

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
November 20, 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 2:13 p.m. on Monday, November 20, 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	J. D. Hopkins
S.G. de Mik	Vacant
F.V. Martin	Vacant
A. B. Nusbaum	Vacant
N. Johnson	

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

The minutes of the monthly meeting held October 16, 2006 were approved as printed.

Mrs. Fiona E. Liston and Mr. Kevin J. Woodrich, actuaries with Cheiron, presented the results of the 2006 Actuarial Valuation and Experience Study Results. Mrs. Liston stated that Cheiron has performed the actuarial valuation of the Employees' Retirement System for the City of Norfolk as of June 30, 2006. 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 2008
4. Provide specific information and documentation required by the Government Accounting Standards Board (GASB)
5. Provide results of experience study

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 6/30/2006 was \$939.1 million and the Actuarial Value of Assets at 6/30/06 was \$881.0 million, leaving an Unfunded

Actuarial Liability at 6/30/06 of \$58.1 million. As of June 30, 2006, the System's accrued liability was 94% funded based on the actuarial value of assets. The results of this valuation determine the contribution rate for the fiscal year beginning July 1, 2007.

Mrs. Liston reviewed with the Board the results of the experience study. She explained that an experience study is a detailed review of the key assumptions, usually performed every five (5) years, to ensure the Plan is being valued appropriately. Mrs. Liston pointed out that under the economic assumptions, the Board should consider the impact of ad hoc COLAs and under the demographic assumptions, the Board should consider making some minor changes. Mrs. Liston concluded by giving the Board three (3) options to consider:

1. **Old Assumptions** - Leave assumptions as is with no changes. City Rate is 15.98% of payroll.
2. **Proposed Assumptions** - Make some minor changes to the demographic assumptions. City Rate is 15.37% of payroll.
3. **Proposed Assumptions / 1% COLA** - Make some minor changes to the demographic assumptions with a 1% annual COLA. City Rate is 21.12 % of payroll.

Mr. Ives thanked Mrs. Liston and Mr. Woodrich for their presentation. Mr. Ives informed the Board that a formal vote on one of the three options noted above would take place at the December Board Meeting.

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, 2006. Mr. Gilberto informed the Board that he would like to compliment the staff of the Retirement System in that they do an excellent job in putting this report together. The report is called a Comprehensive Annual Financial Report. Mr. Gilberto informed the Board that what is new this year is that the System received the Certificate of Achievement for Excellence in Financial Reporting for the Year Ended June 30, 2005. This Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

The report consists of six sections:

1. The **Introductory Section** contains the letter of transmittal, identification of the Board of Trustees, a list of professionals who provide services to the Board, and an 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.
5. The **Statistical Section** contains significant data pertaining to the membership of the System.
6. The **Compliance Section** contains the Independent Auditor's report on internal control over financial report and compliance.

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

Mr. Eric Mogelof and Ms. Yingying Zheng of PIMCO gave a presentation to the Board. Their presentation covered the following topics:

- Recent Changes to the City of Norfolk Investment Mandate
- Performance & Market Review
- Economic Outlook & Strategy
- Organizational Update

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 2nd. 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 \$42 million. After further discussion, the Board asked Mr. Khanna and Mr. Ralph to gather additional information and report back at the December 2006 Board Meeting.

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. Eric Ralph of Summit Strategies Group reviewed with the Board the investment performance review for the quarter ended September 30, 2006.

Mr. Wilder presented an application for accidental disability retirement for Wanda R. Bacchus. Ms. Johnson made a motion to defer taking action until the December meeting. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

Mr. Wilder presented to the Board the name of Chantal Ratnavale Brooks, MD to be added to the System's list of Medical Board doctors. Dr. Brooks has had a private practice in Internal Medicine since 1984. Mr. de Mik made a motion to add Dr. Brooks to the list of Medical Board doctors, pending a favorable report from the Virginia Board of Medicine. This motion was seconded by Ms. Johnson and approved unanimously by the Board.

Mr. Wilder presented for the Board's review a proposed meeting schedule for calendar year 2007. This schedule will be approved at the December 18, 2006 meeting.

Mr. Wilder presented the application of Donnell J. Griffin for accidental disability retirement. Mr. de Mik made a motion that Mr. Griffin's application be deferred until the next Board Meeting. This motion was seconded by Mr. Martin and approved unanimously by the Board.

New Business:

A. Applications for vested service retirement:

Jeanette O. Miles, Active No. 17802, November 1, 2006, with no refund due.

Roxann E. Van Auken, Active No. 26647, November 1, 2006, with no refund due.

B. Applications for early service retirement:

Cora L. Elsbery, Active No. 20292, December 1, 2006, with no refund due.

Joseph Ribeiro, Jr., Active No. 23741, December 1, 2006, with no refund due.

Helen E. Reavis, Active No. 28402, January 1, 2007, with no refund due.

George R. Oxley, Active No. 29823, January 1, 2007, with no refund due.

C. Applications for normal service retirement:

Olivia V. Osei-Sarfo, Active No. 19643, December 1, 2006, with no refund due.

Daniel M. Adams, Active No. 22610, December 1, 2006, with no refund due.

Grace D. Taborn, Active No. 16880, January 1, 2007, with no refund due.

Dale G. Collins, Active No. 22988, January 1, 2007, with no refund due.

