Minutes of the Regular Monthly Meeting
Board of Trustees
Employees’ Retirement System of the City of Norfolk
April 13, 2011

The regular monthly meeting of the Board of Trustees of the Employees’ Retirement System of the City of Norfolk held in the City Hall sixth floor conference room in the City of Norfolk, Virginia. The meeting began at 12:00 p.m. on Wednesday, April 13, 2011, with Vice Chairperson, Christopher R. Neikirk presiding. The following was the result of the roll call:

Attending the Meeting  Not Attending the Meeting
C. R. Neikirk S. A. Calliott
Y. T. Allmond L. A. Bernert
N. E. Nelson K. W. Crowder
E. G. Tucker M. D. Jones
D. V. Hill

Ms. Mary L. G. Nexsen, Deputy City Attorney, also attended the meeting. In addition, Monica Satterwhite from the Portsmouth Retirement System attended.

At the March 9, 2011 meeting, the docket listed Thomas Pristow who applied for early service retirement. His name was inadvertently listed as normal service retirement. The minutes sent for March 9, 2011 have Thomas Pristow listed correctly under applications for early service retirement. The minutes for the meeting on March 9, 2011 meeting were approved.

Mrs. Jessica Portis and Mr. Eric Ralph of Summit Strategies participated in the meeting via conference call to provide an economic overview. In general, it was a positive month and quarter. In the economy there continued to be slow improvements in the labor market over the course of the quarter. Unemployment dropped to its lowest level in quite a few years to 8.8%. This is a long-term structural problem that is going to take a least another couple of years to work itself out. There are still many unemployed people across the country, and as the government continues to layoff workers and corporations are hesitant to retain additional workers, it is going to take an extended amount of time for the unemployment level to reach the natural rate of unemployment that we have historically experienced.

There was a continued increase in the growth in gross domestic product (GDP). The expectation for the first quarter of 2011 is that we will see a positive increase somewhere in the neighborhood of 3%. There was also an increase in consumer credit. This will do a couple of things, such as, consumers will be more apt to spend which will help the consumer spending number, and will contribute to the GDP number. Retail sales were positive. On the negative side, inflation continued to increase. Energy prices continued to rise. The housing market remains extremely weak and fragile not only with the sale of existing homes but new homes.

This appears to be a very strong earning season for equities. This outweighed the negatives that were experienced over the quarter such as the tragedy in Japan, global inflation concerns
when we look at emerging markets, and even the turmoil in the Middle East. These took a backburner to the positive news coming from the United States and especially news in Europe over the last few months and quarters.

The asset allocation as presented in the Flash Report is generally in line with the long-term target that was set by the Board. There are a couple of areas that are overweight and underweight. Real Estate is underweight by about 2.8% since we only have one of the two managers funded in that portion of the portfolio. On March 3, 2011, we funded $19 million to JP Morgan from PIMCO. Based on conversations with UBS, it will be at least another couple of quarters before they will be able to draw down the Employees’ Retirement Pension System (ERPS) commitment. It has taken a little longer than anticipated in terms of getting the Real Estate allocation up to speed but Summit continues to check with UBS on a monthly basis. UBS has quite a few deals in the pipeline. The timing on the timeline is possibly sometime during the third quarter of 2011 to drawdown the ERPS capital.

The total market value is approximately $870 million at the end of March 2011. For the month, the fund was up 24 basis points outperforming the policy. For the quarter, there was a return of 3.91%. The strong equity market as well as PIMCO’s outperformance relative to the benchmark was beneficial over the course of the quarter. In addition, the TIPS allocation aided results within the fixed income portfolio.

The fiscal year to date plan return is 20% and the one year is almost at a 13% return, and both figures exceed the benchmark by over 100 bps. Strong equity returns drove the overall returns and PIMCO’s performance is accountable for much of the outperformance of the benchmark – 5.0% over the benchmark for fiscal year-to-date. All of the passive equity funds have performed in line with their benchmarks as anticipated. US equities have outperformed non-US equities over the quarter.

PIMCO’s outperformance is due to the way they have the portfolio positioned. PIMCO currently favors non-US emerging market, credit, and exposure to muni bonds that have rebounded. The PIMCO portfolio also has a shorter duration relative to the benchmark, and as rates have raised over the past few months this has benefited PIMCO’s portfolio.

Mr. Neikirk asked if PIMCO was out of US Treasuries completely. Mrs. Portis said they have been reducing their US Treasury exposure. They may have some in futures market, but they sold most of the physical exposure. Mr. Ralph said last month PIMCO posted a negative in their treasury exposure as this was being used to manage their duration. There are still about 30% of federally guaranteed mortgage backed securities. PIMCO thinks there are better relative value opportunities outside of US Treasuries.

