

# Hampton Employees' Retirement System

## Meeting Agenda

3<sup>rd</sup> fl. Hardy Cash Conference Room

April 11, 2019

### Other Meeting Notes

- ✓ Dashboard page 2
- ✓ Next meeting:  
May 9, 2019 4<sup>th</sup> fl  
Human Resources

**Lunch** 12:30- 1:00 (Panera Bread)

**Roll Call** 1:00 pm

### Old Business

- Board seat appointments Pg. 3

### Minutes of previous meeting

- January 10, 2019 Pgs. 4-12

### Reporting of the Secretary

- March 2019 Dashboard review Pg. 2
- Retirement Applications & Reported Deaths Pg. 13
- Payroll Summary Pg. 14
- Vanguard Transfer/Liquidation Summary Pg. 15
- Monthly Investment Performance Summary Pgs. 16-19

### New Business

- Cheiron Contract Renewal

### Exhibits

2019 Board Meeting Dates Pg. 20  
2019 Newsletter

“Beware of  
little expenses;  
a small leak  
will sink a  
great ship.”

Perognon Franklin

# MARCH 2019 HERS DASHBOARD FOR APRIL REVIEW

## MEMBERSHIP DATA & ACTIVITY

<b>05 New Retirees</b>	<b>3 Deaths</b>	<b>2521 HERS Retirees</b>	<b>Active 39</b>	<b>282 Vested Terminated</b>
5 Vested	3 Retirees	995 City 1,526 School	14 School 25 City	

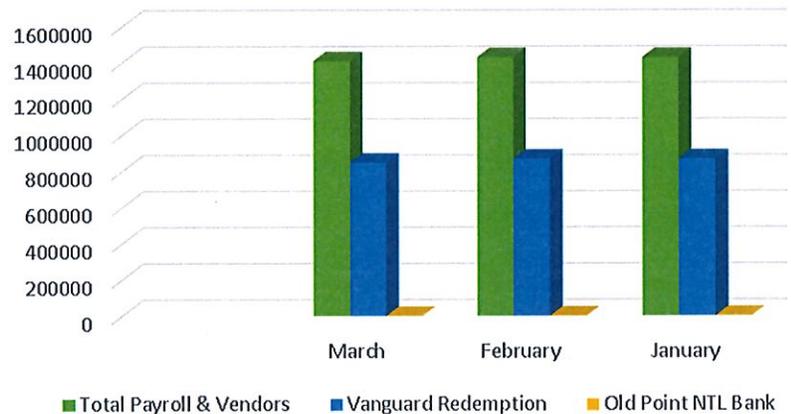
As of March 31, 2019

## PAYROLL DATA

### PAYROLL TOTALS

2019	Total Payroll & Vendors	Vanguard Redemption	Old Point NTL Bank
March	\$1,409,781	\$850,000	\$90
February	\$1,429,881	\$870,000	\$199
January	\$1,428,404	\$868,000	\$713

Payroll Totals



### DIRECT DEPOSIT & CHECKS

	Direct Deposit	Check Total	Total Checks Printed
March	\$1,164,794	-	-
February	\$1,134,681	-	-
January	\$1,148,028	-	-

## INVESTMENT ACTIVITY

### 2019 Portfolio Month End Balances

March	\$125,293,206
February	\$124,454,322
January	\$122,693,038

### Month End Investment Performance Summary

2019	Monthly Rate-of- Return	Composite Benchmark	Fiscal YTD Rate-of- Return
March	1.37%	1.34%	3.64%
February	2.14%	2.13%	2.32%
January	5.54%	5.66%	.28%
Target Performance			7.0%
<b>Note: Target performance lowered as of 7/1/18</b>			

## REMINDERS/NOTES/COMMENTS

- Happy spring!
- Next HERS Board Meeting: Thursday, May 9, 2019 4<sup>th</sup> fl. Human Resources Conference Room
- Welcome Graystone Consulting at the May 2019 meeting
- 2019-2020 HERS Budget Review/Approval

EMPLOYEES' RETIREMENT SYSTEM  
MINUTES OF THE MEETING  
OF THE BOARD OF TRUSTEES  
**Today's Meeting date: Thursday, April 11, 2019**

**Old Business**

**Hampton City Council board seat appointment update**

**Previous Meeting Minutes**

The regular monthly meeting of the Board of Trustees, Hampton Employees' Retirement System was held at 1:00 p.m. on **Thursday, January 10, 2019** in the 4<sup>th</sup> Floor Human Resources Conference Room. The meeting was called to order by the chairman and present were:

**Present:**

Mr. A.G. Womble, Chairman (VM)  
Mr. Joe Sanders (VM)  
Mr. Michael Monteith, Trustee (VM)  
Mr. James Wilson, Trustee (VM)  
Mr. Karl Daughtrey, Administrator/Treasurer  
Mr. William Moore, Legal Representative  
Ms. Loretta Ayers, Recording Secretary

Ms. Vizel Townsend (VM)  
**Dr. Martha Milo-Avery (VM) (Absent)**  
Ms. Carolyn Bowers (VM)  
**Mr. Brian DeProfio (Absent)**  
Ms. Rhonda Lundy, Secretary  
Ms. Sybil Ellsworth, Accountant

PREVIOUS AGENDA 1/10/19
1. Presentation by Vanguard, Jeff Edwards
2. Presentation by Cherry Bekaert, Annual Audit Report
3. Previous minutes: 12/6/18
4. Retirement applications & reported deaths
5. Payroll summary
6. Vanguard transfer & liquidation summary review
7. Monthly Investment performance report
8. HERS 2019 newsletter

Mr. Womble called the meeting to order at 1:00pm

Mr. Womble asked the board to keep Dr. Martha Milo-Avery and Mr. Ken Cox in their thoughts as they have both been ill.

