

Minutes of the Regular Monthly Meeting

Board of Trustees

Employees' Retirement System

February 3, 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 February 3, 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
B. Eason
S. Joy-Hogg
N.E. Nelson
E.G. Tucker
C. Garczynski

Absent

L.A. Bernert
K.W. Crowder

Galen Gresalfi, Executive Director, Mary L.G. Nexsen, Deputy City Attorney, Capri Stanley-Smith, Human Resources Director and Adele Daniels, Administrative Assistant II attended the meeting. City of Norfolk retiree Tom Luckman was a guest at the meeting.

The minutes for the meeting held on January 6, 2016, were approved.

New Business

A. Application for Vested Service Retirement:

Wanda L. Mayers, Active No. 23644, December 1, 2015, with no refund due.
[Lake Taylor City Hospital]

B. Application for Early Service Retirement:

Ma. Josefina O. Yumul, Active No. 26520, March 1, 2016, with no refund due.
[Human Services]

C. Applications for Normal Service Retirement:

Joan A. Azevedo, Active No. 30303, March 1, 2016, with no refund due.
[Parking Division]

Delbert B. Glenn, Active No. 30990, March 1, 2016, with no refund due.
[Police]

Horace D. Jones, Active No. 23517, April 1, 2016, with no refund due.
[Recreation Parks and Open Space]

Evangelina M. Mendoza, Active No. 27061, April 1, 2016, with no refund due.
[Human Services]

Elwood M. Sorey, Jr., Active No. 18334. April 1, 2016, with no refund due.
[Public Works]

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

Karen M. Barnes, Active No. 25125, March 1, 2016, with no refund due.
[Fire-Rescue]

Marion R. Crank, Jr., Active No. 19760, March 1, 2016, with no refund due.
[Police]

Philip H. East, Active No. 22319, March 1, 2016, with no refund due.
[Fire-Rescue]

Scott V. Gartner, Active No. 26560, April 1, 2016, with no refund due.
[Fire-Rescue]

Luis N. Rivera, Active No. 25991, March 1, 2016, with no refund due.
[Police]

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

E. Medical Board Review of Ordinary Disability Retirement Status:

Annie Doke, Ret. No. 6985, on ordinary disability retirement benefits. **[Utilities]**

Sherrod M. Brown, Sr., Ret. No. 6586, on ordinary disability retirement benefits. **[Police]**

Samuel F. Sitzler, Ret. No. 6580, on accidental disability retirement benefits. **[Parking]**

*The Board approved **Item E** – Continuation of Ordinary Disability Retirement for Annie Doke with review in one year; continuation of Ordinary Disability Retirement for Sherrod M. Brown, Sr., with re-evaluation in one year;*

The Board deferred review of the Accidental Disability Retirement for Samuel F. Sitzler pending receipt of a functional evaluation report.

F. Medical Board Review of Application for Disability Retirement:

Stephen M. Gannaway, Active No. 29176. This member requested accidental disability retirement. **[Police]**

*The Board approved **Item F** – Application for Accidental Disability Retirement for Stephen M. Gannaway, effective March 1, 2016, with review in one year.*

G. Ordinary Death of Employee:

Patrick W. Gunter, Active No. 28017, death occurred December 16, 2015. Beneficiary elected lump sum benefit of \$19,310.29.

H. Death of Retired Member:

Lawrence W. Hemenway, Ret. No. 03197, death occurred December 22, 2015. Beneficiary elected monthly benefit of \$775.48.

I. Death of Spouse:

Maggie B. Tucker, Spouse No. 00967, death occurred December 16, 2015. No benefit payable due to no surviving spouse or dependent children.

*The Board approved **Item G** – Ordinary Death of Employee; **Item H** – Death of Retired Member; and **Item I** – Death of Spouse.*

I. Report on Member Separations: The Board approved withdrawal of the following contributing members with \$36,225.14 of contributions due:

<u>Member Name</u>	<u>Active Number</u>
Timothy Bippus	33333
Talia M. Spera	33425
Korrie A. Dodd	34462
Luvly L. Mosley	34556
Barton G. Moon	34637
Ciera D. Davidson	34718
Maurice A. Smith	35364
Tasha M. Penwell	34806
Rashonda A. McGrew	34910
Glenn E. Morrill	34835
Angela R. Cabello	35156
Brian L. Jordan	35356
Mandy L. Gaddis	35411
Kimberly F. Johnson	35424

Total – 14

J. Obligations Reported for Payment:

Federal Express (1)	\$ 62.22
Gourmet Gang (2)	164.12
State Street Corporation (3)	8,472.11
Cheiron (4)	9,010.46
Retirement Payroll (Payroll est. for February 2016)	<u>6,800,000.00</u>
Total	<u>\$ 6,817,708.91</u>

- (1) Information sent to GFOA
- (2) Lunch served for Board Meeting - January 6, 2016
- (3) Custodial Services - November 2015
- (4) Retainer Services - December 2015/Audit/Council Presentation

K. Disability Reexamination Status:

1	<i>Brown, Sherrod M. Sr.</i>	Ordinary	Sack
2	<i>Doke, Annie</i>	Ordinary	Sack
3	<i>Sitzler, Samuel F.</i>	Accidental-REX	Sack
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>
19	Banks, Allen A.	Accidental	<i>Not Due</i>

[Redacted] *Medical Board report forwarded to Board.*

There are 19 disability retirees up for reexamination; 1 has pending documentation; 3 were reviewed by the Board today; 15 are not due at this time.

