

May 6, 2016

The Second Quarterly meeting of the Board of Trustees of the City of Danville's Employees' Retirement System (ERS) convened at 8:00 a.m. on the above date at the Danville Regional Airport, Eastern Conference Room, 424 Airport Drive, Danville, VA.

Board Members Present:

Michael L. Adkins
Gus Dolianitis
Lenard D. Lackey, Jr
Kenneth F. Larking

Joyce D. Obstler
Robert E. Parham III
Sandra M. Stevens
E. Linwood Wright

Board Members Absent:

Sherman M. Saunders

Others Present:

Steven Roth, Dahab Associates, Inc., Bay Shore, New York
Greg Stump, Boomershine Consulting Group, LLC
W. Clarke Whitfield, Jr., City Attorney, City of Danville
Henrietta Weaver, Secretary to the Board of Trustees
Felicia King, Human Resources Consultant, City of Danville

Meeting Called to Order

Ms. Obstler, Chairperson, called the meeting to order.

Roll Call

Henrietta Weaver, Secretary, conducted the roll call.

Additions/Deletions from Agenda

None

Approval of Minutes

A motion was made by Mr. Wright, seconded by Mr. Lackey, and carried to approve the quarterly meeting of February 5, 2016, as presented.

Administrative Items

The payroll changes report for the three month period ending April 30, 2016 was presented. Gross payroll was \$974,511.69, which included additions of \$10,472.98, deletions of \$5,113.34, and no adjustments. The disbursements for the same three month period were \$205,632.89, which included checks written for \$197,274 and \$8,358.89 paid through Northern Trust. A motion was made by Mr. Parham, seconded by Mr. Dolianitis, and carried to approve administrative items as presented.

Investment Consultant's Report

Mr. Steve Roth of Dahab Associates, Inc. of Bay Shore, New York, presented the Investment Consultant's report for the Employees' Retirement System for the quarter ending March 31, 2016.

As of March 31, 2016, the fund was valued at \$230,438,261, an increase of \$394,362 from December 31, 2015. For the March quarter, the total portfolio gained 1.3%. For the past twelve-month period, the portfolio returned 0.0%.

Mr. Roth discussed the PanAgora II distressed portfolio and presented a schedule of the current holdings. Mr. Roth stated that the current holdings are still considered viable investments and no changes are recommended at this time. Mr. Roth stated that the cash balance of \$149,601 can be moved to cover the Systems' expenses.

Mr. Roth discussed the performance of C.S. McKee, LP and stated that it had been consistently underperforming and needed to be terminated. Mr. Roth recommended that the funds from C.S. McKee be temporarily moved into the State Street Global Advisors Large Cap Value Equity fund until a new manager could be found. A motion was made by Mr. Parham, to terminate C.S. McKee, LP, instruct Dahab Associates to conduct a search for a new Large Cap Value Equity manager, and move the proceeds to State Street Global Advisors until a new manager is determined. The motion was seconded by Ms. Stevens and carried by the following vote:

VOTE: 8-0-1
AYE: Adkins, Dolianitis, Lackey, Larking, Obstler, Parham, Stevens, Wright (8)
NAY: None (0)
ABSENT: Saunders (1)

Mr. Roth presented an update on the asset allocations as of March 31, 2016. Mr. Roth stated that the Large Cap funds are currently over the targeted allocation percentage and adjustments are needed to move closer to the asset allocation target. Mr. Wright moved to approve the proposed adjustments to realign the asset allocation as presented. The asset allocation adjustments as presented are attached as Exhibit A and made a part of these minutes. The motion was seconded by Mr. Larking and carried by the following vote:

VOTE: 8-0-1
AYE: Adkins, Dolianitis, Lackey, Larking, Obstler, Parham, Stevens, Wright
(8)
NAY: None (0)
ABSENT: Saunders (1)

Actuarial Assumption Review

Mr. Greg Stump of Boomershine Consulting Group, LLC presented the Actuarial Assumption Review report dated April 2016 for the Employees' Retirement System for the four years beginning July 1, 2011 and ending June 30, 2015. Mr. Stump noted that it had been several years since the System's last Actuarial Assumption Review which resulted in recommendations of changes to assumptions in a few areas. The changes in actuarial assumptions as presented are attached as Exhibits B through D and made a part of these minutes. The motion to approve all recommended assumption changes effective beginning July 1, 2016 was made by Mr. Wright. The motion was seconded by Mr. Larking and carried by the following vote:

VOTE: 8-0-1
AYE: Adkins, Dolianitis, Lackey, Larking, Obstler, Parham, Stevens, Wright
(8)
NAY: None (0)
ABSENT: Saunders (1)

Board and Staff Communications

A motion was made by Larking, seconded by Lackey, and carried to adjourn the meeting.

