

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

December 14, 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 fifth floor conference room in the City of Norfolk, Virginia. The meeting began at 12:05 p.m. on December 14, 2016, with Chairperson Stephanie A. Calliott presiding. The following was the result of the roll call:

Attending the Meeting

Stephanie A. Calliott
Christopher R. Neikirk
Yvonne T. Allmond
Lawrence A. Bernert, III
Arthur M. Eason, III
Sabrina Joy-Hogg
Christine Garczynski
Nicholas E. Nelson
Eric G. Tucker

Absent

Rev. Kenneth W. Crowder

Doug Smith, Interim City Manager, Galen Gresalfi, Executive Director, Mary L.G. Nexsen, Deputy City Attorney, Penny DeLosh, Programs Manager, Trevor Jackson, Summit, Archie Simmons, KPMG, and Cheryl Xystros, KPMG attended the meeting.

The minutes for the meeting held on November 9, 2016 were approved.

KPMG Auditors Cheryl L. Xystros, CPA, and Archie Simmons, Jr., CPA, gave a presentation to the Board on the Retirement System June 30, 2016 audit status. The following areas were discussed:

- Finalizing review of the Comprehensive Annual Financial Report (CAFR)
- Finalizing the concurring review responses and related documentation
- Anticipated deliverables in December including:
 - the Independent Auditors' Report (CAFR)
 - the Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards; and the
 - SAS 114 letter.
- Our responsibility under professional standards
- Other information in documents containing audited financial information
- Accounting policies and alternative treatments – Implementation of GASB 72 by the City
- Quality of accounting principles
- Management judgments and accounting estimates
- Uncorrected and corrected misstatements
- Disagreements with management
- Management consultation with other accountants

- Significant issues discussed, or subject to correspondence, with management
- Independence

There were no material misstatements in the System's books and records as of and for the year ended June 30, 2016. KPMG noted one immaterial asset classification misstatement, which will be corrected in future years. KPMG expects to issue an unmodified opinion.

Mrs. Xystros reported that the prior year's deficiency regarding management's verification of the valuation of non-exchange traded funds was remedied in FY 2016. Mrs. Xystros referenced the process which was put in place by staff which involves using audited financials at the time of issue to verify the System's comingled fund exposure as reported by the System's custodian.

New Business

A. Applications for Vested Service Retirement:

Sharon L. Copperthite, Active No. 25179, January 1, 2017, with no refund due.
[Executive]

Anita G. Dudley, Active No. 21110, October 1, 2016, with no refund due.
[Human Resources]

Levester H. Gaines, Active No. 23166, January 1, 2017, with no refund due.
[Planning]

Donald D. Hick, Active No. 35229, November 1, 2006. Pay is retroactive to effective retirement date and suspended benefit September 2015 due to return to City full time employment.
[Police]

Delise Jones, Active No. 21629. February 1, 2017, with no refund due.
[Human Services]

Patrick R. Lambert, Active No. 28073, January 1, 2017, with no refund due.
[General Services]

Dimitrois A. Moyler, Active No. 22143, January 1, 2017, with no refund due.
[Water]

Mattie L. Satterfield, Active No. 31130, August 01, 2014, with no refund due.
[Human Services]

B. Applications for Early Service Retirement:

Bonnie K. James, Active No. 26521, January 1, 2017, with no refund due.
[Human Services]

Lynn Parker, Active No. 27421, February 1, 2017, with no refund due.
[Human Services]

Robert L. Yancey, Active No. 26002, February 1, 2017, with no refund due.
[Public Works]

C. Applications for Normal Service Retirement:

Marvin A. Bernheim Jr., Active No. 20066, March 1, 2017, with no refund due.
[Utilities]

Donell Clark, Active No. 23566, January 1, 2017, with no refund due.
[Utilities]

Bret A. Fikentscher, Active No. 20508, February 1, 2017, with no refund due.
[Cemetery Fund]

