



## RETIREMENT BOARD OF TRUSTEES MEETING MINUTES



Phone:  
(757) 664-4738

Email:  
[retirement@norfolk.gov](mailto:retirement@norfolk.gov)

Website:  
[www.norfolk.gov/retirement](http://www.norfolk.gov/retirement)

Form No:  
7503

### I. COMMENCEMENT

**1. Chairperson call meeting to order.**

<b>Meeting Date</b> 5/4/2022	<b>Start Time</b> 11:00 AM	<b>End Time</b> 12:56 PM	<b>Meeting Type</b> Regular
<b>Meeting Information</b>			
City Hall Building, Sixth Floor Conference Room 810 Union Street, Norfolk, Virginia			

**2. Roll call.**

	Present
<b>Lawrence A. Bernert, III (Chair)</b>	<input checked="" type="checkbox"/>
<b>Yvonne T. Allmond (Vice-Chair)</b>	<input checked="" type="checkbox"/>
<b>Rev. Kenneth W. Crowder</b>	<input checked="" type="checkbox"/>
<b>Elizabeth (Liz) A. Delude</b>	<input checked="" type="checkbox"/>
<b>Arthur M. Eason, III</b>	<input type="checkbox"/>
<b>Daryl Howard</b>	<input type="checkbox"/>
<b>James Izard (Investment Committee Chair)</b>	<input checked="" type="checkbox"/>
<b>Christina (Tina) Talley</b>	<input type="checkbox"/>
<b>Christine Garczynski (Admin and Planning Committee Chair)</b>	<input checked="" type="checkbox"/>
<b>Catheryn Whitesell</b>	<input checked="" type="checkbox"/>

**Additional Attendees**

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

**3. Approval of minutes of meeting held March 9, 2022:**

Approved       Denied

## II. REPORTING

Reporting Period: April 2022 – May 2022	TOTAL (Submitted/Approved)
<b>A. Service Retirement Applications</b>	<b>34</b>
1. Normal Service Retirement	13
2. Normal Service Retirement with DROP	4
3. Early Service Retirement - Reduced	4
4. Early Service Retirement - Deferred	1
5. Vested Service Retirement	12
<b>B. Disability Retirement Applications</b>	<b>1</b>
1. Accidental Disability Retirement	1
2. Ordinary Disability Retirement	0
<b>C. Disability Reexamination Determinations</b>	<b>0</b>
<b>D. DROP Exit Report</b>	<b>3</b>
<b>E. Report of Deaths</b>	<b>21</b>
1. Retiree	15
2. Spouse or Beneficiary	6
<b>F. Death Benefit Claims</b>	<b>8</b>
<b>G. Retirement Rescissions</b>	<b>0</b>
<b>H. Previous Docket Amendments and Corrections</b>	<b>0</b>
<b>I. Refund of Employee Contribution and Interest</b>	<b>38</b>
1. NERS Non-Vested Member Separated Employment	
Total	<b>\$175,097.88</b>
2. NERS Non-Vested Members Transition to VRS (January – April 2022 variance due to reporting time period)*	<b>127</b>
*Discussion with outside legal counsel, David Snouffer, to verify current process of refunding the contributions for those non- vested NERS members who have elected to transition to VRS to be held.	<b>\$608,259.67</b>
<b>J. <u>Obligations Reported for Payment</u></b>	
Refer to EXHIBIT 1	

**K. Committee Reports: Administration and Planning & Investment Management**

1. Administration and Planning Committee – no meeting
2. Investment Management Committee –
  - a. Outsourced Chief Investment Officer (OCIO) RFP Finalist interviews conducted on April 25, 2022, and April 26, 2022
    - i. AON
    - ii. Wilshire Advisors LLC
    - iii. Meketa Investment Group
    - iv. Russell Investment
  - b. Investment Committee Recommendation to Board
    - i. Board of Trustees unanimously approved the recommendation to contract Meketa Investment Group as the Outsourced Chief Investment Officer, contingent upon City legal review of contract.
  - c. As of the Plan's June 30, 2021 actuarial valuation report, the plan had a fiscal year end Actuarial Liability (AL) of \$1,431,515,000. As of March 31, 2022, the Plan's current market value of assets (MVA) was \$1,373,257,401. As of March 31, 2022, the Plan's market value funded ration (current MVA/fiscal year end AL) was 95.9%.

**L. Other / Old Business**

1. Virginia Retirement System (VRS)
  - a. Effective January 1, 2022, all City employees newly hired and rehired will be participating member of the VRS
  - b. All current, active Norfolk Employees' Retirement System members will have a window of opportunity (January 1, 2022 through December 31, 2022) to elect to terminate their NERS membership and become participating members in VRS or to remain a NERS participant. This is an irrevocable retirement plan election.

c. Retirement Plan Election & Acknowledgement status update as of  
04.25.2022

<b>RETIREMENT BENEFIT ELECTION</b>	<b>As of April 25, 2022</b>
Total NERS Membership	3,579
Election Completed	1020
Remain a participating NERS member	679
Terminate my NERS membership	341
<ul style="list-style-type: none"> <li>• Choose to allow NERS to remain in NERS</li> </ul>	19
<ul style="list-style-type: none"> <li>• I elect to port my NERS into VRS</li> </ul>	76
<ul style="list-style-type: none"> <li>• I do not have 5 years in NERS (non-vested NERS member)</li> </ul>	246

2. UBS

- a. Redemption amount of \$2,386,137.96 received on April 5, 2022

**M. New Business/Other**

1. Cheiron presented the Norfolk 2022 Experience Study (July 1, 2017 – June 30, 2021), via Webex.
  - a. System actuaries, Kevin Woodrich and Justin Runkel, presented the actuarial experience study. The study is performed to compare actual plan experience against the assumptions. Experience Studies are generally performed every 3 to 5 years, the last experience study was effective with the June 30, 2017 valuation.

