

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

**September 30, 2021**

**City Council Conference Room**

**9:00 a.m.**

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

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

Others Present: Labaton Sucharow Representatives (telephone): Eric Belfi, Carol Villegas  
Retirees (2)

**1. Call to Order**

Mr. James called the Retirement Board meeting to order at 9:01 a.m. on September 30, 2021.

**2. Minutes of the Meeting of August 26, 2021:**

*Approved Upon motion duly made and seconded, the minutes of the August 26, 2021 meeting were unanimously approved.*

**3. Committee on Investments:**

a. Funds Review – August 31, 2021 Financials:

Mr. Goodson reported that the Fund gained approximately 1.8% net of fees in August. Assets as of August 31<sup>st</sup> are:

|                 |                   |
|-----------------|-------------------|
| Pension         | \$ 1,175,806,972  |
| Post Retirement | <u>50,570,785</u> |
|                 | \$ 1,226,377,757  |

|              |              |
|--------------|--------------|
| Line of Duty | \$ 3,461,636 |
|--------------|--------------|

b. July Market Update:

Mr. Goodson informed the Board that Meketa reviewed the August performance with the Committee, noting equities continued to post positive returns, with domestic equities outperforming foreign markets, and bonds produced flat to slightly negative returns. Mr. Goodson also noted Meketa discussed current events impacting the markets, including the Evergrande scandal in China, Fed policy and the debt ceiling. Continued volatility is expected in China as the

scandal is resolved, as well as potential volatility in US markets as debt ceiling negotiations progress.

c. Fund Rebalancing:

Mr. Goodson reminded the Board that the Regions timber management contract is ending and that Regions has been working on the final disposition of the Fund's timberland property. Regions recently bid the last remaining properties and is now under contract for all remaining NNERF parcels, with anticipated closing dates in late October. Mr. Goodson mentioned once closed, the Fund expects to receive approximately \$35.5 million in distributions from Regions, which will need to be reinvested. He noted that Meketa recommended reinvesting in investment grade bonds and TIPS.

*Approved The Retirement Board unanimously voted to approve authorizing staff to invest the proceeds from the Regions Timber sales into investment grade bonds and TIPS as presented by Meketa.*

d. Private Equity Update:

Mr. Goodson informed the Board that Meketa also provided an overview of the onboarding process for the direct private equity mandate. He noted that Meketa and NNERF staff are in the process of completing required documents to transition investment and cash management authority to Meketa. Mr. Goodson also noted that Meketa is also gathering information from the existing Fund of Fund managers and establishing performance reporting. He mentioned that Meketa provided a private equity pacing plan, which recommends commitments of approximately \$22 million per year in various direct PE funds in order to increase the allocation to private equity over time and reach the target allocation of 9% in approximately 5 years. The net cash flow from these new investments would be fairly neutral, as the fund will continue to receive distributions from the existing Fund of Fund managers which could be used to fund the required contributions.

**4. Committee on Administration:**

The Committee did not meet.

**5. Benefits and Welfare Committee:**

a. 2022 Retiree Benefits:

Ms. Armstrong informed the Board that staff reviewed the 2022 retiree benefit renewal with the Committee. She noted for pre-65 health insurance, the initial renewal increase was 10.8%, but after applying the remainder of the claims reserve (which built up due to COVID), retiree rates will stay flat. Ms. Armstrong also noted rates may increase next year if reserve funds are not available. Post-65 health insurance rates will increase by approximately \$10 per month. Dental, vision and fitness rates are staying approximately flat. Ms. Armstrong mentioned there are no recommended plan changes on any plan with new rates being effective in December. Retiree open enrollment will be November 1st-30th with staff sending postcards with rate information and virtual information sessions for retirees in October.

b. Retirement Benefit Comparison – NNERF & VRS:

Ms. Armstrong reminded the Board that at the request of the Board, the Committee was tasked with reviewing the various retirement plans offered to City employees and to compare the benefit provisions of the NNERF plan and the various VRS plans. She noted that 1/3 of the active employees in the City are in the NNERF plan, with the remainder split between the three VRS plans. About 1/3 of full time employees are public safety members. Ms. Armstrong also noted which retirement plan a member is in is determined by the hire date, with the exception of NNERF members who elected to move to VRS when the plan closed in 2010. She mentioned all retirement plans offered by the City provide retirement security, but provisions differ among the plans. She also mentioned all plans provide different benefits for general employees and public safety employees, with public safety employees generally receiving a higher benefit multiplier and earlier retirement eligibility.

Ms. Armstrong reported with regards to comparing benefit provisions, staff provided the Committee a chart showing the various benefits under each plan. Several of the comparison points were as follows:

- The NNERF compensation calculation is generally higher than VRS since NNERF calculates over a 3 year period, rather than 5 years under VRS.
- The NNERF service multiplier was higher than VRS prior to 2013 for general employees, and prior to 2010 for public safety. They are currently the same.
- NNERF employees can generally retire earlier than VRS members.
- NNERF provides an automatic spousal annuity benefit, while VRS requires members to elect an annuity option and take a benefit reduction.
- VRS provides additional benefit distribution options, such as the partial lump sum option, which NNERF does not offer.
- For public safety, VRS provides a hazardous duty supplement and NNERF does not.
- NNERF employees receive an OPEB contribution for health and dental insurance, while VRS employees receive an HRA account while employed.

