

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
October 24, 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 9:08 a.m. on Monday, October 24, 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
N. Johnson
F.V. Martin
A. B. Nusbaum

Not Attending the Meeting

J. D. Hopkins
Vacant
Vacant
Vacant

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

The minutes of the monthly meeting held September 19, 2005 were approved as printed.

Mr. James Oberweis and Mr. Brian Lee of Oberweis Asset Management, Inc. were on hand for their yearly presentation. Their presentation covered the following topics:

- Company Overview
- Philosophy
- Investment Performance

Committee Reports:

Administration and Planning:

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

Asset Allocation, Investment Management Review & Manager Search & Selection Committees:

Mr. Martin reported that on Monday, October 17, 2005, Steven de Mik, Kamal Khanna, Eric Ralph, and he were in London to visit Fidelity (International Growth), Sanderson (International Value), and New Star, (International Growth), three international managers. Mr. Martin further stated that from their on-site due diligence visits they found nothing that would change their minds from recommending that we allocate funds to these three managers. The fourth

manager, LSV (International Value), will be visited in Chicago on November 9, 2005 for their due diligence visit. Mr. Martin went on to say that the meetings went well and they were well planned. They all have disaster recovery plans. Mr. Martin stated that the Committee will have a recommendation for the Board after their visit to LSV.

Training and Education:

Mr. de Mik reported that Mrs. Nexsen, Deputy City Attorney, will be reviewing a draft of the training manual and after her comments have been incorporated; the Board will receive their copy for review and comments.

Benefit Claims:

Mr. Ives reported that the Board asked Mr. Wilder to draft a policy to present at the October meeting to have our disability retirees reexamined. Mr. Wilder presented to the Board a disability policy to have retirees reexamined. After much discussion, Mr. Ives asked the Board to defer voting on the policy until Dr. Hopkins has had a chance to review and make comments. The Board unanimously agreed to defer voting until the next meeting.

Mr. Khanna distributed for the Board's information a report summarizing the Fund's performance and commentary on the economy and the markets. This report is attached as part of the official minutes. Mr. Khanna informed the Board that the System has had a commission recapture program in effect with Lynch, Jones and Ryan (LJR) since July of 1987. Until recently, most of our assets were actively managed and this program provided the System with about \$35,000 to \$40,000 per year in commission re-capture benefit. However, since we have indexed a big chunk of our US large cap equities, the opportunity for commission recapture has been reduced. Summit and I are of the opinion that we should continue to try to recapture commissions whenever there is an opportunity. We recommend the Board authorize the executive director to enter into a similar agreement with a competing firm to ensure we offer our active money managers flexibility to trade with brokerage firms with which we have entered into commission recapture programs. Able/Noser Corp. has offered us an attractive and yet simple program under which they will rebate all commissions over 1.5 cents per share. Mr. Martin made a motion to enter into an agreement with Able/Noser and to notify our active managers of the commission recapture programs in place. This motion was seconded by Mr. Nusbaum and approved unanimously by the Board.

Mr. Ives presented a request from Mr. Khanna to travel to New York to develop a transition plan for moving funds from domestic equities to international equities. Kamal would be visiting a couple of transition managers to discuss strategies for a cost-effective transition and Kamal would also visit JP Morgan to see our new client contact as Cris Posada has left the firm. Mr. Nusbaum made a motion to

approve Mr. Khanna' trip to New York. This motion was seconded by Mr. Martin and approved unanimously by the Board.

New Business

A-F

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

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

There being no further business, the meeting was adjourned at 10:23 a.m.

Chairperson

Executive Director