Mr. Womble welcomed Jeff Edwards with Vanguard and Trish Blue and Scott Hammond with Cherry Bekaert.

**Vanguard Annual Report**

**Presenter: Jeff Edwards**

Mr. Edwards will review the following topics:

- HERS Relationship summary
- Vanguard update
- Market and economic over
- Vanguard fund review

**Asset Summary as of November 30, 2019 4:34**

Mr. Edwards reviewed the HERS funds and total assets.

Fixed Income Securities	\$ 44,848,010.35
Equity	\$ 79,497,328.53
Total assets	\$124,345,338.88

**Vanguard Update**

- Currently has 17k employees; 1k more than previous year.
- Corporate Structure: Vanguard is owned by their funds; there are no outside investors.

- Vanguard takes a stand for all investors daily.
- \$5.0 trillion in assets under management. 67% are institutional and intermediary assets.
- #1 provider of target date funds. \$2.0 trillion of the assets are target date funds.
- Vanguard’s core purpose, “To take a stand for all investors, treat them fairly, and give them the best change for investment success.”

**Low Costs 6:52**

- Consistently over time the cost of doing business with Vanguard has gone down.
- In 2018 the average was .12% and it is now .11%. Vanguard’s business moto is as they grow the savings go back to the investors.
- Over the past 3 years, because of expense ratio reduction, \$500 million in cost savings have been passed on to investors.

*Question:*

*In comparison to Fidelity, has Vanguard considered no cost index funds? 8:02*

*Response:*

*This is not something Vanguard is going to react to immediately and we will stand by our moto and continue to drive down cost.*

**Diversity of Vanguard Assets 9:55**

- Retail and institutional business are large pieces of the Vanguard business; allowing Vanguard to serve both ends of the market.
- Vanguard offers a full service business that provides record keeping as well as investment only which provides asset management only.
- 84% of assets are managed by Vanguard and 15% are managed outside of Vanguard. Vanguard engages other providers so that we have the best talent possible.
- Mr. Edwards reviewed institutional assets by investment method and investment category.
- Vanguard is also a large manager of active assets and is one of the top three (3) active managers.

**Vanguard continues to lead in asset cash flow for long-term funds 13:47**

- Vanguard has dominated cash flow across the industry over the past two years. As for 2018, Vanguard continued to dominate cash flow, though a more modest year with less money coming into the market.

**Historical perspective  
YTD\* as of December 31, 2017**

Rank	Manager	2017 (\$B)	2016 (\$B)
1	Vanguard	\$338.5	\$275.5
2	BlackRock	\$203.9	\$97.2
3	PIMCO	\$44.2	-\$7.0
4	Schwab	\$28.9	\$12.9
5	SSgA	\$27.8	\$48.8
6	DFA	\$25.6	\$17.9
7	American Funds	\$17.2	-\$4.0
8	Edward Jones	\$13.8	\$8.4
9	Lord Abbett	\$9.1	\$4.1
10	Robert W Baird	\$9.0	\$8.2

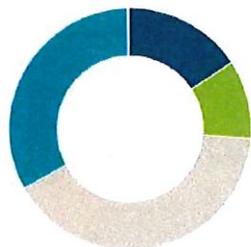
**Current perspective  
YTD\* as of November 30, 2018**

Rank	Manager	2018 (\$B)	2017 (\$B)
1	Vanguard	\$148.4	\$322.4
2	BlackRock	\$106.1	\$193.5
3	Schwab	\$28.5	\$26.4
4	American Funds	\$21.6	\$17.5
5	DFA	\$19.0	\$27.6
6	PIMCO	\$18.6	\$39.4
7	Edward Jones	\$15.8	\$12.9
8	First Trust	\$9.9	\$7.9
9	Lord Abbett	\$9.5	\$10.0
10	JPMorgan	\$8.8	-\$6.3

## Stability stemming from a divers client base

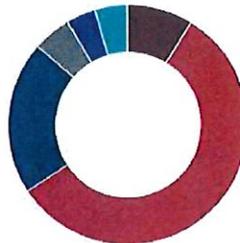
The below graphic gives you an idea of Vanguard's business, health, how they are doing, where the money is coming from and the types of clients serviced.