L. Committee Reports

Administration and Planning:

There was not an Administration and Planning Committee meeting.

Investment Management:

Mr. Neikirk reported that there was an Investment Committee meeting at 11:30 a.m. Trevor Jackson of Summit Strategies described the details of the transition plan for the revised pension fund allocation that the Board had approved at the January Board meeting. The general details of the plan were to reallocate, as soon as practical, the equity positions in the Russell 3000 and Morgan Stanley ACWI ex - US indices, to the Morgan Stanley MSCI IMI index, which is a global allocation. As explained to the Board in prior meetings, the transition would add more exposure to international, small cap international and emerging markets equities than the current allocation.

As a result of adding more international and small cap emerging markets exposure, the management fees will increase about \$47,000 per year, which are still a relatively low as the MSCI ACWI MI is an index strategy. There is an estimated one time cost of \$20,000 to transition, since the equities comprising the Russell 3000 and MSCI ACWI-ex US and those of the MSCI ACWI IMI do not match exactly which will result in some equity sales and purchases to accomplish the transition. Additionally, the transition will include an allocation of approximately \$30 million from PIMCO to the Harvest and Tortoise MLPs. It is estimated at 1 ½ to 2 years to bring core real estate up to the new target level due to capacity restraints at the real estate funds, JP Morgan Strategic Property Fund and UBS Trumbull Property Fund. Currently the amount to meet the new allocation target for real estate is about \$13 million.

To summarize the allocation target changes: domestic equities will move from 33% to 29%; international equities will move from 22% to 26%; fixed income will move from 35% to 30%, real estate will move from 5% to 7.5 %, and MLPs will move from 5.5% to 7.5%. As a result of these changes, amendments to the Investment Policy Statement were approved by the Investment Committee and recommended to the Board. **Section 8** will be changed to reflect the updated policy target mix which will take equities to 62.5 % when combined with MLPs. Fixed income will move to 37.5 %, with the understanding that fixed income includes core real estate in its combined allocation number. **Section 11** will be changed to reflect the updated allocation target ranges. For equities: minimum - 45%; neutral - 55%; maximum - 65%. We will eliminate domestic and international sub targets. For fixed income: minimum - 25%; neutral - 30%; maximum - 40%. For real estate: minimum - 5%; neutral - 7.5 %; maximum - 10%. For MLPs: minimum - 5%; neutral - 7.5%; maximum - 10%.

There was a request for a motion to accept the recommendations of the Investment Committee, to include the transition plan and allocation changes outlined above, and to update the Investment Policy Statement and the associated amendments.

The Board moved to approve the recommendations of the Investment Committee and the update of the Investment Policy Statement and associated amendments.

Mr. Neikirk reported that as of December 30, 2015, the asset value of the fund was \$957 million, which is a 78% funding level, versus the July 1, 2015 liability. All asset classes were within their target ranges.

Other Topics:

With a quorum established, 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 personnel/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 February 3, 2016, 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.

Mr. Galen Gresalfi discussed beginning the process of acquiring a new Retirement Administrative System. The current system is based in-house and was developed some years ago. Mr. Gresalfi stated that the goal is to use current technology to help make retirement administrative processes as timely and as accurate as possible. The cost of a new system would come out of the Retirement system.

Mr. Gresalfi said it has not yet been determined if the purchase of a system would require a RFP process; a direct purchase is possible through a contractor with certain agreements in place with the State of Virginia. Mrs. Sabrina Joy-Hogg stated a new system would have to be compatible with the existing PeopleSoft System and that PeopleSoft offers a pension module. Mrs. Calliott raised a question about the cost of a retirement administrative system. Mr. Gresalfi stated that while it is difficult to place a cost on a system because of factors such as the cost of data migration, training, and on-site implementation visits, to name a few, he indicated a rough estimate of between \$500,000 t and \$1 million additionally there are ongoing costs such as licenses that require renewal each year. Mrs. Calliott stated that it would be fiduciarily wise for the Board to have the information when evaluating a purchase of this size. She

suggested that a motion be made to move forward on obtaining information about a new system including associated costs, to include ancillary costs such as data migration, training, ongoing costs etc., so that the Board can be informed of the full costs.

A motion was approved to present a proposal to the Board outlining the costs associated with a new retirement administrative system.

Mr. Gresalfi requested the Board's consideration and approval to continue relationships with both KPMG and outside legal counsel for the purpose of reviewing the Systems' tax practices. Mr. Gresalfi indicated that a reasonable extension would be three months.

The Board approved a three month extension of services with KPMG and outside legal counsel.

Ms. Garczynski stated that the Retirement System will have to begin the process of automating its records. There are numerous records in the Retirement Office, some of which date back to the start of the System. The process will likely require an outside firm to assist with the digitization process and to ensure that the records are accurately migrated before hard copies are disposed of. The primary goal is to move from a manual paper process to a more digital process for retirement system record keeping. There are requirements for the retention of records which will need to be followed during the process. Ms. Garczynski and Mr. Gresalfi will follow up with the Board on the specifics of the process.

The next meeting is scheduled for Wednesday, March 2, 2016 at 12:00 p.m.

There being no further business, the meeting adjourned at 2:15 p.m.

Chairperson

Executive Director