

Minutes of the Regular Monthly Meeting  
Board of Trustees  
Employees' Retirement System of the City of Norfolk  
August 20, 2007

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 2:07 p.m. on Monday, August 20, 2007, with Chairperson, Frederick V. Martin presiding. The following was the result of the roll call:

<u>Attending the Meeting</u>	<u>Not Attending the Meeting</u>
S. A. Calliott	Vacant
S.G. de Mik	Vacant
J. D. Hopkins	Vacant
N. Johnson	
F. V. Martin	
C. R. Neikirk	

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 July 16, 2007 were approved as printed.

New Business

- A. Applications for vested service retirement:
- Elizabeth K. Latham, Active No. 15125, April 1, 2007, with refund of \$3,251.89.
- Louis Abson, Active No. 22036, April 1, 2005, with no refund due.
- B. Application for early service retirement:
- Annie Knight, Active No. 25568, September 1, 2007, with no refund due.
- C. Applications for normal service retirement:
- James M. Saunders, Active No. 22362, September 1, 2007, with no refund due.
- Robert J. Finley, Active No. 23689, September 1, 2007, with refund of \$117.14.

Robert Kozich, Active No. 27096, September 1, 2007, with no refund due.

Carolyn G. Lawrence, Active No. 25094, October 1, 2007, with no refund due.

Argentine R. Dirocco, Active No. 27081, October 1, 2007, with no refund due.

D. Ordinary Death Benefit:

Lump sum Joreen V. Baxter, Active No. 23148, death occurred July 4, 2007.  
benefit payable to mother in the amount of \$21,502.84.

Robert L. Reed, Jr., Active No. 24648, death occurred July 20, 2007. Lump sum  
benefit payable to father in the amount of \$20,994.09.

E. Death of retired members

James B. Bowden, Ret. No. 02687, death occurred July 6, 2007.  
No benefit payable due to no surviving spouse or dependent children.

Spouse Rose M. Parker, Ret. No. 04166, death occurred July 14, 2007.  
elected monthly benefit of \$1,508.48.

Margaret K. Seals, Ret. No. 03354, death occurred July 20, 2007.  
No benefit payable due to no surviving spouse or dependent children.

Spouse Richard L. Jones, Ret. No. 04260, death occurred August 1, 2007.  
elected monthly benefit of \$365.21.

No benefit Betty R. Foutch, Ret. No. 05354, death occurred August 6, 2007.  
payable due to no surviving spouse or dependent children.

F. Death of spouse:

Sue C. Bryant, Spouse No. 00738, death occurred June 29, 2007.  
No benefit payable.

Lucille Garris, Spouse No. 00790, death occurred August 3, 2007.  
No benefit  
payable.

Mr. Wilder presented an application for Accidental Disability Retirement for George A. Ingram, Active No. 18172, October 1, 2007, with no refund due. This member requested Accidental Disability Retirement. Ms. Johnson requested that this application be deferred until the September Board meeting. This request was approved unanimously by the Board.

Mr. Wilder presented an application for Ordinary Disability Retirement for Larry A. Bass, Active No. 23816, September 1, 2007, with no refund due. This member requested Ordinary Disability retirement. Ms. Johnson made a motion to approve Larry A. Bass for Ordinary Disability retirement. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

Mr. Wilder presented a Corporate Resolution authorizing the Executive Director to sell, assign, and transfer any and all stocks that the System received in the Name of JP Morgan. The Resolution will allow our custodian to transfer the JP Morgan stock to the name of Employees' Retirement System. Ms. Calliott made a motion to approve said Resolution. This motion was seconded by Mr.

Neikirk and approved unanimously by the Board. Ms. Calliott made a motion to add Mr. de Mik as a second signature in the absence of the Executive Director. This motion was approved unanimously by the Board.

### **Committee Reports:**

#### **Administration and Planning:**

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

#### **Investment Management:**

Mr. Neikirk reported that the Investment Management Committee met today to consider an investment in Wellington Opportunistic Investment Fund. This fund has a target allocation of 65% stocks and 35% bonds, and is deemed appropriate for our satellite portfolio. Summit's analysis of this fund was discussed and made available to all Trustees. Both Summit and CIO recommended a 5% allocation to this fund in our satellite portfolio. After discussion, the Committee voted to recommend this investment to the full Board for its consideration.

