

RETIREMENT BOARD OF TRUSTEES MEETING MINUTES

COMMENCEMENT

1. Chairperson call meeting to order.

Meeting Date	Start Time	End Time	Meeting Type
11/1/2023	11:00 AM	12:45 PM	Regular
Meeting Information City Hall Building, Sixth Floor Conference Room 810 Union Street, Norfolk, Virginia			

2. Roll call.

	Present
Lawrence A. Bernert, III (Chair)	<input checked="" type="checkbox"/>
Yvonne T. Allmond (Vice-Chair)	<input checked="" type="checkbox"/>
Elizabeth (Liz) A. Delude	<input checked="" type="checkbox"/>
Arthur M. Eason, III	<input type="checkbox"/>
John Garris	<input checked="" type="checkbox"/>
Daryl Howard	<input checked="" type="checkbox"/>
James Izard (Investment Committee Chair)	<input checked="" type="checkbox"/>
Lashawnda Hall	<input checked="" type="checkbox"/>
Christine Garczynski (Admin and Planning Committee Chair)	<input checked="" type="checkbox"/>
Catheryn Whitesell	<input checked="" type="checkbox"/>

Additional Attendees

Penny DeLosh Executive Director	Jackie Cowan Retirement Benefits Administrator	Andy Fox Deputy City Attorney I
Justin Runkel Cheiron	Kevin Woodrich Cheiron	

3. Approval of minutes of meeting held September 20, 2023:

☒ Approved ☐ Denied

REPORTING**Reporting Period: October 2023 – November 2023****TOTAL**
(Submitted/Approved)

A. Service Retirement Applications	37
1. Normal Service Retirement	6
2. Normal Service Retirement with DROP	12
a. General Employees	6
b. Public Safety Employees	6
3. Early Service Retirement – Reduced Benefit	1
4. Early Service Retirement – Deferred Benefit	0
5. Vested Service Retirement	18
B. Disability Retirement Applications	0
1. Accidental Disability Retirement	0
2. Ordinary Disability Retirement	0
C. Disability Reexamination Determinations	1
D. DROP Exit Report	5
E. Report of Deaths	33
1. Retiree	29
2. Spouse or Beneficiary	4
F. Death Benefit Claims	12
G. Retirement Rescissions	0
H. Previous Docket Amendments and Corrections	0
I. Non-Vested Member Separation from Employment	11
Total	\$79,517.77

J. Obligations Reported for Payment

Refer to EXHIBIT 1

K. Committee Reports

1. Administration and Planning Committee – no meeting
 - a. Code of Ethics and Conduct – pending approval
 - b. NERS Board of Trustees Governance Manual – pending approval

2. Investment Management Committee – no meeting
 a. Meketa Executive Summary as of August 31, 2023

NERS	August 31, 2023	July 31, 2023	June 30, 2023
Total Fund Balance	\$1.28 Billion	\$1.31 Billion	\$1.25 Billion
Funded Status	83%	85%	81%
NERS Assumed Rate of Return	6.75%	6.75%	6.75%
FYTD Rate of Return	0.2%	2.0%	8.4%
Monthly Rate of Return	-1.8%	2.0%	3.1%
Monthly Gains/Losses	-\$24.2 million	\$26.5 million	\$37.7 million
Monthly Net Cash Flow	-\$7.6 million	\$33.9 million	-\$7.0 million

