

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
August 16, 2004

The regular monthly meeting of the Board of Trustees of the Employees' Retirement System of the City of Norfolk was held in the City Hall sixth floor conference room in the City of Norfolk, Virginia. The meeting began at 2:00 p.m. on Monday, August 16, 2004, with Chairperson, Michael S. Ives presiding. The following was the result of the roll call:

<u>Attending the Meeting</u>	<u>Not Attending the Meeting</u>
M.S. Ives	W.O. Carrow
S.G. de Mik	Vacant
J.D. Hopkins	
N. Johnson	
R.J. Keogh	
F.V. Martin	
A.B. Nusbaum	

Mrs. Mary L.G. Nexsen, Deputy City Attorney, Mr. Kamal Khanna, Chief Investment Officer, and Mr. Eric Ralph, of Summit Strategies Group, also attended the meeting.

The minutes of the monthly meeting held June 21, 2004 and the minutes of the monthly meeting of July 19, 2004 were approved as printed.

Committee Reports:

Administration and Planning:

Mr. Ives reported that the Committee met at noon today to discuss the current actuarial cost/funding methodology, and consider alternatives to the current system, which produces significant variations in the City's contribution level from year-to-year. At the appropriate time, recommendations will be submitted for the Board's consideration.

Asset Allocation:

Mr. Keogh reported that the Committee did not have a meeting.

Investment Management Review Committee:

Mr. Martin reported that the Committee did not have a meeting. Mr. Martin further stated that the due diligence trip to Tattersall would take place in November 2004. Mr. Khanna informed the Board of a Boston due diligence trip to visit SsgA and State Street Bank, and attend the Wellington Research Forum. The Wellington Research Forum is scheduled for September 22 and 23, 2004, and is held every two years. Mrs. Myrella Aaron will contact you regarding your interest and availability.

Training and Education:

Mr. de Mik reported that the Committee did not have a meeting. Mr. de Mik informed the Board that before today's Board meeting, Mr. Ralph discussed what items would comprise a trustee manual.

Benefit Claims:

Dr. Hopkins reported that the Committee met on August 6, 2004. Dr. Hopkins informed the Board that the Committee reviewed the information received from the City of Newport News regarding their disability process. The Committee also reviewed the information obtained by Mrs. Nexsen from the Local Government Attorneys of Virginia and the National Association for Public Pension Attorneys on their use of the Social Security Disability System as a measuring stick or requirement, or do they have their own internal medical board evaluation process? After much discussion, Dr. Hopkins stated that the Committee decided to pursue the statute for reevaluating those who are disabled by means of yearly or every third year examination and have Mrs. Olivo discuss with the City Manager the resources needed to enforce Section 37-67.

Manager Search & Selection:

Mr. Wilder reported that the Committee did not have a meeting.

Mr. Khanna distributed for the Board's information his comments summarizing the Fund's performance and commentary on the markets. This report is attached as part of the official minutes. Mr. Khanna informed the Board that PIMCO purchased TXU Energy Co. LLC Floating Rate Notes, with a coupon of 2.38% and maturing 1/17/2006, on July 9, 2004. This security was a private placement and PIMCO needed approval from the Board before placing in our account. PIMCO would like to continue to hold this security with the Board's permission. Mr. Khanna recommends that the Board permit PIMCO to continue to hold this security because it is investment grade (rated BBB by Fitch and S&P, and Baa2 by Moody's) and amounts to less than 0.2% of our PIMCO account balance. Mr. Keogh made a motion to allow PIMCO to hold the above stated security. This motion was seconded by Mr. Martin and approved unanimously by the Board. Mr. Khanna concluded by asking to attend the Wellington Research Forum in Boston on September 22-23, 2004. Mr. Martin made a motion to allow Mr. Khanna to attend the Wellington Research Forum. This motion was seconded by Mr. Keogh and approved unanimously by the Board.

Mr. Ralph distributed and reviewed with the Board the investment performance review for the fiscal year ended June 30, 2004.

New Business
(July 19, 2004)

A. Applications for vested service retirement:

Richard F. Lacey, Active No. 18301, September 1, 2004, with no refund due.

Atwill R. Melton, Jr., Active No. 23102, October 1, 2004, with no refund due.

John L. Horton, Active No. 29451, October 1, 2000, with no refund due.

B. Applications for early service retirement:

Rebecca A. Weaver, Active No. 21090, August 1, 2004, with no refund due.

Shurl R. Montgomery, Active No. 21138, August 1, 2004, with no refund due.

Valorie A. Massingill, Active No. 22264, September 1, 2004, with no refund due.

Bernard L. Hopkins, Active No. 29001, September 1, 2004, with no refund due.