The Committee then discussed the source of funding for this investment. Summit and CIO recommended that the Committee consider terminating Wellington's Large Cap Research Equity (WLCRE) account for source of this funding. This recommendation was based on an extensive review of Wellington's performance versus its benchmark since the inception date of October 31, 2000. Also, the matter of Wellington's unsatisfactory performance had been discussed many times over the past several years. Summit and CIO noted that while the investment performance, net of fees since inception, has been positive, the magnitude of the value added has been unsatisfactory in relation to the risk taken (standard deviation of the returns or the tracking error). Based on this analysis, Summit and CIO recommended that the Committee consider terminating the WLCRE account and re-balancing the entire portfolio to fund the Wellington Opportunistic

Investment Fund in accordance with the investment policy statement. The Committee discussed this matter and voted to recommend it to the full Board.

Mr. Neikirk made a motion to allocate 5% of the total fund to Wellington Opportunistic Investment Fund. The motion was seconded by Ms. Calliott and approved by the Board. Mr. Neikirk made a motion to terminate Wellington's Large Cap Research Equity (WLCRE) account. This motion was seconded by Mr. de Mik and approved by the Board. The Board then authorized Summit and CIO to implement this action by re-balancing the portfolio.

Benefit Claims:

Dr. Hopkins reported that the Committee did not have a meeting.

Mr. Martin informed the Board that the Summit & CIO Strategy Discussion report would be deferred to the Administration and Planning Committee.

Mr. Martin informed the Board that next on the agenda would be meeting dates for the calendar year. After much discussion, the following dates were approved for the remainder of the year:

Thursday, September 27	12:00 noon 2:00 p.m.	Administration & Planning Board Meeting	Mr.
Thursday, October 18	12:00 noon 2:00 p.m.	Investment Committee Board Meeting	
Thursday, November 15	2:00 p.m.	Board Meeting	
Thursday, December 20	2:00 p.m.	Board Meeting	

Eric Mogelof of PIMCO gave a presentation to the Board. His presentation covered the following topics:

- Market Review & Performance
- Economic Outlook & Strategy
- PIMCO Update
- Public Trends

Mr. Ralph distributed and reviewed with the Board the investment performance review for the fiscal year ended June 30, 2007.

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 reported that the total return for our Plan was negative 1.2% for the month of July 2007. This report is attached as part of the official minutes.

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

<u>Name of Member</u>	<u>Active Number</u>
Shannon Anderson	29989

Terri Ann Erichsen	30302
Paul Lee Dickens	30359
Vincent V. Price	30529
Sharai L. Farley	30605
William F. Floyd	30758
Joanna Hall	31287
Matthew T. Beckham	31293
Sylvia L. Kennedy	31341
Hope E. White	31413
Tina Kaough	31541
Deanna E. Bradfield	31595
Michelle King	31498
Total Members - 13	

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

Cheiron	(1)	\$	4,245.31
McGladrey & Pullen	(2)		5,000.00
Lotus Financial Consulting, LLC	(3)		
766.14			
Cheiron	(4)		
9,044.89			
City of Norfolk	(5)		
18,520.54			
Baker's Crust	(6)		25.83
Lotus Financial Consulting, LLC	(7)		
16,537.50			
Employees' Retirement System (Est. Payroll Aug. 07)			<u>4.</u>
<u>800,000.00</u>			
Total		\$	<u>4,854,140.21</u>

(1)	Retainer for August 2007	\$ 3,801.56
	Portability calculations	<u>443.75</u>
		\$ 4,245.31
(2)	First interim billing for services rendered in connection with the audit of financial statements for the year ended June 30, 2007	
	Audit contract	\$ 21,524.00
	First Interim Billing	<u>&lt;5,000.00&gt;</u>
		\$ 16,524.00
(3)	Reimbursement for Kamal Khanna for the following:	
	St. Louis trip to visit Summit Strategies	
	Four Pillars of Investing for Trustees	
	Recorder for Board Meetings	
(4)	Retainer for June 2007	\$ 3,690.83
	Retainer for July 2007	\$ 3,801.56

Portability Agreements	980.00
Compare Deputy Sheriff benefits to VRS	<u>572.50</u>
	\$ 9,044.89

- (5) Reimbursement to City of Norfolk for Administrative expenses incurred for July 1, 2006 through June 30, 2007 as per ordinance #36847

Expense amt. as of 7-18-07	\$ 453,324.12
Expense amt. paid 6-26-07	<u>434,803.58</u>
Balance	\$ 18,520.54

- (6) Dessert tray for Board Meeting held July 16, 2007
- (7) Consulting services for the period August 1-31, 2007

There being no further business, the meeting was adjourned at 3:40 p.m.

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Chairperson

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Executive Director