

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
December 3, 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 12:00 pm on Wednesday, December 3, 2014 with Vice Chairman, Christopher R. Neikirk presiding. The following was the result of the roll call:

<u>Attending the Meeting</u>	<u>Absent</u>
C.R. Neikirk	S.A. Calliott
Y.T. Allmond	
L.A. Bernert	
K.W. Crowder	
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 meetings held on November 5, 2014 were approved.

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, 2014 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 – Adoption of GASB 67
- 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, however, they are reporting a significant deficiency. She stated that although the System

has made improvements with respect to the process to prepare and review the Comprehensive Annual Financial Report (CAFR), there is still a need for an increased number of trained resources within the System's accounting function in order to enhance the precision of review associated with the preparation of the CAFR and the preparation of year-end closing journal entries. KPMG encourages the System to reassess the appropriate number of qualified finance and accounting resources needed to prepare, review, and document financial information and ensure proper segregation of duties in order to maintain a high standard of quality in financial accounting and reporting and generate accurate financial statements in a timely manner. Mrs. Xystros stated that this significant deficiency was reported in last year's report. Mrs. Xystros also stated that although certain internal controls over valuation of investments are performed by the custodian, management should adopt and regularly perform a control to reconcile audited financial statements of investment funds to the System's accounting records to validate the fair value of the System's investments as reported to management by the System's custodian.

New Business

A. Applications for vested service retirement:

Rebecca S. Cabalbag, Active No. 26893, March, 1, 2014, with no refund due.
[Public Works]

Sandra L. Pierce, Active No. 17813, December 1, 2014, with no refund due.
[Police]

Jane E. Bethel, Active No. 26157, January 1, 2015, with no refund due.
[Information Technology]

B. Applications for normal service retirement:

Michael S. Beaver, Active No. 24472, January 1, 2015, with no refund due.
[Fleet Maintenance]

James M. Boyle, Active No. 19267, January 1, 2015 with no refund due.
[Fire Rescue Services]

Brian F. Cleveland, Active No. 22698, January 1, 2015, with no refund due.
[Fire Rescue Services]

Lawrence H. Corbett, Active No. 25789, January 1, 2015, with no refund due.
[Police]

Freddie D. Creef, Active No. 22778, January 1, 2015, with no refund due.
[Fire Rescue Services]

Willie Cuffee, Jr., Active No. 15387, January 1, 2015, with \$2,490.63 refund due.
[Public Works]

Donna B. Guertler, Active No. 24617, January 1, 2015, with no refund due.
[Police]

Dennis K. Hairston, Active No. 22540, January 1, 2015, with no refund due.
[Utilities]

Ricardo R. Hicks, Active No. 23002, January 1, 2015, with no refund due.
[Fire Rescue Services]

John L. Humphrey, Active No. 24008, January 1, 2015, with no refund due.
[Fire Rescue Services]

Thomas P. Kapsha, Active No. 27353, January 1, 2015, with no refund due.
[Planning]

William N. Lee, Active No. 27365, January 1, 2015, with no refund due.
[Police]

John T. Merritt, Jr., Active No. 22784, January 1, 2015, with no refund due.
[Fire Rescue Services]

Peter F. O'Halloran, Active No. 26155, January 1, 2015, with no refund due.
[General Services]

Elaine C. O'Reilly, Active No. 26045, January 1, 2015, with no refund due.
[Planning]

Robert N. Sayles, Active No. 24010, January 1, 2015, with no refund due.
[Fire Rescue Services]

Jay D. Seacrist, Active No. 25504, January 1, 2015, with no refund due.
[Police]

Dean C. Themides, Active No. 25585, January 1, 2015, with no refund due.
[Fire Rescue Services]

John A. Utogg, Active No. 22606, January 1, 2015, with no refund due.
[Fire Rescue Services]

James. M. White, Active No. 26317, January 1, 2015, with no refund due.
[Police]

Keith M. Wise, Active No. 23716, January 1, 2015, with no refund due.
[Fire Rescue Services]

Michael J. Brunner, Active No. 22263, March 1, 2015, with no refund due.
[Police]

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

C. Medical Board annual review of disability retirement beneficiaries:

Mark A. Wethington, Ret No. 6262, follow-up to initial disability evaluation
October 26, 2010
[Fleet Maintenance]

Gerry Kelly, Ret No. 6209, August 1, 2010 on accidental disability retirement.
[Police]

After performing the required annual review and continued discussion, the Board approved, Item C – Medical Board’s annual review, the discontinuation of disability retirement payments, to Mark A. Wethington effective January 1, 2015; and the continuation of disability retirement payments to Gerry Kelly with no further review.

D. Medical Board review of applications for disability retirement:

Ronald L. Firkel, Active No. 25442. This member requested accidental disability retirement. [Police]

The Board approved, Item D, without further review, the application for disability retirement of Ronald L. Firkel.

E. Death of retired members:

Matthew Batten, Ret. No. 6589, death occurred September 4, 2014. Spouse elected monthly benefit of \$784.64.

Thomas N. Cherry, Ret. No. 2748, death occurred September 4, 2014. No benefit payable due to no surviving spouse or dependent children.

Joseph Morton, Ret. No. 4776, death occurred September 14, 2014. Spouse elected monthly benefit of \$1.197.69.

Emanuel Jackson, Ret. No. 3057, death occurred September 15, 2014 No benefit payable due to no surviving spouse or dependent children.

George E. Thompson, Ret. No. 3948, death occurred September 17, 2014. No benefit payable due to no surviving spouse or dependent children.

