

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

July 12, 2017

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 eleventh floor conference room in the City of Norfolk, Virginia. The meeting began at 12:00 p.m. on July 12, 2017, with Chairpersons Stephanie Calliott and Christopher Neikirk presiding. The following was the result of the roll call:

Attending the Meeting

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

Absent

Rev. Kenneth W. Crowder

Greg Patrick, Budget Director, Shenette Felton, Assistant Director of Finance, Brac McKee, intern with Wilbanks, Smith and Thomas Asset Management, Joseph Kauffman, intern with Wilbanks, Smith and Thomas Asset Management, Galen Gresalfi, Executive Director, Mary L.G. Nexsen, Deputy City Attorney, and Penny DeLosh, Programs Manager attended the meeting.

The minutes for the meeting held on June 7, 2017, were approved.

New Business

A. Cheiron Experience Study July 1, 2011 through June 30, 2016 Presentation

System actuaries, Fiona Liston and Kevin Woodrich, presented an actuarial experience study covering the period from July 1, 2011 through June 30, 2016.

Ms. Liston explained that an experience study is performed to compare actual plan experience against the assumptions. Experience studies are generally performed every 3 to 5 years, the last system experience study was performed in 2012.

Both the economic and demographic assumptions were studied.

The current economic assumptions are a 7% discount rate and a 3% assumed inflation for a real rate of return of 4%. Past market value returns were presented with the 15 year average at 4.8%, the 10 year average was 5.3%, and the 5 year average was 5.9%. Average inflation rates over the same spans were 2.1%, 1.8%, and 1.3% respectively. Over the last 5 years, the average real rate of return was 4.5%. The system investment manager's, Summit Strategies, long-term

expected rate of return is 6.5% with an expected inflation rate of 2% and a real rate of return of 4.5%. Additionally, the presentation included a review of public plan discount rate assumptions that showed that the System's assumed rate of 7% was below the median assumed rate of return for public plans of 7.5%. The actuary recommended that the Board keep the current real rate of return assumption of 4%. The actuary noted that based on the Board's risk preference, if a downward revision of the discount return was decided upon, they would recommend that the assumed inflation rate be reduced by a similar amount to retain the real rate of return at 4%.

The demographic assumptions include assumed rates of retirement, mortality, terminations, etc. For each assumption, the actuary compare actual occurrences of each decrement to the current assumptions predicted. External influences and the consideration of future trends are also considered. The actuary recommended changes to the assumed rates of termination, retirement, disability, mortality and salary raises.

As part of the study the actuary also presented recommended changes to the handling of the employer contribution for valuation purposes. Specifically, the recommendation was to no longer consider future employer contributions as receivable for funding purposes, bringing the valuation process in line with GASB 67/68 accounting standards. Note that this is not a requirement. Additionally, the actuary recommended a change to the amortization method to use the Unfunded Actuarial Liability (UAL) portion of the scheduled employer contribution to estimate the UAL to be amortized in the following fiscal year.

The actuary presented the impact from 3 alternatives: Alt #1 includes recommended funding changes and demographic changes with no change in discount rate or inflation rate, Alt #2 and #3 assume the changes in Alt #1 along with incremental changes to the discount and inflation rates.

June 30, 2016 Valuation Results

(\$ in millions)	Current	Alt #1	Alt #2	Alt #3
Discount Rate	7.00%	7.00%	6.75%	6.50%
Inflation / General Wage	3.00%	3.00%	2.75%	2.50%
a) Actuarial Liability	\$ 1,254.4	\$ 1,299.4	\$ 1,329.9	\$ 1,361.7
b) Actuarial Value of Assets	<u>1,014.9</u>	<u>1,014.9</u>	<u>1,014.9</u>	<u>1,014.9</u>
c) Unfunded Actuarial Liability	\$ 239.5	\$ 284.5	\$ 315.0	\$ 346.8
d) Funded Status	80.9%	78.1%	76.3%	74.5%

Fiscal Year 2017 City Rate

e) City Normal Cost	8.96%	8.54%	8.95%	9.38%
f) UAL Rate	<u>8.64%</u>	<u>10.34%</u>	<u>11.55%</u>	<u>12.81%</u>
g) Total City Rate	17.60%	18.88%	20.50%	22.19%