Ms. Armstrong mentioned staff also provided example calculations for several representative employees to demonstrate how the various provisions impact members in retirement. The Committee discussed the review and the differences between the plans. Ms. Armstrong noted for general employees, NNERF generally provides a higher benefit. She also noted for public safety employees, NNERF provides a higher basic benefit, but VRS members who are eligible for the hazardous duty supplement could receive a higher benefit before social security retirement age.

Ms. Armstrong noted one member expressed their desire to explore creating parity between the public safety plans, particularly as it relates to the hazardous duty supplement. Some members expressed concern about whether trying to achieve parity with VRS was appropriate, as the City does not have control over changes to VRS and questioned if VRS reduced benefits would NNERF also reduce benefits for parity. Ms. Armstrong mentioned the Committee discussed various issues related to changing the plan and several members expressed concerns regarding the financial impact to the plan, noting that the plan was not fully funded. She also mentioned concerns were

also raised about the proposed benefit change only impacting one portion of the NNERF membership but likely having a significant cost impact on the fund.

Lastly, Ms. Armstrong noted the Committee requested staff work with the Fund's actuary to understand the financial impact to the plan if a hazardous duty supplement similar to VRS was added to the plan. Once received, the B&W committee will reconvene to discuss further.

**6. Disability Committee:**

a. Case No(s) 022420, 036934 and 035241

A motion was made by Mr. James of the City of Newport News Employees' Retirement Fund Board of Trustees, which was duly seconded and unanimously approved, that pursuant to Section 2.2-3711A of the Code of Virginia, 1950, as amended, subsections (8) and (16), that the Retirement Board hold a Closed Meeting on the subject of (an) applications for disability retirement and partial disability benefits made by eligible members of the City of Newport News Employees' Retirement Fund assigned Case No(s). #022420, #036934, and #035241 and for the purpose of discussion or consideration of medical (and/or mental health records) of the applicants excluded from disclosure pursuant to Section 2.2-3705.5 (1) of the Code of Virginia, 1950, as amended; and on the subject of a NNERF investment for the purpose of receiving legal advice from such legal counsel of the NNERF concerning that particular investment and discussion with such legal counsel concerning their advice. The Closed Meeting is authorized under:

Subsection (8) of Section 2.2.3711A of the Code of Virginia, 1950, as amend pertaining to "consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel. Nothing in this subdivision shall be construed to permit the closure of a meeting merely because an attorney representing the public body is in attendance or is consulted on a matter."

Subsection (16) of Section 2.2.3711A of the Code of Virginia, 1950, as amended pertaining to the discussion or consideration of medical and mental health records excluded from disclosure pursuant to Section 2.2-3705.5 (1) of the Code of Virginia, 1950, as amended.

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 of Trustees 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 Retirement Board.

*Approved*     The Retirement Board unanimously voted to approve 100% non-occupational disability for case #036934.

*Approved Upon motion duly made and seconded, the Retirement Board unanimously voted to refer case #035241 back to the Disability Review Committee for evaluation and review based on new and corrected information to ensure the previous recommendation is in congruence with City Code.*

**7. Old Business:**

There was no old business to discuss.

**8. New Business:**

a. Labaton Sucharow Update:

Ms. Goodwin reminded the Board that representative's from Labaton virtually attended the June Retirement Board meeting to update the Board on the services the firm provides. Labaton provides portfolio monitoring for NNERF at no cost to the Funds and advises the Board on potential litigation and recoveries from securities cases against companies that commit securities fraud. Ms. Goodwin noted that the current contract with Labaton is not expiring; however, Labaton asked the Board for a revised contract due to some updated language Labaton felt needed incorporated. The new contract does not have an expiration date, but may be cancelled at any time. Mr. Murphrey informed the Board the revised agreement had been reviewed by City Attorney's office.

*Approved Upon motion duly made and seconded, the Retirement Board unanimously voted to authorize the Chairman to execute all documentation needed to enter into a revised agreement with Labaton Sucharow for its portfolio monitoring services.*

*Approved Upon motion duly made and seconded, the Retirement Board unanimously voted to permit Labaton Sucharow to pursue a Stockholder Demand for Books and Records with Sirius XM and to authorize the Chairman to execute all documentation needed, subject to City Attorney review.*

*Approved Upon motion duly made and seconded, the Retirement Board unanimously voted that Rhumblin Advisors be instructed by the Chairman to retain at least 100 shares of the NNERF's investment in Sirius XM Holding, Inc. until further notice.*

b. Excused Absences:

Mr. Brooks and Mr. Harrah requested to be excused from today's meeting.

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

- a. Mr. Kenneth Jones, retiree, advised the Board of his concerns regarding inflation and possible medicare changes by the government and the impact these concerns could have on the Fund. He asked the Board keep a close eye on these.

**10. Next Meeting:**

- a. The October Board meeting will be Thursday, October 28, 2021 in the City Council 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 10:34 a.m.

A true copy, attest:

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

Susan Goodwin, Secretary  
Board of Trustees