

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

June 27, 2019

City Council's Conference Room / Tenth Floor

9:00 a.m.

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

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

Others Present: Retirees (3)

1. Call to Order:

Mr. James called the Retirement Board meeting to order at 9:03 a.m. on June 27, 2019 in the City Council's Conference Room, 10th Floor.

2. Minutes of the Meeting of May 30, 2019:

Upon motion duly made and seconded, the minutes of the May 30, 2019 were unanimously approved.

3. Committee on Investments:

a. Assets as of May 31, 2019:

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

Pension	\$914,334,116
Post Retirement	<u>33,093,574</u>
Total	<u>\$947,427,690</u>

Mr. Goodson noted the Fund lost 4.5% net of fees in May 2019 and has lost 1.3% net of fees for the fiscal year.

b. Retirement Fund FY2020 1st Qtr Cash Withdrawal:

Mr. Goodson stated that the Committee briefly discussed the cash withdrawals needed to fund monthly Pension benefits. After discussion, the Committee unanimously agreed to recommend that the Retirement Board approve the withdrawal of \$3.4 million from Mellon Large Cap Index for the month of July, \$3.4 million from Mellon Mid Cap Index for the month of August, and \$1.7

million from Mellon Large Cap and \$1.7 million from Mellon Mid Cap for the month of September.

Approved Upon motion duly made and seconded, the Board unanimously agreed to approve the withdrawal of \$3.4 million from Mellon Large Cap Index for the month of July, \$3.4 million from Mellon Mid Cap Index for the month of August, and \$1.7 million from Mellon Large Cap and \$1.7 million from Mellon Mid Cap for the month of September.

c. Fund Evaluation Report – Meketa Investment Group:

Mr. Goodson mentioned that Meketa Investment Group, the incoming investment consultant for the Fund, was present. Mr. Goodson noted that the firm provided an overview of their firm, the team who will represent NNERF, and discussed the onboarding process with the Committee. Mr. Goodson also noted that Meketa had begun the onboarding process, which involves gathering information from investment managers, the prior consultant, custodian, and staff, analyzing the portfolio's Investment Policy Statement and manager guidelines, and setting up reporting for the Fund. Mr. Goodson noted that Meketa would bring their initial fund review and plan to the Committee in August.

d. Regions Timberland Investments Update:

Mr. Goodson reminded the Board discussion was held in the May meeting noting that historically all potential land sales, regardless of size, have been brought to the Investment Committee and Retirement Board for approval. However, the Fund's agreement with Regions, similar to the Fund's agreements with other managers, gives Regions the authority to manage the Timberland portfolio regarding dispositions. Mr. Goodson reminded the Board a threshold was established where Regions would notify the Committee of any potential sale of 10% or more of the Fair Market Value of the timber assets as this is consistent with guidelines for other money managers in the Investment Policy Statement (IPS).

A motion was made by Mr. James of the Newport News Employees' Retirement Board, which was duly seconded and unanimously approved, that pursuant to Section 2.2-3711A of the Code of Virginia, 1950, as amended, Subsections (3) and (6), that the Retirement Board hold a Closed Meeting on the subject of NNERF investments and for the purpose of discussing the possible disposition of real property by the NNERF. The closed meeting is authorized under:

Subsection (3) Discussion or consideration of the acquisition or real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.

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.

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 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 this 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 Committee.

e. July Investment Committee Meeting:

Mr. Goodson noted that the July Investment Committee meeting is cancelled due to scheduling conflicts.

4. Committee on Administration:

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

5. Benefits and Welfare Committee:

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

6. Disability Review Committee:

a. Case #022731:

Ms. Lumpkin stated that, with Case #022731, the Committee unanimously agreed to recommend that the Retirement Board approve the applicant for 57% 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 57% non-occupational partial disability based on Section 31-58 occupational and non-occupational partial disability benefits.

7. Old Business:

a. Line of Duty Fund:

Ms. Goodwin reminded the Board that City Council amended Code to have the Board oversee the Line of Duty Act (LODA) Fund. Ms. Goodwin informed the Board that Meketa agreed to provide investment consulting services to the Fund at no additional cost and provided a revised agreement adding the LODA Fund. Ms. Goodwin noted that the agreement had been reviewed by the City Attorney's office and was ready for the Chairman's signature. After a brief discussion, Ms. Di Vincenzo made a motion that the Board allow the Chairman to execute the amended and restated agreement with Meketa as presented.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to allow the Chairman to execute the amended and restated agreement with Meketa as presented.

b. Investment Policy Statement:

Ms. Goodwin informed the Board that after the June Investment Committee meeting, staff received a request from Fiduciary, a large cap manager, for an exception to capitalization guidelines to allow purchase of stock in a company with a capitalization of \$7.2 billion. She mentioned that current guidelines for large cap managers, as adopted last October, are stocks greater than \$10 billion and noted since the adoption of the current guidelines, two other managers have been granted exceptions to operate outside of the cap guidelines. Ms. Goodwin also noted that staff had discussed with Meketa, who advised the current guidelines did not align with individual manager mandates and recommended a review to determine appropriate guidelines. Ms. Goodwin mentioned that staff was recommending that the Board grant a waiver of market cap guidelines in the Investment Policy Guideline pending Meketa's review and recommendations for individual managers. After a brief discussion, Mr. Goodson made a motion that the Board grant a waiver of market cap guidelines in the Investment Policy Statement pending Meketa's review and recommendations for individual managers.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to a grant a waiver of market cap guidelines in the Investment Policy Statement pending Meketa's review and recommendations for individual managers.

8. New Business:

a. Cheiron Renewal Letter:

Ms. Goodwin informed the Board that Cheiron, who provides actuarial services for NNERF, provided staff with a renewal letter for FY2020 with a proposed increase of 1.8% based on CPI. Ms. Goodwin noted that the new fee for Pension would be \$45,852, OPEB would be \$19,259, and LODA would be \$5,904. Ms. Goodwin also noted that staff anticipates posting an RFP for actuarial services in the winter for a new contract beginning in FY2021. Ms. Goodwin mentioned that staff was recommending the Board renew the Cheiron contract for one additional year for Pension, OPEB, and LODA. After a brief discussion, Mr. Harrah made a motion that the Board renew the Cheiron contract for one additional year for Pension, OPEB, and LODA.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to renew the Cheiron contract for one additional year for Pension, OPEB, and LODA.

b. Excused Absences:

Ms. Armstrong, Mr. Hatchett, and Mr. Kubilins requested to be excused from today's meeting.

9. Next Meeting:

July Meeting will be Thursday, July 25, 2019 at 9:00 a.m.

10. Adjournment:

There being no further business to come before the Board, the meeting adjourned at 9:37 a.m.

A true copy, attest:



Susan Goodwin, Secretary
Board of Trustees

