

**Minutes of the Regular Monthly Meeting  
Board of Trustees  
Employees' Retirement System of the City of Norfolk  
November 16, 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 eleventh floor conference room in the City of Norfolk, Virginia. The meeting began at 12:15 p.m. on Monday, November 16, 2009, with Vice Chairperson, Christopher R. Neikirk presiding. The following was the result of the roll call:

**Attending the Meeting**

**Y. T. Allmond  
L. A. Bernert  
K. W. Crowder  
D. V. Hill  
C. R. Neikirk**

**Not Attending the Meeting**

**S. A. Calliott  
N. E. Nelson  
E. G. Tucker  
R.V. K. Williams**

**Ms. Mary L. G. Nexsen, Deputy City Attorney and Mr. Lucas M. Ruglis, Associate with J P Morgan, also attended the meeting.**

**The minutes for the meeting on October 14, 2009 were approved as printed.**

**New Business**

**A. Applications for vested service retirement:**

**Helen B. Sewell, Active No. 11530, August 1, 2005, with refund of \$5,352.07. [Recreation, Parks & General Services]**

**Chester Webb, Active No. 15474, January 1, 2010, with refund of \$1,745.01. [Lake Taylor]**

**B. Applications for early service retirement:**

**Bruce L. Evans, Active No. 24622, December 1, 2009, with no refund due. [Fire-Rescue Services]**

**David W. Hughes, Active No. 25544, December 1, 2009, with no refund due. [Police]**

**Denise M. Penn, Active No. 28856, January 1, 2010, with no refund due. [Commissioneer of the Revenue]**

**C. Applications for normal service retirement:**

**Charles Jackson, Sr., Active No. 21029, December 1, 2009, with no refund due. [Public Works]**

**David B. Midgett, Active No. 24136, December 1, 2009, with no refund due. [Fire-Rescue Services]**

**Richard M. Bellin, Active No. 26445, December 1, 2009, with no refund due. [Police]**

**D. Ordinary deaths:**

**Bernard S. Davis, Active No. 21918, death occurred October 18, 2009. Spouse elected monthly benefit of \$1,545.81.**

**Ladina M. Stevens, Active No. 27145, September 28, 2009. Lump sum payable to sister, Sharon W. LeBray in the amount of \$27,020.89.**

**E. Death of retired members:**

**Gertrude Jordan, Ret. No. 1455, death occurred August 13, 2009. No benefit payable due to no surviving spouse or dependent children.**

**Edna K. Pritchard, Ret. No. 4435, death occurred October 1, 2009. Spouse elected lump sum payment in the amount of \$10,377.10.**

**James Craig, Jr., Ret. No. 1850, death occurred October 2, 2009. Spouse elected monthly benefit in the amount of \$573.05.**

**Lucile B. Portlock, Ret. No. 2812, death occurred October 9, 2009. No benefit payable due to no surviving spouse or dependent children.**

**James G. Smith, Ret. No. 5238, death occurred October 16, 2009. No benefit payable due to no surviving spouse or dependent children.**

**Alvin R. Moore, Ret. No. 1978, death occurred October 17, 2009. Spouse elected lump sum payment in the amount of \$4,221.84.**

**F. Death of spouse:**

**Mary G. Butler, Spouse No. 283, death occurred October 18, 2009. No benefit payable.**

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

<u>Name of Member</u>	<u>Active Number</u>
Dawn N. Gates	31057
Julie A. Hudgins	31390
Zosia M. Brown	31477
Curtis M. Beale	31889
Tiko M. Holman	31963
Jay R. Lane	32198
Carlos Maldonado, Jr.	32481
Donald Vincent Platte, III	32494
Cori Burkholder	32703
Bryan M. Burhenne	32723
<b>Total Members - 10</b>	

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

<b>Theodore Wilder (1)</b>	<b>\$ 559.58</b>
<b>Cheiron (2)</b>	<b>4,270.07</b>
<b>Chantal Brooks (3)</b>	<b>280.00</b>
<b>Baker's Crust (4)</b>	<b>182.87</b>
<b>FedEx (5)</b>	<b>16.19</b>
<b>Retirement Payroll (Est. for November 2009)</b>	<b><u>5,200,000.00</u></b>
<b>Total</b>	<b><u>\$ 5,205,308.71</u></b>

- (1) Reimbursement for expenses to attend Fall Meeting of the Association of Municipal Retirement Systems of VA on October 25-27, 2009 in Alexandria, VA.
- (2) Monthly retainer for October 2009.
- (3) Medical exam for Willard Perry, Jr.
- (4) Lunch for Board Meeting on October 14, 2009
- (5) Information sent to State Street

