

Virginia Port Authority Board of Commissioners
Investment and Administrative Committee Meeting
September 25, 2007
Open Session Minutes

Committee Members Present:

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

Absent:

Mark B. Goodwin, Chairman, Finance/Planning Committee

Staff:

Rodney W. Oliver, Director of Finance
Elaine Smith, Director, Department of Human Resources
Debra J. McNulty, Clerk

Guests:

Evelyn Small Traub, Troutman Sanders Mays & Valentine LLP
Larry McNamara, Aon Investment Consulting (Richmond)
Al Calvo, Great-West Retirement Services
George H. Whitmore, UBS Financial Services, Inc.
Antonio Morrison, Merrill-Lynch

Pursuant to call by Chairman Milliken, the Investment and Administrative Committee convened an open session on this date at 9:35 a.m., in the conference room of Virginia International Terminals, Inc. (VIT), 601 World Trade Center, Norfolk, Virginia.

The following items were discussed:

1. Review of July 1, 2007 actuarial valuation report for Defined Benefit Pension Plan.

Mr. Larry McNamara, with Aon Consulting, distributed copies of the Actuarial Valuation Report as of July 1, 2007 for the VPA Defined Benefit Pension Plan and he reviewed the asset method change that resulted in a prefunding balance build-up from \$450,000 to \$1.8 million.

Mr. McNamara reported that the recommended contribution rates for 2007-2008 are down from the prior year due to increased contributions in previous fiscal years. The recommended VPA contribution is approximately \$558,000 for the 2007-2008 year, as compared to \$663,000 for the prior year.

Mr. Oliver reported that VPA was making contributions to the plan as required by Aon and also made additional contributions to the VPA defined benefit plan. He advised that the additional contributions insured that the plan was prefunded in the event VPA could not make the recommended contributions in future years. Mr. Oliver noted that the change has no effect on employees.

Mr. McNamara reported that, if all assumptions are met, everything should stay at the same level and continue at the same level for as long as the plan is in existence.

Mr. Milliken clarified by explaining that the recommended pension level for this year is \$150,000 less than the previous year.

2. Review of 2nd Quarter (April-June 2007) Investment Performance for Defined Benefit Pension Plan - Mr. George (Hobie) Whitmore, UBS Financial Services, Inc.

Mr. Whitmore distributed copies of the VPA Employer Funded Defined Benefit/Pension Plan Portfolio Summary, dated September 25, 2007, prepared by UBS Fiduciary Trust Company. The Committee reviewed the investment performance of the plan assets through June 30, 2007. Mr. Whitmore reported that fiscal year 2007 return on plan assets was 16.3% versus the benchmark of 14.51%. The Authority had a total of \$4.6 million in plan assets as of June 30, 2007.

Mr. Whitmore remarked that this was the best quarter that his firm had seen, considering the current market, in four years. He continued with a historical performance review and explained, for Mr. Cumbie, how UBS selects its fund managers.

3. Review of 457 and 401(a) Defined Contribution Plans - Mr. Al Calvo, Great-West Retirement Service.

Mr. Calvo distributed copies of Great-West's Plan Review for VPA for the period ending June 30, 2007 and he reviewed the investment performance of each of the participant options within the plans. No changes in investment options were recommended. Mr. Calvo reported there are currently 243 participants in the plan that include retirees, former employees, or anyone who has a balance in the plan.

Mr. Calvo mentioned that American Funds Washington Mutual trailed 5 out of 12 quarters and that Legg Mason's overall rating was neutral. He recommended monitoring those two accounts. Mr. Calvo reported that he would report further at the next meeting of the Investment and Administrative Committee scheduled for March 2008. Mr. Oliver suggested that he provide a written progress report to the Committee in the interim.

Chairman Milliken suggested a better understanding of the ratings at the next meeting.

4. Review of proposed legislation for the 2008 General Assembly Session – Ms. Evelyn Small-Traub, Troutman Sanders Mays & Valentine LLP, and Mr. Rodney Oliver, Director of Finance

Investment and Administrative Committee Meeting
September 25, 2007
Page 3

Mr. Oliver distributed copies of the Statement of Need for Legislation that outlines several items that were submitted for the 2008 General Assembly Session. The Committee received a report from Ms. Evelyn Small-Traub, with Troutman Sanders regarding the recently submitted legislative change requests that would allow the Authority to: 1) establish a trust fund to pre-fund the actuarially-determined retiree health benefit calculated under new accounting pronouncement GASB 45 and; 2) automatically enroll new employees into the 457 plan with an option for the employee to opt out of the plan.

Ms. Traub explained the OPEB Trust and GASB rules and their effect on VPA. Regarding the automatic enrollment legislation, Ms. Traub anticipated that the General Assembly would approve the legislation as the Virginia Retirement System got approval for similar legislation last year.

There were no public comments and the meeting adjourned at 10:30 a.m.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board