

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
December 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 2:00 p.m. on Thursday, December 20, 2007, with Chairperson, Stephanie A. Calliott presiding. The following was the result of the roll call:

Attending the Meeting

S. A. Calliott
Y. T. Allmond
L. A. Bernert, III
S. G. de Mik
C. R. Neikirk
N. E. Nelson
E. G. Tucker

Not Attending the Meeting

R. V. K. Williams
Vacant

Mrs. Mary L.G. Nexsen, Deputy City Attorney, also attended the meeting.

The minutes of the monthly meeting held November 16, 2007, were approved with the following correction:

- Page two, last paragraph before New Business was changed to include, "The Board would meet the third Wednesday of the month for calendar year 2008, at 12:00 noon. Committees will meet on the same day at 11:00 a.m."

Ms. Calliott informed the Board that the Auditors would be added to the docket.

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, 2007. 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 the System received the Certificate of Achievement for Excellence in Financial Reporting for the Year Ended June 30, 2006. 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 informed the Board that contained in this section was a significant deficiency that is spelled out in this opinion. The deficiency involved the entity's revenue recognition policy, which we discovered in the middle of the audit. Ms. Calliott asked Mr. Gilberto if he viewed the deficiency as long standing or just a temporary one. Mr. Gilberto responded by saying that it was an isolated item that was material in size and is to be reported under Government Auditing Standards.

Mr. Gilberto stated that McGladrey & Pullen has rendered a clean, unqualified opinion regarding the financial statements of the System. Mr. Gilberto concluded by saying that the audit as a whole went very well. He also said, "the staff that you have are excellent, well prepared and answer your questions in a timely manner. I wish to thank Mr. Wilder and his staff; they do an excellent job and they treat us with a lot of respect."

Mr. Wilder presented an application for Ordinary Disability retirement for Mr. Louis Roulhac. Mr. Nelson made a motion to defer indefinitely taking action until all the medical reports are received. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

Mr. Wilder presented an application for Ordinary Disability retirement for Ms. Alence Whitaker. Mr. Nelson made a motion to defer action until Dr. Brooks has

had a chance to confer with Dr. Barnum. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

Mr. Wilder presented an application for Ordinary Disability retirement for Mr. Norman Payton. Mr. Nelson made a motion that Mr. Payton be denied Ordinary Disability retirement based on the medical report from Dr. Brooks. This motion was seconded by Mr. de Mik and approved unanimously by the Board.

New Business:

A. Applications for vested service retirement:

Ramesh K. Kapoor, Active No. 26377, January 1, 2008, with no refund due.

James E. Buffaloe, Active No. 21337, February 1, 2008, with no refund due.

Barbara E. Fletcher, Active No. 16281, March 1, 2008, with refund of \$1,492.35.

B. Application for early service retirement:

Sherrie L. Hill, Active No. 24292, January 1, 2008, with no refund due

C. Applications for normal service retirement:

Alfreda A. Knight, Active No. 15483, February 1, 2008, with refund of \$2,370.33.

George B. Dunkel, Active No. 17610, February 1, 2008, with no refund due.

Bernice C. Spence, Active No. 23137, February 1, 2008, with no refund due.

Mitsuko C. Pullins, Active No. 23236, February 1, 2008, with no refund due.

Phyllis Coston, Active No. 18829, March 1, 2008, with no refund due.

D. Death of retired members:

Fe Ibarra Paloma, Ret. No. 04332, death occurred September 14, 2007. Estate was paid the lump sum amount of \$11,517.07.

Oscar Y. McClannan, Ret. No. 03448, death occurred October 10, 2007. Spouse elected lump sum payment of \$12,070.13.

Richard D. Johnson, Ret. No. 03509, death occurred October 28, 2007. Spouse elected lump sum payment of \$16,624.17.

Garland R. High, Ret. No. 04301, death occurred November 11, 2007. Spouse elected monthly benefit of \$273.72.

James S. Lee, Ret. No. 03473, death occurred December 2, 2007. No benefit payable due to no surviving spouse or dependent children.

E. Death of spouse:

Lillie M. Jaeger, Ret. No. 02221, death occurred November 9, 2007. No benefit payable.

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

<u>Name of Member</u>	<u>Active Number</u>
Catrinna R. Swenson	30077
Sunny C. Bell	30144
Kwamena G. Yarney	30628
Michael Angelio Fentress	30724
John S. Walker	30769
Percy L. Brown	31070
Tyson G. Currie	31173
Stuart A. Shoup, II	31195
Robert L. Martens	31308
Ashley Toxey	31645
Wanda L. Gill	31699
George Henry Lindsey	31801
Yeshon KeyIn Avery	31897
Alphonso Albert	31943
Shelley Louise Hauerland	31984

