



RETIREMENT BOARD OF TRUSTEES

MEETING DOCKET



Phone: (757) 664-4738 Email: retirement@norfolk.gov Website: www.norfolk.gov/retirement Form No: 7503

I. COMMENCEMENT

1. Chairperson call meeting to order.

Meeting Date 07/01/2020	Start Time 12:00 PM	End Time 12:58 PM	Meeting Type Regular
Meeting Location			
WebEx Remote Meeting pursuant to City of Norfolk to assure the continuity of government during the disaster resulting from the COVID-19 Pandemic.			
This electronic meeting will be open to the public. The public may listen and or participate in this public meeting via a WebEx remote meeting telephone call. Persons participating in the public meeting must identify themselves to the NERS Board of Trustees Secretary (Executive Director of NERS, Penny DeLosh).			
WebEx Information (Investment Committee Meeting & Regular meeting):			
Dial in Number: 1-415-655-0002 Access Code: 160 174 3692			

2. Roll call.

	Present
Stephanie A. Calliott	<input checked="" type="checkbox"/>
Yvonne T. Allmond	<input checked="" type="checkbox"/>
Lawrence A. Bernert, III	<input checked="" type="checkbox"/>
Rev. Kenneth W. Crowder	<input type="checkbox"/>
Arthur M. Eason, III	<input checked="" type="checkbox"/>
Daryl Howard	<input checked="" type="checkbox"/>
James Izard	<input checked="" type="checkbox"/>
Christina Talley	<input checked="" type="checkbox"/>
Christine Garczynski	<input checked="" type="checkbox"/>
Catheryn Whitesell	<input checked="" type="checkbox"/>

Additional Attendees

Penny DeLosh Executive Director	Jackie Cowan Ret. Benefits Administrator	Andy Fox Deputy City Attorney I
Griffith McTavish Summer Analyst	Connor Thompson Summer Analyst	Nicholas Neskis Intern

Zach Cziryak Reporter for Financial Investment News		
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3. Approval of minutes of meetings held:

Approved Denied

May 6, 2020

II. REPORTING

Reporting Period: June – July 2020	TOTAL (Submitted/Approved)
A. Service Retirement Applications	27
1. Normal Service Retirement	18
2. Normal Service Retirement with DROP	4
3. Early Service Retirement - Reduced	2
4. Early Service Retirement - Deferred	0
5. Vested Service Retirement	3
B. Disability Retirement Applications	1
6. Accidental Disability Retirement	0
7. Ordinary Disability Retirement	1
C. Disability Reexamination Determinations	0
D. DROP Exit Report	2
E. Report of Deaths	17
1. Retiree	15
2. Spouse or Beneficiary	2
F. Death Benefit Claims	5
G. Retirement Rescissions	0
H. Previous Docket Amendments and Corrections	0
I. Nonvested Member Separation	30
Total	\$67,349.43

J. Obligations Reported for Payment

Refer to EXHIBIT 1

K. Committee Reports: Administration and Planning & Investment Management

1. Administration and Planning Committee – no meeting
 - a. Committee Membership
 - (1) Christine Garczynski (Chair)
 - (2) Yvonne Allmond
 - (3) Christina Talley – Board acknowledged the recommendation
 - b. City Code Chapter 37 Revisions Proposed
 - (1) Sec. 37-68. – Optional allowances –
 - (a) Currently members have 4 choices to select from (No Option, Option A, B or C). No Option is the surviving legal spouse benefit and the retiree receives their full benefit. Option A, B & C are designating a named beneficiary and the retiree takes a reduction in their benefit. The named beneficiary cannot be changed once the retiree's first payment is due. If there is a legal spouse, there is a one-time payment in addition to the monthly allowance paid to the designated beneficiary. NERS is proposing a new plan, which would allow the retiree to receive their full retirement allowance with no beneficiary or benefit to be paid at the time of the retiree's death or the retiree elects to receive a reduced monthly allowance and designate a beneficiary that will receive 50% of the amount received by the retiree at the time of their passing with the retiree having limited ability to change their designated beneficiary. We are mirroring VRS by proposing to allow for a change of the beneficiary in the event the named beneficiary passes away prior to the retiree or if the named beneficiary is a spouse and the retiree and spouse get divorced with less than 20 years of marriage. However, if the retiree has been married more than 20 years then the ex-spouse would have to relinquish that benefit.
 - (b) Active NERS membership eligibility
 1. Current active NERS members hired on or before January 1, 2015, would stay under our current Optional Allowance options of No Option, Option A, B or C with no beneficiary changes allowed.
 2. Current active NERS members who are vested prior to January 1, 2020, without broken service will be eligible under the proposed changed options. The proposed population will be eligible for the new option of a full

benefit or a reduced benefit with a named beneficiary with limited possibility for a change allowed. This would be all new hires following the date of the ordinance that would be approved by City Counsel and members hired on or after January 1, 2015. These dates do not mirror VRS, as VRS already had this in place for a long time, so these dates would be specific to NERS based on the potential for to convert to this model.