By client type (\$ billions)



15.9%	\$822.7	Investment-only
10.5%	\$543.5	Institutional recordkeeping
40.6%	\$2,095.5	Intermediaries
32.8%	\$1,693.9	High-net-worth and retail
0.2%	\$9.9	International*

By asset class (\$ billions)



8.8%	\$455.8	Active equity funds
57.0%	\$2,945.4	Index equity funds
20.6%	\$1,064.3	Bond funds
5.1%	\$262.9	Money market
4.0%	\$208.6	Balanced funds
4.4%	\$228.6	Other**

## Vanguard market and economic overview as of November 30, 2018 15:35

- Since the economic downturn, the market has had outstanding returns on the equity side, providing on average 12% returns over the last decade.
- Since 2018 there were positive returns thru the 3<sup>rd</sup> quarter and then in October there was a lot of volatility. November had some positivity and then in December there was significant volatility in the market. Example: in December the market swung at least 1% at least nine (9) times in the month. This action brought returns down.
- Overall for 2018 the market was down. DOW was down 5-6 % for the year. Drivers include; rate increases, trade talks, wars, and local Washington.
- Volatility returns to global markets, pushing equities negative over the trailing 3-months.
- Non-U.S. hedged fixed income delivered positive returns, yet U.S. bonds posted negative returns YTD amidst a general rise in rates for U.S. treasuries.
- Despite the October sell-off, U.S. equities hold onto a positive YTD return and continue to outperform international equities as of November 30<sup>th</sup>.

## U.S. stocks hold onto selected narrow gains while international stocks struggle 22:00

- Significant volatility during early 4Q 2018 has erased many of the gains heretofore observed in U.S. equities, leaving a narrower group of stocks that have held on to positive returns.
- U.S. growth stocks continue to outperform value stocks driven by strength in IT, Consumer Discretionary and Health Care.
- Non-U.S. equities have posted considerable losses YTD.

## U.S. sector performance –results favor growth over value style 23:20

- Health care is the #1 performing sector; in the previous year's IT lead all sectors.
- There was a reclassification of sectors; the telecom sector has been rolled into communication services. This sector includes media companies like Amazon.

## Domestic nominal bonds continue to struggle 25:00

- Widening credit spreads throughout 2018 have been a headwind for investment-grade and high-yield bond returns.
- When reviewing credit quality under U.S., fixed income investment grade credit underperformed treasuries.

- The U.S. Treasury yield curve continues to flatten, with short-term rates moving up more than long-term rates creating a drag on fixed income returns.
- Inflation adjusted treasuries have generated mixed returns, outperforming nominal treasuries over the 12-month with the inflation adjustment providing some cushion from the effects of higher rates.

### **U.S. Treasury yield curve- Rising rates, flatter curve 26:20**

Mr. Edwards talks about how the inverted yield curve, an important indicator, allows you to see where the FEDs have raised the rates. Rates have gone up by 100 points and were raised 4 times in 2018 by .25 of a point; almost equivalent to 100 basis points. In review of the curve long term in tenure, it has gone up by 59 basis points. This is when the short end of the curve is moving up faster than the long end of the curve. An inverted yield curve is when short end yield gets higher than the longer end of the yield curve and historically this curve is an indicator of a recession. Usually 5-18 months you may see a recession however, we do not see a recession curve.

### **Projected global fixed income ten -year return outlook 28:14**

From an economy stand point, the fundamentals are still strong. Unemployment is still low, corporate earnings are still positive, although being more difficult to rise above the earnings seen from the past. However, there is growth expected at about 2% for 2019 with inflation rate at or around 2%. The returns will be not be what they have been in the past (2017-2018) they will be slow, but stable.

In review of the global fixed 10-year outcome we do expect the yields for fixed income for 2019 to be around 2 - 2.5 %. For global equity we expect 4.5-6.5% yield. The drivers that could change any outlook will be primarily around what happens with the U.S. and China.

Vanguard is also thinking at least two more rate increases for 2019. If we see more volatility it may moderate down to one rate increase. 31:11

Mr. Edwards also reviewed the outcomes of long-term perspective, balance and diversification while reviewing the mix of 100% stock, 50% stock/50% bond and 30% stock and 70% bond.

The idea of trying to predict on what is going to happen will be difficult. It will be important to look at having a broad base portfolio that has a little bit of everything and moving with the market instead of guessing of what the market will do is a good strategy. As a large investor on the active side, we can say in this market your position is a good place as it gives you the best allowing you to move with the market. 35:10

#### *Question:*

*There has been a lot of negative press that Vanguard has expressed on the retail side. 37:36*

#### *Response:*

*There has been some technology issues. These issues have been small as it relates to scope and size. Vanguard has gotten very big and we have done a lot of thing over the last six months but manage them very well. Tech patches have been completed and investments to the IT side have been completed to ensure the necessary capacity is there. In the past there were some processing issues of things that went out that should not have gone out or trades that were not processed in a timely way, but those were not indicative of the long term issues of Vanguard, but spot issues. Vanguard has continued to work with the technology team and the servicing teams and as things come up they have and will be addressed.*

Mr. Womble asked if there were any questions. This concludes the presentation by Mr. Jeff Edwards with Vanguard. 40:36

**Cherry Bekaert Presentation 41:20**  
**2018-2019 Audit Report**  
**Presenters: Trish Blue and Scott Hammond**

Ms. Blue noted that the audit copy being reviewed is in draft form. Once the final approval is received the final copies will be forwarded to HERS staff.

The first letter to the Board of Trustees talks about what is in the statements and notes that management is responsible for the selection and use of appropriate accounting policies.

GASB 75 is the newly adopted accounting standard. The accounting and financial reporting of post-employment benefits other than pensions. This can be found in footnote (2) in the statements.

