

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

**September 26, 2019**

**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).

Others Present: Retirees (3)

**1. Call to Order:**

Mr. James called the Retirement Board meeting to order at 9:01 a.m. on September 26, 2019 in the City Council's Conference Room, 10<sup>th</sup> Floor.

**2. Minutes of the Meeting of August 29, 2019:**

Upon motion duly made and seconded, the minutes of the August 29, 2019 meeting were unanimously approved.

**3. Committee on Investments:**

a. Assets as of August 31, 2019:

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

Pension	\$933,936,555
Post Retirement	<u>34,032,834</u>
Total	<u>\$967,969,389</u>

Mr. Goodson noted the Fund lost 1.7% net of fees in August 2019. Mr. Goodson also noted that Meketa Investment Group mentioned several factors are driving the recent market volatility, including negative bond yields, political unrest in several Asian markets, and the recent attacks on oil fields in Saudi Arabia. These negative factors have been partially mitigated by the accommodative policies of several central banks and strong corporate buybacks and dividends.

b. Retirement Fund FY2020 2<sup>nd</sup> Qtr Cash Withdrawal:

Mr. Goodson stated that the Committee briefly discussed the cash withdrawals needed to fund monthly Pension benefits. Mr. Goodson noted that Meketa Investment Group provided a recommendation to bring the Fund closer to its policy targets. After discussion, the Committee unanimously agreed to recommend that the Retirement Board approved the withdrawal of \$1.2 million from Pier Capital for the month of October with the remaining \$2 million from the proceeds of the recent Regions land sale, \$3.2 million from Federated Investors for the month of November, and \$1.6 million from Pier Capital and \$1.6 million from Earnest Partners for the month of December, with any variance in the total distribution from the land sale to be offset by the distribution from Pier Capital.

*Approved Upon motion duly made and seconded, the Retirement Board unanimously agreed to approve the withdrawal of \$1.2 million from Pier Capital for the month of October with the remaining \$2 million from the proceeds of the recent Regions land sale, \$3.2 million from Federated Investors for the month of November, and \$1.6 million from Pier Capital and \$1.6 million from Earnest Partners for the month of December, with any variance in the total distribution from the land sale to be offset by the distribution from Pier Capital*

c. Regions Timberland Investments Update:

Mr. Goodson noted that the land sale for timberland properties AU 1030 has closed and NNERF will receive proceeds of approximately \$2.365M from the sale. Mr. Goodson also noted that the closing on the land sale of tract AU 1046/1047 has been extended for another 45 days. Mr. Goodson informed the Board that no timberland properties had been damaged from Hurricane Dorian.

d. Initial Fund Review – Meketa Investment Group:

Mr. Goodson noted that Meketa Investment Group provided the Committee with follow ups from their Initial Fund Review report. Meketa presented several proposed changes to the Investment Policy statements and shared two Investment Manager guidelines. Mr. Goodson noted the Committee will continue to review these and will bring a revised IPS and guidelines for each manager to the Board once complete. Meketa also provided education on the Fund's U.S Equity capitalization and on various Fixed Income assets, including high yield bonds, emerging market debt, bank loans, treasury inflation protected securities (TIPS) and long-term government bonds. Mr. Goodson mentioned the Committee will continue to review asset classes and will discuss the asset allocation process at the next meeting

**4. Committee on Administration:**

a. Actuarial Services RFP:

Mr. Hatchett informed the Board that the current contract with the Fund's actuary, Cheiron, expires June 30, 2020. Mr. Hatchett noted that the City will solicit proposals for actuarial services

for NNERF, OPEB, and LODA in early 2020. He explained that the Committee discussed the services expected of the actuary and the criteria that will be used to evaluate proposals.

b. Waterworks Trustee Election:

Mr. Hatchett updated the Board that the term of Eddie Harrah, the current Waterworks elected trustee for the Retirement Board, will expire December 31, 2019. Mr. Hatchett reminded the Board that elected trustees serve five year terms on the Board. He mentioned that staff will solicit employee nominations from Waterworks members on September 30, 2019 with employee nomination forms and signatures due by October 21, 2019. Mr. Hatchett explained that ballots will then be distributed electronically from October 28<sup>th</sup> – November 8<sup>th</sup> using the same electronic system previously used to elect the Schools representative. Mr. Hatchett noted that votes will be reviewed by the Committee and that candidates will be notified of the results in November 2019 with the elected candidate beginning their five year term January 1, 2020.

c. Code Revisions:

Mr. Hatchett reminded the Board that historically the Committee reviews administrative revisions to City Code when needed. Mr. Hatchett mentioned that Staff recently encountered an issue related to a School supplement member vesting that they feel should be clarified with a revision to Sec. 31-36 of City Code. Mr. Hatchett explained that the issue relates to vesting rights for School supplement members who did not have 5 years of service when their benefit was frozen on 12/31/2012. He informed the Board that Staff had previously informed these members they were not eligible for a benefit since they did not have 5 years of service in order to vest; however, the Fund's counsel recently informed the Fund that although their benefit was frozen, members should still be allowed to continue to accrue service for vesting purposes. Ms. Goodwin mentioned that Staff is working to identify and inform the members who received incorrect information and is recommending a code revision be considered to clarify the treatment of these members.

d. Board Bylaws:

Mr. Hatchett informed the Board that the Committee are reviewing Board Bylaws for NNERF to help guide how the Retirement Board operates. Mr. Hatchett noted that these bylaws are guidelines for essential functions, such as the purpose of the Board, how to run meetings, how to appoint members, and roles and duties of such members.

**5. Benefits and Welfare Committee:**

a. Optima Health Update:

Ms. Goodwin reminded the Board that, as previously discussed, the City will transition to Optima Health as the City's medical provider for 2020 for pre-65 retirees. She explained that Optima is an experienced carrier with a local headquarters and a broad, national network. Ms. Goodwin noted that retirees should experience little disruption during the switch, that the plan designs are not changing for retirees, and that rates are decreasing on all plans. Ms. Goodwin also noted that health insurance for post-65 retirees will remain on the Humana Medicare

Advantage plans. She explained that plans are not changing and rates are decreasing slightly. She also explained the communication plan for open enrollment, which includes a dedicated Optima Health website, email messages, mailers to retirees' homes and forums during October and November. Ms. Goodwin informed the Board that dental, vision, and life insurance will still be offered to retirees with no changes to carriers.

**6. Disability Review Committee:**

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

**7. Old Business:**

- a. Board and Investment Committee appointments update

Ms. Goodwin informed the Board that City Council appointed two new members to the Retirement Board and three new members to the Investment Committee at their September 10, 2019 meeting. She noted Mr. Lars Lassen and Mr. Tom Brooks, both current members of the Investment Committee, have been appointed to the Board for terms commencing January 1, 2020 and explained they will fill the terms being vacated by Mr. Gudikunst and Ms. Di Vincenzo. She noted for the Investment Committee, City Council approved the appointment of the three citizens the Board recommended: Mr. Willy Donaldson, Mr. Dan Chenoweth and Ms. Kathy Hubbard. Ms. Goodwin mentioned Mr. Bill Keeler was also reappointed as the Fund's retiree advisor.

**8. New Business:**

- a. There was no business to discuss.

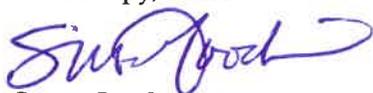
**9. Next Meeting:**

October meeting will be Thursday, October 31, 2019 at 9:00 a.m.

**10. Adjournment:**

There being no further business to come before the Board, the meeting adjourned at 9:35 a.m.

A true copy, attest:



Susan Goodwin, Secretary  
Board of Trustees