

November 6, 2015

The Fourth 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:

Lenard D. Lackey, Jr.
Kenneth F. Larking
Joyce D. Obstler
Robert E. Parham

T. Wayne Oakes
Sandra M. Stevens
E. Linwood Wright

Board Members Absent:

Michael L. Adkins

Sherman M. Saunders

Others Present:

Steven Roth, Dahab Associates, Inc., Bay Shore, New York
W. Clarke Whitfield, Jr., City Attorney, City of Danville
Sara Weller, Director of Human Resources, City of Danville
Felicia R. King, Human Resources Consultant, City of Danville
Patricia K. Conner, Secretary to the Board of Trustees

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

Ms. Conner, Secretary, conducted the roll call.

Additions/Deletions from Agenda

None

Appointment of Secretary

Ms. Conner stated that the Accountant III position vacancy causes the Secretary position to be vacant also and recommended Ms. Patricia Conner be appointed Secretary.

A motion was made by Mr. Wright, seconded by Mr. Oakes, and carried to appoint Ms. Patricia Conner as Secretary.

Approval of Minutes

A motion was made by Mr. Wright, seconded by Mr. Parham, and carried to approve the minutes of the quarterly meeting of August 7, 2015, as presented.

Administrative Items

The payroll changes report for the three month period ending October 31, 2015 was presented. Gross payroll was \$963,355.53, which included additions of \$18,808.60 and deletions of \$8,345.22. The disbursements for the same three month period were \$223,927.56, which included checks written for \$214,567.56 and \$9,360.00 paid through Northern Trust. A motion was made by Mr. Parham, seconded by Mr. Larking, and carried to approve administrative items as presented.

Investment Consultant's Report

Mr. Steven 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 September 30, 2015.

As of September 30, 2015, the fund was valued at \$225,699,735, a decrease of \$14,740,579 from June 30, 2015. For the September quarter, the total portfolio lost 5.9%. For the past twelve-month period, the portfolio lost 2.1%.

Mr. Roth discussed the asset allocation mapping. Mr. Roth stated the fund is within its range for the fixed income asset allocation but adjustments are needed to move closer to the other asset allocation targets. Mr. Wright moved to approve proposed adjustments to realign the asset allocation as presented. The asset reallocation presented is attached as Exhibit A and made a part of these minutes. The motion was seconded by Mr. Oakes and carried by the following vote:

VOTE: 7-0-2
AYE: Lackey, Larking, Oakes, Obstler, Parham, Stevens, Wright (7)
NAY: None (0)
ABSENT: Adkins, Saunders (2)

Consideration of 2015/2016 Budget Amendment

Ms. Conner presented a proposed amendment to the 2015/2016 Administrative Budget to increase the "Actuarial Services" line item by \$12,000 to fund the actuarial assumption review needed. Mr. Lackey moved to approve the budget amendment as presented. The motion was seconded by Ms. Stevens and carried by the following vote:

VOTE: 7-0-2
AYE: Lackey, Larking, Oakes, Obstler, Parham, Stevens, Wright (7)
NAY: None (0)
ABSENT: Adkins, Saunders (2)

Proposed 2016/2017 Budget

Ms. Conner presented the proposed Administrative Budget for the fiscal year 2016/2017. Mr. Wright moved to adopt the Administrative Budget for fiscal year 2016/2017 in the amount of \$895,261. The motion was seconded by Mr. Lackey and carried by the following vote:

VOTE: 7-0-2
AYE: Lackey, Larking, Oakes, Obstler, Parham, Stevens, Wright (7)
NAY: None (0)
ABSENT: Adkins, Saunders (2)

Board and Staff Communications

Ms. Conner stated the 2016 meeting schedule will be circulated.

Ms. Conner provided an update from the Nominating Meeting for the current year election.

There being no further business, the meeting was adjourned at 8:34 a.m.

Next quarterly meeting will be February 5, 2016.

Chairperson

Patricia K. Conner, Secretary to the Board of Trustees

EXHIBIT A

Danville Employees Retirement System
 Asset Reallocation
 As of September 30, 2015

Asset Class	September 30, 2015 Allocation		Managers	Style	Manager Assets as of 9/30/15	Adjustments	Sept. 2015 Adjusted Values	Target Allocation	Values based on Target Allocation	Over Allocation / (Under Allocation)	New Allocation (%)
Large Cap	48.1%	\$108,620,059	Panagora	Large Core	\$31,828,834		\$31,828,834	30%	\$67,709,921	\$25,910,139	41.5%
			Loomis Sayles	Large Growth	\$33,671,424	(\$2,000,000)	\$31,671,424				
			CS McKee	Large Value	\$19,483,830		\$19,483,830				
			State Street	Large Value	\$23,635,971	(\$13,000,000)	\$10,635,971				
International Equity	13.5%	\$30,477,543	HGK	Core	\$15,090,767	(\$2,000,000)	\$13,090,767	10%	\$22,569,974	\$3,907,570	11.7%
			Lazard	Core	\$15,386,776	(\$2,000,000)	\$13,386,776				
Emerging Markets	8.6%	\$19,515,737	Lazard	Core	\$19,515,737		\$19,515,737	10%	\$22,569,974	(\$3,054,236)	8.6%
Real Estate	0.0%	\$0	American	Core	\$0	\$6,000,000	\$6,000,000	10%	\$22,569,974	(\$10,569,974)	5.3%
			Intercontinental	Core	\$0	\$6,000,000	\$6,000,000				
Private Equity	1.3%	\$2,911,417	Hamilton Lane	Fund II	\$1,613,600		\$1,613,600	5%*	\$11,284,987	(\$8,373,570)	1.3%
			Hamilton Lane	Fund VIII	\$1,297,817		\$1,297,817				
			Hamilton Lane	Fund IX	\$0		\$0				
Timber	3.9%	\$8,732,081	RMK	Fund II	\$6,906,387		\$6,906,387	5%	\$11,284,987	(\$2,552,906)	3.9%
			RMK	Separate Acct.	\$1,825,694		\$1,825,694				
Fixed Income	23.9%	\$53,968,578	Panagora	Core	\$35,136,526		\$35,136,526	30%	\$67,709,921	(\$6,741,343)	27.0%
			Panagora II	High Yield	\$729,629		\$729,629				
			Northern Trust	Short-Term Gov.	\$18,102,423	\$7,000,000	\$25,102,423				
Cash	0.7%	\$1,474,320	-	-	\$1,474,320		\$1,474,320	0%	\$0.00	\$1,474,320	0.7%
100%		\$225,699,735			\$225,699,735	\$0	\$225,699,735	100%	\$225,699,735	\$0	100%

- Real Estate - The unallocated assets of \$24,000,000 is in the equity allocation until called

- 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	\$11,588,600	\$11,284,987	(\$303,613)
Hamilton Lane	Fund VIII	\$3,500,000	\$2,027,183			
Hamilton Lane	Fund IX	\$7,000,000	\$6,650,000			