

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System

January 6, 2016

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 p.m. on January 6, 2016, with Chairperson Stephanie Calliott presiding. The following was the result of the roll call:

Attending the Meeting

S.A. Calliott
C.R. Neikirk
Y.T. Allmond
K.W. Crowder
B. Eason
M.D. Jones
N.E. Nelson
E.G. Tucker
C. Garczynski

Absent

L. A. Bernert

Sabrina Joy-Hogg, Deputy City Manager, Galen Gresalfi, Acting Executive Director, Mary L.G. Nexsen, Deputy City Attorney, Capri Stanley-Smith, Human Resources Director, Gregory Patrick, Office of Budget and Strategic Planning, and Adele Daniels, Administrative Assistant II attended the meeting.

The minutes for the meeting held on December 2, 2015, were approved.

Ms. Fiona Liston and Mr. Kevin Woodrich, actuaries with Cheiron, presented the results of the 2015 Actuarial Valuation Report.

The presentation included a review of:

- Plan changes from the previous year;
- GASB 68 disclosure for the City;
- Historical employee participation, annual cash flows, assets and liabilities, and contributions to the fund;
- The impact of GASB 67/68 disclosure and the GASB asset depletion test for discount rates; and
- Ms. Liston provided an in depth summary of the financial impact of a COLA on the pension fund.

The presentation concluded with a discussion of additional relevant points that would be presented to Council for consideration and discussion at the upcoming Joint Council meeting on January 12, 2016 at 4:00 p.m.

The valuation includes measurement of the System's investment performance, as well as an analysis of actuarial liability gains and losses. The Actuarial Accrued Liability at June 30, 2015 was \$1,224.6 million. The Actuarial Value of Assets at June 30, 2015 was \$1,038.1 million, leaving an Unfunded Actuarial Liability at June 30, 2015 of \$186.5 million. The System was 85% funded based on the actuarial value of assets. The results of this valuation determine the actuarially determined contribution rate for the fiscal

year beginning July 1, 2016 (paid in FY 2017). The changes in assets/liabilities and the calculated contribution rate are illustrated in the charts below:

**2015 Valuation Results
Asset/Liability Changes
(\$ in millions)**

	Liabilities	Assets	UAL	% Funded
6/30/2014	\$ 1,197.4	\$ 1,011.5	\$ 185.9	85%
Expected Changes	29.3*	23.6**	5.7	
\$300 One-Time Supp***	0.4	0.0	0.4	
Assumption Changes	0.0	0.0	0.0	
Expected at 6/30/2015	\$ 1,227.1	\$ 1,035.1	\$ 192.0	84%
Actual at 6/30/2015	\$ 1,224.6	\$ 1,038.1	\$ 186.5	85%
(Gain) / Loss	\$ (2.5)	\$ (3.0)	\$ (5.5)	

* Liability change includes Normal Cost, Benefits & Interest

** Asset change includes Contributions, Benefits & Interest

*** One-time \$300 supplement paid to 1,176 eligible in-pay participants on July 1, 2015

Calculated Contribution Rate

	June 30, 2014	June 30, 2015
Normal Cost	8.97%	9.12%
UAL	<u>8.54%</u>	<u>8.67%</u>
Calculated Rate	17.51%	17.79%

Sources of Change

Due to investment (gain)/loss on AVA basis	(0.12%)
Due to liability (gain)/loss	(0.10%)
Fewer employees contributing 5% Member Rate	0.31%
One-Time \$300 Supplement	0.01%
Other miscellaneous experience	<u>0.18%</u>
Total	0.28%

New Business

A. Applications for Vested Service Retirement:

Russell F. Denny, Active No. 29913, February 1, 2016, with no refund due.
[Police]

Michael E. Schaefer, Active No. 33292, February 1, 2016, with no refund due.
[Public Works]

Ricky Freeman, Active No. 23974, March 1, 2016, with no refund due.
[Recreation Parks and Open Space]

B. Applications for Normal Service Retirement:

Kelly B. Burgess, Active No. 24836, February 1, 2016, with no refund due.
[EOC/911]

Vivian L. Harris, Active No. 25502, February 1, 2016, with no refund due.
[Human Services]

Dennis L. Meier, Active No. 19085, February 1, 2016, with no refund due.
[Public Works]

Paul R. Merz, Active No. 27140, February 1, 2016, with no refund due.
[Information Technology]

Mark S. Grundel, Active No. 24861, March 1, 2016, with no refund due.
[Recreation Parks and Open Space]

C. Applications for Deferred Retirement Option Program (DROP):

Michael J. Reardon, Active No. 24385, February 1, 2016, with no refund due.
[Police]

Edwin A. Pagan, Active No. 26911, March 1, 2016, with no refund due.
[Police]

*The Board approved **Item A** – Applications for Vested Service Retirement; **Item B** – Applications for Normal Service Retirement; and **Item C** – Applications for Deferred Retirement Option Program (DROP).*

D. Medical Board Review of Reevaluation Status:

David M. McAlpin, Ret. No 06658, follow up on status of reevaluation for ordinary disability retirement. **[Utilities]**

E. Medical Board Review of Accidental Disability Retirement:

Allen A. Banks, Active No. 34090. This member requested accidental disability retirement.
[Public Works]

*The Board approved **Item D** – Continued payment of ordinary disability retirement for David M. McAlpin without further review; and **Item E** - the application for accidental disability retirement for Allen A. Banks with reexamination in one year.*

F. Death of Retired Members:

Michael S. Flynn, Ret. No. 5799, death occurred August 1, 2015. No benefit payable due to no surviving spouse or dependent children.