Florence Maguire, Ret. No. 3739, death occurred September 24, 2014. No benefit payable due to no surviving spouse or dependent children.

Berta Caffee, Ret. No. 186, death occurred September 28, 2014. No benefit payable due to no surviving spouse or dependent children.

William Snow, Ret. No. 6468, death occurred October 8, 2014. Spouse elected monthly benefit of \$393.59.

David Perkins, Ret. No. 3627, death occurred October 10, 2014. Spouse elected monthly benefit of \$1560.48.

Betty McCarty, Ret. No. 4349, death occurred October 25, 2014. No benefit payable due to no surviving spouse or dependent children.

Michael Mullen, Ret. No. 4397, death occurred October 27, 2014. Spouse elected monthly benefit of \$578.82.

Luther Buskey, Ret No. 1321, death occurred November 1, 2014. Spouse elected monthly benefit of \$338.75.

Hugh Morse, Ret. No. 5878, death occurred November 5, 2014. No benefit payable due to no surviving spouse or dependent children.

William Deloatch, Ret. No. 3746, death occurred November 8, 2014. No benefit payable due to no surviving spouse or dependent children.

Brent Stewart, Ret. No. 6713, death occurred November 13, 2014. No benefit payable due to no surviving spouse or dependent children.

Keith Garns, Ret. No. 3941, death occurred November 16, 2014. Spouse elected monthly benefit of \$295.98.

George H. Webb, Ret. No. 5938, death occurred November 24, 2014. No benefit payable due to no surviving spouse or dependent children.

F. Death of spouses:

Catherine V. Hicks, Spouse No. 298, death occurred September 16, 2014. No benefit payable.

Mattie M. Rainey, Spouse No. 088, death occurred November 17, 2014. No benefit payable.

The Board approved benefit payments to the beneficiaries for Item E – Death of retirement members and removal from the payroll for Item F – Death of spouses.

The Board approved withdrawal of the following contributing members:

<u>Name of Members</u>	<u>Active Number</u>
Wanda Kay Sears	34278
William Q. Wallace	34421
Farshid Mehrdadfar	34668
Raymond Price	34784
Ayesha Denise Traylor	34813
Jason T. Long	34832
Kevin Harmon	33038
Dirk Himebaugh	33143
Kevin R. Zingraff	33368
Victoria Jessie	33375
Brittany McBride	33959

Total Members – 11

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

<u>Name of Member</u>	<u>Active Number</u>
Robert C. Parsons	33708
Total Members – 1	

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

Baker's Crust (1)	\$ 86.08
Pension Benefit Information (2)	775.00
NowCare Physicians, PC (3)	1,802.25
Cheiron (4)	11,232.09
Summit Strategies Group (5)	48,070.00
Retirement Payroll (Payroll est. for December, 2014)	<u>6,600,000.00</u>
Total	<u>\$ 6,661,965.42</u>

- (1) Lunch served for Board Meeting - November 5, 2014
- (2) Death Monitoring Services - Renewal
- (3) Medical Board Examinations
- (4) Retainer Services - October 2014; Audit/CAFR
- (5) Investment Consulting Services - July, August and September 2014

H. Disability reexamination status:

1 Kelly, Gerry	Accidental	11/25/2014	Sack
2 Wethington, Mark A.	Accidental	9/9/2014	Sack
3 Brown, Sherrod M. Sr.	Ordinary	<i>Suspended</i>	
4 Wynn, Nathaniel	Accidental	<i>Suspended</i>	
5 Cole, Keith J.	Accidental	<i>Not Due</i>	
6 Pratt, Dawn M.	Accidental-REX	<i>Not Due</i>	
7 St. Amant, David J.	Accidental	<i>Not Due</i>	
8 Doke, Annie	Ordinary	<i>Not Due</i>	
9 Sitzler, Samuel F.	Accidental-REX	<i>Not Due</i>	
10 McAlpin, David M.	Ordinary-REX	<i>Not Due</i>	
11 Tew, Gerald R.	Ordinary	<i>Not Due</i>	
12 Drake, Richard L.	Ordinary	<i>Not Due</i>	

Medical Board report forwarded to Board.

Committee Reports

Administration and Planning:

Ms. Kelly reported that there was not an Administration and Planning Committee meeting.

Investment Management:

Mr. Neikirk reported that the Investment Committee met at 11:00am with Summit Strategies', Mrs. Jessica Portis, participating via conference call. Mrs. Portis presented a new fee schedule from PIMCO that in most circumstances should reduce management fees, and if not, can be opted out to get the old fee. The fee schedule is effective, retroactively, October 1, 2014 – September 30, 2015. The Board approved the new fee schedule.

There was also a presentation from Mrs. Portis supporting active versus passive management for fixed income investments primarily for flexibility in managing duration; yield opportunities and sector rotation. After discussion, the Investment Committee recommended retaining PIMCO.

Mr. Neikirk reported that Plan assets were approximately \$1,017 billion on October 31, 2014 and with a funded status of approximately 88%. The strategic index, for most time periods, exceeded the fund policy. The allocations are within strategic ranges.

Other Topics

Ms. Kelly announced that, in concert with developing a policy on direct deposit for retirees, that City and System staff met with Bank of America Merrill Lynch to examine the System's current banking services. A proposal is forthcoming.

The next Retirement Board meeting is scheduled for January 7, 2014 at 12:00 noon. There will not be an Investment Committee meeting.

There being no further business, the meeting adjourned at 1:05 p.m.

Chairperson

Executive Director