

**Virginia Port Authority Board of Commissioners**  
**Investment and Administrative Committee Meeting**  
**November 24, 2009**  
**Open Session Minutes**

Committee Members Present:

John G. Milliken, Chairman  
Jerry A. Bridges, Executive Director

Committee Member Absent:

Mark B. Goodwin, Chairman, Finance/Planning Committee

Commissioners Present:

Deborah K. Stearns, Vice Chairwoman  
Joe B. Fleming  
Marvin S. Friedberg

Staff:

Rodney W. Oliver, Deputy Executive Director and CFO  
Elaine Smith, Director of Human Resources  
Debra J. McNulty, Clerk to the Board

Guests:

Jeffrey R. Allen, Assistant Attorney General  
Evelyn Small Traub, Troutman Sanders LLP  
Alfredo Calvo, Great-West Retirement Services  
George (Hobie) Whitmore, Scott & Stringfellow LLC

Pursuant to call by Chairman Milliken, the Investment and Administrative Committee convened an open session on this date at 10:00 a.m., in the Authority's Conference Room, 600 World Trade Center, Norfolk.

The following items were discussed:

**1. Review of Third Quarter Investment Performance of the Defined Benefit Pension Plan**

Mr. Whitmore distributed copies of the portfolio summary for the VPA Employer Funded Defined Benefit/Pension Plan and reviewed the following:

- Portfolio Value as of September 30, 2009: \$4,695,961
- Q3 2009 Total Return (1<sup>st</sup> Fiscal Q,2010): +12.49% versus +10.56% for the comparative index/benchmark
- Annualized Return since inception: +5.17% versus +3.03% for the benchmark
- Portfolio value as of Thursday, November 19, 2009: \$4,916,196 (includes net deposits of \$130k since September 30, 2009)

Mr. Whitmore reviewed the year-to-year historical performance for fiscal year (ending June 30) and calendar year performance to-date. He announced that the Plan had only one year of

underperformance (calendar year 2008) and that calendar year 2009 through the third quarter has been performing “incredibly well” reflecting +19.28% versus the benchmark of +13.84%.

Mr. Whitmore reviewed the current Asset Allocation and he recommended splitting the Strategic Bond portfolio from 25% to 15%, because they did not meet their mark last year and he suggested allocating 10% to an Intermediate Term Bond. He reviewed the Advisor Summary that lists each of the fund managers and explained that Western, a Strategic Bond manager, underperformed last year but has come back and is having a good year. He noted that UBS Global Asset Management (GAM) also performed poorly last year and is now adding to the performance of the portfolio. Mr. Whitmore explained that the plan needed a second bond manager for the Plan. He recommended taking 10% from Western Asset Management Co., a Strategic Bond Portfolio, and putting it into Blackrock Financial Management, Inc., an Intermediate Fixed Income Portfolio.

Ms. Stearns questioned why VPA would not keep the fund managers if they had managed to improve their performance. Mr. Oliver explained that Western Asset has 25% of VPA’s assets and that it would be good to diversify and give Blackrock some of the business considering it may be a tough road for bond markets.

**Action:** Upon motion by Mr. Milliken, seconded by Mr. Bridges, the Investment and Administrative Committee approved the recommendation by Mr. Whitmore to adjust the Asset Allocation and take 10% from Western Asset Management Co., a Strategic Bond Portfolio, and reallocate into Blackrock Financial Management, Inc., an Intermediate Fixed Income Portfolio.

Mr. Whitmore continued with a review of UBS Global Asset Management Trust Company, a multi-asset portfolio. He advised that the VPA Plan is properly diversified but that there are so many different forecasts in the market.

## **2. Review of Third Quarter 457 and 401(a) Defined Contribution Plans**

Mr. Calvo provided copies of the Plan Review for VPA’s 457 and 401(a) Defined Contribution Plans, prepared by Great-West Retirement Services. He reviewed the Plan Overview as follows:

- Plan assets were at \$4.38 million as of September 30, 2009 (\$4.53 million as of November 24)
- Plan assets grew by \$0.70 million (19.0%) from January 1, 2009 to September 30, 2009
- Contributions were \$0.46 million from January 1, 2009 to September 30, 2009
- From January 1, 2009 to September 30, 2009 there were 243 participants (includes former and current employees with account balances)

Mr. Calvo reviewed the Asset Components on page 5 of the report and he noted that net investment gain for the year was \$0.61 million. He referred to page 7, Assets by Asset Class, and reported that employees have invested a majority of funds in the Fixed Funds and Funds of Funds accounts. He said Great-West is starting to see a migration from fixed funds into the equity side and that people are trying to seek the highest number of returns. Assets by Investment Option, page 9, lists the contributions in dollar numbers with the largest amount invested in Great-West Guaranteed Fixed Fund. That fund is currently earning a 3% return.

Mr. Calvo reviewed the Contribution History on page 13 and he reported that contributions are expected to be lower than last year. He reported that 25% of contributions are in the fixed funds compared to last year's 29% which indicates that people are slowly getting back into the market.

Mr. Calvo reviewed the Benefit Payment Distributions for both the 401(a) Plan and 457 Plan. There are no increases in hardship withdrawals and there was a decrease in the number of loans.

Mr. Calvo referred to the letter from Great-West Life & Annuity Insurance Company CEO that confirmed the financial strength of the company (tab 4 of the report). He reviewed the Performance Summary of the VPA Deferred Compensation Plan, prepared by Advised Assets Group (page 5 of 14). Mr. Calvo reported that Templeton World A had been previously rated "neutral" and is now an "above" rating and that American Century Equity Growth Inv remains at "neutral". He advised that there should be no long-term issues with the fund as that manager has been with the firm long-term and there is no cause for concern. Mr. Calvo said he would continue to monitor that fund.

Mr. Oliver asked Mr. Calvo to add information on the Guaranteed Fixed Fund in the Advised Assets Group report.

There were no public comments and the meeting adjourned at 10:40 a.m.

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board