

Minutes of the Regular Monthly Meeting  
Board of Trustees  
Employees' Retirement System of the City of Norfolk  
December 18, 2006

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, December 18, 2006, 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	Vacant
S.G. de Mik	Vacant
J. D. Hopkins	Vacant
F.V. Martin	
A. B. Nusbaum	
N. Johnson	

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

The minutes of the monthly meeting held November 20, 2006 were approved as printed.

Mr. de Mik introduced Mr. Thomas Lewis to the Board. Mr. de Mik informed the Board that Mr. Lewis was the Assistant Director of Finance & Business Services and City Controller. Mr. de Mik indicated that Mr. Lewis would sit in on Board Meetings from time to time. Mr. Ives welcomed Mr. Lewis on behalf of the Board.

Mr. Ives informed the Board that they needed to adopt the actuarial assumptions presented by our Actuary, Fiona Liston, on November 20, 2006. Mr. Martin made a motion that the investment return is 7.5% and the general wage inflation is 3.5%. This motion was seconded by Dr. Hopkins and approved unanimously by the Board. Ms. Johnson made a motion to approve the recommended demographic assumption changes as follows:

Retirement	Minor changes
Withdrawal	Move to service-based table
Disability	No change
Mortality	Improve tables
Merit/Seniority Salary	Service-based table
Sick Leave	Use load at retirement instead of current
balance	
Funding Method	Entry age normal

This motion was seconded by Mr. de Mik and approved unanimously by the Board. Dr. Hopkins made a motion to table the discussion on the COLA assumption until the Board has had a chance to discuss with City Council and City Management.

Mr. de Mik made a motion to accept the contribution rate of 11.59% for General employees and 22.40% for Firefighters and Police as determined by the actuary, Fiona Liston of Cheiron, for the Fiscal Year 07-08 and to certify the same to the City of Norfolk. This motion was seconded by Ms. Johnson and approved unanimously by the Board.

Mr. Wilder presented an application for Accidental Disability Retirement for Wanda R. Bacchus. After much discussion, Dr. Hopkins made a motion to approve Wanda Bacchus for Ordinary Disability Retirement. This motion was seconded by Ms. Johnson and approved unanimously by the Board.

Mr. Wilder presented an application for Accidental Disability Retirement for Donnell J. Griffin. After much discussion, Dr. Hopkins made a motion to approve Donnell J. Griffin for Ordinary Disability Retirement. This motion was seconded by Mr. Martin and approved unanimously by the Board.

#### New Business

A. Applications for vested service retirement:

Glenn A. White, Active No. 18216, December 1, 2006, with no refund due.

James W. Dozier, Active No. 23867, December 1, 2006, with no refund due.

B. Applications for normal service retirement:

James D. Freeman, Active No. 20181, January 1, 2007, with no refund due.

Thelma Q. Johnson, Active No. 18008, January 1, 2007, with no refund due.

John W. West, II, Active No. 18178, January 1, 2007, with no refund due.

Linda J. Chapman, Active No. 15513, February 1, 2007, with refund of \$1,781.83.

Delester Y. McAdoo, Active No. 18414, February 1, 2007, with no refund due.

Virginia R. Clemons, Active No. 18679, February 1, 2007, with no refund due.

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

Alberto Lamoso, Active No. 25148, January 1, 2007, with no refund due. This member requested ordinary disability retirement.

D. Ordinary Death:

Robert O. Kirby, Active No. 19952, death occurred November 5, 2006. Spouse elected monthly benefit of \$2,058.94.

E. Death of retired members:

Ella M. Bryant, Ret. No. 03251, death occurred October 19, 2006. Spouse elected lump sum payment in the amount of \$11,123.22.

John R. Miller, Ret. No. 02655, death occurred October 24, 2006. Spouse elected monthly benefit of \$738.14.

Irby W. Young, Ret. No. 03597, death occurred November 29, 2006. No benefit payable due to no surviving spouse or dependent children.

Sue P. Elmore, Ret. No. 04531, death occurred December 7, 2006. No benefit payable due to no surviving spouse or dependent children.

F. Death of Spouses:

Annie M. Stewart, Spouse No. 00607, death occurred October 25, 2006. No benefit payable.

Ophelia H. Wilson, Spouse No. 00766, death occurred November 21, 2006. No benefit payable.

Margaret C. Glee, Spouse No. 00371, death occurred November 25, 2006. No benefit payable.

Mardell Sires, Spouse No. 00616, death occurred November 30, 2006. No benefit payable.

Sue P. Elmore, Spouse No. 00767, death occurred December 7, 2006. No benefit payable.

