

Minutes of the Regular Monthly Meeting  
Board of Trustees  
Employees' Retirement System of the City of Norfolk  
January 11, 2012

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, January 11, 2012 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	Y.T. Allmond
C.R. Neikirk	
L.A. Bernert	
K.W. Crowder	
E.G. Tucker	
N.E. Nelson	
S. Felton	
M.D. Jones	

Mary L.G. Nexsen, Deputy City Attorney, and Darrell Hill, Assistant City Manager, also attended the meeting.

The minutes for the meeting on December 14, 2011 were approved.

Mrs. Fiona E. Liston and Mr. Kevin Woodrich, actuaries with Cheiron, presented the results of the 2011 Actuarial Valuation. Mrs. Liston stated Cheiron has performed the actuarial valuation of the Employees' Retirement System for the City of Norfolk as of June 30, 2011. The purpose of the valuation is to:

1. *Measure and disclose, as of the valuation date, the financial condition of the System*
2. *Indicate trends in the financial progress of the System*
3. *Determine the contribution rate to be paid by the City for Fiscal Year 2013; and*
4. *Provide specific information and documentation required by the Government Accounting Standards Board (GASB)*

Today's discussion will include:

- Pension Fund Dynamics
- July 1, 2011 Valuation Results
  - Historical Review
  - Principal 2011 Valuation Results
  - 2011 Valuation Projections
- Future Options

Mrs. Liston explained that an actuarial valuation establishes and analyzes System assets and liabilities on a consistent basis and traces the progress of both from one year to the next. It includes measurement of the System's investment performance as well as an analysis of actuarial liability, gains and losses. The Actuarial Accrued Liability at June 30, 2011 was \$1,064.0 million

and the Actuarial Value of Assets at June 30, 2011 was \$832 million. The System's unfunded Actuarial Liability was \$232.0 million. The System was 78% funded based on the actuarial value of assets. The employer contribution was \$42.8 million, and employee contributions were \$0.1 million.

The results of this valuation determine the contribution rate for the fiscal year beginning July 1, 2012. The contribution rate for General employees is determined to be 19.69%. The contribution rate for Firefighters and Police is determined to be 34.82%. The composite rate is equal to 25.11% of annual payroll. After considerable discussion, Mrs. Liston recommended that the Board consider approving Cheiron to do an Actuarial Experience Study. The last Actuarial Experience Study was completed in 2006. The recommendation is an experience study should be performed once every five years. An experience study is a detailed review of the key assumptions to ensure the plan is being valued appropriately. Cheiron would also include a review of the actuarial assumptions to include the following:

Economic: investment return, inflation and salary increases

Demographic: retirement, termination, disability, mortality and sick leave

The Board asked Mrs. Liston to prepare a letter of recommendation for their review and consideration to include cost.

Mr. Wilder provided to the Board the approved printed Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2011. This also included signed audited opinion letters from the Auditor, KPMG LLP, with the CAFR.

### **New Business**

#### **A. Applications for normal service retirement:**

Roland F. Allgood, Active No. 25193, February 1, 2012 with no refund due.  
[Police]

Randi B. Ferraro, Active No. 28295, February 1, 2012 with no refund due.  
[General Services]

Stanley A. Stein, Active No. 18446, February 1, 2012 with no refund due.  
[Executive]

#### **B. Recommendations by the Medical Board that the following be retired:**

Robert W. Vaughan, Active No. 24269, February 1, 2012 with no refund due. This member requested accidental disability retirement. [Fire Rescue Services]

The Board of Trustees approved Robert W. Vaughan for accidental disability retirement with no re-examination in one year.

#### **C. Ordinary death:**

James K. Checkovich, Active No. 29351, death occurred December 7, 2011. Beneficiary elected lump sum payment of \$41,037.66.

**D. Death of retired members:**

Gilbert W. Wilkinson, Ret. No. 2680, death occurred November 28, 2011. Spouse elected monthly benefit of \$901.79.

Charles L. Ballentine, Ret. No. 4896, death occurred December 5, 2011. Spouse elected monthly benefit of \$780.40.

Louise B. Johnson, Ret. No. 2930, death occurred December 7, 2011. No benefit payable due to no surviving spouse or dependent children.

