

**Virginia Port Authority Board of Commissioners**  
**Investment and Administrative Committee Meeting**  
**March 23, 2010**  
**Open Session Minutes**

Committee Members Present:

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

Committee Members Absent:

Mark B. Goodwin, Chairman, Finance/Planning Committee

Commissioners Present:

Deborah K. Stearns, Vice Chairwoman

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  
Grant Verhaeghe, Aon Investment Consulting  
Cory Myers, Aon Investment Consulting  
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 9:00 a.m., in the conference room of Virginia International Terminals, Inc. (VIT), 601 World Trade Center, Norfolk.

The following items were discussed:

**1. Review of VPA Employer Funded Defined Benefit/Pension Plan Performance through December 31, 2009**

Mr. Whitmore distributed copies of the VPA Employer Funded Defined Benefit/Pension Plan Portfolio Summary for VPA and highlighted the following:

- Initial funding in early January 2002
- Portfolio Value as of December 31, 2009: \$5,066,161
- Q4 2009 Total Return (2<sup>nd</sup> Fiscal Qtr 2010): +3.91% versus +3.75% for the comparative index/benchmark (60% S&P 500, 40% Barclays Capital Intermediate Govt/Credit)
- Annualized Return since inception: +5.51% versus +3.42% for the benchmark
- Portfolio Value as of March 17, 2010: \$5.406M (includes net deposits of \$179k since December 31, 2009)

Mr. Whitmore reviewed historical performance and announced that the portfolio for CY2009 resulted in a +23.94% rate of return and +16.4% for the fiscal year ending June 30. He also reviewed the current strategic asset allocation which, he advised, was a good blend of funds.

Mr. Whitmore also reviewed the Advisor Summary and announced that, for the first quarter, all but one manager outperformed and, for the year, all but two outperformed.

## **2. Review of 4th Quarter 2009 Defined Contribution Plan Performance Evaluation Report**

Mr. Grant Verhaeghe explained that Aon provides a Performance Evaluation Report to the Investment and Administrative Committee annually (copy of report distributed). Mr. Cory Myers with Aon was also present.

Mr. Verhaeghe referred to the Quarterly Market Commentary on page 3 of the report and reviewed economic indicators. He reported that Aon expects to see some ups and downs but that the market will not be like 2009. He advised that one of the key drivers for retirement plans will be fund manager selections.

On page 4 of the report, Mr. Verhaeghe reviewed a summary of U.S. fixed income markets and he noted that in the fourth quarter the best performing sectors were in technology and transportation. He advised that emerging markets were very volatile, as indicated in the graph on page 8, and that Aon will recommend a benchmark change on international exposure.

Mr. Myers concluded with a review of observations and recommendations from the Executive Summary (page 13), as follows:

- AIC recommends that the American Century Equity Growth Fund be placed on the “Watch List” as severe recent underperformance has impacted long-term comparisons.
- Due to its significant exposure to emerging markets countries, AIC recommends that the Committee consider using the MSCI ACWI ex-US as a more appropriate benchmark for the American Funds EuroPacific Growth Fund.
- AIC recently conducted a search for a replacement for the American Funds Washington Mutual A Fund. The Committee selected the BlackRock Equity Dividend I Fund and the transition took place on April 7, 2009.
- AIC recently conducted a search to find a replacement for the Legg Mason Value Trust Fund. The Committee selected the David NY Venture Y Fund and the transition took place on April 7, 2009.
- AIC recently conducted a search for a lifecycle series of funds to replace the GreatWest Profile Series. The Committee selected the Vanguard Target Retirement Funds and the transition took place on April 7, 2009.
- In addition to these fund replacements, AIC also conducted a search for a passively-managed large cap index fund. The Committee selected the Fidelity Spartan 500 Adv Fund and the fund was added to the lineup on April 7, 2009.

Mr. Myers advised that Templeton World A came off the “watch list” as they outperformed the benchmark in 2008-2009. According to the Fund Evaluation Versus Policy Review Guidelines

(page 14), Mr. Myers reported that Goldman Sachs High Yield A received an “E” rating (exception noted) for management team stability; Fidelity Spartan 500 Index Inv received an “E” rating for Organizational Stability; and American Century Equity Growth Inv was placed on the “Watch List”.