Foye Newsome, Ret. No. 4336, death occurred August 1, 2015. Spouse elected lump sum benefit of \$12,197.53.

Paul W. Flattum, Ret. No. 2333, death occurred October 17, 2015. No benefit payable due to no surviving spouse or dependent children.

Jasper Carter, Ret. No. 3859, death occurred October 23, 2015. No benefit payable due to no surviving spouse or dependent children.

Elnor L. Richardson, Ret. No. 3868, death occurred October 27, 2015. Spouse elected monthly benefit of \$827.16.

Laura E. Smith, Ret. No. 3222, death occurred October 31, 2015. No benefit payable due to no surviving spouse or dependent children.

Muriel L. Peck, Ret. No. 3134, death occurred November 2, 2015. No benefit payable due to no surviving spouse or dependent children.

Dwain H. Mason, Ret. No. 3260, death occurred November 6, 2015. Spouse elected monthly benefit of \$1,405.87.

Margie M. Blount, Ret. No. 4057, death occurred November 9, 2015. No benefit payable due to no surviving spouse or dependent children.

Willie J. Crandell, Ret. No. 3933, death occurred November 9, 2015. No benefit payable due to no surviving spouse or dependent children.

William L. Branson, Ret. No. 3409, death occurred November 28, 2015. No benefit payable due to no surviving spouse or dependent children.

Clarine Eley, Ret. No. 6661, death occurred November 29, 2015. No benefit payable due to no surviving spouse or dependent children.

Geneva Strider, Ret. No. 5269, death occurred December 10, 2015. No benefit payable due to no surviving spouse or dependent children.

Cornelia C. Forbes, Ret. No. 1951, death occurred December 11, 2015. No benefit payable due to no surviving spouse or dependent children.

Lawrence W. Hemenway, Ret. No. 3197, death occurred December 22, 2015. No benefit payable due to no surviving spouse or dependent children.

Gloria Y. Blanchard, Ret. No. 5732, death occurred December 23, 2015. No benefit payable due to no surviving spouse or dependent children.

G. Death of Spouses:

Dorothy C. Montgomery, Spouse No. 01126, death occurred November 3, 2015. No benefit payable due to no surviving dependent children.

Ernestine E. Lewis, Spouse No. 00485, death occurred November 7, 2015. No benefit payable due to no surviving dependent children.

Mabel H. Dennis, Spouse No. 00743, death occurred November 17, 2015. No benefit payable due to no surviving dependent children.

Frances L. Batten, Spouse No. 00763, death occurred December 15, 2015. No benefit payable due to no surviving dependent children.

*The Board approved **Item F** – Death of Retired Members; and **Item G** – Death of Spouses.*

H. The Board approved withdrawal of the following contributing members with \$31,105 of contributions due:

<u>Member Name</u>	<u>Active Number</u>
Linda D. Walker	33870
David W. Pfeiffer	34387
Elizabeth L. Monroe	34437
Rachael Trussell	34536
Elyse R. Girard	34629
Ethan W. Smith	34830
Brittney N. Solazzo	34846
Tamikka D. Brown	34912
Jenay Y. Wolfrey	34933
Dwayne L. Gilmore	34937
Monty M. Montgomery	35104
Reginald Bryant	35155
Ebonie T. Pritchett	35212
Melvin A. Shepard	34328
Marc Simpser	35300
David C. McDaniel	35337
Malcolm Kelley	35386

Total – 17

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

Gourmet Gang (1)	\$	123.37
GFOA (2)		505.00
NowCare Physicians, PC (3)		550.00
Troutman Sanders LLC (4)		1,130.50
Cheiron (5)		7,859.77
State Street Corporation (6)		9,372.38
Summit Strategies Group (7)		48,420.00
Retirement Payroll (Payroll est. for January 2016)		<u>6,800,000.00</u>
Total	\$	<u><u>6,867,961.02</u></u>

- (1) Lunch served for Board Meeting - December 2, 2015
- (2) Application Fee - 2015 CAFR Submission
- (3) Medical Board Examination (Dr. Sack)
- (4) Legal Fees - Law Changes/IRS Determination Letter
- (5) Retainer Services - November 2015/Audit
- (6) Custodial Services - October 2015
- (7) Investment Consulting Services - October, November and December 2015