After a lengthy discussion, the Board decided to adopt the funding and demographic changes recommended under alternate scenario #1. The Board decided to leave unchanged the current discount rate and inflation rate assumptions, keeping the real rate of return at the recommended level of 4%, with the agreement that more information is needed to make a decision. Specifically, the Investment Committee will evaluate whether there may be opportunities for greater returns within the portfolio and the City will work on a retirement benefits study to evaluate the long-term viability of the plan. The return assumption will be monitored closely, while asset allocations continue to be examined and a benefits study is considered by the City.

The Board approved to change the current funding and demographic assumptions to the recommended values under alternate scenario #1 presented in the latest experience study.

B. Applications for Vested Service Retirement:

Gayle L. Bonner, Active No. 27419, September 1, 2017, with no refund due.
[Human Services]

Linda L. Gilmore, Active No. 28440, September 1, 2017, with no refund due.
[Maritime Center]

William E. Johnson, Active No. 31147, April 1, 2017, with no refund due.
[Finance]

Karen M. Martin, Active No. 15843, June 1, 2008, with a refund due in the amount of \$3,147.54.
[Human Services]

Nathaniel Yancey, Active No. 25936, June 1, 2017, with no refund due.
[Neighborhood and Leisure]

C. Applications for Early Service Retirement:

N/A

D. Applications for Normal Service Retirement:

Sue Bixler, Active No. 33551, September 1, 2017, with no refund due.
[CSB]

Curtis Bradby, Active No. 20862, August 1, 2017, with no refund due.
[General Services]

Sylvia J. Duncan, Active No. 16989, August 1, 2017, with a refund due in the amount of \$347.36.
[Human Services]

Glinda M. Edmonds, Active No. 16951, October 1, 2017, with a refund due in the amount of \$406.47.

[Human Services]

John E. Gray, Active No. 28592, August 1, 2017, with no refund due.

[General Services]

Timothy W. Murden, Active No. 23466, September 1, 2017, with no refund due.

[General Services]

James Takacs, Active No. 31023, August 1, 2017, with no refund due.

[Information Technology]

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

Frances E. Emerson, Active No. 26428, August 1, 2017, with no refund due.

[Police]

Ricky J. Rickman, Active No. 26604, September 1, 2017, with no refund due.

[Fire-Rescue]

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

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

William H. Roberts, Ret No. 07363R, August 1, 2017, with a DROP account balance payout of \$30,113.33.

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

N/A

H. Ordinary Death of Employee:

N/A

I. Death of Retired Members:

Leland E. Hines, Ret No. 03230R, death occurred on May 26, 2017. Spouse elected monthly benefit in the amount of \$631.80.

Jerald D. Johnston Sr., Ret No. 04467R, death occurred June 2, 2017. Spouse elected monthly benefit in the amount of \$671.12.

Alice H. Reese, Ret. No 02526R, death occurred June 19, 2017. No benefit payable due to no surviving spouse or dependent children on record.

Roy Rohrbacher, Ret No. 06355R, death occurred on June 15, 2017. Spouse elected lump sum payment in the amount of \$10,094.85.

Joseph R. Stevens, Ret No. 02582R, death occurred on July 4, 2017. Spouse benefit election pending.

The Board approved Item I – Death of Retired Members.

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

Karl Herbert, Ret No. 02758R, death occurred March 24, 2017. Spouse elected monthly benefit in the amount of \$655.54.

The Board approved Item J- Death of Retired Member (Previously Approved) Beneficiary Benefit Elected.

K. Death of Member Eligible for Vested Retirement Benefit

N/A

L. Death of Spouses:

Agnes H. Saucier, Spouse No. 00837N, death occurred June 12, 2017. No benefit payable.

Flora Webber, Spouse No. 01129N, death occurred June 7, 2017. No benefit payable.

The Board approved Item L – Death of Spouses.

M. Retirement Rescissions

N/A

N. Previous Docket Amendments and Corrections

William T. Corbett, Ret No. 07046R, July 1, 2017, with a \$59,381.72 DROP account balance due. Previously reported on May 3, 2017, docket with DROP exit June 1, 2017.