b. Performance Update as of August 31, 2023

Performance Update | As of August 31, 2023

Asset Class Performance Summary											
	Market Value (\$)	% of Portfolio	1 Mo (%)	FYTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	1,277,923,995	100.0	-1.8	0.2	7.4	5.7	4.9	4.9	6.3	7.7	Oct-90
Total Fund Policy Benchmark			-1.9	0.6	8.4	7.0	5.7	5.5	6.4	7.8	
Total Fund Actual Allocation Benchmark			-1.9	0.5	8.1	--	--	--	--	--	
Total Fund Public Benchmark			-2.3	0.5	10.8	8.9	3.3	5.1	6.2	7.9	
Growth Assets	672,615,369	52.6	-2.6	0.6	13.4	--	--	--	--	9.1	Dec-22
Growth Assets Custom Benchmark			-2.7	0.8	14.8	--	--	--	--	9.9	
Global Equity	672,615,369	52.6	-2.6	0.6	13.4	12.7	7.4	7.3	9.0	8.9	Oct-90
Global Equity Policy Benchmark			-2.9	0.8	14.2	13.3	7.3	7.0	8.7	9.2	
Credit	65,128,143	5.1	1.2	2.6	--	--	--	--	--	4.6	May-23
Credit Custom Benchmark			0.7	2.1	8.0	--	--	--	--	3.5	
High Yield & Bank Loans	65,128,143	5.1	1.2	2.6	--	--	--	--	--	4.6	May-23
High Yield & Bank Loans Custom Benchmark			0.7	2.1	8.0	8.1	3.9	3.8	4.4	3.5	
Inflation Hedges	251,427,467	19.7	-1.3	0.4	-2.7	--	--	--	--	-7.0	Dec-22
Inflation Hedges Custom Benchmark			-1.5	0.6	-1.7	--	--	--	--	-4.2	
Real Estate	89,486,464	7.0	-0.9	-0.6	-6.6	-12.7	2.3	1.6	5.2	6.5	Apr-11
NCREIF ODCE (Net)			0.0	0.0	-6.2	-10.7	7.0	5.6	7.8	8.4	
Natural Resources & Infrastructure	40,892,763	3.2	-4.2	2.4	--	--	--	--	--	-1.4	Apr-23
S&P Global LargeMidcap Resources & Commodities NR USD			-4.2	2.4	-3.0	1.9	17.0	8.4	5.0	-1.5	
Gold	35,933,446	2.8	-2.5	0.4	--	--	--	--	--	-5.0	Apr-23
60% Gold (Spot)/ 40% FTSE Gold Mines			-3.9	-1.3	3.8	16.6	--	--	--	-5.3	
Short-Term TIPS	85,107,532	6.7	0.1	0.6	--	--	--	--	--	0.9	Mar-23
Bloomberg U.S. TIPS 0-5 Year			0.1	0.6	2.1	0.5	1.9	2.8	1.8	1.8	
MLPs	7,262	0.0									

Performance Update | As of August 31, 2023

	Market Value (\$)	% of Portfolio	1 Mo (%)	FYTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Risk Mitigation	288,753,016	22.6	-1.0	-1.6	2.0	--	--	--	--	1.5	Dec-22
Risk Mitigation Custom Benchmark			-0.6	-0.5	1.0	--	--	--	--	0.6	
Investment Grade Fixed Income	220,290,393	17.2	-1.2	-1.7	1.2	-1.4	-4.4	0.5	1.6	5.1	Oct-90
Bloomberg U.S. Aggregate Index			-0.6	-0.7	1.4	-1.2	-4.4	0.5	1.5	5.0	
Intermediate-Term Bonds	171,555,580	13.4	-0.7	-0.7	2.1	-0.6	-4.1	0.6	1.7	5.1	Oct-90
Bloomberg U.S. Aggregate Index			-0.6	-0.7	1.4	-1.2	-4.4	0.5	1.5	5.0	
Long-Term Bonds	48,734,813	3.8	-2.8	-4.9	--	--	--	--	--	-2.7	Mar-23
Bloomberg U.S. Treasury: Long			-2.8	-4.9	-1.4	-9.7	-13.5	-1.9	1.6	-2.7	
Hedge Funds	63,708,691	5.0	-0.4	-1.1	--	--	--	--	--	2.4	Apr-23
HFRI Macro (Total) Index			-0.5	0.2	-0.6	-0.7	6.3	5.0	3.2	1.9	
Cash	4,753,932	0.4									

