

Minutes of the Regular Monthly Meeting  
Board of Trustees  
Employees' Retirement System of the City of Norfolk  
February 19, 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 eleventh floor conference room in the City of Norfolk, Virginia. The meeting began at 2:15 p.m. on Thursday, February 19, 2004, with Chairperson, Michael S. Ives presiding. The following was the result of the roll call:

Attending the Meeting

M.S. Ives  
W.O. Carrow  
J.D. Hopkins  
R.J. Keogh  
F.V. Martin  
A.B. Nusbaum  
K.R. Stephenson  
R.V.K. Williams

Not Attending the Meeting

Vacant

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

The minutes of the monthly meeting held January 15, 2004 were approved as printed.

Committee Reports:

Administration and Planning:

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

Asset Allocation:

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

Investment Management Review Committee:

Mr. Martin reported that Investment Management Review Committee met today from 12:30 to 2:00 p.m. with Eric Ralph of Summit Strategies and Kamal Khanna, CIO. Eric Ralph reviewed the recommended Equity Investment Structure contained in a bound presentation booklet, entitled Large Cap Equity Investment Structure Review, January 2004. This was a follow-up item from the December 15, 2003 meeting of the Investment Management Review Committee, at which Option #4 was deemed worthy of further exploration. The recommended large cap equity structure (implementing option #4) calls for consolidating all large cap

equity holdings into three accounts, namely, J.P. Morgan, Wellington, and SSgA S&P 500 Conservative Fund. Accordingly, the Lazard Asset Management account will be terminated and the assets transitioned into the SSgA Conservative Fund in accordance with the reallocation details presented in the above-mentioned booklet. In addition, the passive SSgA Russell 3000 and Russell 1000 Value Funds will also be decomposed into S&P 500 Conservative Fund and Russell 2000 Value Fund. The committee empowered Eric Ralph and Kamal Khanna to deploy appropriate asset transition services to efficiently implement the new equity investment structure.

Mr. Martin made a motion to adopt the proposed Large Cap Equity Investment Structure. This motion was seconded by Mr. Keogh and unanimously approved by the Board.

Training and Education:

Mrs. Stephenson reported that the Committee did not have a meeting.

Benefit Claims:

Dr. Hopkins reported that the Committee did not have a meeting.

Manager Search & Selection:

Dr. Hopkins reported the committee received presentations on January 29 from the three finalists, Oberweis, Roxbury, and Wellington Management. The committee met again on February 19 to discuss the final presentations and voted to recommend Oberweis Asset Management, Inc. to the Board for the small cap growth mandate. The hiring of Oberweis would be subject to satisfactory findings following a due diligence trip by at least two trustees and our consultants as called for by our investment policy statement.

Dr. Hopkins made a motion to hire Oberweis, subject to satisfactory due diligence visit. The motion was seconded by Mr. Keogh and unanimously approved by the Board.

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. Ralph distributed and explained the Investment Performance Review for the calendar year ended December 31, 2003.

New Business

A. Applications for early service retirement:

Ruby B. White, Active No. 19806, March 1, 2004, with no refund due.

B. Applications for normal service retirement:  
due.  
James C. Lucas, Active No. 22689, March 1, 2004, with no refund due.  
due.  
Marion A. Lewis, Active No. 23440, March 1, 2004, with no refund due.  
due.  
Alvah C. Paul, Jr., Active No. 24910, March 1, 2004, with no refund due.  
Kris E. Meek, Active No. 18164, April 1, 2004, with no refund due.  
due.  
Denise L. Jordan, Active No. 21708, April 1, 2004, with no refund due.  
due.  
Dennis Q. Cabacoy, Active No. 21741, May 1, 2004, with no refund due.

C. Recommendation by the Medical Board that the following be denied:  
due. This  
Beverly Mitchell, Active No. 23395, March 1, 2004, with no refund member requested ordinary disability retirement.

D. Death of retired members:  
due.  
Mary H. Coursey, Ret. No. 2219, death occurred December 22, 2003. No benefit payable due to no surviving spouse or dependent children.

2003. Spouse  
No benefit  
elected monthly benefit of \$1,089.69.

James L. Nelson, Ret. No. 2702, death occurred January 18, 2004.  
payable due to no surviving spouse or dependent children.