C. Applications for normal service retirement:

Rosia P. Rawles, Active No. 16785, August 1, 2004, with refund of \$498.90.

George S. Loder, Active No. 16927, August 1, 2004, with refund of \$459.79.

Raymond Wynn, Active No. 18367, August 1, 2004, with no refund due.

Dennis M. Hodge, Active No. 19084, August 1, 2004, with no refund due.

Tony L. Mitchell, Active No. 21349, August 1, 2004, with no refund due.

James E. Cochrane, Jr., Active No. 21825, August 1, 2004, with no refund due.

Joanne M. Moore, Active No. 21866, August 1, 2004, with no refund due.

Robert D. Hasty, Active No. 22054, August 1, 2004, with no refund due.

Patricia A. Pirog, Active No. 16063, September 1, 2004, with refund of \$622.43.

Paul R. Scott, Active No. 17442, September 1, 2004, with no refund due.

Robert C. Repass, Active No. 17469, September 1, 2004, with no refund due.

Yvonne A. Snowden, Active No. 17712, September 1, 2004 with no refund due.

Raymond M. Ellis, Jr., Active No. 17876, September 1, 2004, with no refund due.

Freida A. Clark, Active No. 17936, September 1, 2004, with no refund due.

Earl D. Webster, Active No. 18693, September 1, 2004, with no refund due.

Esther M. Wrim, Active No. 21819, September 1, 2004, with no refund due.

Clyde C. Shelton, Active No. 24195, September 1, 2004, with no refund due.

James G. Smith, Active No. 19398, October 1, 2004, with no refund due.

D. Recommendations by the Medical Board that the following be retired:

John M. Broughton, III, Active No. 21514, August 1, 2004, with no refund due. This member requested accidental disability retirement.

Lessie M. Wilson, Active No. 22064, August 1, 2004, with no refund due. This member requested ordinary disability retirement.

Jackie D. Lowe, Active No. 28003, August 1, 2004, with no refund due. This member requested ordinary disability retirement.

E. Death of retired members:

John W. Kavanaugh, Ret. No. 02814, death occurred May 23, 2004. Spouse elected monthly benefit of \$217.73.

Thurman W. Wilson, Ret. No. 03942, death occurred May 27, 2004. Spouse elected monthly benefit of \$219.33.

Joseph Leslie Bailey, Ret. No. 02267, death occurred June 4, 2004. Spouse elected monthly benefit of \$824.57.

George W. Baker, Ret. No. 02994, death occurred June 4, 2004. Spouse elected monthly benefit of \$244.91.

Lydell L. Dozier, Ret. No. 03371, death occurred June 10, 2004. Spouse elected monthly benefit of \$822.36.

Charles W. Stamm, Ret. No. 04168, death occurred June 19, 2004. No benefit payable due to no surviving spouse or dependent children.

David Hudson, Ret. No. 02111, death occurred June 28, 2004. No benefit payable due to no surviving spouse or dependent children.

Arthur J. Butts, Sr., Ret. No. 03271, death occurred June 28, 2004. No benefit payable due to no surviving spouse or dependent children.

Laura D. Simpson, Ret. No. 04455, death occurred July 4, 2004. No benefit payable due to no surviving spouse or dependent children.

Ellena E. Albohn, Ret. No. 02850, death occurred July 10, 2004. No benefit payable due to no surviving spouse or dependent children.

F. Death of spouses:

Mildred L. Arline, Spouse No. 0033N, death occurred June 3, 2004. No benefit payable.

Ollie V. Barnes, Spouse No. 0787N, death occurred July 1, 2004.
No benefit payable.

New Business
(August 16, 2004)

A. Application for early service retirement:

Brenda A. McClease, Active No. 22078, September 1, 2004, with no refund due.

B. Applications for normal service retirement:

Robert W. Souder, Active No. 16212, September 1, 2004, with refund of \$1,043.15.

Allen G. Hovik, Active No. 16574, September 1, 2004, with no refund due.

Tanya K. Suykerbuyk, Active No. 17358, September 1, 2004, with no refund due.

James E. Daman, Active No. 17514, September 1, 2004, with no refund due.

William T. Adams, Active No. 20922, September 1, 2004, with no refund due.

Moses McCown, Active No. 21030, September 1, 2004, with no refund due.

Helen Fleetwood, Active No. 21227, September 1, 2004, with refund of \$1,175.29.

Donna Killen, Active No. 21295, September 1, 2004, with no refund due.

Edith V. Brumage, Active No. 23279, September 1, 2004, with no refund due.

Waverly V. Edwards, Active No. 22736, October 1, 2004, with no refund due.

