

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
August 12, 2009

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 12:15 p.m. on Wednesday, August 12, 2009, 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
C. R. Neikirk
N. E. Nelson
A. M. Kelly
E. G. Tucker
R. V. K. Williams

Not Attending the Meeting

K. W. Crowder

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

The minutes for the meeting on July 08, 2009, were approved as printed.

New Business

A. Applications for vested service retirement:

Joseph W. Amos, Active No. 24561, August 1, 2009, with no refund due. [[Human Services](#)]

Anna T. Duren, Active No. 15375, September 1, 2009, with refund of \$2,024.04. [[Lake Taylor City Hospital](#)]

Bonnie R. Carriker, Active No. 23578, September 1, 2009, with no refund due. [[Libraries](#)]

Clementine C. Edmonds, Active No. 23786, October 1, 2009, with no refund due. [[Lake Taylor City Hospital](#)]

B. Applications for early service retirement:

Raymond W. Lee, Jr., Active No. 24436, September 1, 2009, with no refund due. [[Fire-Rescue Services](#)]

Charlotte A. Felton, Active No. 24191, October 1, 2009, with no refund due. [[Public Health](#)]

Russell W. Shelburne, Active No. 24707, September 1, 2009, with no refund due. [[Police](#)]

C. Applications for normal service retirement:

Elnora E. Ruffin, Active No. 18988, September 1, 2009, with no refund due. [[Human Services](#)]

Timothy S. Hughes, Active No. 21526, September 1, 2009, with no refund. [[Finance & Business Services](#)]

Mayo D. Lint, Active No. 21902, September 1, 2009, with no refund due. [[Public Works](#)]

Frank J. Balbo, Active No. 22157, September 1, 2009, with no refund due. [[Police](#)]

Marc W. Chadwick, Active No. 23842, September 1, 2009, with no refund due. [[Fire-Rescue Services](#)]

Todd A. Landreth, Active No. 24435, September 1, 2009, with no refund due. [[Fire-Rescue Services](#)]

Maryann Johnson, Active No. 24985, September 1, 2009, with no refund due. [[Police](#)]

Ronald L. Milbourne, Active No. 17709, October 1, 2009, with no refund due. [[Neighborhood Preservation](#)]

Mary B. Lassiter, Active No. 22145, October 1, 2009, with no refund due. [[Police](#)]

Henry M. Campbell, Active No. 24658, October 1, 2009, with no, refund due. [[Human Services](#)]

Russell H. Masten, Active No. 29389, October 1, 2009, with no refund due. [[Neighborhood Preservation](#)]

Gloria J. Walker, Active No. 23662, November 1, 2009, with no refund due. [[Libraries](#)]

D. Death of retired members:

Pernell Wallace, Ret. No. 5272, death occurred June 18, 2009. No benefit payable due to no surviving spouse or dependent children.

Robert L. Wilson, Ret. No. 5062, death occurred June 22, 2009. No benefit payable due to no surviving spouse or

dependent children.

Inez W. Green, Ret. No. 2486, death occurred June 29, 2009. No benefit payable due to no surviving spouse or dependent children.

Ruby L. Frazier, Ret. No. 2076, death occurred June 30, 2009. No benefit payable due to no surviving spouse or dependent children.

Ernest B. Gilleland, Ret. No. 2229, death occurred July 2, 2009. Spouse elected lump sum payment of \$3,151.74.

Kenneth Richardson, Ret. No. 5553, death occurred July 3, 2009. No benefit payable due to no surviving spouse or dependent children.

Luther Anthony, Ret. No. 3512, death occurred July 15, 2009. No benefit payable due to no surviving spouse or dependent children.

E. Death of spouses:

Thomas B. Shell, Spouse No. 00886, death occurred June 21, 2009. No benefit payable.

Lillian V. Harris, Spouse No. 0444N, death occurred July 5, 2009. No benefit payable.

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

<u>Name of Member</u>	<u>Active Number</u>
Dwight D. Seconder	31415
Johnnie Stewart	31482
Alise R. Lindsey	31864
Rosalba Wright	31887
Amy Leigh Simons	31971
John Wesley Ryan Weatherington	32015
Eric Abshier	32086
Frances Griner	32087
Lindsey Flaherty	32395
Patrick Brendan Garry	32396
Wanda L. Gill	32504
Richard S. Jordan	32517
Tiffany Danielle Green	32600
Sherrill Marshall	32647
Sandra Emerson Edwards	32654
Total – 15 members	

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

State Street Corporation (1)	\$	16,913.38
City of Norfolk (2)		10,551.01
Cheiron (3)		4,248.07
Baker's Crust (4)		173.27
Retirement Payroll (Est. for August 2009)		<u>5,200,000.00</u>
Total	\$	<u>5,231,885.73</u>

(1) Custodial service for the following:

April 1, 2009 to April 30, 2009	\$ 8,434.19
May 1, 2009 to May 31, 2009	<u>8,479.19</u>
Total	\$16,913.38

(2) Reimbursement to City of Norfolk for administrative expenses incurred for June 26, 2009 through June 30, 2009 as per ordinance #36847.

