

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

June 28, 2018

City Council's Conference Room/Tenth Floor

9:00 a.m.

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

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

Others Present: Retirees (2)
Finance Intern Sae Kim

1. Call to Order:

Mr. James called the Retirement Board meeting to order at 9:03 a.m. on June 28, 2018 in the City Council's Conference Room, 10th Floor.

2. Minutes of the Meeting of May 31, 2018:

Upon motion duly made and seconded and upon recommended changes made, the minutes of the May 31, 2018 were unanimously approved as amended.

3. Committee on Investments:

a. Assets as of May 31, 2018:

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

Pension	\$956,760,186
Post Retirement	<u>33,460,213</u>
Total	<u>\$990,220,399</u>

b. Retirement Funds FY2019 First Quarter Cash Withdrawal:

Mr. Gudikunst advised the Board that the Committee briefly discussed the monthly cash withdrawals needed to fund monthly Pension benefits. After discussion, the Committee unanimously agreed to recommend that the Retirement Board approve the withdrawal of funds from the Mid Cap managers: \$3.2 million each from Federated and Mellon for the months of July and August requirements, respectively, and from the Small Cap managers: \$1.2 million from Pier Capital and \$2.0 million from Mellon for the month of September requirement.

Approved Upon motion duly made, the Retirement Board unanimously agreed to approve the withdrawal of funds from the Mid Cap managers: \$3.2 million each from Federated and Mellon for the months of July and August requirements, respectively, and from the Small Cap managers: \$1.2 million from Pier Capital and \$2.0 million from Mellon for the month of September requirement.

c. Regions Update:

Ms. Goodwin provided the Board with an update on the negotiation of the sale of a 202 acre tract of land owned by NNERF. An offer of \$650,000 has been accepted and a contract is currently being negotiated. Mr. Hatchett made the motion to approve the execution of the contract contingent upon the City Attorney's review.

Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the execution of the contract contingent upon the City Attorney's review.

d. NewSouth Capital Market Cap:

Mr. Gudikunst mentioned that NewSouth, a small cap manager, is asking for a waiver from NNERF to add a position in a company with a market cap of \$2.1 billion to the portfolio. The Investment Policy and Guidelines states that small cap managers are expected to purchase stocks with a market cap of less than \$2.0 billion at the time of initial purchase. Mr. Dahab recommended that the Committee allow NewSouth to add the stock to NNERF's portfolio since the \$2.0 billion limit is a somewhat arbitrary figure that has not been updated recently or indexed for inflation, and the position is very close to the limit. After discussion, the Committee unanimously agreed to recommend that the Retirement Board grant a waiver to permit NewSouth to add a stock with a market cap of \$2.1 billion to NNERF's portfolio.

Approved Upon motion duly made, the Retirement Board unanimously agreed to grant a waiver to permit NewSouth to add a stock with a market cap of \$2.1 billion to NNERF's portfolio.

e. Investment Policy Review:

Mr. Gudikunst noted that the Committee continued their review and discussion of the NNERF Investment Policy and Guidelines. The Committee feels having a process to monitor manager performance is important and that they need to be able to document decisions regarding manager retention and termination. At the June meeting, they were provided with two draft versions of an Investment Manager Monitoring and Evaluation Policy for review. The first version, prepared by Staff, was prepared based on specific items discussed during the May meeting and provided a quantitative and qualitative set of guardrails to monitor manager performance. The second version, prepared by Mr. Dahab, also contained criteria for monitoring managers but was less specific regarding the manager review process. After discussion, the Committee noted that they thought it was important to have a clear procedure as it provides structure for new members and that the draft policy prepared by staff would facilitate discussion. The Committee was also provided an example "Consolidated Manager Review" document based upon the suggested monitoring standards. The Committee reviewed this document and provided feedback on what additional information they would like to see. Staff was asked to have the City Attorney's office review the document after suggested changes are made. Staff will

work with Dahab Associates to finalize this portion and the remainder of the NNERF Investment Policy and Guidelines in order to present to the Committee at a future meeting.

f. Investment Consultant Contract:

Mr. Gudikunst advised that the Committee discussed the contract of Dahab Associates, the investment consultant, as it expires on June 30, 2018. The initial contract with Dahab was awarded in 2014 for 3 years, with an option to renew for 2 additional one year terms. Last year the Board approved the first one year renewal. The contract for another year of service will cost the Fund \$145,000. As this is the final year of the existing contract, an RFP for Investment Consultant services will be sent out at the beginning of the 2019 calendar year. After discussion, the Committee unanimously agreed to recommend that the Retirement Board approve renewing the Dahab Associates contract for one additional year through June 30, 2019.

Approved Upon motion duly made, the Retirement Board unanimously agreed to approve renewing the Dahab Associates contract for one additional year through June 30, 2019.

4. Committee on Administration:

a. The Committee did not meet and there was no business for discussion.

5. Benefits and Welfare Committee:

a. The Committee did not meet and there was no business for discussion.

6. Disability Review Committee:

a. The Committee did not meet and there was no business for discussion.

7. Old Business:

a. COLA Postcards:

Ms. Goodwin noted that the COLA postcards were mailed to retirees last week and Finance Staff has received a great response in regards to email addresses and beneficiary forms being updated.

8. New Business:

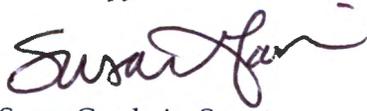
a. Next Meeting:

July Meeting will be **Thursday, July 26, 2018, at 9:00 a.m.**

b. Adjournment:

There being no further business to come before the Board, the meeting adjourned at 9:34 a.m.

A true copy, attest:

A handwritten signature in cursive script, appearing to read "Susan Goodwin".

Susan Goodwin, Secretary
Board of Trustees