Tracy S. Anderson, Ret. No. 4441, death occurred December 8, 2011. Spouse elected monthly benefit of \$259.30.

Ralph J. Tuccillo, Ret. No. 5304, death occurred December 10, 2011. No benefit payable due to no surviving spouse or dependent children.

Isla L. Bassett, Ret. No. 6443, death occurred December 15, 2011. No benefit payable due to no surviving spouse or dependent children.

Grant C. Murray, Ret. No. 4852, death occurred December 17, 2011. Spouse elected monthly benefit of \$1,252.84.

**E. Death of spouses:**

Carol W. Ward, Spouse. No. 877, death occurred December 2, 2011. No benefit payable.

Doris S. Herring, Spouse. No. 695, death occurred December 6, 2011. No benefit payable

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

<u>Name of Member</u>	<u>Active Number</u>
Larisa D. Parks	29476
Sandra Knowles	29477
Hilaire Davis	29478
Sarah E. Farrell	29479
Jaclyn D. Hathaway	29480
Jennifer R. Ireland	29481
Jennifer D. Offord	29482

Total Members - 7

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

Earl C. Croft (1)	\$ 117.00
Baker's Crust (2)	269.62
Copy Connection (3)	343.80
GFOA (4)	580.00
Cheiron, Inc. (5)	6,538.69
Retirement Payroll (Payroll est. for January, 2012)	<u>5,906,000.00</u>
 Total	 <u>\$5,913,849.11</u>

- (1) Reimbursement - bank fees
- (2) Lunch served for Board Meeting - December 14, 2011
- (3) Printing - 2011 CAFR
- (4) Application fee - CAFR Certificate of Performance
- (5) Retainer Services - November 2011

Mrs. Nexsen addressed the board regarding an item discussed at the September 14, 2011 Board Meeting--Reverend Crowder provided information on a conference he had attended in California. He brought a letter from Robbins Geller Rudman & Dowd LLP, a securities portfolio-monitoring law firm asking for permission to present to the board. At that time, the board Chair asked the Executive Director to thank them for the offer but let them know we would not be able to accept.

There were concerns and questions raised on this particular matter. Mrs. Nexsen reviewed the Trustee Manual and the Code of Ethics and Conduct and suggested it be refer to the Administrative and Planning Committee for review. The Chair asked Shenette Felton, Acting Chair, of the Administrative and Planning Committee to call a meeting for review.

## **Committee Reports**

### **Administration and Planning:**

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

### **Investment Management:**

The Investment Committee did meet prior to the Board Meeting today.

Mr. Neikirk reported in the Preliminary Flash Report for December 31, 2011, the market value of the fund is \$809 million. The approximate funded status is 76.03%. We are on target with the real estate allocation that was funded on January 3, 2012. The cash was raised in December 2011 and this is reflected in the December 31, 2011 report.

The full year 2011 return was -0.65%, 95 basis points below the fund policy return on 0.30%. 2011 returns among the fund's major asset class investments were: Domestic Equity: 1.13%; International Equity: -13.57%; Fixed Income: 5.75%; and Core Real Estate: N/A. The driver of the unfavorable actual fund return versus the total fund policy return came from Fixed Income, which was 209 basis points below its Barclays Capital Aggregate benchmark return.

A poor 2011 performance from the fund's PIMCO Total Return investment drove the underperformance within Fixed Income, and for the entire fund.

Mr. Wilder asked the Board to approve Sheryl Potter-Griggs as a check signer for the payroll and operating accounts, and to facilitate transfers from State Street to cover payroll. This will be temporary until the new permanent Executive Director is hired.

The Board approved this action by motion to approve Sheryl Potter-Griggs as a temporary check-signer until a new permanent Executive Director is hired.

The next Retirement Board meeting is schedule for February 8, 2012 at 12:00 noon. No Investment Committee meeting is plan.

The City Manager thanked the Retirement Board as a group for the work they perform. He commented on how well the Board is organized and how everyone participates, and how much he appreciates their hard work.

There being no further business, the meeting adjourned at 1:50 p.m.

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Chairperson

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Executive Director