The most sensitive estimates affecting the financial statements were: management's assessment and disclosure of the criteria, by which fair values of investments were determined under accounting principles generally accepted in the US and managements estimate and actuarial assumptions used in determining the annual required contributions and the total pension liability. 43:15

No difficulties were encounter in performing the audit.

*Presenter: Mr. Hammond 45:01*  
*Management's Discussion and Analysis and Financial review*

**Statement of Net Position**

- Investment portfolio has changed from the prior year but has remained consistent. The increase was mainly generated from investment gains; net of benefit payments and employer contributions made for the plan.
- The statement also reviews the inflows and outflows.
- Total assets as of 6/30/18 and 2017 were \$128.7 million and \$128.3 million. Assets were mainly comprised of investments, increased by \$435, 208 in fiscal year 2018.
- Total liabilities decreased by \$8,301 from the 2017 fiscal year. The net pension liability, which represents HERS share of the pension liability for City employees dedicated to HERS and that are covered under VRS, decreased by \$44,235. Also, contributing to this variance was the net other postemployment liability for City employees paid by HERS totaling \$36,332.

**Summary of Change in Net Position 46:51**

- Net investment earnings total \$10.7 million, a decrease of \$4 million from fiscal year 2017 investment earnings of \$14.7 million. 46:51
- The employer contributions are \$7.1 million and are actuarially determined; calculated every two years.
- Deductions decreased by \$68,132 which is made up of benefit payments to participants and administrative expenses which remain consistent.
- There was generated net income of \$458,000 in 2018. The major change being, the prior year total investment earnings. 48:26

### **Key Points 49:11**

- 8.64% rate of return for the year is above the target rate of 7%.
- The mix of investments are consistent from year to year.
- No significant actuarial changes occurred in 2018 that would cause material changes.

### **Report of the Independent Auditor Internal Control over Financial Reporting & Compliance & Other 50:02**

- The plan was audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing.
- In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the systems internal control.
- There were no findings.
- The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control.

This report is a draft because management approval has not been received.

We do not audit internal controls but we do look at them.

The schedule of additions by source table shown on page 25 of the audit report shows the gains and losses for a ten year time frame. Since 2009 there have been 9 positive investment gains.

*Opinion: In our opinion the financial statement referred to above present fairly, in all material respects, the fiduciary net position of the Hampton Employees' Retirement System as of June 30, 2018, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.*

Mr. Womble thanked Ms. Blue and Mr. Hammond on the excellent report.54:40

Mr. Womble has no old business. 56:00

Mr. Womble reviewed the data on the HERS dashboard.

Mr. Womble thanked Ms. Lundy and Ms. Ayers for the excellent job on the minutes and stated if they may be condensed even more they may.

### **Minutes of Previous Meeting: 58:17**

Ms Lundy noted one change to be made on page 4: to remove under present members the name Patricia Melochick. Motion was made by Mr. Wilson and seconded by Ms. Bowers to accept the 12/6/2018 minutes with the noted change. This motion was carried unanimously.

### **Retirement Applications and Death Summary: 58:52**

Ms. Lundy presented the reported submitted retirements and reported deaths as of December 2018.

In consideration of the retirement applications for the month of December 2018 a motion was made by Mr. Wilson and seconded by Mr. Monteith to accept the applications and approve the annuities as submitted. This motion was carried unanimously.

HERS Retirement Application and Reported Deaths								
December-18								
NEW RETIREES	Retirement Date	City/Schools	Years of Service	Retirement Type	HERS Pension	MEMBER TYPE	RETIREMENT OPTION	RESERVES
SMITH, FRANCES M.	12/01/18	SCHOOL	16 YRS	J&S 50%	136.43	A	3	16,673.17
<b>TOTAL NEW CITY</b>					<b>\$ 136.43</b>			
<b>TOTAL NEW SCHOOL HIRES</b>					<b>\$ -</b>			
<b>TOTAL NEW CITY &amp; SCHOOL HIRES</b>					<b>- \$ 136.43</b>			

RETIREE NAME	DATE OF DEATH	CITY/SCHOOLS	N/A	N/A	PENSION	OPTION	NAMED SURVIVOR	RESERVES
FREEMAN, WESLEY S.	11/04/18	CITY	NA	NA	1,281.75	NA	NA	123,072.04
SMITH, DWAIN E.	11/30/18	CITY	NA	NA	938.58	NA	NA	102,467.59
DICKSON, JANE B.	11/29/18	SCHOOL	NA	NA	571.08	NA	NA	65,501.68
HEIGHERS, JOY IL	11/26/18	SCHOOL	NA	NA	826.77	NA	NA	103,557.82
BAILEY, RUBY L.	11/29/2018	SCHOOL	NA	NA	618.34	NA	NA	54,790.99
BEMBRY, MINNIE B.	11/9/2018	SCHOOL	NA	NA	215.30	NA	NA	20,009.22
JOHNSON, LUCY K.	11/28/18	SCHOOL	NA	NA	334.62	NA	NA	38,380.00

**HERS Payroll Summary: 59:49**

Ms. Lundy review the payroll summary to include expense, contributions, fund balances, membership total and vendor payments for the month of December 2108.

