

Minutes of the Regular Monthly Meeting  
Board of Trustees  
Employees' Retirement System of the City of Norfolk  
January 12, 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 noon on Wednesday, January 12, 2011, with Chairperson, Stephanie A. Calliott presiding. The following was the result of the roll call:

Attending the Meeting

S. A. Calliott  
C. R. Neikirk  
K. W. Crowder  
Y. T. Allmond  
N. E. Nelson  
E. G. Tucker  
D. V. Hill  
S. Stein

Not Attending the Meeting

L. A. Bernert

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

The minutes for the meeting on December 8, 2010 were approved.

At the December 8, 2010 meeting, Cheiron presented to the Board the contribution rates as follows:

|                         |        |
|-------------------------|--------|
| General employees       | 19.55% |
| Public Safety Employees | 34.32% |
| Combined                | 24.80% |

The Trustees approved the contribution rates.

New Business

A. Applications for vested service retirement:

Lillie M. Tann, Active No. 20394, July 1, 2010, with no refund due. [[Lake Taylor City Hospital](#)]

Gary E. Cason, Sr., Active No. 15522, February 1, 2011, with refund of \$1,484.79. [[Public Works](#)]

B. Application for early service retirement:

Annette E. Newkirk, Active No. 23597, February 1, 2011, with no refund due. [[Planning](#)]

C. Applications for normal service retirement:

Donald A. Vick, Active No. 19254, February 1, 2011, with no refund due. [\[Recreation, Parks & Open Space\]](#)

Roberta L. Harris, Active No. 25896, February 1, 2011, with no refund due. [\[Recreation, Parks & Open Space\]](#)

Jerome Chillis, Active No. 28811, February 1, 2011, with no refund due. [\[Police\]](#)

Lawrence E. Bobbitt, Active No. 20607, March 1, 2011, with no refund due. [\[Police\]](#)

Martha A. Turpin, Active No. 26756, March 1, 2011, with no refund due. [\[Human Services\]](#)

Gloria J. Merkel, Active No. 31042, March 1, 2011, with no refund due. [\[Library\]](#)

D. Death of retired members:

Joseph H. Russell, Ret. No. 02929, death occurred November 11, 2010. Spouse elected lump sum payment of \$13,954.93.

Robert B. Smithwick, Ret. No. 04035, death occurred December 12, 2010. Spouse elected monthly benefit of \$1,018.72.

Wilson W. Fuller, Jr., Ret. No. 07977, death occurred December 14, 2010. Spouse elected monthly benefit of \$2,065.33.

William A. Brady, Jr., Ret. No. 06099, death occurred December 14, 2010. Spouse elected monthly benefit of \$1,538.07.

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

| <u>Name of Member</u> | <u>Active Number</u> |
|-----------------------|----------------------|
| Brian D. Forstner     | 31300                |
| Larry J. Ryan         | 31435                |
| Quinton Blake Webb    | 31494                |
| Keith M. English      | 32162                |
| Whitney Gaines        | 32369                |
| Timothy David Kretzer | 32689                |
| Alfred Harris         | 32749                |
| Karen McKee           | 32940                |
| Joshua Nolz           | 32942                |

|                     |       |
|---------------------|-------|
| Timithia G. Gaskins | 32959 |
| Cary N. House       | 32960 |
| Anthony L. Johnson  | 32975 |

Total Members - 12

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

|                                            |    |                     |
|--------------------------------------------|----|---------------------|
| Cheiron, Inc. (1)                          | \$ | 4,154.07            |
| Secretary of Commonwealth (2)              |    | 10.00               |
| FedEx (3)                                  |    | 52.52               |
| GFOA (4)                                   |    | 505.00              |
| Summit Strategies (5)                      |    | 44,573.50           |
| Copy Connection (6)                        |    | 508.50              |
| Baker's Crust (7)                          |    | 245.79              |
| Theodore Wilder (8)                        |    | 10.75               |
| Retirement Payroll (Est. for January 2011) | \$ | <u>5,500,000.00</u> |
| Total                                      | \$ | 5,550,060.13        |

- (1) Monthly Retainer for November 2010
- (2) Hungarian document to be notarized and apostilled
- (3) Information sent to Cheiron and State Street
- (4) Fee for CAFR 2010 Application
- (5) Investment Management Services October 1, 2010 to December 31, 2010
- (6) Printing for 50 Comprehensive Annual Financial Reports for June 30, 2010
- (7) Lunch for Board Meeting held December 8, 2010
- (8) Reimbursement for bottled water and table covers to be used for Retirement Board meetings

## **Committee Reports**

### **Administration and Planning:**

Mr. Hill reported that the Committee did not have a meeting.