Mr. Neikirk said he read that PIMCO is going to invest in emerging market debt. How deep is this market because this has moved forward recently? PIMCO is such a large player that their movements into this market could be pushing this up. Mr. Ralph said the sovereign market, the government emerging market debt is fairly deep, but they would check on this information. PIMCO is scheduled to meet with the Board in July.

State Street performed as anticipated both on the broad market fixed income as well as TIPS. Even though we did not have a full month of performance in real estate, the JP Morgan fund returned 1.2% for the month of March. A preliminary report reveals for the quarter they
returned somewhere around 4%. JP Morgan has gotten off to a good start, and next month there will be a better report on the performance of real estate.

Mr. Neikirk does not anticipate an Investment Committee meeting in May. He will use the flash report to provide comments to the Board.

Mr. Wilder asked the Trustees to review Page 1 of the Flash Report. He said that even though the bottom of the page shows an approximate funded status of 83%. We are not 83% funded because the total plan actuarial liability of $1,046,761,544 is as of July 1, 2010. The liability total has to be updated. At the Board’s annual meeting in the fall when the Actuary gave the report for June 30, 2010, we were 78% funded. The Actuary also indicated in the report for June 30, 2010 that we go from 78% down to 74% funded, and then we will start to move up because we have the last year of losses. We are moving in the right direction but we are not at 83% yet.

Mrs. Nexsen updated the Trustees on the case of Jerry Holton who died while on duty. It is the Board’s decision to decide whether to approve Mr. Holton’s death benefit as either an ordinary death benefit as stated in Section 37-70, or an accidental death benefit as stated in Section 37-71. Mrs. Nexsen has been advised as of last week that a determination has been made through the City that the investigation by the Human Resources Safety Officer concluded Mr. Holton’s death was in fact accidental. According to Section 37-71 this section reads if there is proof satisfactory to the Board, of the death of a member in service, indicating such death was the natural cause of an accident occurring while the member was in the actual performance of duty then certain benefits would be paid to the widow as stated in the statute. The determination is for the Board to decide as to whether this is an ordinary death, or accidental death benefit. Once the Board makes this determination, benefits to Mrs. Holton are then calculated. Benefits are retroactive from the time of Mr. Holton’s death.

Some of the Board members have not seen the details of this case, and could not vote today. The Board determined that they do not have to see the entire investigation but asked that a summary be addressed to the Retirement Board of Trustees stating the investigation is concluded and the determination. Mrs. Nexsen said that she will communicate the Board’s comments to the Director of Human Resources, and will provide an updated report at the May 11, 2011 meeting.

Mrs. Nexsen requested approval from the Board to attend the NAPPA Conference, June 21-24, 2011 in Seattle. The Board approved attendance and the estimated cost of $1,500.

Dr. Chantal Brooks sent a letter requesting a fee increase to $400 from $250 per exam. The original agreement with Dr. Brooks is dated December 18, 2007. The City’s police and fire employees go through NOWCARE, which are Dr. Sacks and Dr. Cetrone. Mr. Wilder polled AMRSVA members on what fees they pay for medical exams. This information was provided to the Board. Mrs. Nexsen asked if Dr. Sacks and Dr. Cetrone could service all the exams. Mr. Wilder said he would contact both doctors and inquire what services they provide under their current contract, and if we would have to do a separate contract to service applicants for disability medical conditions.

Mr. Wilder asked the Trustees to look at Item E. Death of retired members. Clarence E. Sassee’s name will be deleted from the April 13, 2011 docket. It was previously determined
that there was not going to be a benefit paid since there was no surviving spouse or dependent children. This morning the Retirement Office received notification that there is. Clarence E. Sassee’s name will be deleted from the docket until retirement staff thoroughly investigates.

Under Item C. Requests that applications for normal service retirement be rescinded. Notifications have been received from employees and department heads to rescind so that the employees can take advantage of the Voluntary Retirement Incentive Program (VRIP) offered by the City. The City Council approved the Program. The enrollment period began March 30, 2011 and ends April 20, 2011. To qualify an employee had to be actively employed on March 30, 2011, and be qualified for normal service retirement. Normal service retirement being either 30 years of service or age 60 for general employees, and 25 years of service or age 55 for public safety employees. If an employee qualified and signed up during the enrollment period, retirement will be effective July 1, 2011. In addition to the retirement, the City offered two incentives. One is a lump sum payment of $10,000 less taxes, and the other is a lump sum payment of $5,000 less taxes, plus 1 year of health care for a single person only.

