

Minutes of the Regular Monthly Meeting
Board of Trustees
Employees' Retirement System of the City of Norfolk
January 09, 2013

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 12:15 pm on Wednesday, January 09, 2013 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	
Y.T. Allmond	
L.A. Bernert	
K.W. Crowder	
D.V. Hill	
A. M. Kelly	
N.E. Nelson	
E.G. Tucker	

Sheryl Potter-Griggs, Acting Executive Director, Sabrina Joy-Hogg, Assistant City Manager, Mary L.G. Nexsen, Deputy City Attorney, Theodore Wilder, Business Analyst, and Jack Stiffler, Intern with Wilbanks Smith & Thomas, also attended the meeting.

The minutes for the monthly meeting held December 12, 2012 were approved as printed.

New Business

A. Application for vested service retirement:

William N. Duckworth, Active No. 26071, December 1, 2012, with no refund due.
[\[City Planning and Codes Administration\]](#)

Beverly Elaine Gill, Active No. 20185, January 1, 2013, with no refund due.
[\[Police\]](#)

B. Applications for early service retirement:

Roland Andrew Long, Active No. 27355, February 1, 2013, with no refund due.
[\[Utilities\]](#)

Glenna A. Manley, Active No. 26151, March 1, 2013, with no refund due.
[\[Human Services\]](#)

C. Applications for normal service retirement:

Willie R. Green, Active No.22676, February 1, 2013, with no refund due.
[\[Human Services\]](#)

Janice R. Carpenter, Active No. 29066, March 1, 2013, with no refund due.
[\[Executive\]](#)

Laverne C. Jordan, Active No. 33649, March 1, 2013, with no refund due.
[\[Norfolk Community Services Board\]](#)

Donald R. Spitz, Active No. 33747, March 1, 2013, with no refund due.
[\[Norfolk Community Services Board\]](#)

Wayne R. Wallace, Active No. 25935, March 1, 2013, with no refund due.
[\[Fire Rescue Services\]](#)

Annette Marie Harris, Active No. 22684, April 1, 2013, with no refund due.
[\[Executive\]](#)

D. Death of retired members:

Samuel W. Jones, Ret. No. 4209, death occurred January 4, 2012. Spouse elected monthly benefit of \$1,139.21.

Thomas E. Cox, Sr., Ret. No. 2969, death occurred November 11, 2012. Spouse elected monthly benefit of \$788.85.

Kiracofe, James L., Ret. No. 5097, death occurred November 24, 2012. Spouse elected lump sum payment of \$12,930.88.

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

<u>Name of Member</u>	<u>Active Number</u>
Jeffrey T. McMillion	33414
Rafael G. Cardona	33514
Ashley Carson	33566
Craig Jordan	33918
Robert A. Navarro	33998
Alexander C. Lai	32785
Tiese K. Bright	33239
Africiafitemia Ansari	33513
Francis S. John	32947
Nicholas A. Armbrister	32061
Mark Roberts	32510
Shareetta Carpenter	32669
Kelle S. Williams	33125
Kelley Sayers	33313

Total Members – 14

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

Federal Express (1)	\$	34.31
Sheryl Potter-Griggs (2)		67.96
Baker's Crust (3)		143.09
GFOA (4)		290.00
State Street Bank and Trust (5)		6,706.93
Cheiron (6)		9,813.30
Retirement Payroll (Payroll est. for January, 2013)		<u>6,200,000.00</u>
Total		<u><u>\$ 6,217,055.59</u></u>

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| (1) | Information sent to State Street |
| (2) | Reimbursement - Board Meeting Supplies |
| (3) | Lunch served for Board Meeting - December 12, 2012 |
| (4) | Application Fee - Certificate of Achievement Program |
| (5) | Custodial Services - November 2012 |
| (6) | Retainer Services - November 2012/Portability/CAFR 2012 |

Committee Reports

Administration and Planning:

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

Investment Management:

