 30th are:

Pension	\$ 1,056,744,013
Post Retirement	<u>44,750,156</u>
	\$ 1,101,494,169

LODA	\$ 3,201,349
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b. 2022 Markets and Economy - A perspective as of April 30, 2022

Mr. Goodson informed the Board that Meketa reviewed with the Committee the plan's performance and a perspective on the 2022 market and economy as of April 2022. This year's markets are off to one of the worst starts on record, with both stocks and bonds experiencing significant declines. He noted several key factors driving the decline in the market including: rising global inflation and inflation expectations, with inflation hitting a forty-year high in April of 8.5 % year on year, expectations for aggressive policy tightening by central banks with the Fed raising

rates in March and signaling another raise as soon as May, global growth forecasts continuing to decline, the continued uncertainty related to the war in Ukraine, and uncertainty in China's ongoing management of the pandemic.

Mr. Goodson continued noting Meketa also provided a historical perspective of past market cycles, reviewing historical data on yields, inflation, central bank rates, and market performance following first quarter drawdowns similar to those of 2022. He noted that history has shown stocks and bonds tend to rebound after sharp downturns, the fall in bond prices has caused losses but increased expected future returns due to higher yields, and that there are some indications that inflationary pressures are easing which could ease pricing pressures within the stock and bond markets.

c. Quarterly Review – March 31, 2022

Mr. Goodson informed the Board that Meketa reviewed the March 31, 2022 quarterly report with the Committee. He noted that Pension Fund was down 4.7% net of fees over the quarter, with emerging markets being the worst performing asset class (down 9.2%), driven in large part by China and the continuing conflict in Ukraine. The OPEB fund was down 6.0% net of fees over the quarter with emerging markets down 11.4% for the quarter. Mr. Goodson also noted the LODA fund was down 4.4% net of fees over the quarter with international equity performing the worst, down 6.1% for the quarter.

d. Emerging Market Equity Manager Search

Lastly, Mr. Goodson informed the Board that Meketa presented Driehaus Capital Management, an emerging markets manager, as an option to complement the existing managers in the emerging market class. A representative from Driehaus provided education on the emerging market class, with a focus on China, and provided an overview of the firm and their investment strategies. Mr. Goodson noted Driehaus is a high conviction growth manager that would pair well with Wellington who is a core value manager. Pairing Driehaus with Wellington will result in a portfolio with lower risk, more diversification, and higher potential for risk-adjusted returns at the aggregate level. Meketa recommended the Board consider committing \$15 million to Driehaus.

Approved Upon motion duly made, the Retirement Board unanimously agreed to recommend that the Retirement Board approve the movement of \$15 million from the existing emerging market managers (Wellington \$9.5 / Mellon \$5.5) to Driehaus Capital Management and to authorize the Chairman to execute any documents necessary for the commitment, subject to City Attorney review.

4. Committee on Administration:

Committee did not meet.

5. Benefits and Welfare Committee:

Committee did not meet.

6. Disability Committee:

Committee did not meet

7. Old Business:

a. FY23 COLA Update:

Ms. Goodwin informed the Board that staff provided an update regarding the FY23 COLA and the additional one-time supplemental payment "13th check" for retirees to City Council at their Work Session on Tuesday, May 24, 2022. She noted that Council adopted the Board's recommendation.

b. Pension Funding Policy Update:

Ms. Goodwin informed the Board that staff also provided an update regarding the Pension Funding Policy which formalizes a policy to reaffirm the City's commitment to funding the full Actuarially Determined Contribution (ADC) for NNERF. She noted the policy also allows the City to apply operating budget surplus' to a pension reserve fund to help support swings in the ADC and ensure full funding in future years. Ms. Goodwin thanked the Board and staff for all the hard work in accomplishing this policy as this is significant for NNERF and helps to ensure the continued financial integrity for the Fund.

8. New Business:

There was no new business to discuss.

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

There were no citizen comments to discuss.

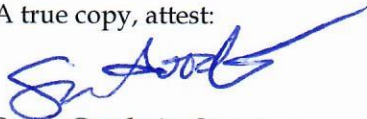
10. Next Meeting:

- a. The June Board meeting will be Thursday, June 30, 2022 in the City Council Conference Room, City Hall at 9:00 a.m.

11. Adjournment:

- a. There being no further business to come before the Board, the meeting adjourned at 9:22 a.m.

A true copy, attest:



Susan Goodwin, Secretary
Board of Trustees