### **Investment Management:**

Mr. Neikirk reported that the Committee did not have a meeting. Mr. Neikirk did report that in December he met with JP Morgan representatives with Ted Wilder and Myrella Aaron in attendance. The representatives gave an update on the real estate investment, and the current forward-looking environment. They were extremely

bullish in their outlook on the future of real estate. They said we could expect above average returns at least for the next year.

Jessica Portis of Summit Strategies participated in the discussion by conference call. She said the System would possibly be funding the JPM real estate account February/March and at this time anticipated being fully funded by May or June. JP Morgan had a big capital call at the end of November 2010 allowing them to extinguish the May 2010 tranche, and half of the June 2010 tranche. The Employees' Retirement System is currently sitting in the July 2010 tranche. JP Morgan hopes that maybe by the end of first quarter they can call down some additional capital then they think it might be a couple of months after the first call where the System will be fully invested.

It is the same for UBS. They called approximately \$300 million in October last year. UBS is expecting the System to have their first capital call around the beginning of April.

Mrs. Portis provided an economic outlook update, the preliminary flash report. Equity markets did extremely well. Investors continued to move assets from their fixed income portfolios into riskier asset classes - whether that be commodities, equities, and/or real estate, just anything that is perceived to have a little bit more risk. The reason is that investors have started to focus more on the positive macroeconomic data that came out in December. Retail sales were up on the backside of a very strong Christmas shopping season. There has been continual GDP growth over the last couple of quarters. We saw the extension of the Bush tax credits at the end of the year. This did a couple of things: unemployment benefits were extended, and there was more clarity from the corporate side of what could be expected over the next couple of years in terms of tax payments they would have to make.

The total fund was \$843.6 million as of December 31, 2010. The asset allocation is in line with targets. We are slightly underweight in fixed income, and remain overweight to equities but this is within the bands that have been approved in the Investment Policy Statement. We had some rebalancing in December where \$2 million was transferred from International Equities for benefit payments. The funded status has continued to improve at approximately 80.59%.

The Fund grew net of benefit expenses and other expenses \$62 million over the course of the year. Mrs. Portis stated that many of the decisions that the Board has made over the last couple of years have been extremely prudent, and the changes implemented were beneficial. The Plan has reduced costs through passive management and this added some additional capital to the portfolio.

The Fund grew at a pace of 12.71% of the 12-month time period and was able to outperform the policy. Active management in the fixed income portfolio (PIMCO) added much of the outperformance compared to the composite portfolio benchmark. The fixed income benchmark returned a little over 6½% but the Plan's fixed income portfolio returned almost 9½%.

Mr. Neikirk encouraged the Trustees to read the monthly PIMCO newsletter. Bill Gross provides information on PIMCO's outlook on managing the portfolio for the long term, and how they are adjusting it. PIMCO is making significant investments that are outside of the benchmark holdings. He asked that the Trustees be mindful and stay abreast by reading the monthly newsletter to be sure they are comfortable with how PIMCO is managing the assets.

PIMCO and Norfolk are celebrating their 20<sup>th</sup> anniversary this year and PIMCO inquired as to if the Trustees would be open to participating in a dinner or lunch sometime this year or maybe even accepting some other type of small gift from PIMCO as a thank you (i.e., a plaque). The trustees agreed to allow PIMCO to sponsor the lunch meeting in July 2011.

The Chair asked Mary Lou Nexsen if she had received a response from the three medical board doctors asking the doctors to take into consideration the federal statute as used by the Social Security Administration and factor the material or immaterial guidelines into medical reports of claimants. She said she had noted in the letter her availability to discuss if there were questions. She had not received any inquiries from the doctors.

The approved printed Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010 was included in the materials distributed at today's meeting.

Mary Lou Nexsen asked the question as to why we need to print 50 copies of the Comprehensive Annual. After discussion, the trustees requested that only copies be printed for KPMG, staff and the City Council.

The next Retirement Board meeting is scheduled for February 9, 2011 at noon. There will not be an Investment Committee meeting.

There being no further business, the meeting adjourned at 12:37 p.m.

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Chairperson

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Executive Director