

Minutes of the Regular Monthly Meeting  
Board of Trustees  
Employees' Retirement System of the City of Norfolk  
November 9, 2011

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 12:00 noon on Wednesday, November 9, 2011 with Chairperson, Stephanie A. Calliott presiding. The following was the result of the roll call:

<u>Attending the Meeting</u>	<u>Absent</u>
S.A. Calliott	C.R. Neikirk
L.A. Bernert	N.E. Nelson
Y.T. Allmond	K.W. Crowder
E.G. Tucker	
S. Felton	
D.V. Hill	

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

The minutes for the meeting on October 12, 2011 were approved.

Mr. Wilder informed the Trustees that on the October 12, 2011 docket, M. Sharyn Sawyer was approved for normal service retirement; requests application and approval be rescinded to continue employment with City in Department of Utilities—Division of Water. The Trustees approved M. Sharyn Sawyer's application request for retirement for rescinding.

**New Business**

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

Franklin W. Phelps, Active No. 25579, November 1, 2011 with no refund due.  
[Fire Rescue Services]

David K. Mapp, Jr., Active No. 19333, December 1, 2011 with no refund due.  
[Sheriff and Jail]

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

Robert J. Quick, Active No. 25799, December 1, 2011, with no refund due.  
[Police]

Michael B. Vogel, Active No. 28862, December 1, 2011, with no refund due.  
[Finance and Business Services]

Carl E. Jeffery, Active No. 24364, January 1, 2012 with no refund due.  
[Recreation, Parks and Open Space]

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

Peppi S. Dayton, Active No. 24615, December 1, 2012 with no refund due.  
[Fire Rescue Services]

John B. Facenda, Active No. 24668, December 1, 2011, with no refund due.  
[General Services]

Patricia B. Pleasants, Active No. 25017, December 1, 2011, with no refund due.  
[Finance and Business Services]

Robert E. Ingram, Active No. 22994, January 1, 2012 with no refund due.  
[Recreation, Parks and Open Space]

Pamela J. Pisik, Active No. 32018, January 1, 2012 with no refund due.  
[Police]

**D. Death of retired members:**

Gerald E. Thompson, Ret. No. 2578, death occurred August 15, 2011. Spouse elected lump sum benefit of \$7,230.78.

Marie L. Adams, Ret. No. 5832, death occurred September 30, 2011. Spouse elected monthly benefit of \$383.51.

Robert E. Stewart, Ret. No. 2808, death occurred September 30, 2011. Spouse elected to monthly benefit of \$627.91.

Grace I. Haworth, Ret. No. 2146, death occurred October 8, 2011. No benefit payable due to no surviving spouse or dependent children.

Clarence E. Pulley, Ret. No. 3465, death occurred October 10, 2011. Spouse elected due lump sum benefit of \$9,443.46.

Miriam W. Lee, Ret. No. 3109, death occurred October 24, 2011. No benefit payable due to no surviving spouse or dependent children.

**E. Death of spouses:**

Patricia F. Smith, Spouse No. 483, death occurred September 12, 2011. No benefit payable.

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

<u>Name of Member</u>	<u>Active Number</u>
Steven Joseph Egan	31713
Aaron C. James, Sr.	31731
Jennifer Gwaltney	32182
Bo J. Danos	32338
Richard Samuel Febus	32488
Tyler W. Trask	32583
Michael J. Williams	32781
Rebecca G. McBride	32939
Rachel D. Wolfe	32944
Stacy Lynn Laberdee	32971
Randy Holloman, Sr.	33020
Phillip C. Heglar	33084
Alesia L. Hill	33177
Derrick Tyrell Fisher	33180
Sheldon B. Griffin	33226
Alexandro Londono	33234
Caroline E. Harlow	33247

Total Members - 17

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

Federal Express (1)	\$ 76.42
Baker's Crust (2)	143.09
Sheryl Potter-Griggs (3)	221.76
Theodore O. Wilder, Jr. (4)	618.12
State Street Corporation (5)	18,700.14
Retirement Payroll (Payroll est. for October, 2011)	<u>5,900,000.00</u>
 Total	 <u>\$5,919,759.53</u>

- (1) Information sent to State Street Corporation and ICMA
- (2) Lunch served for Board Meeting - October 12, 2011
- (3) Reimbursement - AMRS-VA Fall Meeting October 23-25, 2011 (Hotel)
- (4) Reimbursement - AMRS-VA Fall Meeting October 23-25, 2011:

Hotel	\$221.76
Transportation	345.89
Meals	37.47
Gratuities	<u>13.00</u>
	<u>\$618.12</u>

## **Committee Reports**

### **Administration and Planning:**

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

### **Investment Management:**

The Investment Committee did not have a meeting.

