

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

June 30, 2022

9:00 a.m.

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

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

Others Present: Jennifer Livingston, Internal Audit
Retirees (4)

1. Call to Order

Mr. James called the Retirement Board meeting to order at 9:01 a.m. on June 30, 2022.

2. Minutes of the Meeting of May 26, 2022:

Approved Upon motion duly made and seconded, the minutes of the May 26, 2022 meeting were unanimously approved.

3. Committee on Investments:

a. Funds Review – May 31, 2022 Financials:

Mr. Lassen reported that the Fund lost approximately 0.2% net of fees in May. Estimated assets as of May 31st are:

Pension	\$ 1049,670,726
Post Retirement	<u>44,785,780</u>
	\$ 1,094,456,506

LODA	\$ 3,188,776
------	--------------

b. May Market Update:

Mr. Lassen informed the Board that Meketa reviewed the May market conditions and performance with the Committee. After a very weak start to 2022, major global equity markets managed to finish the month of May in flat to positive territory, although equity market volatility remained elevated. He noted that U.S. value stocks outperformed growth stocks across all market capitalizations as markets repriced slower growth and higher interest rates. Outside the U.S., developed market and emerging equities outperformed the U.S. Mr. Lassen continued noting

Chinese leadership offered encouraging signs of further economic stimulus, and the easing of the COVID-related lockdowns helped lift Chinese stocks, resulting in their outperformance relative to the broader emerging markets segment.

c. Asset Allocation Review:

Mr. Lassen informed the Board that Meketa provided a refresher of the asset allocation to the Committee in order to address questions raised at the May Investment Committee meeting. He noted Meketa provided an overview of the 2022 capital market expectations, reviewed the current asset allocation policy, explained the role each asset class plays in helping the Fund meet its long-term objectives, and discussed the importance of maintaining diversified portfolio. Capital market assumptions have been coming down year over year, which poses a challenge to investors because there are only a few asset classes with long-term return assumptions greater than 7%. Mr. Lassen mentioned that because those asset classes are also the most volatile, it is important to construct a diversified portfolio to control risk and provide downside protection, particularly as the plan is cash flow negative. He also mentioned that the plan's current allocation is approximately 70% to growth, 20% to risk mitigation and 10% to inflation hedging asset classes, which provides an expected return of 7% with lower volatility than an all equity portfolio.

Mr. Lassen continued noting that Meketa provided specific information on the emerging markets class as several questions have been raised about that asset class over the last few meetings. He noted that future growth potential is a key component of the emerging markets thesis and economists predominantly believe that the most rapid economic growth in the coming decades will occur in less developed nations. There are few asset classes the market is expecting to return over 7% over the next 20 years - emerging markets, infrastructure, private equity and real estate have the highest expected returns over the next 20 years, and will be crucial for the Fund to achieve its return goal. Mr. Lassen informed the Board that the Fund continues to move toward its policy targets for these asset classes. The Fund is well positioned to meet its objective over the long term of returning 7% and Meketa is not recommending any changes to the asset allocation at this time.

d. Investment Policy Statement Update:

Mr. Lassen informed the Board that staff presented to the Committee an updated Investment Policy Statements, which reflected the revised allowable investment language adopted by City Council in December. He noted as part of the revisions, the reference to the 75% equity limitation throughout the policy had been removed. He also noted that for the Pension IPS, a copy of the Pension Funding Policy resolution adopted by Council in May was added as an appendix. Mr. Lassen stated that the Pension Funding Policy is a significant commitment by City Council and adding it to the IPS will insure future Board and Committee members are aware of the policy going forward.

Approved Upon motion duly made and seconded, the Investment Committee unanimously agreed to recommend that the Retirement Board adopt the revised Investment Policy Statements for Pension, OPEB and LODA as presented.

e. **Investment Consultant Review:**

Mr. Lassen informed the Board that the Committee went into closed session to review the investment consultant's performance since the Investment Policy Statements call for annual review. He noted that both the Committee and staff are quite satisfied with Meketa's performance and their support provided to the Fund. Ms. Goodwin asked the Board if anyone had any other comments about Meketa's performance.

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:

None:

8. New Business:

a. **Excused Absence:**

Mr. Donaldson, Mr. Goodson and Mr. Brooks asked to be excused from today's meeting.

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

Mr. Jones, retiree, advised the Board of his concerns regarding rising prices due to inflation and the effect this is having on retirees. He shared with the Board an article that he read in the Wall Street Journal about making risky investments. Mr. Jones cautioned the Board to make sure they are watching the trends.

9. Next Meeting:

- a. The July Board meeting will be cancelled. The next regular Board meeting will be held on Thursday, August 25, 2022 in the City Council Conference Room, City Hall at 9:00 a.m.

10. Adjournment:

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

A true copy, attest:

A handwritten signature in blue ink, appearing to read "Susan Goodwin", with a long, sweeping horizontal line extending to the right.

Susan Goodwin, Secretary

Board of Trustees