(3) Monthly retainer for July 2009.

(4) Lunch served for Board meeting held on July 8, 2009.

Committee Reports

Administration and Planning:

Ms. Kelly reported that the Committee did not have a meeting.

Investment Management:

Mr. Neikirk informed the Board that the Investment Committee met prior to today's Board meeting with Mrs. Jessica Portis participating via conference call. Jessica led a discussion with the Board on TIPS and Commodities Education.

Mrs. Portis stated that Treasury Inflation Protected Securities (TIPS) are U.S. Treasury debt obligations that provide a guaranteed real return over the rate of inflation as measured by the non-seasonally adjusted consumer price index for all urban consumers (CPI-U). The inflation adjustment is reflected twice per year in the principal value of the security on which the coupon payment is calculated and paid, allowing it to retain the purchasing power of the original investment. A traditional Treasury bond derives its value from its real yield, an inflation expectation and inflation risk premium in case inflation differs from the expected level. Conversely, TIPS earn a real yield plus the actual inflation measured by the CPI-U. TIPS offer protection against inflation. Jessica recommends implementing TIPS through a passive strategy. TIPS offer the most efficient inflation protection without the added costs and complexity of incorporating real assets in the portfolio.

Mrs. Portis explained that Commodities represent the basic materials and inputs for the modern economy. Exposure to commodities are typically gained through the

futures market (or an alternative synthetic security) and settled in cash versus taking ownership and storing. The primary categories of commodities include energy, precious metals, industrial metals, livestock, and agriculture. The primary return of owning commodity futures is derived from a producer's willingness to pay to exchange volatility for price stability. In addition, a return is earned on collateral retained (T –Bills/TIPS) to fulfill the commodity futures obligation. Commodity prices are extremely volatile, but have historically exhibited low correlations with other asset classes (particularly financial assets). Jessica recommends investing in a commodity strategy that is implemented through futures or total return swaps.

Mrs. Portis reviewed with the Board the changes made to the Revised Investment Policy Statement. Jessica highlighted the changes as follows:

- *Page 10* – Reworded the Liquidity for Payment of Expenses section to be reflective of how expenses are currently paid.
- *Page 11* – Based on the approved asset allocation changes at the July meeting, the asset allocation chart was updated. In addition, the target allocation was updated to be **60%** Equity and **40%** Fixed Income with the flexibility to fund alternative asset classes up to **10%** from Fixed Income.
- The other changes are cosmetic in nature. The use of Investment Manager and Investment Consultant throughout the document instead of just Consultant and Manager. We previously used both Statement and Policy to refer to the Statement of Investment Policy – only Statement is used in this version.
- Updated the name of the fixed income from Lehman Brothers to Barclays Capital.

Mr. Bernert made a motion to approve the changes made to the Investment Policy Statement. This motion was seconded by Mr. Nelson and approved unanimously by the Board.

Mrs. Portis reported that the Fund received communication from PIMCO as it relates to a Lehman Brothers liability that was held in their account. They have some swaps and TBA transactions with Lehman. PIMCO owes payment to Lehman Brothers because of transactions being “in the money” to Lehman or because your custodian holds excess collateral posted by Lehman. PIMCO has negotiated on behalf of its clients a settlement with Lehman. The settlement negotiated by PIMCO for the Fund is **\$10,449**. This settlement is for the Lehman Brothers Special Financing Inc.

Mr. Neikirk made a motion to approve the payment of the settlement of **\$10,494** to Lehman Brothers Special Financing. This motion was seconded by Mr. Bernert and approved unanimously by the Board.

Mr. Neikirk led a discussion with the Board regarding rebalancing. After much discussion, Mr. Bernert made a motion to rebalance to **60%** Equity and **40%**, Fixed Income with the US Equity and International Equity portion going to SSGA Bond

Index. This motion was seconded by Mr. Tucker and approved unanimously by the Board.

Mrs. Portis reviewed with the Board the July 2009 portfolio performance and market commentary. For the month of July, the Fund was valued at \$723.7 million with a return of **6.09%** compared with **5.67%** for the Total Policy.

Jessica reviewed with the Board the State Street Litigation Reserve. State Street previously managed an **active** fixed income strategy that took bets relative to the index. In 2007, the strategy had exposure to sub prime and as a result underperformed the index. Some of the participants in the fund have filed suits claiming they did not know the strategy was actively managed. State Street has set up a reserve to deal with litigation/settlements related to the strategy.

The most recent news is that the reserve is dwindling because of payouts that have been made. State Street had to list on its 10Q the risk of having to put additional money aside to cover any enforcement action that may be levied against them. We will continue to monitor the situation and will let you know if there is action required.

Ms. Calliott informed the Board that the next Investment Committee meeting would be September 09, 2009, at 11:00 or 11:30 a.m., with the Board meeting to follow at 12:00 noon.

There being no further business, the meeting adjourned at 12:57 p.m.

Chairperson

Executive Director