Stephanie Calliott as chair reported on the Flash Report. As of October 31, 2011, we had assets of \$822.1 million. Our fiscal-year-to-date performance is down -4.21% versus the policy benchmark of -2.99%. We are off a little more than 1%. It looks like the majority of the decline is from PIMCO, as a result of their stance on Treasuries. The one-month number of 6.8% looks good compared to the -5.6% we saw in October.

Jessica Portis submitted to the Board a write-up on the economy, PIMCO's Quarterly Investment Report that reports on the performance of the portfolio, market information and their bond exposure (where we are seeing the downturn in the portfolio's performance), and the third quarter Investment Review. The Chair asked the Board to review these reports unless there were questions. We anticipate a real estate capital call from UBS sometime in January 2012.

The current allocation is set up as Equities 60%, Fixed Income 35%, and 5% Real Estate. We currently have 2½% invested in real estate with JP Morgan. We are still waiting for the capital call from UBS to invest the other 2½%. Other than that, we are in line with our targets.

The Chair asked the Board if they had any comments or feedback from the joint meeting with the City Council on November 1, 2011 (format, content, suggested changes). There will probably be another meeting in one year. The Trustees said the Chair did an excellent job with the presentation. The Trustees unanimously said the meeting went well. Mr. Hill reported that the City Manager also communicated that the meeting went well.

Ms. Allmond said she was surprised that the City Council did not ask the Board how much is distributed/paid out of the system on a monthly basis. The City Manager plans to work on giving Mayor Fraim suggested recommendations. The Retirement Board did not receive any takeaways other than the standard review of the assumed rate of return. Mr. Hill said this will be accomplished as part of the budget process for fiscal year 2013. The budget review process began around the end of September 2011. Mr. Hill said this is early compared to recent history. The philosophy is instead of having the budget review in the January-February into April timeframe, starting earlier because they are looking at significant changes primarily due to the conversation around the budget, and looking at priorities. The Administration is going through a very thoughtful process which is why the budget process started early. The General Assembly meets in January and/or February 2012. The City will not know what the State funding impact will have on localities until approximately March 2012. There are cuts expected but do not know exactly where.

The Chair asked Mr. Hill if there was any anticipation of a salary raise for employees in this budget. Mr. Hill said yes. If the salary pool goes up, this will affect the retirement pool as well. Cheiron's assumptions always have an annual salary increase built in; however, in recent years

there has not been any salary increases. Cheiron is schedule for their annual visit January 2012.

Mr. Bernert said he did not come away from the meeting with a clear understanding of what kind of recommendation the City Manager is looking for from the Board about funding. There was discussion of funding or not having funding in the past and at what level. He asked if the Retirement Board gave the City Manager a dollar request every year? Mr. Wilder responded that in the Actuarial Report, Cheiron gives us a rate and that rate is used to apply to the salaries of all the active employees. That rate times the salaries generates what the recommended City's contribution will be. This is what is submitted to the City to put in their annual budget. Two rates are given. One rate is for the current expense, and another rate for the unfunded that is paid off over time. Mr. Bernert asked, "Should we make a recommendation to the City Manager on funding, and also provide explanation for the recommendation?" Mr. Hill said the recommendations of the Board are helpful.

Mr. Bernert said on a year-to-year basis the Board should send a recommendation to the City Manager in dollars because it is based on the formula that the Actuary uses. Should we as a statement of our concern about the funding status urge the Actuary to make the factor for the closing of the unfunded gap to be higher? The Chair said we could do both. Provide the standard recommendation and a recommendation from the Board. Mr. Bernert was appointed to have this discussion with Cheiron and to report his findings to the Board regarding an additional contribution above the required contribution to pay down the unfunded liability.

The Chair informed the Board that as a group there are some policy issues worth discussing but since all Trustees were not able to attend today's meeting, it was suggested the discussion be postponed until the December meeting. She wanted to make sure everyone is aware of the policies and that all Trustees are in compliance. Mrs. Nexsen said her recommendation will be to assign any policy changes/updates to the Administration and Planning Committee, after the discussion. The Trustees approved deferring the discussion to the December meeting.

The next Retirement Board meeting is schedule for December 14, 2011 at 12:00 noon. There will be an Investment Committee meeting at 11:00 a.m. JPMorgan is schedule to meet with the Committee. KPMG is schedule for the Retirement Board Meeting.

There being no further business, the meeting adjourned at 12:35 p.m.

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Chairperson

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Executive Director