E. Death of spouse:  
No benefit  
Lillian J. Britton, Spouse No. 642, death occurred January 19, 2004.  
payable.

The Board approved withdrawal of the following non-contributing members:

| <u>Name</u>             | <u>Active Number</u> |
|-------------------------|----------------------|
| Toni D. Brown           | 28680                |
| Christian M. Murray     | 28785                |
| Larry D. Sowell         | 28885                |
| Shelton D. Williams     | 28922                |
| Amy L. Whipple          | 29050                |
| Clement W. Mikowski     | 29053                |
| Amanda E. Nofplot       | 29152                |
| Terrence Ayars          | 29250                |
| Peter J. Taylor         | 29262                |
| William Curtis Randolph | 29314                |
| Chad J. Myers           | 29330                |
| Kara Harpham            | 29474                |
| Brooke E. Briggs        | 29530                |
| James Allen McClung     | 29683                |
| Christopher J. Daly     | 29713                |
| Earl J. Evans           | 29839                |
| Sheila S. Woodhouse     | 29870                |
| Gregory J. Gilliam      | 29894                |
| Michael G. Davis        | 29899                |
| Freda McClung           | 29970                |
| Mark Dennis Roberts     | 29977                |
| Dawnn Eugenia Ball      | 30028                |
| Karen Lee Jordan        | 30097                |
| Zeller Garrett, III     | 30212                |
| Lauren D. McLane        | 30230                |
| Ezekiel A. Harrell      | 30244                |

Total members - 26

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

|                                   |     |                 |
|-----------------------------------|-----|-----------------|
| HealthSouth                       | (1) | \$ 1,200.00     |
| Mellon Capital Management         | (2) | 6,124.72        |
| State Street Corporation          | (3) | 23,236.07       |
| Mellon Consultants, Inc.          | (4) | 4,346.00        |
| Baker's Crust Inc.                | (5) | 133.70          |
| Bayview Physician SVCS, PC        | (6) | 374.00          |
| FedEx                             | (7) | 16.54           |
| Baker's Crust Inc.                | (8) | 171.98          |
| Retirement Payroll (est. Feb. 04) |     | \$ 3,350,000.00 |
| Total                             |     | \$ 3,385,603.01 |

Money manager invoices submitted to custodian for payment:

|  |                  |
|--|------------------|
| JP Morgan Asset Management (9/30/03) (9)   | \$ 35,413.68     |
| PIMCO (12/31/03) (10)                      | 68,594.00        |
| Tattersall Advisory Group (03/31/04) (11)  | 49,172.00        |
| JP Morgan Asset Management (12/31/03) (10) | <u>38,814.79</u> |
|  | \$ 191,994.47    |

- (1) Functional capacity evaluation for Beverly Mitchell.
- (2) Investment management fee 9/30/03.
- (3) Custodial services for the month of December 2003.
- (4) Services through December 31, 2003: Completion 6/30/03 valuation; Actuarial information sent to Summit and Valuation exhibits.
- (5) Lunch for small cap growth manager finalist presentations on 01/29/04.
- (6) Medical exams for Donald Washington and Michael Mullholand.
- (7) Information sent to State Street.
- (8) Lunch for Board Meeting on January 15, 2004.
- (9) Investment management fee for quarter ended 9/30/03.
- (10) Investment management fee for quarter ended 12/31/03.
- (11) Investment management fee for quarter ended 03/31/04.

Mr. Ives reported that he and Mr. Wilder made a presentation to City Council regarding the performance of the Fund as well as potential contributions from the City. Mrs. Williams stated that the report was very well received by the Council. Mrs. Williams further stated that the Council is very impressed with the management of the Fund and on behalf of the Council would like to thank you for all the hard work that you do.

Dr. Hopkins raised the issue of alternative job placement with Mrs. Williams. He stated that there are individuals on disability retirement that should be able to be placed in other city jobs. Mrs. Williams stated that we are all concerned about this issue, but that we continue to encounter certain constraints imposed by our civil service and classification systems. Mrs. Williams indicated that she would have her Human Resources Director, Mrs. Olivo, to contact Dr. Hopkins regarding this issue.

There being no further business, the meeting was adjourned at 2:58 p.m.

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Chairperson

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Executive Director