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

July 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 12:10 p.m. on July 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
L.A. Bernert
B. Eason
S. Joy-Hogg
E.G. Tucker

Absent
Y.T. Allmond
K.W. Crowder
C. Garczynski
N.E. Nelson

Galen Gresalfi, Executive Director, Mary L.G. Nexsen, Deputy City Attorney, Adele Daniels, Administrative Assistant II, Penny Delosh, Retirement Office Accountant IV, Ian Frazier and Andrew Murphy from Trustee Larry Bernert’s office were present at the meeting.

The minutes for the meeting held on June 1, 2016, were approved.

The rescission of the following retirement approved at the June 1, 2016 meeting, was approved at the July 6, 2016 meeting:

Valerie F. Trotter – Human Services

New Business

A. Applications for Vested Service Retirement:

Byron W. Thompson, Active No. 22951, February 1, 2015, with no refund due. [Public Works]

James W. Dyson, Active No. 21158, August 1, 2016, with no refund due. [Public Works]

B. Applications for Early Service Retirement:

Daryl K. Moore, Active No. 30031, August 1, 2016, with no refund due. [Utilities]

Andrew A. Protogyrou, Active No. 33160, August 1, 2016, with no refund due. [Legislative]
Melanie A. Anderson, Active No. 31543, September 1, 2016, with no refund due.  
[Emergency Preparedness and Response]

Dean E. Bowles, Active No. 26465, September 1, 2016 with no refund due.  
[Recreation Parks and Open Space]

William E. Collard, Active No. 27718, September 1, 2016, with no refund due.  
[Police]

C. Applications for Normal Service Retirement:

Frances D. Cook, Active No. 21719, August 1, 2016, with no refund due.  
[Information Technology]

Barbara A. Lowe, Active No. 26018, August 1, 2016, with no refund due.  
[Utilities]

Susan L. Mercer, Active No. 31457, August 1, 2016, with no refund due.  
[Library]

Patrick F. Murphy, Active No. 21178, August 1, 2016, with no refund due.  
[Public Works]

Renato C. Gatchalian, Active No. 26977, September 1, 2016, with no refund due.  
[Utilities]

Peter E. Hahn, Active No. 26214, September 1, 2016, with no refund due.  
[Information Technology]

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

William H. Roberts, Active No. 25931, August 1, 2016, with no refund due.  
[Fire Rescue Services]

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

E. Death of Retired Members:

Sarah M. Basnight, Ret. No. 02617, death occurred February 16, 2016. No benefit payable due to no surviving spouse or dependent children.

Richard A. Punte, Ret. No. 02492, death occurred May 21, 2016. No benefit payable due to no surviving spouse or dependent children.

Joseph E. Baines, Ret. No. 02871, death occurred June 1, 2016. Spouse elected monthly benefit of 736.00.

Robert Hasty, Ret. No. 05200, death occurred June 7, 2016. Spouse elected monthly benefit of $1,530.57.


Robert C. Lawrence, Jr., Ret. No. 03718, death occurred June 26, 2016. Spouse elected monthly benefit of $1,024.16.

F. Death of Spouses:

Venita Griffin, Spouse No. 00662, death occurred February 22, 2016. No benefit payable due to no dependent children.

Beverly Sumler, Spouse No. 01112, death occurred May 1, 2016. No benefit payable due to no surviving spouse or dependent children.

Marie Carlson, Spouse No. 00527, death occurred June 14, 2016. No benefit payable due to no surviving spouse or dependent children.

The Board approved Item E – Death of Retired Members and Item F – Death of Spouses.

