

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
December 11, 2013

The regular monthly meeting of the Board of Trustees of the Employees' Retirement System of the City of Norfolk was held in the City Hall sixth floor conference room in the City of Norfolk, Virginia. The meeting began at 12:05 pm on Wednesday, December 11, 2013 with Chairperson, Stephanie A. Calliott presiding. The following was the result of the roll call:

<u>Attending the Meeting</u>	<u>Absent</u>
S.A. Calliott	L.A. Bernert III
C.R. Neikirk	K.W. Crowder
Y.T. Allmond	
A.M. Kelly	
N.E. Nelson	
E.G. Tucker	
S. Joy-Hogg	

Sheryl Potter-Griggs, Acting Executive Director, and Mary L.G. Nexsen, Deputy City Attorney, also attended the meeting.

The minutes for the monthly meeting held November 13, 2013 were approved as printed.

Mrs. Cheryl Xystros, Engagement Partner, and Mr. Archie Simmons, Engagement Manager, of KPMG met with the Board. Mrs. Xystros informed the Board that they were in the final stage of the June 30, 2013 audit and should issue the report by the end of the week. Mrs. Xystros stated that KPMG would be issuing an unqualified opinion regarding the financial statements of the System. Mrs. Xystros discussed communication requirements under the Statement of Auditing Standard (SAS) No. 114. The report covered the following topics:

- Our responsibility under professional standards
- Other information in documents containing audited financial statements
- Accounting practices and alternative treatments
- Quality of accounting principles
- Management judgments and accounting estimates
- Uncorrected and corrected misstatements
- Disagreements with management
- Management's consultation with other accountants
- Significant issues discussed, or subject to correspondence, with management
- Significant difficulties encountered during the audit
- Other significant findings or issues
- Independence

Mrs. Xystros informed the Board that the report would contain an opinion related to internal controls. That opinion is used to report any significant deficiencies or material weaknesses in controls. Mrs. Xystros stated that there were no material weaknesses. She stated that they are reporting a significant deficiency in that the majority of the responsibility to 1) prepare the Comprehensive Annual Financial Report (CAFR) and 2) determine/prepare year-end closing journal entries rest with one individual. KPMG

encourages the System to reassess the appropriate number of qualified finance and accounting resources needed to maintain a high standard of quality in financial accounting and reporting and generate accurate financial statements in a timely manner.

New Business

A. Applications for vested service retirement:

Martha Argabrite Cassidy, Active No. 24460, April 1, 2012, with no refund due.
[Lake Taylor City Hospital]

Melody Anne Green, Active No. 18572, November 1, 2013, with no refund due.
[Recreation, Parks and Open Space]

Alan Troy Cook, Active No. 21275, February 1, 2014, with no refund due.
[Public Works]

Joseph S. Harris, Active No. 19385, February 1, 2014, with no refund due.
[Public Works]

B. Applications for normal service retirement:

Cynthia W. Corks, Active No. 27156, January 1, 2014, with no refund due.
[Commonwealth's Attorney]

Leslie L. Garrett, Active No. 22680, January 1, 2014, with no refund due.
[Planning]

David Messina, Active No. 21659, January 1, 2014, with no refund due.
[Fire Rescue Services]

Timothy L. Payne, Sr., Active No. 27809, January 1, 2014, with no refund due.
[Fire Rescue Services]

Mark A. Salmon, Active No. 23452, January 1, 2014, with no refund due.
[Fire Rescue Services]

Rhon N. Wright, Active No. 22787, January 1, 2014, with no refund due.
[Police]

Carla B. Douglas, Active No. 25963, March 1, 2014, with no refund due.
[Police]

The Board approved Item A – Applications for a vested service retirement; and Item B – Applications for a normal service retirement.

C. Death of retired members:

Richard W. Barrow, Jr., Ret. No. 2441, death occurred November 3, 2013. No benefit payable due to no surviving spouse or dependent children.

Forrest D. Vallery, Ret. No. 4744, death occurred November 6, 2013. No benefit payable due to no surviving spouse or dependent children.

Robert R. Brunner, Sr., Ret. No. 2760, death occurred November 7, 2013. No benefit payable due to no surviving spouse or dependent children.

Robert A. Stamper, Ret. No. 3118, death occurred November 9, 2013. Spouse elected monthly benefit of \$1,002.47.

Jerry K. Salyers, Ret. No. 5206, death occurred November 11, 2013. Spouse elected monthly benefit of \$2,725.69.

Jimmie H. Ruth, Ret. No. 3317, death occurred November 12, 2013. Spouse elected monthly benefit of \$421.62.

Raymond L. Oliver, Ret. No. 2995, death occurred November 22, 2013. Spouse elected monthly benefit of \$435.56.

James R. Smith, Jr., Ret. No. 4612, death occurred November 22, 2013. No benefit payable due to no surviving spouse or dependent children.

William E. Sumler, Ret. No. 4307, death occurred November 22, 2013. Spouse elected lump sum payment of \$12,694.58.

Mildred A. Davis, Ret. No. 2583, death occurred November 29, 2013. No benefit payable due to no surviving spouse or dependent children.

D. Death of spouse:

Mary S. Cousting, Spouse. No. 999, death occurred October 9, 2013. No benefit payable.

Opal M. Taylor, Spouse. No. 609, death occurred November 4, 2013. No benefit payable.

Helen K. Adams, Spouse. No. 481, death occurred November 15, 2013. No benefit payable.

