

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
January 19, 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 2:08 p.m. on Thursday, January 19, 2006, 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
F.V. Martin
A. B. Nusbaum
N. Johnson

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 December 19, 2005 were approved as printed.

Mrs. Fiona E. Liston and Mr. Kevin J. Woodrich, actuaries with Cheiron, presented the results of the Sixty-Third Actuarial Valuation for the year ended June 30, 2005. Mrs. Liston stated that Cheiron has performed the actuarial valuation of the Employees' Retirement System for the City of Norfolk as of June 30, 2005. The purpose of the valuation is to:

1. Measure and disclose, as of the valuation date, the financial condition of the System;
2. Indicate trends in the financial progress of the System;
3. Determine the contribution rate to be paid by the City for Fiscal Year 2007;
4. Provide specific information and documentation required by the Government Accounting Standards Board (GASB).

Mrs. Liston went on to say that an actuarial valuation establishes and analyzes System assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the System's investment performance as well as an analysis of actuarial liability gains and losses. The Actuarial Accrued Liability at 6/30/2005 was \$883.9 million and the Assets for Valuation Purposes at 6/30/05 was \$854.1 million; leaving an Unfunded Actuarial Liability at 6/30/05 of \$29.8 million. As of June 30, 2005, the System's accrued liability was 97% funded based on the actuarial value of

assets. The results of this valuation determine the contribution rate for the fiscal year beginning July 1, 2006. The contribution rate for General employees is determined to be 11.93%. The contribution rate for Firefighters and Police is determined to be 21.12%.

Mr. de Mik made a motion to accept the contribution rate of 11.93% for General employees and 21.12% for Firefighters and Police as determined by the actuary, Fiona Liston, Cheiron, for the Fiscal Year 06-07 and to certify the same to the City of Norfolk. This motion was seconded by Ms. Johnson and approved unanimously by the Board.

Mr. John Gilberto, of McGladrey & Pullen, L.L.P., Certified Public Accountants, provided an overview of the audit report of the Employees' Retirement System as of June 30, 2005. Mr. Gilberto informed the Board that the report this year is different than in previous years. The report this year is called a Comprehensive Annual Financial Report. This report will be submitted to the Government Finance Officers Association for their review in obtaining a certificate of excellence in financial reporting. The report consists of five sections:

1. The **Introductory Section** contains the letter of transmittal, identification of the Board of Trustees, list of professionals who provide services to the Board, and organizational chart;
2. The **Financial Section** contains the opinion of the independent auditors, the Management's discussion and analysis, the financial statements of the System and required supplementary information;
3. The **Investment Section** contains investment results and other information relating to investment policy and investment activities;
4. The **Actuarial Section** contains information from the most recent report from the System's actuary; and
5. The **Statistical Section** contains significant data pertaining to the membership of the System.

Mr. Gilberto stated that McGladrey & Pullen has rendered a clean, unqualified, opinion regarding the financial statements of the System.

Mr. Martin informed the Board that funding the international allocation will come from the JP Morgan account. Mr. Martin made a motion that the termination of JP Morgan be done in a timely manner to coincide with the funding of the international managers and the timing be left to our CIO and consultant. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

Mrs. Nexsen informed the Board that she has reviewed the list of attorneys to help us with reviewing and executing the commingled funds' trust documents. Mrs. Nexsen recommended Mr. Benton Burroughs of Reed Smith LLP. Mr. Burroughs has worked with the Virginia Retirement System in the area of commingled funds' trust documents and is familiar with the four international managers in question. Mr. Martin made a motion that the Board engages Mr. Benton Burroughs of Reed Smith LLP to help us with reviewing and executing the commingled funds' trust documents. This motion was seconded by Ms. Johnson and approved unanimously by the Board.

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 informed the Board that on January 6, 2006, the fund was rebalanced to our normal 60% equities and 40% fixed income targets by transferring \$25 million from the SSgA S&P 500 index fund into our SSgA Lehman aggregate index fund.

Training and Education:

Mr. de Mik reported that the Committee did not have a meeting.

Benefit Claims:

Mr. Wilder reported that the Committee did not have a 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. Wilder presented an application for accidental disability retirement for William C. Taylor. Mr. Martin made a motion to approve Mr. Taylor for accidental disability retirement with the provision that Mr. Taylor be reexamined in one year. This motion was seconded by Ms. Johnson and approved unanimously by the Board.

Mr. Wilder presented the application of Christopher J. Smith for ordinary disability retirement. Mr. de Mik made a motion that Mr. Smith be retired on ordinary

disability retirement and that Mr. Smith not be subject to reexamination. This motion was seconded by Mr. Martin and approved unanimously by the Board.