Total - 15 Members

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

FedEx	(1)	\$	82.63
IKON	(2)		1,065.30

Lotus Financial	(3)	
1,330.21		
Steven de Mik	(4)	
3,834.24		
Dr. Chantal Brooks	(5)	250.00
Theodore Wilder	(6)	125.00
State Street Corporation	(7)	
50,963.81		
Bayview Physician	(8)	224.00
GFOA	(9)	550.00
Summit Strategies	(10)	42,241.75
CI Travel	(11)	1,044.27
Baker's Crust	(12)	284.07
Institute for International Research	(13)	
4,185.00		
Employees' Retirement System (Est. payroll Dec. 07)		—
<u>4,875,000.00</u>		
Total		<u>\$ 4,981,180.28</u>

- (1) Information sent to Informe Support Services; State Street Corporation; RSM McGladrey
- (2) Printing of 60 Comprehensive Annual Financial Reports for 6-30-07
- (3) Reimbursement for Kamal Khanna for the following: CFA dues, cell phone charges, mileage & travel
- (4) Reimbursement for Steve de Mik, Nick Nelson and Eric Tucker to attend the Public Funds Boards Forum on December 8-11, 2007 in San Francisco
- (5) Medical examination for Norman Payton
- (6) Reimbursement for 100 front and 100 back covers for the CAFR for 6-30-07
- (7) Custodial service for the following months:

August 07	\$17,321.92
September 07	18,928.80
October 07	<u>14,713.09</u>
	\$50,963.81

- (8) Medical examination for Dale Swartz
- (9) Fee for the GFOA CAFR 2007 Application
- (10) Investment consulting services for October 1, 2007 through December 31, 2007
- (11) Airfare for Nick Nelson, Eric Tucker and Steve de Mik to attend the Public Fund Boards Forum on December 8-11, 2007
- (12) Lunch served Board meeting with the Actuary
- (13) Registration to attend Public Fund Boards Forum on December 8-11, 2007

Mr. Nelson reported on the conference that he attended with Mr. Tucker and Mr. de Mik on December 8-11, 2007. Mr. Nelson stated that the conference was very informative and very educational. He further stated that there was still much more to know and learn, especially the terminology. Mr. Nelson concluded by saying that he had the opportunity to meet other firefighters and police officers

who were in the learning process as well. Mr. Tucker agreed with Mr. Nelson that it was a learning experience. Mr. Tucker stated that he had the opportunity to meet other Trustees who were new to their Boards. Mr. Tucker went on to say that it was good to hear discussions on what our duties are and where our responsibilities should be and that it was a very worthwhile conference. Mr. de Mik stated that he has asked Summit Strategies, before the next Board meeting, to put together a half-day course on investments for Mr. Nelson and Mr. Tucker to help them with the terminology.

Committee Reports:

Administration and Planning:

Mr. de Mik reported that the Committee did not have a meeting. He stated that at the next Board meeting he would like to update the Board on a new accounting standard called Other Post Employment Benefits (OPEB) that applies to local governments. The State has passed a statute on how governments can deal with this accounting standard. One of those is that cities that have existing retirement board trustees can also be an OPEB trustee. At the next Board meeting, I will need to update you on your responsibilities as an OPEB trustee for post-retirement health benefits. Ms. Calliott stated that based on the January docket, this item may be discussed at the February meeting.

Investment Management:

Mr. Neikirk reported that the Committee met before today's Board meeting. He stated that no items from the meeting required any action. The following is a list of topics discussed during the meeting:

- Custodian contract
- Update from Mr. Khanna on Tattersall and 1607 Capital Partners on International Closed-End Funds Arbitrage Strategy
- Conference call with Tattersall's Tom Burton on Closed-End Funds
- CIO search and discussion of go-forward roles of new CIO and consultant

Mr. Neikirk concluded by stating that someone from 1607 Capital Partners would be at the January 16th committee meeting to discuss Closed-End Funds at 11:00 a.m.

Ms. Calliott informed the Board that Mr. Khanna had prepared his comments on how the various markets have performed. From Mr. Khanna's commentary, Ms. Calliott informed the Board that total return for our fund was negative 2.6% for the month of November and 9.5% and 6.7% for the five / ten years ended November 30, 2007. Also attached to his commentary are some articles for our reading. On

page four of Mr. Khanna's commentary, he talks about two contrasting approaches for pension fund investing.

Ms. Calliott reminded the Board that for the year 2008, the Board would meet the third Wednesday of the month at 12:00 noon. Committee meetings would be at 11:00 a.m. on the third Wednesday as well. To that end, our next meeting will be on Wednesday, January 16, 2008 at 12:00 noon, with the Investment Committee meeting at 11:00 a.m. Also, there will be a working dinner meeting on January 9, 2008 at 6:00 p.m., conference room to be determined.

Mr. Wilder informed the Board that Mr. de Mik and himself took Mr. Frederick Martin to dinner in appreciation for his years of service as a Trustee for the System. Mr. de Mik presented Mr. Martin with a clock for his dedicated service.

Ms. Calliott wished the Board a Merry Christmas and a Happy New Year!

There being no further business, the meeting was adjourned at 2:38 p.m.

Chairperson

Executive Director