John H. Harrington, Active No. 26065, January 1, 2017, with no refund due.
[Fire Rescue]

Bernice O. Huskey, Active No. 23183, March 1, 2017, with no refund due.
[Information Technology]

Paul J. Lanari, Active No. 24221, February 1, 2017, with no refund due.
[Information Technology]

Reginald M. McDonald, Active No. 29007, February 1, 2017, with no refund due.
[Utilities]

William Sutton, Active No. 23306, January 1, 2017, with no refund due.
[Recreation, Parks and Open Spaces]

Vernell Woods, Jr., Active No. 25256, January 1, 2017, with no refund due.
[Planning]

*The Board approved **Item A** – Applications for Vested Service Retirement; **Item B** – Applications for Early Service Retirement; and **Item C** – Applications for Normal Service Retirement.*

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

N/A

E. Exit from Deferred Retirement Option Program (DROP):

Boyle, James, Ret. No. 07044R, December 1, 2016, with DROP account balance payout \$70,989.89.

F. Medical Board Review of Application for Disability Retirement Benefits:

Mary Ann Vandivort, Active No. 28540. This member requested Ordinary Disability Retirement.
[Library]

The Board approved Item F – Approval of Ordinary Disability Retirement pending additional information regarding annual reexamination.

G. Ordinary Death of Employee:

N/A

H. Death of Retired Members:

Mary M. Corbett, Ret. No. 02189R, death occurred on November 6, 2016. No benefit payable due to no spouse on record.

William L. Garrison, Ret. No. 05450R, death occurred on June 15, 2016. No benefit payable due to no spouse on record.

Virginia D. Kippenbrock, Ret. No. 02228R, death occurred on November 30, 2016. No benefit payable due to no spouse on record.

Elretta N. Martin, Ret. No. 06892R, death occurred on December 3, 2016. No benefit payable due to no spouse on record.

Vivian McInnins, Ret. No. 03818R, death occurred on December 5, 2016. No benefit payable due to no spouse on record.

John McGowan, Ret. No. 02367R, death occurred on November 15, 2016. No benefit payable due to no spouse on record.

Bert J. McInnerney, Jr., Ret. No. 05444R, death occurred on October 31, 2016. Spouse elected monthly benefit in the amount of \$1,077.44.

Teresa M. Molloy, Ret. No. 03839R, death occurred on November 10, 2016. Adult disabled adult child applying for lump sum benefit.

Derek Warren, Ret. No. 05597R, death occurred on November 28, 2016. No benefit payable due to no spouse on record.

Earle V. White, Ret. No. 02800R, death occurred November 21, 2016. Spouse election of benefit pending.

Joyce A. White, Ret. No. 06464R, death occurred November 7, 2016. No benefit payable due to no surviving spouse or dependent children.

I. Death of a Retired Member (Previously Approved) Beneficiary Benefit Elected

Michael Babashanian, Ret. No. 05859R, death occurred October 6, 2016. Spouse elected monthly benefit in the amount of \$423.56.

J. Death of Member eligible for Vested Retirement Benefit

N/A

K. Death of Spouses:

Irene Parker, Spouse No. 00576N, death occurred November 24, 2016. No benefit payable.

Doris D. Yates, Spouse No. 00708N, death occurred November 13, 2016. No benefit payable.

The Board approved Item G – Ordinary Death of an Employee; and Item H – Death of Retired Members; Item I – Death of a Retired Member (Previously Approved) Beneficiary Benefit Elected; Item J – Death of a Member Eligible for Vested Retirement Benefit; Item K – Death of Spouses

L. Previous Docket Amendments and Corrections:

Jane Bethel, Ret. No. 07057R, effective January 1, 2015, approved on December 3, 2014 docket. Vested Service Retirement effective date corrected to March 1, 2014, resulting in \$21,806.20 payable to member.