Both the economic and demographic assumptions were studied.

The current economic assumptions are a 7.0% discount rate and a 3.0% assumed inflation for a real rate of return of 4.0%. Past market value returns were presented with the 15-year average at 6.73%. The system investment manager's, AndCo, long-term expected rate of return is 5.04%, indefinite (30+ years) rate of 8.43% and the Horizon investment survey 20-year rate of 5.76%. Expected inflation rates over the same spans are 2.30%, 2.50% and 2.41%, with an expected real rate of return of 2.74%, 5.93% and 3.36% respectively. The 8.43% should not be expected since the System is a closed Plan. Additionally, the presentation included a review of public plan discount rate assumptions that showed that the System's assumed rate of 7.0% was within the median assumed rate of return for public plans. There is a trend of public plans lowering the assumed rate of return to below the current 7.0% rate. Median for inflation rate for majority of public pension is 2.25% to 3.0%. System inflation rate is high compared to majority.

As part of the study the actuary presented recommended changes to the discount rate.

## Estimated Financial Impact – Summary

Discount Rate	Inflation	Demographic Assumptions	Actuarial Liability (\$ millions)	June 30, 2021 Funded Status	City Normal Cost (% of Pay)	City Contribution (% of Pay)
7.00%	3.00%	Current	\$1,431.5	90.6%	8.44%	15.72%
7.00%	3.00%	Proposed	\$1,468.3	88.3%	6.28%	15.14%
6.50%	2.50%	Proposed	\$1,539.2	84.3%	7.01%	18.99%
6.50%	3.00%	Proposed	\$1,545.7	83.9%	7.63%	19.95%
6.75%	2.50%	Proposed	\$1,499.9	86.5%	6.34%	16.59%

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

# Summary of Proposed Changes



Assumption	Proposed Changes
Mortality	<ul style="list-style-type: none"> <li>Update to base tables for Pub-2010</li> <li>Update mortality improvement scale to MP-2021</li> </ul>
Retirement	<ul style="list-style-type: none"> <li>Increase rates at early ages</li> <li>Change DROP election percentage for Public Safety</li> </ul>
Termination	<ul style="list-style-type: none"> <li>Increase rates under 15 years of service</li> </ul>
Disability	<ul style="list-style-type: none"> <li>Decrease rates at each age</li> </ul>
Merit Salary Increases	<ul style="list-style-type: none"> <li>Decrease rates at each service interval</li> </ul>
Other Demographic	<ul style="list-style-type: none"> <li>Decrease marital percentage by 10% to 65% for Public Safety and 55% for General employees</li> </ul>

2. Request for approval of June 2022 NAPPA Annual Meeting expenses for City Attorney, Andy Fox. Estimated expenses, \$3,000.00, include annual meeting registration fee and travel expenses.
  - a. Board of Trustees approved the estimated expenses

## N. Adjournment

**Next Meeting:** June 8, 2022

**Anticipated Quorum:**  Yes  No

**Scheduled Guest Speaker(s):** \_\_\_\_\_

## Exhibit 1

### Obligations Reported for Payment March - April 2022

	Description	Amount
1.	State Street Corporation	\$16,845.16
2.	Cheiron	\$31,427.74
3.	Harvest Fund Advisors, LLC	\$98,557.13
4.	Tortoise Capital Advisors, LLC	\$89,658.69
5.	PIMCO	\$96,000.00
6.	AndCo	\$25,000.00
7.	Retirement Payroll April 2022 & May 2022	\$16,611,303.27
8.		
9.		
10.		
11.		
12.	<b>TOTAL</b>	<b>\$16,968,791.99</b>

### Additional Details

1. Custodial Services - March 2022 – April 2022 (\$10,547.77 Jan 2022, \$6,297.39 Feb 2022 paid March & April 2022)
2. Actuarial Services - March 2022 – April 2022 (\$10,817.62 March 2022, \$20,610.12 April 2022, paid March & April 2022)
3. Harvest Fund Advisors (\$98,557.13 2022 Q1 invoice, estimated)
4. Tortoise Capital Advisors, LLC (\$89,658.69 2022 Q1 invoice, estimated)
5. PIMCO (\$96,000.00 2022 Q1 invoice, estimated)
6. AndCo (2022 Q1 invoice, paid March 2022)
7. Payroll for April 2022 \$8,311,303.27 (actual) and May 2022 \$8,300,000.00 (Estimated)