Mr. Wilder presented an application for ordinary disability retirement for John K. Lockwood. Ms. Johnson made a motion to approve Mr. Lockwood for ordinary disability retirement with the provision that Mr. Lockwood be reexamined in one year. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

New Business:

A. Applications for vested service retirement:

Shirley N. Anderson, Active No. 12565, December 1, 2005, with refund of \$5,621.94.

Robert Gargiullo, Active No. 20404, March 1, 2006, with no refund due.

Anne E. Paulin, Active No. 14258, April 1, 2006, with refund of \$4,128.88.

B. Application for early service retirement:

Anne P. Eure, Active No. 21820, March 1, 2006, with no refund due.

C. Applications for normal service retirement:

Nancy C. Monroe, Active No. 14407, March 1, 2006, with refund of \$2,621.28.

Edward Ridley, Active No. 19142, March 1, 2006, with no refund due.

Michael D. Adams, Active No. 16280, April 1, 2006, with refund of \$659.91.

Peggy F. Winfield, Active No. 19157, April 1, 2006, with no refund due.

D. Ordinary death:

John A. O'Neil, Jr., Active No. 22398, death occurred November 8, 2005. Spouse elected monthly benefit of \$588.51.

E. Accidental death:

Stanley C. Reaves, Active No. 30617, death occurred October 28, 2005. Monthly benefit payable to spouse in the amount of \$1,298.36.

F. Death of retired members:

Joseph Wilson, Ret. No. 04112, death occurred December 19, 2005. Spouse elected monthly benefit of \$1,325.06.

William J. White, Ret. No. 03482, death occurred December 10, 2005. No benefit payable due to no surviving spouse or dependent children.

Nell Dunnavant, Ret. No. 02114, death occurred December 26, 2005. No benefit payable due to no surviving spouse or dependent children.

Edward McGroarty, Ret. No. 02059, death occurred December 28, 2005. No benefit payable due to no surviving spouse or dependent children.

James M. Stewart, Ret. No. 04600, death occurred December 31, 2005. No benefit payable due to no surviving spouse or dependent children.

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

<u>Name of Member</u>	<u>Active Number</u>
Anisea L. Owens	29107
Troy Allan Hoge	29662
Norman W. Coffman, II	29711
Brenda L. Lamon	29747
Brandon Gilliam	29915
Huey C. McLain, Jr.	30115
Guy S. Battle	30218
Cynthia Laverne McClain	30440
Kimberly S. Adams	30589
Mickey D. Jones	30759
Larry D. Harris	30786
Richard Stuart	30813
Latisha S. Moore	30847
Geriann Beck	30906
Ajita K. Risher	30912

Total Members - 15

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

CHJ	(1)	765.00
Summit Strategies Group	(2)	952.84
State Street Corporation	(3)	8,870.83
State Street Corporation	(4)	9,042.86
Lotus Financial Consulting	(5)	15,000.00
Government Finance Officers Assoc.	(6)	830.00
Cheiron	(7)	7,740.83
FedEx	(8)	73.00
Baker's Crust, Inc.	(9)	25.63
Summit Strategies Group	(10)	39,617.50
Kamal Khanna	(11)	965.84
Bayview Physician Svcs.	(12)	224.00
Frederick Martin	(13)	43.06
Retirement Payroll (est. Jan. 06)		<u>4.</u>
<u>300,000.00</u>		
Total		<u>\$ 4,384,151.39</u>

- (1) Printing of 50 Comprehensive Annual Financial Reports
- (2) Reimbursement for expenses incurred for Eric Ralph to visit Fidelity, NewStar and Sanderson on 10-17-05 in London
- (3) Custodial service for October 2005
- (4) Custodial service for November 2005
- (5) Consulting services for January 1, 2006 through January 31, 2006
- (6) Certificate of Achievement Program
- (7) Retainer for December 2005, Portability Calculations, Work on CAFR and Public Safety Retirement Program
- (8) Information sent to State Street, Cheiron & RSM McGladrey, Inc.
- (9) Sweetie tray for December 19, 2005 Board Meeting
- (10) Investment Consulting Services for October 1, 2005 through December 31, 2005
- (11) Reimbursement for expenses incurred during 2005
- (12) Medical exam for John Lockwood
- (13) Reimbursement for expenses incurred to visit LSV in Chicago on November 9, 2005

There being no further business, the meeting was adjourned at 2:55 p.m.

Chairperson

Executive Director