There were 629 employees eligible for this incentive. To date 83 have signed up. Mr. Wilder said his best guess that there will be approximately 120 people. The names that are on this agenda listed as rescinded will also be listed in the May agenda for normal service retirement. In the retirement office, there are three employees that qualify for VRIP. One employee has accepted the VRIP, and one employee is still undecided. Mr. Wilder is the third employee and he has decided not to sign up for VRIP.

New Business

A. Applications for vested service retirement:

Donald R. Hall, Active No. 22976, May 1, 2006, with no refund due. [Public Works]

Stith Evans, Jr., Active No. 18947, April 1, 2007, with no refund due. [Lake Taylor]

Carol E. Stovall, Active No. 22015, June 1, 2009, with no refund due. [Office of Budget & Management]

Marylou P. Murry, Active No. 23805, April 1, 2010, with no refund due. [Information Technology]

Theodore N. Cason, Active No. 22507, May 1, 2011, with no refund due. [Public Works]

Roy B. Rohrbacher, Active No. 18438, July 1, 2011, with no refund due. [General Services]
B. Application for early service retirement:

Lawrence J. Yuditsky, Active No. 27295, June 1, 2011, with no refund due. [Finance & Business Services]

C. Requests that the following applications for normal service retirement be rescinded:

Anna L. Thomas, Active No. 19875, April 1, 2011, with no refund due. [Recreation, Parks & Open Space]

Frances E. Merritt, Active No. 22169, April 1, 2011, with no refund due. [Human Services]

William A. Beigel, Active No. 24179, April 1, 2011, with no refund due. [Police]

Joyce M. Lane, Active No. 26223, April 1, 2011, with no refund due. [Human Services]

Maxine R. Poteat, Active No. 26818, April 1, 2011, with no refund due. [Finance & Business Services]

Edward L. Artis, Active No. 12446, June 1, 2011, with no refund due. [Recreation, Parks & Open Space]

Patricia A. Lee, Active No. 17624, June 1, 2011, with no refund due. [Human Services]

Michael H. Pugh, Active No. 24551, June 1, 2011, with no refund due. [Police]

D. Recommendation by the Medical Board that following be retired:

Ricky L. Miller, Active No. 27336, with no refund due. This member requested ordinary disability retirement. [Public Works]

The Board approved Mr. Ricky Miller’s request for ordinary disability retirement. The Board also agreed that Mr. Ricky Miller would not be required to take annual examinations.

E. Death of retired members:

James A. Barrett, Ret. No. 3360, death occurred February 20, 2011. Spouse elected monthly benefit of $991.27.

Frank E. Williams, Ret. No. 6009, death occurred February 24, 2011. Spouse elected lump sum payment of $20,771.80.

Mamie S. Bell, Ret. No. 4289, death occurred February 28, 2011. Spouse elected monthly benefit of $1,588.17.

Donald R. Brown, Ret. No. 3861, death occurred March 9, 2011. No benefit payable due to no surviving spouse or dependent children.


Arthur Sawyer, Sr., Ret. No. 5972, death occurred March 12, 2011. Spouse elected monthly benefit of $1,265.79.


F. Death of spouses:

Rosa Thatch, Spouse No. 00379, death occurred February 15, 2011. No benefit payable.

Thelma N. Bray, Spouse No. 00144, death occurred February 23, 2011. No benefit payable.

Nancy C. Metcalfe, Spouse No. 0090, death occurred March 17, 2011. No benefit payable.

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

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<thead>
<tr>
<th>Name of Member</th>
<th>Active Number</th>
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<tbody>
<tr>
<td>Danielle Brown</td>
<td>31598</td>
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<tr>
<td>Jason Corey Boren</td>
<td>32333</td>
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<tr>
<td>Tara Amber Sotherland</td>
<td>32629</td>
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<tr>
<td>Lance M. Flores</td>
<td>32843</td>
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<tr>
<td>Shaundell D. Pitts</td>
<td>33062</td>
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<tr>
<td>Jamie Brown</td>
<td>33068</td>
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<tr>
<td>Candis Denise Williams</td>
<td>33075</td>
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<tr>
<td>Kenyetta T. Joyner</td>
<td>33085</td>
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Total Members - 8

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

Administration and Planning:
Mr. Hill reported that the Committee did not have a meeting.

Investment Management:
Mr. Neikirk did not have a meeting.

Mr. Wilder reminded the Trustees that he would attend the Association of Municipal Retirement Systems (AMRS-VA) spring meeting in Richmond, April 18-19, 2011.

The joint meetings of the Retirement Board of Trustees and City Council are:

Tuesday, October 18, 2011
Tuesday, November 1, 2011

Meetings will be at 2:00 p.m.
The next Retirement Board meeting is scheduled for May 11, 2011 at noon. There will not be an Investment Committee meeting.

There being no further business, the meeting adjourned at 12:56 p.m.

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Chairperson

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Executive Director