Dixie L. Washington, Active No. 23419, October 1, 2004, with no refund due.

C. Application for compulsory service retirement:

Jerry K. Salyers, Active No. 13615, September 1, 2004, with refund of \$5,959.84.

D. Request that retirement be rescinded:

Paul R. Scott, Active No. 17442, September 1, 2004, with no refund due.

E. Recommendations by the Medical Board that the following be retired:

Olivia H. Brown, Active No. 18779, October 1, 2004, with no refund due. This member requested ordinary disability retirement.

Henrine W. Robinson, Active No. 27505, October 1, 2004, with no refund due. This member requested ordinary disability retirement.

Karen D. Cuffee, Active No. 28677, October 1, 2004, with no refund due. This member requested ordinary disability retirement.

F. Death of retired members:

James W. Gillespie, Ret. No. 11581, death occurred June 27, 2004. Spouse elected monthly benefit of \$481.17.

Robert C. Hart, Ret. No. 02860, death occurred July 14, 2004. Spouse elected monthly benefit of \$716.79.

Paul M. Jordan, Ret. No. 02666, death occurred July 21, 2004. No benefit payable due to no surviving spouse or dependent children.

William W. Ambrose, Ret. No. 02696, death occurred July 21, 2004. No benefit payable due to no surviving spouse or dependent children.

Ada M. Washington, Ret. 02381, death occurred July 22, 2004. No benefit payable due to no surviving spouse or dependent children.

Abie G. Jackson, Ret. No. 03374, death occurred July 31, 2004. Spouse elected monthly benefit of \$822.10.

G. Death of spouse:

Sarah B. Wachtel, Spouse No. 0507N, death occurred July 30, 2004. No benefit payable.

The following report of payments from the Trust Fund was received and filed:

Baker's Crust	(1)	\$	25.47
FedEx	(2)		16.91
Virginia Investment Counselors	(3)		27.36
State Street Corporation	(4)		10,196.05
Theodore O. Wilder, Jr.	(5)		573.30
Bayview Physician Services	(6)		448.00
Mellon Consultants, LLC	(7)		2,338.00
Mellon Consultants, LLC	(8)		424.00
State Street Corporation	(9)		14,930.49
Lotus Financial Consulting, LLC	(10)		14,583.00
Lotus Financial Consulting, LLC	(11)		36,837.00
Retirement Payroll (est. Aug. 04)			<u>3,500,000.00</u>
Total			\$3,580,399.58

Money manager invoices submitted to custodian for payment:

J.P. Morgan Investment	(12)	06/30/04	\$ 39,438.22
Putnam Investments – OTC	(12)	06/30/04	68,465.44
Wellington Management	(12)	06/30/04	60,281.32
SSGA Conservative Index	(12)	06/30/04	16,479.10
SSGA Russell 2000	(12)	06/30/04	5,431.66
SSGA Passive Bond	(12)	06/30/04	1,752.47
Mellon Capital Management	(12)	06/30/04	1,515.43
PIMCO	(12)	06/30/04	<u>65,371.00</u>
			<u>\$ 258,734.64</u>

- (1) Dessert tray for Board meeting on July 19, 2004
- (2) Information sent to State Street
- (3) Reimbursement for expenses incurred to visit Burgundy Asset Management in Toronto on July 8-9, 2004
- (4) Custodial services for the month of May, 2004
- (5) Reimbursement for hotel expenses incurred for Theodore Wilder, Fred Martin, Bob Keogh and Kamal Khanna to visit Burgundy Asset Management in Toronto on July 8-9, 2004
- (6) Medical exam for Lessie Wilson and John Broughton
- (7) Preparation cost estimate for constitutional officers, vesting and portability calculations
- (8) Preparation work on June 30, 2004 valuation

30, 2004 (9) Custodial services for period June 1, 2004 through June 30, 2004 (10) Consulting services August 1, 2004 through August 31, 2004 (11) Consulting services for period July 1, 2004 through July 31, 2004 including supplement for FY-04 and COLA for FY-04 (12) Investment management fee for period ending 6/30/04

Mrs. Nexsen presented to the Board a letter from Mr. Robert Gill requesting that his normal service retirement be changed to ordinary disability retirement. Mrs. Nexsen informed the Board that Chapter 37 of the Norfolk City Code does not allow the Board to change Mr. Gill's retirement to ordinary disability retirement from normal service retirement. Ms. Johnson made a motion that based on advice from counsel, that Mr. Gill's request be denied. This motion was seconded by Mr. Martin and approved unanimously by the Board.

There being no further business, the meeting was adjourned at 3:00 p.m.

Chairperson

Executive Director