Elouise M. Bagby, Active No. 26290, January 1, 2007, with no refund due.

Guy C. Evans, Jr., Active No. 23113, February 1, 2007, with no refund due.

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

Frederick K. Bowen, Active No. 25913, December 1, 2006, with no refund due. This member requested ordinary disability retirement.

Joseph N. Belcher, Active No. 27083, December 1, 2006, with no refund due.

This member requested accidental disability retirement.

E. Death of retired members:

Wesley Goff, Ret. No. 03606, death occurred August 10, 2006. Spouse elected monthly benefit of \$574.59.

Elmer L. Calebro, Ret. No. 02623, death occurred September 20, 2006. Spouse elected monthly benefit of \$74.77.

Eunice F. Wharton, Ret. No. 02615, death occurred October 4, 2006. No benefit payable due to no surviving spouse or dependent children.

Shelton P. Griffin, Ret. No. 04266, death occurred October 10, 2006. No benefit payable due to no surviving spouse or dependent children.

Ernest I. Moore, Ret. No. 01361, death occurred October 15, 2006. No benefit payable due to no surviving spouse or dependent children.

Thomas R. Staley, Ret. No. 02212, death occurred October 17, 2006. Spouse elected monthly benefit of \$475.82.

Annie M. Stewart, Ret. No. 03061, death occurred October 25, 2006. No benefit payable due to no surviving spouse or dependent children.

Brantner Sraver, Ret. No. 02738, death occurred October 29, 2006. No benefit

payable due to no surviving spouse or dependent children.

Bernard M. Tann, Ret. No. 03732, death occurred October 29, 2006. Spouse elected monthly benefit of \$398.00.

F. Death of Spouses:

Shirley J. Evans, Spouse No. 00572, death occurred August 29, 2006. No benefit payable.

Margaret V. Everton, Spouse No. 00731, death occurred October 22, 2006. No benefit payable.

Brantner Sraver, Spouse No. 00305, death occurred October 29, 2006. No benefit payable.

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

<u>Name of Member</u>	<u>Active Number</u>
Angela Copeland	29836
Keisha L. Stilley	30000
Wade H. Witham	30210
Derrick Ramon Hill	30371
Monica R.B. Malley	30745
Keith Ayotte	30751
Gary Knight	30770
Venus Moore	30848
William E. Hoggard, Jr.	30936
Michael D. Scott	30956
Donnetta J. Reid	31054
Jennifer Ann Sutherland	31149
Robin L. Scott	31262
Carl M. West	31263
Michelle R. Ellis	31298
Matthew E. Hockman	31304
Johnny E. Arrington	31338
Mark P. Fiero	31349
Rachel L. Weber	31381
Sequoyah M. Burrus	31388
Jeffrey M. Jacocks	31391
Prabhat K. Chowdhury	31448
Pascale J. Green	31455

Total Members - 23

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

Theodore Wilder	(1)	\$ 728.68
C.I. Travel	(2)	243.60
Myrella Aaron	(3)	39.00
Theodore Wilder	(4)	
2,456.51		
Theodore Wilder	(5)	487.50
Secretary of the Commonwealth (6)		
20.00		
Center for Fiduciary Studies	(7)	
3,500.00		
Cheiron	(8)	
10,646.91		
Bayview Physician	(9)	448.00
FedEx	(10)	101.86
Theodore Wilder	(11)	27.86
Theodore Wilder	(12)	51.19
Bayview Services	(13)	224.00
State Street Corporation	(14)	
11,647.16		
Cheiron, Inc.	(15)	7,034.58
Lotus Financial Consulting (16)		15,750.00
Employees' Retirement System (payroll est. Nov. 06)		
<u>4,600,000.00</u>		
Total		<u>\$ 4,653,406.85</u>

- (1) Reimbursement for hotel rooms for Fred Martin, Steve deMik, Kamal Khanna and myself to visit Tattersall Advisory Group on November 1-2, 2006 in Richmond, VA
- (2) Airfare for Nancy Johnson to attend trustee training in Orlando, Florida December 3-6, 2006
- (3) Reimbursement for parking for the Fall Conference of the Association of Municipal Retirement Systems of VA held October 30-31, 2006
- (4) Reimbursement for expenses incurred to host the Fall Meeting of the Association of Municipal Retirement Systems of VA held October 30-31, 2006 at the Sheraton Norfolk Waterside Hotel
- (5) Reimbursement for 25 Norfolk brief bags & 25 silver keychains for AMRS-VA Meeting held October 30-31, 2006
- (6) Apostille fee required for international investing

December 4-6, 2006

- (7) Registration for Nancy Johnson and Kamal Khanna to attend AIF program
- (8) Retainer for September and October, 2006, portability calculations, IRC 415 testing and response to outside auditors
- (9) Medical exams for Donnell Griffin and Frederick Bowen
- (10) Information sent to State Street and Bank of America
- (11) Reimbursement for brownie platter for Board Meeting on 10-16-06
- (12) Reimbursement for supplies for Board Meetings - plates, cups, diet cokes and water
- (13) Medical exam for Joseph Belcher
- (14) Custodial services for September 1-30, 2006
- (15) Retainer for November 2006, exhibits for annual CAFR and work for auditors
- (16) Consulting service for November 1-30, 2006

There being no further business, the meeting was adjourned at 4:00 p.m.

Chairperson

Executive Director