

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
April 18, 2005

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 2:05 p.m. on Monday, April 18, 2005, with Chairperson, Michael S. Ives presiding. The following was the result of the roll call:

Attending the Meeting

M.S. Ives
S.G. de Mik
J. D. Hopkins
F.V. Martin
A.B. Nusbaum
R. V.K. Williams

Not Attending the Meeting

Vacant
Vacant
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 March 21, 2005 were approved as printed.

Mrs. Regina V. K. Williams informed the Board that the City has decided to implement a limited time Window of Opportunity for public safety officers to retire with an increase in their benefit cap. Mrs. Williams stated that on January 1, 1997 the City imposed a retirement benefit cap equal to 65% of average final compensation on public safety employees. Long-term public safety employees consider the cap a broken promise and an impediment to their retirement objectives. Mrs. Williams went on to say that public safety employees who meet normal service retirement criteria due to years of creditable service as of May 1, 2005 will be eligible for a one-time benefit enhancement. This is not a permanent change to the existing Retirement Plan. For employees with 26 years of service benefit, the cap will be 70.5%. For each year of service thereafter there will be a ½% increase up to a maximum of 75%. For those with 25 years of service, the benefit cap will be 67.5%. Mrs. Williams further stated that the City is aware and fully prepared to increase its contributions as may be needed to the retirement plan, based on results of an actuarial study by the Board of Trustees' contracted actuary. Mr. Martin made a motion that the Board of Trustees contract with our actuary, at the City's expense, to perform the actuarial study of the benefit enhancement proposed by City Management. This motion was seconded by Dr. Hopkins and approved unanimously by the Board.

Committee Reports:

Administration and Planning:

Mr. Khanna reported that the committee met to review the eight responses to our RFP for actuarial consulting services. We reviewed each of the proposals and short listed four for further consideration using comprehensive evaluation criteria such as the history of the firm, quality of responses, proposed fees, etc. Following is our short list from which the committee may wish to select two or three firms for finals presentations:

1. Cheiron
2. GRS (Gabriel, Roeder, Smith & Company)
3. Mellon Consultants, LLC
4. Palmer & Cay

Mr. de Mik made a motion to invite Cheiron, GRS, Palmer & Cay, and Mellon Consultants, LLC for final presentations. This motion was seconded by Mr. Martin and approved unanimously by the Board. Mrs. Williams made a motion that the decision be delegated to the Administration & Planning Committee who will inform the Board of the place, time, and date of the presentations. This motion was seconded by Dr. Hopkins and approved unanimously by the Board.

Asset Allocation & Investment Management Review Committees:

Mr. Martin reported that the Committees did not have a meeting.

Training and Education:

Mr. de Mik 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:

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

Mr. Ives informed the Board that the next item would be discussed in Executive Session. A motion for Executive Session was read and approved by a vote of 6 to 0. A resolution certifying an executive meeting of the Employees' Retirement Board of the City of Norfolk in accordance with the provisions of the Virginia Freedom of Information Act, VA Code Section 2.2-3600 et seq for the purpose of discussing legal and personnel matters was read and approved by a vote of 6 to 0. At the conclusion of the Executive Session, a resolution was adopted in which the Retirement Board certified that, to the best of each member's knowledge, (i) only business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the executive meeting to which the certification resolution applied, and (ii) only such business matters as were identified in the motion convening the executive meeting were heard, discussed or considered by the Retirement Board. Mr. Martin made a motion that Ms. Colleen Thrush's application for ordinary disability retirement be denied on the basis that her

disability from addiction to narcotics is not a permanent disability. This motion was seconded by Dr. Hopkins and approved unanimously by the Board.

Mr. Khanna distributed for the Board's information a report summarizing the Fund's performance and commentary on the economy and the markets. Mr. Khanna informed the Board that we have now negotiated a new custodian fee schedule, effective October 1, 2004, that would further lower our custody costs by about \$85,000/year versus the 2004 custody fee schedule. This report is attached as part of the official minutes. Mr. Ives thanked Mr. Khanna for the way he and Mr. Ralph have worked to reduce the System's expenses.

Mr. Khanna informed the Board that Tattersall is requesting an amendment to our investment guidelines regarding the minimum permitted credit quality of fixed income securities that can be purchased. Our current policy regarding credit quality reads as follows:

Fixed Income Portfolio Restrictions

A. Restrictions applying to each manager's Fixed Income Portfolio:

1. Only securities which are rated Baa3 or above by Moody's or BBB- or above by Standard and Poor's may be purchased. A split-rated security should be treated as carrying the lower of the two ratings.

