

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
January 8, 2014

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 12:06 pm on Wednesday, January 8, 2014 with Chairperson, Stephanie A. Calliott presiding. The following was the result of the roll call:

Attending the Meeting

S.A. Calliott
C.R. Neikirk
Y.T. Allmond
L. A. Bernert
A.M. Kelly
N.E. Nelson
E.G. Tucker
S. Joy-Hogg

Absent

K.W. Crowder

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 December 11, 2013 were approved as printed.

New Business

A. Applications for vested service retirement:

Jane Lee Davis, Active No. 17025, September 1, 2012, with \$281.76 refund due.
[Police]

Frank S. Ward, Active No. 23097, July 1, 2013, with no refund due.
[Human Services]

Robert R. Rivera, Active No. 27647, December 1, 2013, with no refund due.
[Police]

B. Applications for normal service retirement:

Paul Crepeau, Active No. 22077, February 1, 2014, with no refund due.
[Commissioner of the Revenue]

Angelia N. Holder Brown, Active No. 32145, March 1, 2014, with no refund due.
[Public Health]

*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:

Mildred R. Craig Ret. No. 2997, death occurred November 29, 2013. No benefit payable due to no surviving spouse or dependent children.

Elizabeth C. Davis, Ret. No. 3552, death occurred December 10, 2013. No benefit payable due to no surviving spouse or dependent children.

Lucille M. Ring, Ret. No. 5510, death occurred December 10, 2013. Spouse elected monthly benefit of \$586.59.

D. Death of spouse:

Pattie Klein, Spouse. No. 691, death occurred November 18, 2013. No benefit payable.

The Board approved benefit payments for Item C – Death of retired members; and Item D – Death of spouse.

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

<u>Name of Members</u>	<u>Active Number</u>
Nicholas A. Fusco	32806
Ebony N. Wood	32900
R. Leigh Northrup	33699

Total Members – 2

The Board approved withdrawal of the following contributing members:

<u>Name of Members</u>	<u>Active Number</u>
Jennifer M. Otis	34134
Helen Elizabeth D'Amuro	34157
Shelby M. Martin	34272
Mary E. Patrick	34346
Katrina C. Kersey	34460

Total Members – 5

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

Baker's Crust (1)	\$ 107.81
Wall Street Journal (2)	374.40
GFOA (3)	505.00
Cheiron (4)	8,817.51
Retirement Payroll (Payroll est. for January, 2014)	6,500,000.00
Total	<u>\$ 6,509,804.72</u>

- (1) Lunch served for Board Meeting - December 11, 2013
- (2) Annual subscription
- (3) Application Fee - Certificate of Achievement Program
- (4) Retainer Services - November 2013/Portability/CAFR 2013

Mr. Kevin J. Woodrich and Mr. Steve McElhaney, actuaries with Cheiron, presented the results of the July 1, 2013 Actuarial Valuation.

Mr. Woodrich stated that the actuarial valuation establishes and analyzes System assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the System's investment performance as well as an analysis of actuarial liability gains and losses. The Actuarial Accrued Liability at 6/30/2013 was \$1,159.7 million. At 07/01/12 and the Actuarial Value of Assets at 6/30/2013 was \$954.5 million (\$955 million on a market basis), leaving an Unfunded Actuarial Liability at 6/30/2013 of \$205.2 million. The System was 82% funded based on the actuarial and market value of assets. The results of this valuation determine the contribution rate for the fiscal year beginning July 1, 2014. The changes in assets/liabilities and the calculated contribution rate are illustrated in the charts below:

2013 Valuation Results				
Changes in Liabilities/Assets				
(\$ in millions)				
	Liability	Assets	UAL	% Funded
7/1/2012	\$ 1,144.4	\$ 923.2	\$ 221.2	81%
Expected Change	29.2*	31.2**	(2.0)	
Assumption Changes	0	0	0	
Addition of NCSB	1.5	0	1.5	
Expected at 7/1/2013	\$ 1,175.1	\$ 954.4	\$ 220.7	81%
Actual at 7/1/2013	\$ 1,159.7	\$ 954.5	\$ 205.2	82%
(Gain) / Loss	\$ (15.4)	\$ (0.1)	\$ (15.5)	
* Liability change includes Normal Cost, Benefits & Interest				
** Asset change includes Contributions, Benefits & Interest				