- (c) If NERS decides to do a transition into VRS, VRS determines what VRS plan and benefits members will receive.
- (d) NERS has contracted with Cheiron to determine the actuarial impact to the System if the death after retirement benefit is modified. The Board made the determination to suspend the optional allowance determination recommending the modification to City Council until the actuarial impact is received from Cheiron. Discussion regarding modification of optional allowances (death after retirement benefits) will be revisited at the September Board of Trustees meeting.

(2) Sec. 37-2. – Definitions –

- (a) Recommendation to update or add the following definitions to City Code, Chapter 37-2 - Definitions: Council member, Disability retirement, General member, Public safety member, Vested member, Average final compensation, Normal service retirement age, Early service retirement age, Ordinary disability retirement, Accidental Disability retirement, Deferred retirement option plan (DROP), and Mandatory retirement age.
- (b) Recommendation to add Executive Director description to City Code, Chapter 37-96 – Administration and Finances.
- (c) Request to remove “Paramedics” from the City Code since that job classification no longer exists.

(3) Sec. 37-103.1 – Additional language to include contribution interest accrual termination date (previously approved May 2020).

(4) Motion made to approve the recommendations to modify City Code Chapter 37-2, 37-96 and 37-103.1. Board voted unanimously to approve the recommendations. The Board requested to not recommend changes to City Code Chapter 37-2, 37-96, 37-103.1 until final approval of 37- 68 (optional allowances) recommendations are complete and all items are addressed and incorporated into one Ordinance for City Council discussion and consideration.

Roll call vote:

- Stephanie Calliott – Approved
- Yvonne Allmond – Approved
- Lawrence Bernert – Approved
- Kenneth Crowder – Not in attendance
- Butch Eason – Approved
- Daryl Howard – Approved
- James Izard – Approved
- Christina Talley – Approved
- Christine Garczynski – Approved
- Catheryn Whitesell – Approved

c. Trustee Manual Updates – Manual to be modified by incorporating additional comments received from several Trustees. City legal (Andy Fox, Deputy City Attorney I) to opine on several of the comments from the Trustees. The Code of Ethics final draft revision anticipated to be presented at the September Board meeting. Board Chair requested that the next Trustee manual draft be sent showing track changes mode to make it easier for the Board of Trustees to review changes only. Requested that any additional be changes submitted by Friday, July 3, 2020.

2. Investment Management Committee –

a. Committee Membership

- (1) Larry Bernert (Chair)
- (2) Stephanie Calliott
- (3) Christine Garczynski
- (4) James Izard
- (5) Member appointment needed due to Eric Tucker retirement effective March 1, 2020

b. Monthly Flash/Capital Markets

- (1) As of May 31, 2020, Total Plan Actuarial Liability (AL) is \$1.37 billion with an Actuarial funded ration (AVA/AL) of 73%.
- (2) All asset classes are within policy range. Performance for FY to date for the end of May is -0.93%, which is about 1% behind the strategy index for the same period with the gap driven by the underperformance of the UBS Trumbell property fund. Redemption request in process for UBS fund, but the request is on hold due to liquidity of current profit margins. UBS liquidation may take months to years to receive full redemption.
- (3) FY 2020 employer contribution from the City in the amount of approximately \$40 million to be wired to State Street Bank and Trust on July 1, 2020. Distribution of funds to be allocated as follows: \$8 million to be used for NERS July 2020 payroll, \$5 million to be transferred into equities with an additional \$15 million to be equally distributed in the next 3 months, the remaining balance to be placed in Pimco (fixed income).
- (4) AndCo reviewed the MLPs, currently have 5% allocation to MLPs. The Board agreed not to add or rebalance into MLPs currently.
- (5) Introduction of Infrastructure as an asset class to be considered as an addition to the portfolio. Any decision on asset classes or policy changes are on hold until the Board determines the status of the potential transition to VRS.
- (6) Investment Committee meeting to be held in September.

L. Other / Old Business

1. City Code Chapter 37 Revisions Proposed June 2019 to City legal –

a. Remove: Sec. 37-2. – Definitions

- (1) Council Member
- (2) General Member
- (3) Public Safety Member
- (4) Normal Service Retirement Age to address birth age and age at the time a service timeframe is attained (defined by employee type and date)
- (5) Early Service Retirement Age to address birth age and age at the time a service timeframe is attained (defined by employee type and date)
- (6) DROP
- (7) Mandatory Retirement Age (defined by employee type and date)
- (8) Vested Member (defined by employee type and date)

b. Sec. 37-21(d) – Generally

- (1) Revise to include HR classifies the members as general or public safety officers not the board

c. Sec. 37-45 – Restoration of creditable service upon re-enrollment after service terminated

- (1) Meaning of last full sentence “If such contributions are repaid no later than the last day of the calendar month.....”

d. Sec. 37-65. - Accidental disability retirement allowance—Generally

- (1) Language to include NERS allowance to be initially completely offset until provided Workers' Compensation documentation or documentation to increase pay

e. Sec. 37-67. - Reexamination of and reduction of benefits for beneficiaries retired on disability

- (1) Remove: Sec. 37-68 – Optional Allowances

f. Ability to change named beneficiary under limited circumstances

g. Sec. 37-71. - Accidental death benefit

h. Sec. 37-74(g) – Disposition of contributions upon retirement from or termination of service.