**HERS Payroll Summary**

December			
<b>Payroll Expenses</b>			
Checks		-	
Direct Deposit	1,152,861		
Payroll Deduction	254,756		
Vendor	16,815		
<b>Total Payroll</b>		<b>1,424,431</b>	
<b>Contributions/Transfers/Old Point</b>			
City Contributions	295,965		
School Contributions	263,726		
<b>Total Contributions</b>		<b>559,692</b>	
<b>Vanguard</b>			
Institutional Index Fund	-		
Extended Market Fund	-		
Developed Market Fund	-		
Total Bond Fund	288,000		
Short Term Bond Fund	288,000		
Short Term Corporate Bond Fund	288,000		
Cash	-		
<b>Total Redemptions</b>		<b>864,000</b>	
Old Point National Bank		740	
<b>Total</b>		<b>1,424,431</b>	
Beginning Fund Balance	125,280,584		12/3/2018
Month end re-balance	117,090,553		12/31/2019

- December 2018 vendor payments include:**

  - Postage
  - Salaries and Fringes
  - Lease of Equipment

December			
<b>HERS Member Count</b>	<b>School</b>	<b>City</b>	
Total Retirees	1539	999	2538
Total Active HERS Members	14	25	39

as of 12/31/18

Ms. Lundy reviewed the historical fund transfer data. 1:01:49

FROM RICHMOND CAPITAL			TO RICHMOND CAPITAL		
Date	Amount	Total to Date	Date	Amount	Date
1993	\$433,000				
1994	836,000		1994	\$2,075,500	
1995	841,000		1995	1,706,000	
1996	411,000		1996	2,728,500	
1997	1,976,500		1997	4,303,000	
1998	1,383,000		1998	5,811,300	
1999	1,433,000		1999	3,340,500	
2000	3,501,800		2000	5,463,200	\$25,428,000
2001	5,364,000				
2002	2,016,000				
2003	28,770,000				
2004	540,000				
Transition	63,953,386	\$111,458,686			
to Vanguard 8/05					
FROM NEUBERGER			TO NEUBERGER		
Date	Amount	TOTAL TO DATE	Date	Amount	Total to Date
1994	\$2,680,000		Sep-03	\$17,481,000	\$17,481,000
1995	3,719,000				
1996	6,270,500				
1997	8,062,600				
1998	10,557,500				
1999	8,733,300				
2000	12,265,000				
2001	5,726,000				
2002	9,749,000				
2003	1,065,000				
2004	12,205,000				
2005	111,451,818	\$192,484,718			
(2005 includes transfers for payroll and transition to Vanguard)					
Feb-10	341,863				

FROM VANGUARD/BNYM*		
Date	Amount	Total-to Date
2005	4,435,000	4,435,000
2006	12,487,000	16,922,000
2007	12,952,000	29,874,000
2008	13,103,000	42,977,000
2009	13,486,502	56,463,502
2010	13,224,218	69,687,720
2011	13,571,485	83,259,205
2012	12,116,780	95,375,985
2013	10,675,939	106,051,924
2014	9,577,000	115,628,924
2015	8,523,966	124,152,890
2016	9,373,266	133,526,156
2017	10,291,415	143,817,571
Jan-18	861,000	144,678,571
Feb-18	849,000	145,527,571
Mar-18	837,000	146,364,571
Apr-18	851,000	147,215,571
May-18	841,000	148,056,571
Jun-18	842,000	148,898,571
Jul-18	880,000	149,778,571
Aug-18	882,000	150,660,571
Sep-18	882,000	151,542,571
Oct-18	899,000	152,441,571
Nov-18	874,000	153,315,571
Dec-18	864,000	154,179,571

**Monthly Investment Summary:** 1:02:38

Mr. Daughtrey reviewed the investment activity for November 2018. November was a volatile month but turned out to be positive.

	Nov-18
Cost Basis	87,907,827
Markt Value	124,345,339
Net Realized/Unrealized Gains	1,422,857
Investment Income	101,886
Total Return	1,524,742
Fiscal YTD Return	0.40%
Target Performance	7.00%
Monthly rate-of-return	1.23%
Composite Benchmark	1.21%

**2019 Newsletter 01:09:13**

Ms. Lundy presented a draft copy of the 2019 HERS newsletter for review.

Mr. Womble and Mr. Daughtrey asked for any comments or suggestions

Ms. Lundy informed the board a general communication email has been created: [HERS@hampton.gov](mailto:HERS@hampton.gov).

Mr. Womble thanked Mr. Daughtrey for the hard work not only on the newsletter but also on the audit.

Mr. Daughtrey thanked Ms. Lundy, Ms. Ayers, Mrs. Green and Mrs. Ellsworth for preparing the audit requirements and the work done.

There was conference call with Graystone and Cheiron to introduce them to each other. The actuary has stated that the plan needs to potentially look at how we can take some of the volatility out of the plan. They will look at asset liability modeling matching our assets to our liabilities, due to the fact this is a closed plan and present options to the board.

As of today there has been no updates on the board appointments from City Council, but will update the board as soon as there is an update.

