

**Virginia Port Authority Board of Commissioners
Investment and Administrative Committee Meeting
November 23, 2010**

Open Session Minutes

Committee Members Present:

John G. Milliken, Chairman of the Board
Mark B. Goodwin, Chairman, Finance/Planning Committee
Jerry A. Bridges, Executive Director

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
Evelyn Small-Traub, Troutman Sanders, LLP
Mr. Jeffrey M. Harlow, Aon Investment Consulting
Michael Schooley, Aon Investment Consulting
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 9:30 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 Actuarial Valuation Report calculation, assumptions, and funding levels for VPA Defined Benefit Pension Plan

Mr. Jeffrey M. Harlow and Mr. Michael Schooley, with Aon Consulting, were introduced. Mr. Schooley presented a copy of a letter he sent to Mr. Oliver that outlined the results of a study by Aon on funding the pension plan based on three methods and a funding comparison between VPA's plan, Virginia Retirement System (VRS), and the Employees' Retirement System of the City of Norfolk (letter attached). Mr. Schooley referred to the Summary of Results and also reviewed the funding progress history for VPA, VRS, and City of Norfolk. He reported that VPA's funding level has increased since June 30, 2010, and is approximately at the 66% funding level as of September 30, 2010.

Mr. Oliver explained that there were several things that happened to cause the VPA Plan to become unfunded within 24 months:

- VPA changed the rate of assumption on the return on assets from 8% to 7.5%
- The reorganization had eight employees take an early out with three years of additional benefit and three years additional age

- Marketing staff moved to VIT and the VIT Plan is not as rich as VPA's Defined Benefit Plan, therefore, VPA made up that cash assuming those employees would stay until retirement.
- The downturn in the market.

Mr. Oliver explained that he did not provide additional funding to the Defined Benefit Plan in June 2010 because of the APM Terminals transaction but that he had been making additional contributions (over and above the recommended contributions) to the plan every year prior to that and he said he expects to continue to do that again in the future.

Mr. Schooley confirmed that VPA is contributing at a good rate and he recommended keeping the estimated return on assets at the same level (7.5%). Mr. Schooley also mentioned the Governmental Accounting Standards Board (GASB) exposure draft that will substantially change how a fund balance is categorized. He advised that VPA is showing an asset on the books of \$1.5 million that will change to a \$3 million obligation as a result of the exposure draft. Mr. Schooley said this is happening to all public sector clients.

Ms. Stearns advised that funding levels were discussed at the last meeting and that she was comfortable with Mr. Schooley's recommendation to stay at 7.5%.

2. Review of Defined Benefit Pension Plan investment performance for the third quarter, portfolio allocation, and industry benchmarks.

Based on the request for a more specific benchmark during the previous Investment & Administrative Committee meeting, the Wilmington Trust Fiduciary Services Company Quarterly Performance Monitor now includes two benchmarks: a long term strategic benchmark of 60% S&P 500 Index, 40% Barclays Capital Intermediate Gov't/Credit Index; and a tactical benchmark, which is currently 32% Russell 1000 Index, 20% UBS Global Asset Mgmt Multiple Markets Index, 15% Barclays Capital Aggregate Bond Index, 10% Barclays Capital Intermediate Gov't/Credit Index, 10% MSCI Net EAFE, 8% Russell 2000 Index, 5% Lipper Institutional Money Markets. The tactical benchmark will be updated with any allocation changes in the portfolio.

Mr. George (Hobie) Whitmore reviewed the performance of the portfolio as reported by Wilmington Trust Fiduciary Services Company's September 2010 Quarterly Performance Monitor;

- Portfolio value as of September 30, 2010: \$5,784,215
- Q3 2010 Total Return (1st Fiscal Q, 2011): +9.51% versus +9.03% for the tactical comparative index/benchmark and +7.93% versus the strategic benchmark
- Annualized return since initial investment with Wilmington Trust Fiduciary Services Company (1/2002): +5.67% versus +4.10% for the tactical comparative index/benchmark and +4.12% versus the strategic benchmark

Based on conversations with Mr. Oliver and review of industry analysis of similarly allocated pension plans, Mr. Whitmore agreed with Aon Investment Consulting's recommendation to keep the estimated return on assets at the same level (7.5%).

3. Review of VRS Defined Benefit Pension Plan changes as compared to the VPA Defined Benefit Pension Plan

Ms. Evelyn Traub, of Troutman Sanders, LLP, explained that her report was just for information purposes. She presented a briefing paper outlining highlights of the Virginia Retirement Plan (VRS) 1 and Plan 2 provisions that became effective July 1, 2010, and compared them to VPA's Defined Benefit Plan. A copy of the document is attached as a part of the minutes.

Mr. Oliver noted that the biggest change for VRS affects those employees hired after July 1, 2010. He advised that VPA looked at doing the same thing a few years ago until the market changed. The Chairman suggested that staff bring back some recommendations to modify the Defined Benefit Plan and that this would be something for discussion within the next six to 12 months.

Ms. Stearns recommended looking at the ILA pension benefits. Mr. Bridges advised that the ILA benefits have no impact on VPA. Mr. Oliver noted that VIT's defined benefit plan is not as beneficial as the VPA defined benefit plan. He advised that the staff would look at all benefits, including health benefits.

There were no public comments and the meeting adjourned at 10:25 a.m.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board