- (1) Correct language from the “member will pay the distribution in a direct rollover...”. This should read the “system will pay the distribution...”

i. Sec. 37-77. - Offset of workers' compensation benefits

2. Virginia Retirement System (VRS) Feasibility Study

- a. City is currently awaiting actuarial impact results pertaining to VRS study (scenario #1, scenario #2 and modification of hazardous duty personnel migrating into social security).

- b. Cheiron is looking into the funding and cost.
- 3. Investment Consultant Request for Proposal (RFP) (March 2018) and Request for Information (RFI)
 - a. RFP suspended for 4 months due to possible VRS participation by the City (April 2018); Discussion on NERS utilization of City procurement process led to recommendation that a RFI to be developed outside of the City procurement process given the NERS exemption (December 2018); RFI was in process but suspended while awaiting election of new investment committee chair and proposal to obtain a consultant to assist in the RFI process for an investment consultant (February - April 2019).
 - b. Chair requested to revise the verbiage on docket to state proposal is suspended indefinitely until determination on the VRS Feasibility Study has been finalized.
- 4. Investment Management – AndCo
 - a. Discretionary Services (DS) Investment Model (on hold pending VRS study)
 - (1) NERS Investment Policy Statement (possible IPS draft from AndCo)
 - (2) City of Royal Oak Health Care Investment Trust (example IPS)
 - b. Request to add verbiage on docket to state suspended indefinitely until determination on the VRS Feasibility Study has been finalized.
- 5. Investment Policy Review – Suspended indefinitely until determination on VRS Feasibility Study has been finalized.
- 6. UBS Redemption
 - a. Quarterly dividend has been paid out. Gross distribution was \$419,280.97, with a quarterly advisory fee withheld of \$84,263.64. This leaves a net distribution of \$335,017.33.
 - b. Due to COVID-19, UBS has placed all redemptions on hold this quarter. Chair requested to update docket to include that Quarter 1 and Quarter 2 have been placed on hold.

M. New Business/Other

- 1. NERS Board of Trustees appointment Christina (Tina) Talley; Term May 26, 2020 – December 31, 2022; Resolution Number 1,789 effective May 26, 2020.

2. Allocation of FY 2021 Employer Contribution - \$40,698,246.00. (Employer contribution combined rate 20.3% of annualized covered payroll for \$200,500,000.00)
3. NERS external audit.
 - a. External auditors will be coming into the office, depending on COVID-19 status. Scheduled to come in October 2020, but if needed we would be able to do the audit remotely.
4. Staff Update – NERS has been working remotely since March 2020. There were initially some technology issues but those has been worked out. We have been servicing our members via email and phone. NERS has created more Know 2 Ask brochures to help educate our members, as well as a Pre-Retirement Checklist to provide to members. NERS is exploring paperless process options.

N. Adjournment

Next Meeting:	September 2, 2020
Anticipated Quorum:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Scheduled Guest Speaker(s):	

Exhibit 1
Obligations Reported for Payment

	Description	Amount
1.	State Street Corporation	\$17,026.98
2.	Cheiron	\$9,467.38
3.	AndCo, Inc.	\$52,092.81
4.	Harvest Fund Advisors (quarterly)	\$56,326.00
5.	Tortoise (quarterly billing)	\$36,176.00
6.	PIMCO (quarterly billing)	\$58,734.00
7.	Retirement Payroll June 2020 & July 2020 (estimated)	\$16,173,061.51
8.	MCCI	\$5,602.34
9.	FY 2020 City Reimbursement from NERS July 2019 – June 2020 (estimated)	\$475,000.00
10.		
11.		
12.	TOTAL	\$16,510,425.51

Additional Details

- (1) Custodial Services - Apr 2020(Actual) – May 2020 (Estimated) (\$10,621.55 Mar 2020 invoice paid June 2020)
- (2) Consulting services - Apr 2020 - May 2020 (Apr – May 2020 paid June 2020)
- (3) Consulting services 2020 Q2 Apr 2020 – June 2020 (Estimated)
- (4) Harvest Fund 2020 Q2 Apr 2020 – June 2020 (Estimated)
- (5) Tortoise Fund 2020 Q2 Apr 2020 – June 2020 (Estimated)
- (6) PIMCO 2020 Q2 Apr 2020 – June 2020 (Estimated)
- (7) Payroll for June 2020 \$8,173,061.51 (actual) and July 2020 \$8,000,000.00 (Estimated)
- (8) Scanning Services – April 2020 (Invoice paid June 2020)
- (9) FY2020 NERS Operational and Admin Reimbursement Cost July 2019 – June 2020 (Estimated)