Meeting Adjourned at 1:15:40

CURRENT ACTION ITEMS		
ACTION ITEM	WHO	REPORT DATE
Forward topics or areas of expertise you would like to speak on or to be heard during a HERS educational session	HERS Board Members	Continuous
How and if managers did better than the index based on asset class over a certain time frame	Graystone Consulting	April 2019
Discuss and review liability driven investing and how it would benefit HERS.	Graystone Consulting	April 2019

Respectfully submitted,



Rhonda Lundy,  
Retirement Systems Coordinator

## NEW BUSINESS: April 2019

Below you will find a listing of retirement applications and reported deaths for March 2019

### HERS Retirement Application and Reported Deaths

**March-19**

NEW RETIREES	Retirement Date	City/Schools	Years of Service	Retirement Type	HERS Pension	MEMBER TYPE	RETIREMENT OPTION	RESERVES	
BERGSTROM, NORMAN L.	03/01/19	CITY	05 YRS 07 MOS	Vested	28.12	A	1	\$ 2,593.47	
HAUSER, CHARLES R.	03/01/19	SCHOOL	06 YRS 04 MOS	Vested	48.51	A	1	3,540.14	
OAKES, DAVID R.	03/01/19	SCHOOL	07 YRS 09 MOS	Vested	49.84	A	1	4,596.67	
RICE, INENA P.	03/01/19	CITY	05 YRS 01 MOS	Vested	31.94	A	1	388.67	
STOFFER, BARBARA J.	03/01/19	SCHOOL	05 YRS 00 MOS	Vested	49.33	A	1	5,244.79	
<b>TOTAL NEW CITY</b>					\$ 60.06				
<b>TOTAL NEW SCHOOL HIRES</b>					\$ 147.68				
<b>TOTAL NEW CITY &amp; SCHOOL HIRES</b>					- \$ 207.74				
<b>Reported Deaths</b>									
RETIREE NAME	DATE OF DEATH	CITY/SCHOOLS	N/A	N/A	HERS PENSION	OPTION	NAMED SURVIVOR	RESERVES	
BRYANT, GEORGE L.	2/10/2019	CITY	N/A	N/A	421.39	N/A	N/A	52,101.84	
GOODWIN, LOTTIE H.	2/13/2019	CITY	N/A	N/A	300.19	N/A	N/A	24,446.01	
MITCHELL, ROBERT L.	02/05/19	SCHOOL	N/A	N/A	64.18	N/A	N/A	6,858.60	

## HERS Payroll Summary

March-19

### Payroll Expenses

Checks	-	
Direct Deposit	1,164,794	
Payroll Deduction	229,163	
Vendor	15,824	
<b>Total Payroll</b>		<b>1,409,781</b>

### Contributions/Transfers/Old Point

City Contributions	295,965	
School Contributions	263,726	
<b>Total Contributions</b>		<b>559,692</b>

### Vanguard

Institutional Index Fund	824,900	
Extended Market Fund	-	
Developed Market Fund	25,100	
Total Bond Fund	-	
Short Term Bond Fund	-	
Short Term Corporate Bond Fund	-	
Cash	-	
<b>Total Redemptions</b>		<b>850,000</b>

Old Point National Bank		<b>90</b>
<b>Total</b>		<b>1,409,781</b>

**March2019  
Vendor payments  
include:**

- Postage
- Salaries and Fringes
- Lease of Equipment

# HISTORICAL FUNDS TRANSFER DATA

## Historical Fund Transfer Data

FROM RICHMOND CAPITAL			TO RICHMOND CAPITAL		
Date	Amount	Total to Date	Date	Amount	Date
1993	\$433,000				
1994	836,000		1994	\$2,075,500	
1995	841,000		1995	1,706,000	
1996	411,000		1996	2,728,500	
1997	1,976,500		1997	4,303,000	
1998	1,383,000		1998	5,811,300	
1999	1,433,000		1999	3,340,500	
2000	3,501,800		2000	5,463,200	\$25,428,000
2001	5,364,000				
2002	2,016,000				
2003	28,770,000				
2004	540,000				
Transition to Vanguard 8/05	63,953,386	\$111,458,686			
FROM NEUBERGER			TO NEUBERGER		
Date	Amount	TOTAL TO DATE	Date	Amount	Total to Date
1994	\$2,680,000		Sep-03	\$17,481,000	\$17,481,000
1995	3,719,000				
1996	6,270,500				
1997	8,062,600				
1998	10,557,500				
1999	8,733,300				
2000	12,265,000				
2001	5,726,000				
2002	9,749,000				
2003	1,065,000				
2004	12,205,000				
2005	111,451,818	\$192,484,718			
(2005 includes transfers for payroll and transition to Vanguard)					
Feb-10	341,863				

## Annual/Current Fund Transfers

FROM VANGUARD/BNYM*		
Date	Amount	Total-to Date
2005	4,435,000	4,435,000
2006	12,487,000	16,922,000
2007	12,952,000	29,874,000
2008	13,103,000	42,977,000
2009	13,486,502	56,463,502
2010	13,224,218	69,687,720
2011	13,571,485	83,259,205
2012	12,116,780	95,375,985
2013	10,675,939	106,051,924
2014	9,577,000	115,628,924
2015	8,523,966	124,152,890
2016	9,373,266	133,526,156
2017	10,291,415	143,817,571
2018	10,362,000	154,179,571
Jan-19	868,000	155,047,571
Feb-19	870,000	155,917,571
Mar-19	850,000	156,767,571