We propose to change A. 1. to read as follows :

1. Securities rated below investment grade by two of the three primary rating agencies, Moody's, Fitch Ratings and Standard and Poor's, are not permitted.

Mrs. Williams made a motion that securities rated below investment grade by two of the three primary rating agencies, Moody's, Fitch Ratings and Standard and Poor's, are not permitted. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

Mr. Martin made a motion that Mrs. Mary L. G. Nexsen attend the Legal Education Conference in Lake Tahoe, Nevada on June 28 - July 1, 2005. This motion was seconded by Mr. Nusbaum and approved unanimously by the Board.

Dr. Hopkins made a motion for Ted Wilder and Kamal Khanna to attend the Virginia Association of Municipal Retirement Systems meeting in Fairfax, VA on May 2-3, 2005 and for Mr. Khanna to attend the Certified Financial Analyst Conference in Philadelphia, PA on May 8-11, 2005. This motion was seconded by Mr. Nusbaum and approved unanimously by the Board.

Mr. Ralph presented to the Board on investing a portion of the portfolio in international stocks. His recommendation is to have an equity allocation of 40% large cap, 30% non-large cap, and 30% international. Non-large cap stocks consistently offer a greater diversification benefit. Hire managers with non-large exposure. Mr. Martin made a motion that the goal of the fund is to invest 30% of our equity portfolio in international with active management with a 60% bias toward value with the implementation recommendation being referred to the Asset Allocation/Investment Management Review Committees. This motion was seconded by Dr. Hopkins and approved unanimously by the Board.

New Business

A. Applications for vested service retirement:

Josephine C. Cowell, Active No. 17056, May 1, 2005, with no refund due.

Emilie Hauser, Active No. 30109, May 1, 2005, with no refund due.

B. Applications for normal service retirement:

Patricia Palmer, Active No. 13445, May 1, 2005, with refund of \$2,811.48.

Thomas Brett, Active No. 16494, May 1, 2005, with no refund due.

Richard Scarola, Active No. 21869, June 1, 2005, with no refund due.

Robert Kightlinger, Active No. 17978, June 1, 2005, with no refund due.

Shirley M. Stokes, Active No. 23305, June 1, 2005, with no refund due.

Lenora M. Bennett, Active No. 23769, June 1, 2005, with no refund due.

Eugene Fisher, Active No. 17721, July 1, 2005, with no refund due.

John T. Falls, Active No. 18710, July 1, 2005, with no refund due.

Vickey J. Dyson, Active No. 19195, July 1, 2005, with no refund due.

C. Request that retirement be rescinded:

William G. Williams, Active No. 20073, April 1, 2005, with no refund due.

Charles R. Moore, Active No. 20652, May 1, 2005, with no refund due.

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

James Mitchell, Active No. 14503, May 1, 2005, with refund of \$1,795.63.

This member requested ordinary disability retirement.

Linda D. Dagner, Active No. 24857, May 1, 2005, with no refund due.

This member requested ordinary disability retirement.

E. Death of retired members:

Robert E. Bradshaw, Ret. No. 952, death occurred March 19, 2005, with no refund due. Spouse elected monthly benefit of \$379.53.

Walter I. Basnight, Ret. No. 1265, death occurred April 3, 2005, with no refund due. No benefit payable due to no surviving spouse or dependent children.

Richard R. Moore, Jr., Ret. No. 1543, death occurred April 5, 2005, with no refund due. Spouse elected monthly benefit of \$549.77.

F. Death of spouse:

George H. Tucker, Ret. No. 987, death occurred April 7, 2005. No benefit payable.

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

Baker's Crust, Inc.	(1)	\$	145.91
Myrella Aaron	(2)		
8.38			
Mellon Consultants, LLC	(3)		9,825.00
Lotus Financial Consulting	(4)		14,583.00
Retirement Payroll (est. April 05)			<u>3,700,000.00</u>
Total			<u>\$3,724,562.29</u>

- (1) Lunch served for meeting with Retirement Board and money manager presentations on 3-21-05
- (2) Reimbursement for table covers for lunch served for Board meetings
- (3) Services rendered from January 1, 2005 through February 28, 2005
- (4) Consulting services for the period April 1, 2005 through April 30, 2005

There being no further business, the meeting was adjourned at 4:23 p.m.

Chairperson

Executive Director