J. Disability Reexamination status:

1	Brown, Sherrod M. Sr.	Ordinary	<i>Processing Paperwork</i>
2	Doke, Annie	Ordinary	<i>Processing Paperwork</i>
3	Sitzler, Samuel F.	Accidental-REX	<i>Processing Paperwork</i>
4	Tew, Gerald R.	Ordinary	<i>Processing Paperwork</i>
5	Robertson, Denise L.	Accidental	<i>Not Due</i>
6	Cratt, David	Ordinary	<i>Not Due</i>
7	Sydow, Nathan V.	Ordinary	<i>Not Due</i>
8	Lambson, Leland	Ordinary	<i>Not Due</i>
9	Wynn, Nathaniel	Accidental	<i>Not Due</i>
10	Wethington, Mark A.	Accidental-REX	<i>Not Due</i>
11	Marsh, Carnell	Accidental	<i>Not Due</i>
12	Russell, Clifton D.	Ordinary	<i>Not Due</i>
13	Cole, Keith J.	Accidental-REX	<i>Not Due</i>
14	Fancher, Courtney D.	Accidental	<i>Not Due</i>
15	Allison, Curtis L.	Accidental	<i>Not Due</i>
16	Hilliard, Nanette	Accidental	<i>Not Due</i>
17	Pratt, Dawn M.	Accidental-REX	<i>Not Due</i>
18	Robertson, Neal A.	Accidental	<i>Not Due</i>

There are 18 disability retirees up for reexamination; 4 have pending documentation; 14 are not due at this time.

K. Committee Reports

Administration and Planning:

Ms. Garczynski stated that there was not an Administration and Planning meeting last month. Now that the 2015 Comprehensive Annual Financial Report is complete, the Committee can refocus on banking RFP services and updating the trustee manual.

Investment Management:

There was an Investment Management Committee meeting on January 6, 2016, at 11:00 a.m. Trevor Jackson of Summit Strategies reviewed alternative asset allocations, capital markets performance as of December 31, 2015, the Monthly Flash Report and A/L Scorecard for November 2015.

A number of asset allocation scenarios along with their projected 10 year returns and risk profiles were provided by Summit and discussed with the committee in considering changing from current allocations.

The committee discussed reallocating the equity portfolio from its current 33% Russell 3000 index and 22% MSCI ACWI-ex US targets to the global MSCI ACWI IMI index to gain exposure to more international equities in general, smaller cap international equities and emerging markets equities. The committee also discussed increasing Core Real Estate and MLPs modestly to be funded from fixed income. Mr. Neikirk indicated the plan's real estate investments have been solid risk-adjusted performers compared to fixed income, but they have investment queues and it would take some time before funds could be invested in our real estate holdings. Conversely, MLPs have experienced poor recent performance, but have immediate capacity to accept new investments. Based on Summit's 10-year capital markets projections, reallocating the equities as discussed above, and reallocating from fixed income to Core Real Estate and MLPs is projected to improve the plan's future risk-adjusted returns compared to the plan's current allocation.

Mr. Neikirk requested Summit to provide some recommendations to lay out the logistics of the funding, plan and fee schedules for State Street. He also asked Summit to provide a list of the components of the ACWI IMI index.

A motion was made to accept the Finance Committee's recommendation to change the Investment Portfolio allocations and to update the Investment Policy.

The Board agreed to reallocate the equity portfolio to the ACWI IMI index and to reduce the fixed income exposure target by 5% and increase MLP and Core Real Estate targets by 2.5% each to 7.5%.

Market value of assets as of November 30, 2015, was \$972 million with an estimated funding level of 79% using the July 1, 2014, actuarial liability. All asset allocations were within their target ranges.

L. New Business

End of Year Tax Form Preparation:

Every year the System prepares tax documents. This year, some due diligence questions arose which required consultation. Based on the questions, the City Attorney indicated it would be preferable to have some tax/accounting assistance in completing the tax forms. Wilcox and Savage attorney David Snouffer is reviewing the questions and has estimated a cost of approximately \$6,000 for his services to review and assure that the tax forms are being filled out correctly. The forms have to be completed by the end of January. A Professional Services Agreement will need to be initiated for these services. There is also the possibility that a CPA may be needed, but that has yet to be determined.

Other Topics:

- Galen Gresalfi announced that the date of the Joint Council meeting was set for Tuesday, January 12, 2016, beginning at 4:00 p.m. in City Hall on the 10th floor.
- City Manager Marcus D. Jones, announced that effectively January 8, 2016, Galen Gresalfi, who has been in the position of Acting Executive Director, had accepted the permanent position of Executive Director of the Retirement System. The Board of Trustees made a motion and approved the appointment of Mr. Gresalfi to the permanent position.

The next meeting is scheduled for **Wednesday, February 3, 2016 at 12:00 p.m.**

There being no further business, the meeting adjourned at 12:42 p.m.

Chairperson

Executive Director