## HERS INVESTMENT PERFORMANCE: DECEMBER 2018

	Cost	MARKET VALUE	% OF TOTAL	Target %	NET REALIZED/ UNREALIZED GAINS/ LOSSES	INVEST- MENT INCOME	TOTAL RETURN	MONTHLY RATE OF RETURN %	BENCH-MARK RETURN %
<b>BOND FUNDS-Fixed Income</b>									
Total Bond Market Fd. (222)(CUSIP 921937504)	22,394,655	22,696,281			349,952	56,896	406,848	1.80%	BC Aggregate Bond Index 1.84%
Vanguard Short Term Bond Index fund (CUSIP #921937777)	11,010,729	10,816,557			95,640	21,086	116,726	1.06%	BC US 1-5 Year Government/Credit Index 1.04%
Vanguard Short-Term Corporate Bond Index Fund (CUSIP #92206C508)	11,364,203	11,080,647			56,720	29,181	85,901	0.76%	BC US 1-5 Year Corporate Index 0.85%
<b>Subtotal Bond Funds</b>		<b>44,593,485.17</b>	<b>38.06%</b>	<b>37.0%</b>					
<b>STOCKS</b>									
Vanguard Dev Market Indx-Inst (International) Fund #885									
CUSIP 921943882	10,807,605	11,584,794	9.89%	10.0%	(772,967)	117,613	(655,354)	-5.35%	FTSE Developed All Cap ex US^ -5.12%
Vanguard Institutional Index Fund #94									
CUSIP 922040100	27,241,472	50,692,879	43.26%	44.0%	(5,329,237)	294,505	(5,034,732)	-9.03%	S&P 500 Index -9.03%
Vanguard Extended Mkt Index (Small Cap Domestic) Extended Mkt #856									
CUSIP 922908884	4,938,179	10,297,376	8.79%	9.0%	(1,282,868)	50,675	(1,232,193)	-10.69%	S&P Completion -10.78%
<b>Subtotal Stocks</b>		<b>72,575,050</b>	<b>61.94%</b>	<b>63.00%</b>					
Accrued Income							134,025		
Litigate Settlement/(Cash)/Receipts									
<b>Total Portfolio</b>	<b>87,756,843</b>	<b>117,168,535</b>			<b>(6,882,760)</b>	<b>569,956</b>	<b>(6,178,780)</b>	<b>-4.97%</b>	<b>Composite benchmark -4.94%</b>
Cost vs Market		29,411,691							<b>FISCAL YTD R -4.76%</b>
									<b>Target performan 7.00%</b>

HERS INVESTMENT PERFORMANCE: JANUARY 2019

	Cost	MARKET VALUE	% OF TOTAL	Target %	NET REALIZED/ UNREALIZED GAINS/ LOSSES	INVEST- MENT INCOME	TOTAL RETURN	MONTHLY RATE OF RETURN %	BENCH-MARK RETURN %
<b>BOND FUNDS-Fixed Income</b>									
Total Bond Market Fd. (222)(CUSIP 921937504)	22,451,645	22,927,022			173,751	56,990	230,742	1.02%	BC Aggregate Bond Index 1.06%
Vanguard Short Term Bond Index fund (CUSIP #921937777)	11,031,760	10,869,063			31,474	21,031	52,505	0.49%	BC US 1-5 Year Government/Credit Index 0.55%
Vanguard Short-Term Corporate Bond Index Fund (CUSIP #92206C508)	11,388,429	11,202,969			98,097	24,226	122,322	1.10%	BC US 1-5 Year Corporate Index 1.15%
Subtotal Bond Funds		<u>44,999,054.02</u>	<u>36.65%</u>	<u>37.0%</u>					
<b>STOCKS</b>									
Vanguard Dev Market Indx-Inst (International) Fund #885									
CUSIP 921943882	10,773,589	12,397,332	10.10%	10.0%	851,254	-	851,254	7.35%	FTSE Developed All Cap ex US^ 7.35%
Vanguard Institutional Index Fund #94									
CUSIP 922040100	27,157,124	54,584,567	44.45%	44.0%	4,057,153	-	4,057,153	8.00%	S&P 500 Index 8.01%
Vanguard Extended Mkt Index (Small Cap Domestic) Extended Mkt #856									
CUSIP 922908884	4,647,036	10,814,332	8.81%	9.0%	1,180,774	-	1,180,774	11.47%	S&P Completion Index 11.60%
Subtotal Stocks		<u>77,796,231</u>	<u>63.35%</u>	<u>63.00%</u>					
Accrued Income									
Litigate Settlement/(Cash)									
Total Portfolio	<u>87,449,583</u>	<u>122,795,285</u>			<u>6,392,504</u>	<u>102,247</u>	<u>6,494,750</u>	5.54%	Composite benchmark 5.66%
Cost vs Market		35,345,703							FISCAL YTD ROR 0.28%
									Target performance 7.00%