c. Comparison to June 30, 2023

Performance Update | As of June 30, 2023

Asset Class Performance Summary											
	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	1,248,442,785	100.0	3.1	2.7	7.2	8.4	7.1	5.4	6.5	7.7	Oct-90
Total Fund Policy Benchmark			3.3	2.9	7.8	9.5	7.6	6.0	6.5	7.9	Oct-90
Total Fund Actual Allocation Benchmark			3.1	2.7	7.6	--	--	--	--	--	Oct-90
Total Fund Public Benchmark			4.2	4.1	10.3	10.5	5.6	5.5	6.4	7.8	Oct-90
Growth Assets	671,956,583	53.8	5.5	5.7	12.7	--	--	--	--	8.4	Dec-22
Growth Assets Custom Benchmark			5.6	6.1	13.9	--	--	--	--	8.9	Dec-22
Global Equity	671,956,583	53.8	5.5	5.7	12.7	15.8	11.2	7.9	9.2	9.0	Oct-90
Global Equity Policy Benchmark			5.8	5.9	13.2	16.1	11.0	7.6	8.9	9.2	Oct-90
Credit	63,501,269	5.1	1.3	--	--	--	--	--	--	1.9	May-23
Credit Custom Benchmark			2.0	2.4	5.9	--	--	--	--	1.4	May-23
High Yield & Bank Loans	63,501,269	5.1	1.3	--	--	--	--	--	--	1.9	May-23
High Yield & Bank Loans Custom Benchmark			2.0	2.4	5.9	9.6	4.7	3.7	4.3	1.4	May-23
Inflation Hedges	233,410,832	18.7	0.1	-2.3	-3.1	--	--	--	--	-7.4	Dec-22
Inflation Hedges Custom Benchmark			0.0	-2.6	-2.3	--	--	--	--	-4.7	Dec-22
Real Estate	90,643,992	7.3	-0.5	-1.6	-6.1	-12.1	2.5	1.8	5.4	6.6	Apr-11
NCREIF ODCE (net)			-2.8	-2.8	-6.1	-10.7	7.1	5.6	7.8	8.5	Apr-11
Natural Resources & Infrastructure	31,502,822	2.5	6.1	-3.7	--	--	--	--	--	-3.7	Apr-23
S&P Global LargeMidCap Commodity and Resources NR USD			6.1	-3.8	-5.2	6.2	19.3	7.4	5.1	-3.8	Apr-23
Gold	35,778,914	2.9	-2.6	-5.4	--	--	--	--	--	-5.4	Apr-23
60% Gold (Spot)/ 40% FTSE Gold Mines			-2.0	-4.1	5.1	6.6	--	--	--	-4.1	Apr-23
Short-Term TIPS	75,477,780	6.0	-0.2	-0.7	--	--	--	--	--	0.2	Mar-23
Bloomberg US Treasury TIPS 0-5 Yr TR			-0.2	-0.7	1.5	0.1	2.3	2.7	1.7	1.2	Mar-23
MLPs	7,325	0.0	--	--	--	--	--	--	--	--	--
Risk Mitigation	279,574,101	22.4	0.2	-0.1	3.6	--	--	--	--	3.1	Dec-22
Risk Mitigation Custom Benchmark			0.0	-0.3	1.5	--	--	--	--	1.2	Dec-22
Investment Grade Fixed Income	214,525,350	17.2	-0.2	-1.0	3.0	0.1	-3.5	1.0	1.7	5.2	Oct-90
Bloomberg US Aggregate TR			-0.4	-0.8	2.1	-0.9	-4.0	0.8	1.5	5.1	Oct-90
Intermediate-Term Bonds	163,279,749	13.1	-0.3	-0.6	2.9	0.0	-3.6	0.9	1.7	5.2	Oct-90
Bloomberg US Aggregate TR			-0.4	-0.8	2.1	-0.9	-4.0	0.8	1.5	5.1	Oct-90

Performance Update | As of June 30, 2023

	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Long-Term Bonds	51,245,601	4.1	0.0	-2.3	--	--	--	--	--	2.3	Mar-23
Bloomberg US Treasury Long TR			0.0	-2.3	3.7	-6.8	-12.1	-0.9	1.8	2.3	Mar-23
Hedge Funds	64,442,797	5.2	1.7	3.6	--	--	--	--	--	3.6	Apr-23
HFRI Macro (Total) Index			1.1	1.7	-0.8	-0.4	7.3	5.0	3.1	1.7	Apr-23
Cash	605,953	0.0	--	--	--	--	--	--	--	--	--