M. The Board approved withdrawal of the following contributing members with \$80,379.31 of contributions due:

<u>Member Name</u>	<u>Active Number</u>
Gwendolyn N. Adams	34537
Derric Burgess	34679
Maria Burton Roundtree	34773
Jeremy D. Carter	35108
Teresa O. Carter	35330
Dominique R. Chambers	35621
Peter H. Chapman	34852
Denise A. Fields	34860
Brian c. Gaignard	30222
Timothy L. James	35185
Arron M. Macneil	34169
Taylor L. McDonald	34501
Ryan C. Polk	35465
Maurice A. Smith	35819
John M. Tracey	34010
Lisa G. Trunner-saar	33351
Aurda L. Vanandel	35736

David M. Wheeler	35039
Corleen R. Williams	34369
Lucretia R. Williams	35073
Henrietta G. Wynder	35403

Total – 21

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

Summit Strategies, Inc (1)	\$ 48,655.00
Gourmet Gang (2)	128.38
Pension Benefits Information (3)	650.00
Cheiron (4)	6,236.75
Retirement Payroll (Payroll for November 2016)	6,978,350.00
 Total	 <u>\$ 7,034,020.13</u>

- ▶ (1) Consulting Services 10/01/16-12/31/16
- ▶ (2) Lunch served for Board Meeting - November 9, 2016
- ▶ (3) Platinum Continuous Monitoring
- ▶ (4) Retainer Services - November

O. Disability Reexamination Status:

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

***There are 16 disability retirees up for reexamination;
5 have paperwork in process; 11 are not due at this time.***

P. Previous Docket Amendments

Q. Committee Reports: Administration and Planning & Investment Management.

Administration and Planning Committee:

Ms. Garczynski reported that there was no Administration and Planning Committee this month, however, the work on code revisions is ongoing.

Investment Management Committee:

Mr. Neikirk reported that there was an Investment Committee meeting on December 14th at 11 a.m. The committee discussed the items below and brought two recommendations to the Board for approval.

- Experience Study Discussion – Presented by Kevin Woodrich, Cheiron
 - Best practice is to have an experience study at least once every five years and since NERS last conducted a study in 2012 there should be a study conducted in 2017. Mr. Woodrich explained that they would compare current actuarial assumptions with the actual experience of the System in last five years to recommend to the Board any changes in assumptions that may be warranted. Mr. Woodrich stated that they would rely on the expertise of the System's Financial Advisor, Summit Strategies, in recommending any changes to the investment return assumption.
 - The committee inquired about the current mortality assumption and whether it is appropriate to be using a table from the year 2000. The actuary advised that the mortality table from 2000 best approximated actual public fund mortality experience and an adjustment was made to it for the latest experience study (2012) to reflect the actual experience of the System; it is projected to estimate future changes in mortality rates. The most recent published mortality table (2014) did not take public plans into consideration and a new one is planned in the next few years. The actuary advised that mortality experience would be examined during the upcoming experience study to determine whether the adoption of a more recent mortality table is warranted.

The Investment Committee recommended and the Board approved to commence an actuarial experience study in early 2017 at a cost of \$21,000.00.

- Third Quarter 2016 Investment Review , Post-Election Market and Monthly Capital Markets/Monthly flash review – Presented by Trevor Jackson, Summit Strategies
 - The monthly flash report as of November 30, 2016 reflected \$980 million dollars in assets in comparison to the July 2015 liability of \$1.225 billion dollars (approximately 80% funding level).

The Investment Committee recommended and the Board approved the reallocation of overweight MLP funds into real estate funds in order to match the allocation ranges established in the System's Investment Policy.

Other Topics:

Interim City Manager, Doug Smith, announced Sabrina Joy-Hogg will be leaving the City of Norfolk for a position in Charlotte NC.

The next meeting is scheduled for Wednesday, January 4, 2017, at 12:00 p.m.

There being no further business, the meeting adjourned at 12:43 p.m.

Chairperson

Executive Director