### **Committee Reports**

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

**Mr. Hill 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.**

**Mrs. Portis reported on the State Street California Lawsuit. It is our understanding that the dispute is related to specific wording within the California contract. There was recent press about State Street increasing their reserves for legal related issues. The reserves are adjusted quarterly to ensure there is sufficient cash set aside to handle any fines/judgments related to their active fixed income products that SSGA previously managed. There are no direct implications to the City of Norfolk. Summit will keep the Board apprised of the situation and will notify the Board should the System need to take any action.**

**Mrs. Portis discussed with the Board the following TIPS implementation:**

**1. TIPS may be implemented via a Passive Strategy or Active Strategy**

- **Summit recommends a Passive approach for the following reasons:**
  - Purpose of allocation is simply hedge inflation
  - Goal for this allocation does not include providing a source of alpha
  - Possibility for volatility in performance not worth the risk of active management
  - Eye toward keeping fees as low as possible

**2. Choices in Passive Mandates**

- **Pure passive approach may produce slight underperformance on a net-of-fee basis**
  - Barclays Capital
  - Northern Trust (non-ERISA government retirement clients can invest in Northern Trust's non-lending, ERISA commingled fund)
  - State Street Global Advisors
  - Vanguard
- **Earn fee model where manager provides just enough active management to provide positive net-of-fee return**
  - Income Research & Management

**3. Fees**

- **Pure Passive fees typically at 6-10 bps**
- **Enhanced Passive fees generally at 9-10 bps**

**Mrs. Portis discussed the following commodities strategies with the Board:**

**1. Summit recommends a 5% (or \$40 million) allocation be made to commodities for two primary reasons:**

- Low-to-negative correlations with other asset classes – provide a diversification benefit within the overall portfolio.
- Provides hard asset inflation hedge within the portfolio.

2. Summit believes that attractive alpha can be obtained by using active management. Summit prefers managers who take long-only, unlevered exposure to commodities futures contracts and who are not taking credit risks within the collateral pool (no spread product).
3. To fill this allocation Summit recommends three implementation strategies ranked in order of preference:
  - **Gresham Investment Management (active)**
    - \$40 million allocation
    - Commingled fund using TIPS as collateral offering additional inflation protection
    - Enhanced approach relative to the DJ-UBS Commodity Index
  - **Schroder's Investment Management (active)**
    - \$20 million allocation
    - Fundamental approach and index unconstrained
    - Commingled fund using T-bills as collateral
    - Remaining \$20 million to be invested directly in TIPS
  - **iPath Dow Jones UBS Commodity Index Total Return (passive)**
    - \$20 million allocation
    - Exchange traded note (NYSE: DJP) that replicates the return of the DJ-UBS Commodity Index
    - Remaining \$20 million to be invested directly in TIPS

**Mrs. Portis made the following comments regarding the economy:**

- The US unemployment rate increased to 10.2% in October, the highest level since 1983.
- In October, consumer confidence unexpectedly fell as unemployment continued to rise, elevating concerns of a shortened recovery.
- October ended with a volatile week reflecting concerns that the stock market rally might be running out of steam after a seven-month rally.
- The dollar continued to depreciate during October, contributing approximately 1.0% to US dollar returns of overseas investments.

**Mrs. Portis reviewed the flash report for the month ended October 31, 2009.** Asset allocation is pretty much in line with the target policy; slightly underweight in fixed income. She reported that for the month of October, the Fund was valued at \$754 million with a calendar year to date return of 19.06% compared with 15.55% for the Total Policy.

**Mr. Neikirk asked Mrs. Portis to provide additional follow-up on a commodities manager to determine if a meeting with the manager is required.**

**Mr. Neikirk informed the Board that the third quarter 2009 investment review provided by Summit Strategies is available for their review.**

**Mr. Wilder presented to the Board a letter from our actuary, Cheiron, to provide a fee quote for providing quarterly updates on the Retirement System's funding progress. This quarterly reporting would be based on the latest "flash report" information from the investment advisor, combined with Cheiron's own calculation of liability rolled forward from the most recent actuarial valuation. The cost would be approximately \$625 per quarter. After discussion, the Board decided to have the actuary provide the update for one quarter and based on that information will determine if additional quarters are needed. Mr. Neikirk will request our consultant, Summit Strategies, to include the System's unfunded actuarial liability on the flash report.**

**Mr. Neikirk reminded the Board that the next meeting would be Wednesday, December 9, 2009, with the Investment Committee meeting at 11:00 am. The Board meeting to follow at 12:00 noon.**

**There being no further business, the meeting adjourned at 12:45 p.m.**

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**Chairperson**

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**Executive Director**