L. Other / Old Business

1. UBS

a. No redemption received

M. New Business/Other

1. Introduction of new Board of Trustee Appointee, John Garriss – Resolution 1,901; term September 12, 2023, through December 31, 2024
2. Cheiron Actuary (Kevin Woodrich & Justin Runkel)
 - a. Presentation of the FY2023 Actuarial Valuation Report
 - b. The valuation includes measurement of the System's investment performance, as well as an analysis of actuarial liability gains and losses. The Actuarial Liability as of June 30, 2023, was \$1,530.8 million. The Actuarial Value of Assets (AVA) as of June 30, 2023, was \$1,293.6 million, leaving an Unfunded Actuarial Liability (UAL) at June 30, 2023, of \$237.2 million. The System was 84.5 percent funded based on the actuarial value of assets. Had the Section 115 Pension Trust Fund balance of \$73.97 million in assets as of June 30, 2023, been recognized as part of the System's assets, the System's funded ratio would be 89.3 percent on an actuarial value basis as compared to 84.5 percent. Historically, the results of a valuation identify the recommended actuarially determined contribution (ADC) rate as a percentage of NERS payroll to calculate the Employer Annual Contribution beginning Fiscal Year 2024, the recommended ADC Employer Contribution will be reflected as a dollar value compared to a percent of payroll. The changes in assets/liabilities and the calculated contribution rate or amount are illustrated in the charts below:

2023 Valuation Results
Asset/Liability Changes
 (\$ in millions)

	Liabilities	Assets	UAL	% Funded
Actual at 6/30/2022	\$ 1,534.6	\$ 1,291.7	\$ 242.9	84.2%
Expected Changes ¹	\$ 14.7	\$ 26.2	\$ (11.5)	
Plan Changes	(4.4)	0.0	(4.4)	
Assumption Changes	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
Total Expected Changes	\$ 10.3	\$ 26.2	\$ (15.9)	
Expected at 6/30/2023	\$ 1,544.9	\$ 1,317.9	\$ 227.0	85.3%
Actual at 6/30/2023	\$ 1,530.8	\$ 1,293.6	\$ 237.2	84.5%
(Gain) / Loss	\$ (14.1)	\$ 24.3	\$ 10.2	

¹ Includes Normal Cost (Liabilities), Contributions (Assets), and Benefits & Interest (both Assets & Liabilities)

City Contribution Rate/Amount (\$ in thousands)

Normal Cost Contribution	7.13%	\$ 9,718
UAL Amortization Contribution	13.48%	23,524
Administrative Expense Contribution	<u>0.35%</u>	<u>1,133</u>
Total Contribution	20.96%	\$ 34,375

3. FY 2025 Actuarial Contribution Rate Certification – Approved
 - a. Starting in fiscal year ending June 30, 2025, contributions are depicted as a dollar amount rather than a percentage of payroll. This change was made to address the declining active participation that is expected because of the City’s decision to close the Plan to new employees hired on or after January 1, 2022.
 - b. General employee: \$14,002,000.00
 - c. Public Safety: \$20,373,000.00
 - d. Combined rate: \$34,375,000.00
 - e. The Board unanimously approved certification of the FY 2025 actuarially determined Employer Annual Contribution combined amount.
4. NERS received the 3rd consecutive Award for Outstanding Achievement from the Government Finance Officers Association (GFOA) for its Fiscal Year 2022 Popular Annual Financial Report (PAFR).

N. Next Meeting: January 10, 2024

1. Anticipated Quorum: ☒ Yes ☐ No
2. Scheduled Guest Speaker(s)

O. Adjournment

	Description	Amount
1.	State Street Corporation	\$10,000.00
2.	Cheiron	\$10,655.60
3.	Retirement Payroll October 2023 & November 2023	\$17,151,904.75
4.	Meketa Investment Group, Inc.	\$104,000.00
5.	Panera Bread	\$211.53
6.	Penny DeLosh	\$57.90
7.	Fort Norfolk Plaza Medical	\$300.00
8.	CliftonLarsonAllen	\$18,500.00
9.	TOTAL	\$17,295,629.78

Additional Details

1. Custodial Services - October 2023 \$5,000.00 (estimated); November 2023 \$5,000.00 (estimated)
(Payment is auto-debited from the investment cash account)
2. Actuarial Services – October 2023 \$5,327.80 (estimated); – November 2023 \$5,327.80 (estimated)
3. Monthly Benefits Payroll - October 2023 \$8,551,904.75 (actual); November 2023 \$8,600,000.00 (estimated)
4. Outsourced Chief Investment Officer Services (OCIO) - October 2023 \$52,000 (estimated); November 2023 \$52,000.00 (estimated)
5. NERS Board Meeting Lunch - \$211.53 (September 20, 2023, paid September 2023)
6. Reimbursement for Postage - \$57.90 (paid October 2023)
7. NERS Disability Evaluation - \$300.00 (D. Carter Reexam; paid October 2023)
8. NERS Audit Fees - \$18,500.00 (FY 2023 Annual Audit; paid October 2023)