Calculated Contribution Rate

	7/1/2012	7/1/2013
Normal Cost	13.72%	12.54%
UAL	<u>10.12%</u>	<u>8.90%</u>
Calculated Rate	23.84%	21.44%

Sources of Change

Due to investment (gain)/loss	0.00%
Due to liability (gain)/loss	(0.63%)
More employees paying 5%	(0.10%)
Growth in Total Payroll	(0.55%)
Addition of NCSB	0.06%
Decrease in Normal Cost	(1.09%)
Othe Changes	<u>(0.09%)</u>
Total	(2.40%)

Mr. McElhaney gave an overview of the changes in the financial reporting requirements for pension plans (Statement 25) and the pension accounting and financial reporting requirements

for employers (Statement 27) as set forth by the Governmental Accounting Standards Board (GASB).

GASB Statements 67 and 68 replace Statements 25 and 27 in 2014 and 2015 respectively. The key changes are outlined below:

Key Changes

- Divorce of accounting from funding
- Balance sheet drives expense (previously, expense drove the balance sheet)
- Increased uniformity of methods
 - Entry age normal actuarial cost method
 - Market value of assets
 - Discount rate changes for some plans
 - Include valuation of ad hoc COLAs
 - Faster recognition of gains and losses, assumption changes, and benefit changes
- More timely information for users of financial statements
- Significantly more volatile expense

Ms. Calliott distributed an analysis, prepared by Cheiron, of the estimated cost impact, to the System, of the recent Voluntary Retirement Incentive Program (VRIP) offered by the City in October 2013. The estimate was based on the census information used in performing the June 30, 2013 actuarial valuation for the 81 participants who elected to participate in the incentive. The curtailment cost of \$4.0 million was estimated. Using the current valuation technique and a 20-year amortization period, the total dollar expenditure over the 20 year period would be \$7.9 million. If amortized over a five-year period, the total dollar expenditure over the five-year period would be \$4.8 million.

Committee Reports

Administration and Planning:

Ms. Kelly reported that the Committee had not yet met, but would be meeting later in the month. Ms. Calliott asked had the Committee provided the members who are not on the Administration and Planning Committee the changes from the original criteria of the actuarial services RFP as asked at the last Board meeting. Ms. Kelly reported that the changes has not yet been provided, but would be forwarded.

Investment Management:

Mr. Neikirk reported that the Investment Committee met at 11:30 this morning. Jessica Portis of Summit Strategies reviewed the Plan's fixed income portion of its portfolio and expressed concerns over exposure to rising U.S. interest rates, in particular the TIPS allocation, which has seen an increase in duration. Mrs. Portis offered other active strategies to consider, including an active unconstrained mandate, and/or more global fixed income to more flexibility. Mrs. Portis stated that PIMCO indicated the Plan's core plus portfolio has adequate flexibility. The Committee will investigate other fixed income options and whether it is worth retaining the TIPs allocation.

The Committee recommended, and the Board approved, the reallocation of \$25 million from the SSgA Russell 3000 to the PIMCO Total Return Funds to rebalance the Plan's portfolio.

The funded status and asset allocation were also reported. Plan assets were approximately \$987 million on December 31, 2013 compared to the actuarial liability at July 1, 2013 of \$1.16 billion. This represents a funded status of approximately 85%.

Other Topics

Ms. Nexsen asked the status of disability retirement reexaminations. Mrs. Potter-Griggs reported that the list of individuals whose disability retirements were subject to a review has been formulated and communication with the Medical Board is underway. Ms. Calliott directed Mrs. Potter-Griggs to develop policy and procedures regarding medical reexaminations for the Administration and Planning Committee to review.

Ms. Calliott, in response to prior KPMG's feedback regarding the staffing of the System, distributed a survey of the staffing levels of retirement systems in the State of Virginia for Board review and consideration for future discussion. Ms. Kelly reported that the Department of Finance is reviewing staffing levels and functions (cross training opportunities for City and System staff). Ms. Calliott asked the status of the Executive Director and Ms. Kelly reported that they were in the process of reposting/interviewing for a candidate as the expected new hire withdrew his candidacy.

The next Retirement Board meeting is scheduled for February 5, 2014 at 12:00 noon. There will be an Investment Committee meeting at 11:00 am.

There being no further business, the meeting adjourned at 1:27 p.m.

Chairperson

Executive Director