Robert E. Thomas, Spouse. No. 598, death occurred November 18, 2013. No benefit payable.

Ollie M. Papas, Spouse. No. 777, death occurred November 18, 2013. No benefit payable.

The Board approved Item C – Death of retired members; and Item D – Death of spouses.

The Board approved withdrawal of the following non-contributing member:

<u>Name of Members</u>	<u>Active Number</u>
Charles Dunbar	32740
Nia Cornick	33786
Total Members – 2	

The Board approved withdrawal of the following contributing members:

<u>Name of Member</u>	<u>Active Number</u>
Arthur Thatcher	33267
Travis D. McLean	33856
Lisa Ann Bean	33858
Tammika La Shunia Fedrick	33860
Clifton E. Wynn	33864
Krista M. Pine Foley	34353
Helina Peters	34430

Total Members – 7

The following report of payments from the Trust Fund received and filed:

Federal Express (1)	\$ 56.13
Pension Benefit Information (2)	775.00
Cheiron, Inc. (3)	5,917.01
Summit Strategies Group (4)	47,448.00
Retirement Payroll (Payroll est. for December, 2013)	<u>6,500,000.00</u>
 Total	 <u>\$ 6,554,196.14</u>

(1) Information sent to actuary for Audit 2013.

(2) Death monitoring renewal

(3) Retainer Services - October 2013

(4) Investment Consulting Services - October, November and December

Committee Reports

Administration and Planning:

Ms. Kelly reported that the Administration and Planning Committee met to discuss the contracts for actuarial and investment consultant services. The Committee has reviewed the current actuarial services contract and is developing revised criteria for the Request of Proposal (RFP) for actuarial services to include separate contracts for the Employees' Retirement System and City Administration. Ms. Calliott asked that the changes from the original criteria be provided to those Board members who are not on the Committee. Ms. Kelly also reported that Mrs. Potter-Griggs is updating the policies and procedures for disability retirement for review by the Committee.

Investment Management:

Mr. Neikirk reported that the Investment Committee met at 11:30 this morning and continued discussion, guided by Jessica Portis of Summit, primarily involving the fixed income portfolio. Summit reported that, in calendar year 2013, the System would likely have its first negative fixed income return in over a decade. The passive Barclay's

Aggregate mandate experienced several changes over the last five years such as an increase in duration, more Treasuries, and less agencies and corporates. Mr. Neikirk noted that approximately 60% percent of the fixed income portfolio was active with PIMCO and had a lower duration than the Barclay's Aggregate.

When asked what Summit might suggest for the Plan's passive fixed income portion of its portfolio, Mrs. Portis offered the following alternatives: 1) reduce duration, 2) reallocate assets to an active manager with a more unconstrained mandate, and/or more global fixed income. Summit will talk with PIMCO to discuss other areas that will give them more room to maneuver through Summit's concern about increasing interest rates in the U.S.

The funded status and asset allocate were also reported. Plan assets of approximately \$980 million at November 30, 2013 against the updated actuarial liability at July 1, 2013 of \$1.16 billion approximated a funding status of 84.5%. Fixed income is down 4% from the target allocation, and all other assets are within target set by investment policy. Mr. Neikirk plans to ask Mrs. Portis for her thoughts on rebalancing the Plan.

Other Topics

Ms. Calliott asked Mrs. Potter-Griggs about the status of the Cheiron bill for the VRIP analysis and asked her to direct it to the City Manager's Office for payment upon receipt.

Ms. Calliott asked about the System's current staffing versus its historical staffing levels. Mrs. Potter-Griggs stated that there are currently three full time staffers and one temporary staff member versus the six full time staffers and one temporary in prior years. Mrs. Potter-Griggs stated that the System was short an Executive Director, Administrative Assistant and an Accountant.

Ms. Kelly reiterated the need for a Director and Accountant, but that the temporary staff member could serve as the Administrative Assistant. She mentioned that cross training of System and City staff is being considered as part of the City's efforts to reorganize functions to maximize resources. Mrs. Joy-Hogg suggested a review of the System's three vacant positions would be in order, including the possible assistance from the Finance staff. Ms. Calliott reiterated the comments made by KPMG and felt it was due to long-term reduced staffing (competency or staffing levels) which needed to be addressed. Mrs. Joy-Hogg suggested that Finance should be charged with staffing decisions, even though the System staff are paid by the Retirement System. Ms. Allmond emphasized the importance of having dual control.

There being no further business, the meeting adjourned at 12:40 p.m.

A motion was made, seconded, and approved that the Board assemble in an executive session pursuant to Virginia Code Section 2.2-3711 A 7 for the discussion of a legal matter. At the conclusion of the closed session, the Board adopted the following Resolution:

A RESOLUTION CERTIFYING AN EXECUTIVE SESSION OF THE
BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT
SYSTEM OF THE CITY OF NORFOLK IN ACCORDANCE WITH THE
PROVISIONS OF THE VIRGINIA FREEDOM OF INFORMATION ACT.

WHEREAS, the Board of Trustees of the Employees' Retirement System of the City of Norfolk convened an executive session on April 10, 2012 pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3711 of the Code of Virginia requires a certification of this Board that such executive session was conducted in conformity with Virginia law; now, therefore,

BE IT ORDAINED by the Board of Trustees of the Employees' Retirement System of the City of Norfolk:

Section 1: - That the Board hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board.

Section 2: - That this resolution shall be in effect from and after its adoption.

Chairperson

Executive Director