There being no further business, the meeting was adjourned at 9:28 a.m.

Next quarterly meeting will be August 5, 2016.

Chairperson

Secretary to the Board of Trustees

EXHIBIT A

Danville Employees Retirement System
Asset Reallocation
As of March 31, 2016

Asset Class	March 31, 2016 Allocation		Managers	Style	Manager Assets as of 3/31/16	Adjustments made post 1Q2016	Proposed Adjustments for 2Q2016	Mar. 2016 Adjusted Values	Target Allocation	Values based on Target Allocation	Over Allocation / (Under Allocation)	New Allocation (%)
Large Cap	43.9%	\$101,048,036	Panagora	Large Core	\$30,956,842		(\$2,500,000)	\$28,456,842	30%	\$69,131,478	\$25,416,558	41.0%
			Loomis Sayles	Large Growth	\$33,842,873		(\$4,000,000)	\$29,842,873				
			CS McKee	Large Value	\$16,853,297			\$16,853,297				
			State Street	Large Value	\$19,395,024			\$19,395,024				
International Equity	13.5%	\$31,148,118	HGK	Core	\$15,338,629			\$15,338,629	10%	\$23,043,826	\$8,104,292	13.5%
			Lazard	Core	\$15,809,489			\$15,809,489				
Emerging Markets	9.3%	\$21,426,450	Lazard	Core	\$21,426,450		\$1,500,000	\$22,926,450	10%	\$23,043,826	(\$117,376)	9.9%
Real Estate	1.3%	\$2,976,000	American	Core	\$2,976,000	\$6,936,000	\$5,000,000	\$14,912,000	10%	\$23,043,826	(\$8,131,827)	6.5%
			Intercontinental	Core	\$0			\$0				
Private Equity	1.3%	\$2,974,708	Hamilton Lane	Fund II	\$992,135			\$992,135	5%*	\$11,521,913	(\$8,262,634)	1.4%
			Hamilton Lane	Fund VIII	\$1,352,573	\$74,571		\$1,427,144				
			Hamilton Lane	Fund IX	\$630,000	\$210,000		\$840,000				
Timber	3.0%	\$6,905,065	RMK	Fund II	\$5,262,294			\$5,262,294	5%	\$11,521,913	(\$4,616,848)	3.0%
			RMK	Separate Acct.	\$1,642,771			\$1,642,771				
Fixed Income	23.8%	\$54,877,023	Panagora	Core	\$35,966,768			\$35,966,768	30%	\$69,131,478	(\$14,254,455)	23.8%
			Panagora II	High Yield	\$724,833			\$724,833				
			Northern Trust	Short-Term Gov.	\$18,185,422			\$18,185,422				
Cash	3.9%	\$9,082,861	-	-	\$9,082,861	(\$7,220,571)		\$1,862,290	0%	\$0.00	\$1,862,290	0.8%
	100%	\$230,438,261			\$230,438,261	\$0	\$0	\$230,438,261	100%	\$230,438,261	\$0	100%

- Real Estate - The unallocated assets of approximately \$14,000,000 is in the equity allocation until called

- Intercontinental - We anticipate a capital call sometime within the next 3-4 months

- Panagora core fixed income fund has bi-monthly liquidity (1st and 15th day)

- * The Board approved a \$3,500,000 commitment to Hamilton Lane Fund VIII in August 2012 and a \$7,000,000 commitment to Fund IX in May 2015. Hamilton Lane expects to call 95% of the committed capital over the next several years. The uncalled and uncommitted private equity assets will be invested in the domestic equity portion of the allocation and the allocation will be adjusted as capital is called.

Private Equity Allocation

Firm	Fund	Committed	Expected to be Called	Current Called & Uncalled Private Equity Allocation	Target Allocation	Anticipated New Commitments
Hamilton Lane	Fund II	\$3,000,000	\$0	\$11,881,706	\$11,521,913	(\$359,793)
Hamilton Lane	Fund VIII	\$3,500,000	\$1,972,427			
Hamilton Lane	Fund IX	\$7,000,000	\$6,650,000			