G. The Board approved withdrawal of the following contributing members with $91,809.32 of contributions due:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Active Number</th>
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</thead>
<tbody>
<tr>
<td>Horace L. Fields</td>
<td>33183</td>
</tr>
<tr>
<td>James F. Mahar</td>
<td>33412</td>
</tr>
<tr>
<td>Alexandra N. Kessler</td>
<td>33499</td>
</tr>
<tr>
<td>Avanti S. Spain</td>
<td>33502</td>
</tr>
<tr>
<td>Nikki Carrington</td>
<td>33784</td>
</tr>
<tr>
<td>Raymond G. Conner</td>
<td>34053</td>
</tr>
<tr>
<td>Amy L. Felton</td>
<td>34091</td>
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<tr>
<td>Curtis Nesbit</td>
<td>34275</td>
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<tr>
<td>Rachel Calcagni</td>
<td>34285</td>
</tr>
<tr>
<td>Kevin L. Cuffee</td>
<td>34365</td>
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<tr>
<td>Jennifer J. Roll</td>
<td>34559</td>
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<tr>
<td>Summer J. Greene</td>
<td>34615</td>
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<tr>
<td>Anna M.E. Perez</td>
<td>34741</td>
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<tr>
<td>Elizabeth B. Dooley</td>
<td>34871</td>
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<tr>
<td>Kaylah M. Baker</td>
<td>34935</td>
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<tr>
<td>Travis W. Felker</td>
<td>34970</td>
</tr>
<tr>
<td>Shavon M. Lowery</td>
<td>35600</td>
</tr>
<tr>
<td>Erika Petty</td>
<td>35040</td>
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</table>
Kacie A. Rogers 35143
Taneka I. Jones 35268
Christopher B. Davis 35350
Coreen M. Beasley 35391
Angel J. Roane 35393
James D. Bovender 35409
Tomie P. Walters 35419
Henrietta D. Flores 35442
David W. Hodges 35450
Jerome A. Lawrence 35534
Susan G. Barr 35547
Richard L. Duggan, Jr. 35549
Ninfa V. Etheridge 35580
Travis D. Young 35618

Total - 32

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gourmet Gang (1)</td>
<td>$128.18</td>
</tr>
<tr>
<td>Oceana Sports Medicine and Orthopedic Center (2)</td>
<td>442.00</td>
</tr>
<tr>
<td>Mary Lou Nexsen (3)</td>
<td>593.54</td>
</tr>
<tr>
<td>NowCare Physicians, PC (4)</td>
<td>1,502.25</td>
</tr>
<tr>
<td>Cheiron (5)</td>
<td>9,559.38</td>
</tr>
<tr>
<td>State Street Corporation (6)</td>
<td>8,324.20</td>
</tr>
<tr>
<td>Summit Strategies Group (7)</td>
<td>48,420.00</td>
</tr>
<tr>
<td>City of Norfolk (8)</td>
<td>382,869.06</td>
</tr>
<tr>
<td>Retirement Payroll (Payroll est. for July 2016)</td>
<td>$6,900,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>$7,351,838.61</td>
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</tbody>
</table>

(1) Lunch served for Board Meeting - June 1, 2016
(2) Medical Board Referral - Dr. Aboka, Orthopedic Surgeon (Sitzler)
(3) Reimbursement - Travel Expenses - 2016 NAPPA Conference
(4) Medical Board Examination (Dr. Sack)
(5) Retainer Services - April and May 2016/Portability Calculation
(6) Custodial Services - May 2016
(7) Investment Consulting Services - April, May and June 2016
(8) Reimbursement - Administrative Expenses - FY16 (07/01/15-05/31/16)

I. Disability Reexamination Status

1. Sitzler, Samuel F. Accidental-REX Deferred - pending additional report
2. Robertson, Denise L. Accidental Processing Paperwork
3. Cratt, David Ordinary Processing Paperwork
There are 17 disability retirees up for reexamination. One (1) is pending an additional report; Six (6) have paperwork being processed; Ten (10) are not due at this time.

J. Clarification on Ordinary Death Benefit Amounts from June 1, 2016 Meeting:

- Louis N. Tucker – Benefit amount reported as $18,983.86. Gross Payment is $23,792.83
- Melvin W. Ringer – Benefit amount reported as $68,589.14. Gross payment is $85,498.80

K. Committee Reports:

Administration and Planning:

There was an Administration and Planning Committee meeting on Monday, June 20, 2016. Mary Lou Nexsen reported that the discussion centered on the disability retirement provisions in Chapter 37 of the City Code and how they compare to other independent systems in Virginia and VRS. The Committee discussed researching how the other systems in Virginia administer their disability process so that the Administration Committee can determine whether the NERS process can be improved.

Galen Gresalfi added that completing a full, comprehensive review of the Code, including recommended changes, is a long-term process that would run through the fall/winter months. Galen indicated that in the short-term, the Committee would look through the Code to identify subjective wording that could be reduced or eliminated. A status update on the Committee’s progress will be placed on the October agenda.

Sabrina Joy-Hogg suggested that City Council should be made aware that the Code is being reviewed when the Retirement Board and Council have their joint session.