[Fire-Rescue]

The Board approved Item N- Previous Docket Amendments and Corrections

O. The Board approved withdrawal of the following contributing members with \$84,729.75 of contributions due:

<u>Member Name</u>	<u>Active Number</u>
Kristen Nicole Dunn	35834
Temika R. Moore	34577
Nancy Moran	34891
Kristina Louise Patchen-Howerton	35243
Mariam T. Abdelhamid	35227
Maxwell Tillman Deavies	34684
Larissa Elizabeth Bolz	35423
James Eilliams Braxton, Jr.	35861
Amber Nygelle Calhoun	35499
Timothy Ray Evans	35697
Lamar Donnell Gilchrist	34831
Alexander Bryant Gray	35234
Cornelia Emma Jackson	35965
Brenda Lee Jennings	35161
Natasha Y. Lennon	34585
Dwayne L. McClary	35852
Yolanda M. McCoy	34647
Mark Anthony McKoy	34955
Kendria Q. Powell	36085
Monica Brittany Sieck	35698
Stephani R. Vaughan	33871
B.J. Franklin	35587
Bonita L. Herron	34081
Natalie Ann Jacobus-Whitehead	35306
Latasha Elaine Riddick	35898
Geraldine Elizabeth Snide	35685
Matthew P. Sutton	36029
Brandon M. Pope	34351
Michael Johnson	33929
Robert Pinkerton	34624

Total - 30

P. Obligations Reported for Payment

Norfolk Employees' Retirement System

OBLIGATIONS REPORTED FOR PAYMENT

July 12, 2017



State Street Corporation (1)	\$ 29,571.23
Cheiron (2)	9,625.73
Summit Strategies, Inc (3)	16,257.33
Gourmet Gang (4)	85.76
City Treasurer (5)	601,057.31
Retirement Payroll (Payroll for June 2017)	<u>6,988,269.47</u>
 Total	 <u>\$ 7,644,866.83</u>

- (1) Custodial Services for May, June & July is Estimated
- (2) Retainer fee for June and July is estimated
- (3) Consulting Services for July, 2017 (1st Qrt-2018) Estimated
- (4) Lunch served for Board Meeting - June
- (5) Reimbursement for expenses (June 2016-May 2017)

Q. Disability Reexaminations 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>Not Due</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>
16	Wynn, Nathaniel	Accidental-REX	<i>Not Due</i>

***There are 16 disability retirees up for reexamination;
4 have paperwork in process; 12 are not due at this time.***

R. Committee Reports: Administration and Planning & Investment Management

- a. Administration and Planning – No meeting
 - i. Request for proposal for banking to be issued shortly
 - ii. Request for proposal for consultant in process
- b. Investment Management
 - i. Representatives from J.P. Morgan presented the latest performance of the Strategic Property Fund (SPF).
 - 1. No recent manager changes.
 - 2. The systems exposure to the SPF is currently \$37.5 million.
 - 3. Estimated return of 8% over the year
 - 4. The committee asked for more information about J.P. Morgan's Strategic Investment Fund.
 - ii. Monthly Flash/Capital Markets
 - 1. As of June 30, 2017, assets are at \$1.043 billion
 - 2. Approximate funded status based on the July 1, 2016, actuarial liability of 82%; funded market value liability of 81% as of June 30, 2017

S. Setting FY 2018 Interest rate of Mandatory Contribution Refunds

The Board approved setting the interest rate for mandatory contribution refunds at 0.35% for fiscal year 2018. The current rate was sourced from BankRate.com.

T. Other New Business

- a. *The Board approved \$682.68 dollars in ancillary expenses for Mary Lou Nexsen's trip to the 2017 NAPPA conference.*
- b. System staff replied to a FOIA request for meeting materials.

- c. The Board inquired about the Workers Compensation overpayment issue mentioned in the news recently. They were advised that the issue was not widespread and was being addressed by City staff.

U. Adjournment

Next Meeting: August 2, 2017

Anticipated Quorum: Yes

Scheduled Guest Speaker(s):