

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
July 08, 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 12:10 p.m. on Wednesday, July 08, 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
K. W. Crowder
C. R. Neikrik
A. M. Kelly
R. V. K. Williams

Not Attending the Meeting

N. E. Nelson
E. G. Tucker

Ms. Mary L. G. Nexsen, Deputy City Attorney, Mrs. Jessica Portis, of Summit Strategies Group, and Mr. Marcus Jones, Assistant City Manager, also attended the meeting.

Mrs. Cheryl Xystros, Engagement Partner, and Mrs. Karen Bjune, Engagement Manager, of KPMG met with the Board to review the upcoming June 30, 2009 audit. She reviewed the following areas with the Board:

- KPMG Client Service Team
- Required Communications
- Risk Assessment
- Fraud Risk
- Audit Calendar
- Reports to be Issued

Mrs. Xystros concluded by saying that the meeting today allowed the Board the opportunity to address any issues or concerns with the auditors prior to the start of the engagement.

The minutes for the meeting on June 10, 2009 were approved as printed.

Mr. Wilder presented an application from Mr. Dean L. Cowell for Ordinary Disability Retirement. Mr. Bernert made a motion to approve Mr. Cowell's application for Ordinary Disability Retirement. This motion was seconded by Mr. Neikirk and approved unanimously by the Board.

New Business

A. Applications for vested service retirement:

Ella S. Furlough, Active No. 17169, July 1, 2009, with refund of \$134.82. **[Human Services]**

Larry D. Croson, Active No. 18832, August 1, 2009, with no refund due. **[Finance]**

William Martin, Active No. 20847, August 1, 2009, with no refund due. **[Neighborhood & Leisure Services]**

B. Applications for normal service retirement:

James N. Stevens, Active No. 22075, August 1, 2009, with no refund due. **[Police]**

Corine S. Spencer, Active No. 22532, August 1, 2009, with no refund due. **[Human Services]**

James H. Mills, Jr., Active No. 15274, September 1, 2009, with refund of \$1,714.03. **[Fire-Rescue Services]**

Gurney M. Eason, Jr., Active No. 21965, September 1, 2009, with refund of \$141.58. **[Finance & Business Services]**

C. Ordinary death:

Jeter G. Lawson, Active No. 22325, death occurred June 11, 2009. Lump sum payable to Ms. Florence Lawson, mother, in the amount of \$27,356.32.

D. Death of retired members:

Willie Alston, Ret. No. 03273, death occurred February 3, 2009. Spouse elected lump sum payment of \$9,988.45.

Marshall H. Hall, Jr., Ret. No. 1618, death occurred April 24, 2009. Spouse elected lump sum payment of \$6,263.99.

Larry N. Carson, Ret. No. 03398, death occurred April 29, 2009. Spouse elected monthly benefit of \$854.79.

Bennie Britt, Ret. No. 03775, death occurred June 2, 2009. Spouse elected monthly benefit of \$495.00.

Larry M. Stillwell, Ret. No. 05010, death occurred June 4,

2009. Spouse elected monthly benefit of \$1,299.62.
 The Board approved withdrawal of the following non-contributing members:

<u>Name of Member</u>	<u>Active Number</u>
David R. Wilson	30627
Kevin T. Smith	31097
Tiffany Kay Redman	31464
Christopher J. Daly	31650
Adarryll Lajuane White, Sr.	32051
Jamel Royal	32069
Molly L. Reimers	32201
Anita J. Collins	32213
Matthew A. Brooks	32329
Eric Longwell	32332
Eugene Estepa	32340
Ismael Rios	32613

Total Members - 12

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

Mary Lou Nexsen (1)	\$	822.79
City of Norfolk (2)		473,110.47
Treasurer of Virginia (3)		2,773.82
Cheiron (4)		3,915.61
Mary Lou Nexsen (5)		692.90
FedEx (6)		34.35
Baker's Crust (7)		206.72
Retirement Payroll (Est. July 2009)		<u>5,200,000.00</u>
Total	\$	5,681,556.66

(1) Reimbursement for expenses incurred in attending the NAPPA Conference June 23-26, 2009:

Hotel	\$561.34
Cab Fare	114.00
Meals	107.45
Baggage Check	40.00
Total	\$822.79

(2) Reimbursement to City of Norfolk for administrative expenses incurred for July 1, 2008 through June 25, 2009 as per ordinance #36847.

(3) Replaces voided check #3585 for reimbursement for retirement contribution for Gerald Stokes (ID 15634) for July 1, 2002 through June 30, 2004.

(4) Monthly retainer for June 2009.

(5) Reimbursement for airfare to attend NAPPA Conference in Portland, OR June 23-26, 2009.

(6) Information sent to State Street.

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 with Mrs. Jessica Portis of Summit Strategies Group prior to today's Board meeting.

Mrs. Portis gave information on a 60/40 portfolio (60% equity and 40% core fixed income) all assets managed passively. Expected return is 6.50%; Standard Deviation is 11.25% compared with a 60/40 with Real Estate, Expected Return is 6.60%; Standard Deviation is 11.79% because real estate should be funded out of the fixed income portfolio. Real Estate does have a higher volatility than core fixed income, which increases the overall volatility of the fund. Mrs. Portis illustrated the same for a 70/30 portfolio. Expected return is 6.79%; Standard Deviation is 13.38%; compared with 70/30 portfolios with Real Estate, Expected Return is 6.88%; Standard Deviation is 13.93%. By adding the increased equity, standard deviation increased by 200 basis points.

Mrs. Portis stated that there remain many unknowns in the economy. Unemployment is still growing in the U.S. and the stock market will continue to struggle for the next couple of years. Summit is encouraging clients to have diversification in their portfolios. Jessica stated that clients equity levels are around 60%. Mrs. Portis stated that return could be enhanced by adding Tips, Commodities and Hedge Funds.

Jessica stated that Treasury Inflation Protected Securities (TIPS) are U.S. Treasury debt obligations that provide a guaranteed real return to 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.

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. A handout was distributed for members to review for the next meeting.

Mr. Neikirk made a motion to modify the investment policy guidelines to reduce our target equity exposure from 70% to 60%. That we would increase our target fixed income exposure from 30% to 40% adding the caveat that we could carve out 10% of the 40% in fixed income to other asset classes to be defined at a later date. Within the equity segment (60% of the total portfolio), 40% of the 60% would be invested in

international. This motion was seconded by Mr. Bernert and approved unanimously by the Board.

Mr. Neikirk informed the Board that at the next investment meeting, we would discuss passive versus active fixed income with particular respect to PIMCO.

Ms. Calliott congratulated Mr. Wilder and his staff on receiving the certificate of excellence in financial reporting for the year ended June 30, 2008.

Ms. Calliott wished Mr. Marcus Jones well in his new position with the City of Richmond.

Ms. Kelly, Mrs. Aaron and Mr. Wilder shared with the Board their experience in attending the 2009 Municipal Retirement Plan Fiduciary Symposium given by the City of Portsmouth.

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

There being no further business, the meeting adjourned at 12:55 p.m.

Chairperson

Executive Director