I. COMMENCEMENT

1. Chairperson call meeting to order.

<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Start Time</th>
<th>End Time</th>
<th>Meeting Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/02/2020</td>
<td>12:00 PM</td>
<td>12:35 PM</td>
<td>Regular</td>
</tr>
</tbody>
</table>

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: 160 236 9506

2. Roll call.

<table>
<thead>
<tr>
<th>Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
</tr>
</tbody>
</table>

Present:
- Stephanie A. Calliott
- Yvonne T. Allmond (Meeting Chair) ✓
- Lawrence A. Bernert, III ✓
- Rev. Kenneth W. Crowder ✓
- Arthur M. Eason, III ✓
- Daryl Howard ✓
- James Izard ✓
- Christina (Tina) Talley ☐
- Christine Garczynski ✓
- Catheryn Whitesell ✓

Additional Attendees

<table>
<thead>
<tr>
<th>Penny DeLosh</th>
<th>Andy Fox</th>
<th>Melissa Williams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>Deputy City Attorney I</td>
<td>Retiree (in process of retiring)</td>
</tr>
</tbody>
</table>
3. Approval of minutes of meeting held:  

☑ Approved  □ Denied

## II. REPORTING

<table>
<thead>
<tr>
<th>Reporting Period: August – September 2020</th>
<th>TOTAL (Submitted/Approved)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Service Retirement Applications</strong></td>
<td>22</td>
</tr>
<tr>
<td>1. Normal Service Retirement</td>
<td>15</td>
</tr>
<tr>
<td>2. Normal Service Retirement with DROP</td>
<td>1</td>
</tr>
<tr>
<td>3. Early Service Retirement - Reduced</td>
<td>1</td>
</tr>
<tr>
<td>4. Early Service Retirement - Deferred</td>
<td>2</td>
</tr>
<tr>
<td>5. Vested Service Retirement</td>
<td>3</td>
</tr>
<tr>
<td><strong>B. Disability Retirement Applications</strong></td>
<td>2</td>
</tr>
<tr>
<td>6. Accidental Disability Retirement</td>
<td>1</td>
</tr>
<tr>
<td>7. Ordinary Disability Retirement</td>
<td>1</td>
</tr>
<tr>
<td><strong>C. Disability Reexamination Determinations</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>D. DROP Exit Report</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>E. Report of Deaths</strong></td>
<td>31</td>
</tr>
<tr>
<td>1. Retiree</td>
<td>27</td>
</tr>
<tr>
<td>2. Spouse or Beneficiary</td>
<td>4</td>
</tr>
<tr>
<td><strong>F. Death Benefit Claims</strong></td>
<td>8</td>
</tr>
<tr>
<td><strong>G. Retirement Rescissions</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>H. Previous Docket Amendments and Corrections</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>I. Nonvested Member Separation</strong></td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>$66,567.32</td>
</tr>
</tbody>
</table>

**J. Obligations Reported for Payment**

Refer to EXHIBIT 1
K. Committee Reports: Administration and Planning & Investment Management

1. Administration and Planning Committee –
   a. City Code Chapter 37 Revisions Proposed Sec. 37-68 Optional Allowances for City Council consideration
      (1) Cheiron actuarial funding impact
         A. Members would have two (2) death after retirement election options
            i. No death after retirement benefit payable to designated beneficiary
               1. Retiree is entitled to receive their full monthly retirement benefit for their lifetime
               2. No future NERS benefits to be paid upon the passing of the retiree
            ii. Death after retirement benefit payable to designated beneficiary
               1. Retiree is entitled to a reduced monthly retirement benefit for their lifetime
               2. Designated beneficiary is entitled to fifty percent (50%) of the retiree’s reduced monthly benefit upon the passing of the retiree
               3. Allowable changes to designated beneficiary
                  a. If the designated beneficiary predeceases the retiree, the retiree is entitled to designate a different beneficiary
                  b. If the retiree designated their spouse as the beneficiary and subsequently divorces and was married less than twenty (20) years, then the retiree is entitled to designate a different beneficiary
                  c. If the retiree designated their spouse as the beneficiary and subsequently divorces and was married over twenty (20) years, the ex-spouse will be entitled to fifty percent (50%) of the reduced monthly retirement benefit the retiree was receiving upon their death. Legal documentation specifying the relinquishment of the ex-spouse’s entitlement to the retiree’s death benefit must be provided to NERS for the designated beneficiary to be changed or eliminated.
B. Affected Populations
   i. Original Proposal
      1. Current active member hired prior to July 1, 2016, would be entitled to the current optional allowance benefits (no option, option A, option B, option C, no designated beneficiary changes)
      2. Members hired prior to January 1, 2015, or active members vested prior to January 1, 2020, would be entitled to the new optional allowance benefits (limited changes to the designated beneficiary). This scenario did not always hold true and needed reconsideration
   ii. Modified Affected Populations
      1. Current active members hired prior to July 1, 2016, are eligible to elect which optional allowance plan they would prefer (either the current optional allowance plan with no possible beneficiary change or the proposed fifty percent (50%) designated beneficiary with limited changes to the designated beneficiary)
      2. Current active member hired on or after July 1, 2016, are eligible for the new optional allowance benefit only (limited changes to designated beneficiary)
      3. The optional allowance election at the time of retirement is irrevocable
      4. Retiree’s reduced benefit will remain at the original reduced amount for the lifetime of the retiree
   C. The City’s FY 2021 contribution was approximately $40.6 million. If only certain populations were allowed to elect the change of optional allowance plan, such as a member who is vested and has not retired at the time, it would decrease the City’s contributions to $37.3 million, assuming all variables remain constant. In Plan 2 as identified in the Cheiron impact study, which is the option proposed, members hired on or after July 1, 2016, the City’s contribution amount is projected to be $40.2 million due to the proposed optional allowance benefit changes.
   D. Based upon Cheiron’s 15-year projections (2035), if NERS continues with no changes to the optional allowance benefit, the City’s contribution amount is estimated to be $59.5 million.
E. Based upon Cheiron’s 15-year projections (2035), if the proposed optional allowance benefit changes are implemented (new hires on or after July 1, 2016), the City’s contribution amount is estimated to be approximately $58.0 million.