HERS INVESTMENT PERFORMANCE: FEBRUARY 2019

Cost	MARKET VALUE	% OF TOTAL	Target %	NET REALIZED/ UNREALIZED GAINS/ LOSSES	INVEST- MENT INCOME	TOTAL RETURN	MONTHLY RATE OF RETURN %	BENCH-MARK RETURN %
<b>BOND FUNDS-Fixed Income</b>								
Total Bond Market Fd. (222)(CUSIP 921937504)	22,504,742	22,914,800		(65,319)	53,097	(12,222)	-0.05%	BC Aggregate Bond Index -0.06%
Vanguard Short Term Bond Index fund (CUSIP #921937777)	11,050,927	10,888,230		-	19,167	19,167	0.18%	BC US 1-5 Year Government/Credit Index 0.14%
Vanguard Short-Term Corporate Bond Index Fund (CUSIP #92206C508)	11,413,434	11,249,345		21,372	25,005	46,376	0.41%	BC US 1-5 Year Corporate Index 0.37%
<b>Subtotal Bond Funds</b>	<b>45,052,375</b>	<b>36.17%</b>	<b>37.0%</b>					
<b>STOCKS</b>								
Vanguard Dev Market Indx-Inst (International) Fund #885 CUSIP 921943882	10,757,515	12,658,202	10.16%	10.0%	279,827	-	2.26%	FTSE Developed All Cap ex US^ 2.33%
Vanguard Institutional Index Fund #94 CUSIP 922040100	26,751,600	55,495,584	44.56%	44.0%	1,755,418	-	3.22%	S&P 500 Index 3.21%
Vanguard Extended Mkt Index (Small Cap Domestic) Extended Mkt #856 CUSIP 922908884	4,644,330	11,345,430	9.11%	9.0%	537,739	-	4.97%	S&P Completion Index 4.97%
<b>Subtotal Stocks</b>	<b>79,499,216</b>	<b>63.83%</b>	<b>63.00%</b>					
Accrued Income								
Litigate Settlement/(Cash)								
<b>Total Portfolio</b>	<b>87,122,547</b>	<b>124,551,591</b>		<b>2,529,037</b>	<b>97,269</b>	<b>2,626,306</b>	<b>2.14%</b>	Composite benchmark 2.13%
<b>Cost vs Market</b>	<b>37,429,044</b>							FISCAL YTD ROR 2.32%
								Target performance 7.00%

HERS INVESTMENT PERFORMANCE: MARCH 2019

	Cost	MARKET VALUE	% OF TOTAL	Target %	UNREALIZED GAINS/LOSSES	INVESTMENT INCOME	TOTAL RETURN	MONTHLY RATE OF RETURN %	BENCH-MARK RETURN %
<b>BOND FUNDS- Fixed Income</b>									
Total Bond Market Fd. (222)(CUSIP 921937504)	22,562,324	23,365,208			392,825	57,582	450,407	1.97%	BC Aggregate Bond Index 1.92%
Vanguard Short Term Bond Index fund (CUSIP #921937777)	11,072,465	10,994,009			84,242	21,538	105,780	0.97%	BC US 1-5 Year Government/Credit Index 0.92%
Vanguard Short-Term Corporate Bond Index Fund (CUSIP #92206C508)	11,444,234	11,374,390			94,244	30,801	125,045	1.11%	BC US 1-5 Year Corporate Index 1.06%
<b>Subtotal Bond Funds</b>		<b>45,733,607</b>	<b>36.47%</b>	<b>37.0%</b>					
<b>STOCKS</b>									
Vanguard Dev Market Indx-Inst (International) Fund #885 CUSIP 921943882	10,790,393	12,687,408	10.12%	10.0%	178	54,129	54,306	0.43%	FTSE Developed All Cap ex US* 0.35%
Vanguard Institutional Index Fund #94 CUSIP 922040100	26,839,443	55,748,977	44.46%	44.0%	755,143	323,150	1,078,293	1.94%	S&P 500 Index 1.94%
Vanguard Extended Mkt Index (Small Cap Domestic) Extended Mkt #856 CUSIP 922908884	4,674,936	11,233,134	8.96%	9.0%	(142,902)	30,606	(112,296)	-0.99%	S&P Completion Index -0.990%
<b>Subtotal Stocks</b>		<b>79,669,519</b>	<b>63.53%</b>	<b>63.00%</b>					
Accrued Income									
Litigate Settlement/(Cash)									
<b>Total Portfolio</b>	<b>87,383,795.72</b>	<b>125,403,126.63</b>			<b>1,183,730.64</b>	<b>517,805.12</b>	<b>1,701,535.76</b>	1.37%	Composite benchmark FISCAL YTD ROR 1.34%
Cost vs Market		38,019,331							Target performance 7.00%

### APPROVED 2019 HERS BOARD MEETING DATES

Thursday	January 10 <sup>th</sup>	12:30 Lunch/ 1:00 pm meeting
Thursday	April 11th	12:30 Lunch/ 1:00 pm meeting
Thursday	May 9th	12:30 Lunch/ 1:00 pm meeting
Thursday	September 12th	12:30 Lunch/ 1:00 pm meeting
Thursday	October 10th	12:30 Lunch/ 1:00 pm meeting
Thursday	December 12th	12:30 Lunch/ 1:00 pm meeting

Meetings for May, September, October and December 2019 will be held on the 4<sup>th</sup> floor Human Resources Conference Room.