Investment Management:

Mr. Neikirk reported that there was an Investment Committee meeting at 11:00 a.m. He reported that preliminary asset levels for June 30, 2016 were $974 million, which is about 80%
funded, compared to the July 2015 liability. He further reported that May 2016 results were stable across the board with a slight increase in MLPs.

PIMCO representatives Ignacio Galaz, Anmol Sinha and Yinyin Wu presented a market and performance review update. PIMCO managing director Sudi Mariappa and Summit Strategies Trevor Jackson participated via conference call.

In summary, PIMCO assets under management have stabilized after experiencing inflows in 2016. A global advisory board was formed which includes Ben Bernanke, Gordon Brown and Jean-Claude Trichet as members. There was a 60 person reduction in personnel in 2016, or about 3 percent of their workforce. No more layoffs are expected at this time and the reductions did not impact the NERS team. Long-term, PIMCO has outperformed, however, recently over the last five years, they have underperformed. Recent underperformance has been attributed to PIMCO being defensively positioned. They have relatively low interest rate exposure, but they have a yield advantage relative to the Barclay’s Aggregate bond index and they are liquid, which they view as “keeping their powder dry.” Their expected return over the next 3 to 5 year time period is 2 to 3 percent. Over the long-term outlook they have coined the phrase “stable disequilibrium” and they expect the elevated risk of left tail events to continue. Mr. Neikirk explained that left tail events are unexpected events which can lead to possible system shocks; they are usually negative, they are generally accompanied by large stock market drops and can also be accompanied by fixed income gains in US Treasuries and highly rated issuances due to reallocation to safer assets.

The Committee discussed the need to review and possibly adjust the assumed rate of return at the September meeting.

There was also discussion by the Committee with regard to retaining PIMCO. Mr. Neikirk indicated that while Committee sentiments were ambivalent, our consultant was modestly positive, taking the position of giving them more time to improve on performance. Mr. Neikirk stated that if there is ongoing discussion about retaining PIMCO in a year’s time, serious consideration should be given to alternatives.

L. Setting FY 2017 Interest Rate for Mandatory Contribution Refunds:

The Board had previously approved using Bankrate.com as the official source to establish the upcoming fiscal year interest rate for mandatory contribution refunds. As of June 30, 2016, the national average 1-year CD rate was .29%.

The recommendation was made and approved by the Board to adopt the June 30, 2016 Bankrate.com one year CD rate of .29% for the fiscal year 2017.

M. GFOA Certificate of Achievement for Excellence in Financial Reporting Awarded to NERS for FY 2015:

The Certificate of Achievement for Excellence in Financial Reporting was awarded to the Employees’ Retirement System for the Comprehensive Annual Financial Report covering the fiscal year ended June 30, 2015. This was the 11th consecutive year the Retirement System has
been recognized by the Government Finance Officers Association (GFOA) for achieving this significant accomplishment.
The Board conveyed its appreciation to the Retirement Office staff for the good work they do in completing the Financial Report.

N. Financial Reporting of Futures Contracts:

Last year, the System auditors pointed out that futures contracts had been excluded from year-end financial reporting for several years. The exclusion was never deemed material, however with the materiality threshold decreasing, the auditors asked the Board to review the current reporting practices for futures contracts and to establish a reporting rule to be used moving forward. Galen Gresalfi reported that a review of historical practices revealed that the exclusion of futures contracts was most likely a timing issue related to custodial reports and that there is no known reason to exclude them from year-end reporting. The recommendation was made and approved by the Board to include futures contracts in the year-end financial reporting moving forward.

Other Topics:

- There were two FOIA requests from a member requesting records associated with their personnel records.

- The Retirement Office attended its first New Employee orientation session in conjunction with Human Resources. The basic message of the 10 minute presentation was that the Retirement Office is available to assist employees with questions they may have about their retirement. The orientations are bi-monthly and the Retirement Office will participate moving forward. Mary Lou Nexsen mentioned that several weeks ago, an All Norfolk email was disseminated to City employees, engineered by Finance and Human Resources, to remind them about the Retirement System, including information about the location of the website, important telephone numbers and other general information. Galen Gresalfi added that there is an ongoing effort to promote easier access to information including the creation of a central email box (retirement@norfolk.gov) and revisions to the Active Employee FAQs available online.

O. Adjournment

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

There being no further business, the meeting adjourned at 12:56 p.m.

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Chairperson

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Executive Director