**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 he and Steve de Mik accompanied by Kamal, Ted and Chris Tocco of Summit visited with the International Closed-End Fund Strategy team in Richmond on November 2<sup>nd</sup>. As you may recall, Tattersall had made a presentation on this subject at the September Board Meeting. In addition, Summit had provided the Board with their research and recommendations for this product. At the September Board Meeting, it was decided to defer voting on this item pending an on-site visit to allow the Investment Management Review Committee to obtain a full understanding of the strategy and then make a recommendation to the Board. We had a very comprehensive discussion and demonstration of their trading platform for this strategy. Based on these discussions, the Committee is of the view that this investment should be treated as part of our international allocation in the core portfolio, rather than a component of the satellite portfolio. This is to ensure that we can properly monitor and maintain the integrity of our overall asset allocation. In effect, this approach will limit our products/strategies selection opportunities in the satellite portfolio to those that are reasonably close to our overall asset allocation. Vanguard STAR fund is a perfect candidate for the satellite portfolio as it has the potential to add value by active management without altering our overall asset allocation. Based on our visit and prior discussions and research, the Investment Management Review Committee recommends allocating about 5% of the core fund in this strategy, or about \$44 million. This motion was seconded by Dr. Hopkins and approved unanimously by the Board.

Mr. Martin distributed to the Board a copy of the Statement of Investment Policy. Mr. Martin stated that this Statement of Investment Policy is the official policy governing the investment practices of the Employees' Retirement System of the City of Norfolk. All previous Fund investment policies and objectives are superseded by this policy. Mr. Martin made a motion to adopt the Statement of Investment Policy. This motion was seconded by Ms. Johnson and approved unanimously by the Board.

Mr. Wilder presented the proposed meeting schedule for calendar year 2007. The Board of Trustees will continue to meet on the third Mondays at 2:00 p.m. Since January 15, 2007 and February 19, 2007 are official holidays, the recommendation is that the Board reschedule these two meetings to January 18, 2007 and February 15, 2007. Dr Hopkins made a motion to approve the

proposed meeting schedule. This motion was seconded by Mr. Martin and approved unanimously by the Board.

Training and Education:

Mr. de Mik reported that the Committee did not have a meeting. He further stated that the Committee is working to provide Trustees orientation for new Trustees.

Benefit Claims:

Mr. Wilder reported that the Committee did not have a meeting. He further stated that he received a favorable report from the Virginia Board of Medicine on Dr. Chantal Ratnavale Brooks. She will be added to the list of Medical Board doctors.

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.

Mrs. Jessica Portis discussed with the Board the strategy and the performance of our small growth manager, Oberweis.

Mr. Wilder thanked Mr. Ives for his many years of dedicated service as Trustee and Chairman of the Employees' Retirement System of the City of Norfolk. Mr. Wilder thanked Mr. Ives for always striving to build consensus amongst the Trustees, on all matters, resulting in the Retirement Board always making sound judgments and decisions that were supported by all of the Trustees.

Mr. Ives thanked Mr. Wilder for his words of appreciation. He stated that he had enjoyed his service on the Board and the friendships made over the years. Mr. Ives wished the Board much success in the future.

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

<u>Name of Member</u>	<u>Active Number</u>
Dorissa Whitney	30157
Barry Millard	30274
Yvette Sabater Moore	30692
Kevin Neil Humphreys	30727
Nicholas F. Fenz	31175
Donnetta S. Johnson	31182
Wallace Baum	31409
April D. Burns	31424
William L. Porter	29936
Monica Allen	30186
Grealin C. Kimbrough	31549
Total - 11 members	

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

Lotus Financial Consulting, LLC	(1)	\$
3,031.99		
State Street Corporation	(2)	
12,625.40		
GFOA	(3)	830.00
PIMCO	(4)	
342.31		
Secretary of the Commonwealth	(5)	
20.00		
VRS	(6)	20,737.13
Baker's Crust	(7)	165.97
FedEx	(8)	102.41
Lotus Financial Consulting	(9)	15,750.00
Employees' Retirement System (payroll est. Dec. 06)		
<u>4,600,000.00</u>		
Total		<u>\$ 4,653,605.21</u>

- (1) Reimbursement of expenses for Kamal Khanna for the following: CFA Meeting; Indexing Conf.; Public Funds Symposium; Economic Hampton Roads; CFA Dues; Cell Phone; Verizon Internet Charges; WSJ Subscription; Center for Fiduciary Studies AIF Program; Professional Books
- (2) Custodial service for October 1-31, 2006
- (3) Fee for the GFOA CAFR 2006 Application
- (4) Reimbursement for transportation of Trustees from New York to Greenwich, CT to visit Hedge Fund firm on April 10, 2006
- (5) Apostille fee required for international investing
- (6) Transfer City of Norfolk Retirement assets to the VRS for Mary Wilkerson
- (7) Lunch served for Board Meeting on 11-20-06 for Actuary presentation
- (8) Information sent to State Street, Secretary of the Commonwealth, and Myrella Aaron
- (9) Consulting services for the period December 1-31, 2006

There being no further business, the meeting was adjourned at 3:34 p.m.

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Chairperson

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Executive Director