Mr. Neikirk reported that the Investment Committee met this morning at 11:00. The Committee received presentations from Harvest and Tortoise Capital Advisors on the Fund investing in Master Limited Partnerships (MLP). Mr. Neikirk informed the Board that the Investment Committee recommends amending our Investment Policy Statement (IPS) to reduce US Equity Allocation from 36% to 33%; reduce International Equity from 24% to 22%; add a 5% allocation for MLPs; and add a special section in the IPS for MLPs, with the change in section XVI B, to note that the managers should exceed gross-of-fee returns by 200 bps. Mr. Tucker made a motion to accept the recommendation from the Investment Committee to include all changes to the IPS. The motion was seconded by Ms. Kelly and approved unanimously by the Board. Mr. Neikirk further stated that the Investment Committee recommends allocating Harvest and Tortoise each 2.5% of the total value of the fund at the most recent reconciled fund valuation prior to distribution. Ms. Kelly made a motion to accept the recommendation from the Investment Committee. The motion was seconded by Ms. Allmond and approved unanimously by the Board. Mrs. Portis commented on the economy and the flash report. Her comments are as follows:

Economic overview:

4Q12 data was hampered by fiscal cliff negotiations and Hurricane Sandy. In December, the unemployment rate declined to 7.8%, but remains high relative to history. This is a structural problem that will need to be addressed over time and has implications into the growth prospects of the economy. GDP was revised up for 3Q12 to 3.1%; the third time in 5 years that the growth rate has been greater than 5%. Yields rose across the majority of the yield curve in December, causing bond prices to fall. MSCI EAFE returned 6.6% and the S&P 500 -0.4%. BC Aggregate returned 0.2% over the same period; government securities lagged while corporate bonds did well given increased demand from yield seeking investors. TIPS returned 0.7% as a result of inflation fears picking up as the government continued to provide stimulus.

Flash:

Preliminary results for the month of December were quite strong. The market value rose to \$884,339,378 at the end of December 31, 2012. It was up \$8 million from last month. \$4 million was rebalanced from Russell 3000 to cover benefit payments and expenses. The fund returned 1.28% for the month, outperforming the policy index by 6 basis points. For the quarter, the return was 1.75%, outperforming by 0.18%. Performance for the quarter was driven by strong international equity market returns (US weaker on fiscal concerns). The trailing year, the fund returned 13.04%, outperforming by 1.26%. Absolute performance was driven by equity beta, but the fixed income also produced alpha relative to the broad market. PIMCO continues to be a strong performer producing almost 5% of outperformance over the trailing year. Real Estate returns were unavailable in time for reporting.

Mrs. Potter-Griggs distributed to the Board the Actuarial Valuation as of June 30, 2012. Included in the valuation are the contribution rates to be paid in FY 2014. The Board certified the contribution rate of 18.58% for General Employees and 32.99 % for Firefighters and Police.

Mrs. Potter-Griggs also distributed to the Board the final Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012 as discussed at the December 2012 Board meeting with KPMG and the accompanying opinion and reports on internal control.

Ms. Calliott informed the Board that the work session with City Council would be Thursday, January 29, 2012, from 3 to 4 pm in the 10th floor conference room. Cheiron will give a 30-minute review to the Council and she would talk on performance. All Board members are welcome to attend.

Ms. Calliott also informed the Board that a table has been reserved for the Trustees at the Norfolk State of the City at the Norfolk Waterside Marriot on Friday, February 8, 2013 from 12 Noon to 2:00 pm. Please advise your interest in attending to Ms. Potter-Griggs.

The next Retirement Board meeting is scheduled for February 13, 2013 at 12:00 noon. There will not be an Investment Committee meeting.

Ms. Calliott thanked Mr. Hill for his service to the Board and welcomed Ms. Joy-Hogg and Ms. Kelly to the Board.

There being no further business, the meeting adjourned at 1:04 p.m.

Chairperson

Executive Director