F. Changes to the optional allowance benefit will have a greater impact over time. As the membership impacted by the optional allowance benefit modification increases, the greater the decrease will be reflected in City’s contribution. At minimum, the elimination of the current free surviving spouse benefit will result in cost savings.

G. Request for a recommendation from the Board of Trustees to proceed with modified optional allowance benefit to mandate new optional allowance benefit election to members hired on or after July 1, 2016 (Cheiron Plan 2). This option is not retroactive to any member currently retired.

H. Legal will draft ordinance with optional allowance benefit modifications, definitions, and additional language for City Code Chapter 37 to be presented to City Council for consideration.

I. Motion was made to recommend to City Council the proposed optional allowance benefit changes.
   i. Verbal Vote:
      - Stephanie Calliott – not in attendance
      - Yvonne Allmond – Yes
      - Larry Bernert – Yes
      - Rev. Ken Crowder – no response
      - Arthur Eason – Yes
      - Daryl Howard – Yes
      - James Izard – Yes
      - Christina (Tina) Talley – not in attendance
      - Christine Garczynski – Yes
      - Catheryn Whitesell – Yes

   b. Trustee Governance Manual – Final document published
   c. Code of Ethics and Conduct – Draft
      (1) To be disseminated prior to next Board of Trustees meeting
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 July 1, 2019, Total Plan Actuarial Liability (AL) is $1.398 billion and the Actuarial Value of assets (AVA) is $1.097 billion for an Actuarial funded ratio (AVA/AL) of 79%. Using the Market Value of Assets (MVA), the Market Funded Ratio (MVA/AL) was approximately 73% in June 2020 and 78% in July 2020.
      (2) Performance for the quarter was 12.7%, which compares reasonably favorable with the fund policy of 13.4%.
      (3) Real Estate and MLPs remain a challenge for the portfolio. Investment Committee will work with Consultant to determine next steps and how to proceed.
      (4) Still waiting on decision if NERS will align with VRS. If remain independent, will discuss doing a Consultant search. Ms. Whitesell stated that NERS will remain for an extended period of time and she believes that we should not be waiting to make investment decisions until a determination is made if NERS will proceed with aligning with VRS.
      (5) Investment Committee to draft a plan of action to discuss at the next Board of Trustees meeting.
      (6) Recommendation made, prior to making RFP, a consultant is hired to assist in the process of writing the RFP. This will be included in the draft plan of action.

L. Other / Old Business
   1. Virginia Retirement System (VRS) Feasibility Study
   2. Investment Consultant Request for Proposal (RFP) (March 2018) and Request for Information (RFI)
a. RFP suspended indefinitely until determination on the VRS feasibility study has been finalized; 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).

3. Investment Management – AndCo

a. Discretionary Services (DS) Investment Model (Suspended indefinitely until determination on the VRS feasibility study has been finalized)
   (1) NERS Investment Policy Statement (possible IPS draft from AndCo)
   (2) City of Royal Oak Health Care Investment Trust (example IPS)

4. Investment Policy Review – Suspended indefinitely until determination on VRS feasibility study has been finalized.

5. UBS Redemption

a. Quarter 1 and Quarter 2 redemption were placed on hold due to COVID-19.

M. New Business/Other

1. NERS external audit.
   a. Closer to end of audit. NERS is working on finalizing CAFR.

2. Deferred decisions due to VRS feasibility study.
   a. NERS assets will still need to be tended to even if aligned with VRS.

N. Adjournment

<table>
<thead>
<tr>
<th>Next Meeting:</th>
<th>November 4, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticipated Quorum:</td>
<td>☐ Yes  ☐ No – Email to be sent</td>
</tr>
<tr>
<td>Scheduled Guest Speaker(s):</td>
<td></td>
</tr>
</tbody>
</table>
## Exhibit 1
### Obligations Reported for Payment

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. State Street Corporation</td>
<td>$18,000.00</td>
</tr>
<tr>
<td>2. Cheiron</td>
<td>$9,467.38</td>
</tr>
<tr>
<td>3. AndCo, Inc.</td>
<td>$52,092.81</td>
</tr>
<tr>
<td>4. Harvest Fund Advisors (quarterly)</td>
<td>$56,326.00</td>
</tr>
<tr>
<td>5. Tortoise (quarterly billing)</td>
<td>$36,176.00</td>
</tr>
<tr>
<td>6. PIMCO (quarterly billing)</td>
<td>$58,734.00</td>
</tr>
<tr>
<td>7. Retirement Payroll Aug 2020 &amp; Sept 2020 (estimated)</td>
<td>$15,939,792.50</td>
</tr>
<tr>
<td>8. MCCI</td>
<td>$5,602.34</td>
</tr>
<tr>
<td>9. FY 2020 City Reimbursement from NERS July 2019 – June 2020 (estimated)</td>
<td>$475,000.00</td>
</tr>
<tr>
<td>10.</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td></td>
</tr>
<tr>
<td>12. TOTAL</td>
<td>$16,511,398.53</td>
</tr>
</tbody>
</table>

### 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 August 2020 $7,939,792.47 (actual) and September 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)