**Action:** Upon motion by Mr. Bridges, seconded by Mr. Milliken, the Investment and Administrative Committee approved the AIC’s recommendations, noted above.

### **3. Overview of VPA 457 and 401(a) Defined Contribution Plans through December 2009**

Mr. Al Calvo, Great-West Retirement Services, provided the Plan Review for VPA for the period from January 1, 2009 to December 31, 2009 and reviewed highlights from the report, as follows:

- Plan assets were at \$4.62 million as of December 31, 2009
- Plan assets grew by \$0.94 million (25.5%) from January 1, 2009 to December 31, 2009
- Contributions were \$0.61 million from January 1, 2009 to December 31, 2009 (The 457 contributions were down due to the reorganization and shift of marketing employees to VIT.)
- From January 1, 2009 to December 31, 2009 there were 245 participants

Mr. Calvo reported that assets grew from \$3.68 million in 2008 to \$4.62 million in 2009 and that assets were dominated by the Funds of Funds and GreatWest Fixed Fund accounts. He announced that the current interest rate earnings on the fixed funds for the first quarter of 2010 are currently at 3.5%.

Mr. Calvo reviewed the Contribution History (page 13) and reported that contributions are down on the 457 Plan due to the reorganization of employees. He advised that 58% of employee contributions are going into the Vanguard Target Retirement funds or GreatWest Fixed Funds. He also noted that the numbers of loans are down from 2008 and that GreatWest is seeing a reduction in the number of employees applying for loans.

Mr. Calvo referred to page 36 in the report which demonstrated GreatWest’s excellent five-year financial rating history through 2008. He noted that 2009 figures are not in yet and that he expects to receive them in about two months.

Mr. Calvo advised that the Performance Summary on the VPA Deferred Compensation Plan (Tab 4- page 5) almost all “green” (good) ratings with the exception of American Century Equity Growth Inv, which was rated “neutral”. Mr. Calvo agreed with AIC’s recommendation to place this fund on the “Watch List”.

### **4. Third Amendment to the VPA 457 Deferred Compensation Plan**

Mr. Oliver reviewed the recommended revisions that were outlined in the Third Amendment to the VPA 457 Defined Contribution Plan, as follows.

1. Section 1.04. Effective April 1, 2010, this amendment expands the definition of Compensation that may be deferred to include accumulated vacation pay (i.e, paid time off and “old” sick leave) that is paid out within the later of 2-1/2 months after a participant’s termination of employment or the end of the plan year in which termination occurred.

2. Section 1.07. Effective April 1, 2010, this amendment expands the definition of Employee to allow part-time permanent employees to make Employee contributions under the Plan.

3. Section 1.10. Effective July 1, 2007 (based on effective date of regulations), this amendment expands the definition of Includible Compensation (used for limitation purposes) to include accumulated vacation pay (i.e, paid time off and “old” sick leave) that is paid out within the later of 2-1/2 months after a participant’s termination of employment or the end of the plan year in which termination occurred.

4. Section 3.08(f). Effective January 1, 2008, this amendment corrects the effective date of the provisions that requires that different wage payments be treated as compensation for deferral purposes beginning January 1, 2009, not January 1, 2008.

5-8. Section 4.06. These sections are amended (a) to treat distributions to a non-spouse beneficiary as an “eligible rollover distribution” as required by the Worker, Retiree, and Employer Recovery Act of 2008 (“WRERA”) effective January 1, 2010; (b) to revise the definition of “eligible retirement plan” to expand the circumstances under which a rollover to a Roth IRA is permitted effective January 1, 2010; (c) to permit rollover of the 2009 minimum distribution amount effective January 1, 2009; and (d) to conform the definition of an inherited IRA to the non-spouse rollover rules effective January 1, 2010.

9. Section 4.04(c). Effective January 1, 2009, this amendment waives the Required Minimum Distribution for 2009 as permitted under the WRERA.

10. Section 4.11. Effective April 1, 2010, this amendment expands the allowable hardship distributions to include hardships experienced by the Participant’s Beneficiary.

Mr. Oliver confirmed that VPA will incur no costs associated with the amendments and that four of the amendments were required by Federal law.

**Action:** Upon motion by Mr. Bridges, seconded by Mr. Milliken, the Investment and Administrative Committee approved the Third Amendment to the Deferred Compensation Plan.

There were no public comments and the meeting adjourned at 10:00 a.m.

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board