

Investment and Administrative Committee
Virginia Port Authority
Open Session Minutes
Meeting of March 22, 2005

The Committee met in open session on the above referenced date at 8:30 a.m. in the Virginia International Terminals, Inc. (VIT) Conference Room, 601 World Trade Center, Norfolk, Virginia.

Committee Members Present:

- John G. Milliken, Chairman, VPA Board of Commissioners
- Ronald W. Massie, Chairman, VPA Finance/Planning Committee
- J. Robert Bray, Executive Director

Commissioners Present:

- Deborah K. Stearns

Staff and Guests:

- J. J. (Jeff) Keever, Deputy Executive Director
- Rodney W. Oliver, Director of Finance and Treasurer to the Board, VPA
- Elaine Smith, Director of Administration, VPA
- Evelyn Small Traub, Troutman Sanders Mays & Valentine LLP
- Robert G. Sanford, Aon Consulting, Inc.
- Kevin Schmidt, Aon Consulting, Inc.
- Kim Kyle, Great-West/BenefitsCorp.
- Daisy Jones, Great-West/Benefits Corp.
- George H. Whitmore, Account Vice President, UBS Financial Services, Inc.
- Debra J. McNulty, Clerk to the Board

The Investment & Administrative Committee met this morning to discuss the performance of the Authority's Defined Benefit and Defined Contribution Plans for its employees. The Committee also reviewed three items that were held over from the January 25 meeting.

Mr. Whitmore distributed copies of the Portfolio Summary for VPA's Employer Funded Defined Benefit/Pension Plan. He reported that the fourth quarter investment return was 7.3% versus +5.66% for the blended benchmark. Annualized return since inception was +9.39% versus +5.16% for the blended benchmark. He reported that the portfolio value as of December 31, 2004, was \$1.5 million. He noted that year-to-date (March 21), investment performance is, however, flat.

Mr. Whitmore reported that the VPA Defined Benefit Plan ranked in the top 22% for one year and top 17% since portfolio inception compared to a universe of investment managers managing portfolios in similar asset categories, for the period ending December 31, 2004.

Mr. Whitmore reviewed the breakdown of the suggested asset allocation that is made up of 50% diversified equity, 20% active asset allocation, 25% diversified bonds, and 5% GIC/cash. The Committee approved the proposed asset allocation outlined in Mr. Whitmore's report.

Mr. Schmid reviewed Aon's recommendations contained in the Executive Summary of VPA's Performance Analysis Report on the Deferred Compensation (457) and Matching (401a) Plans. *(A copy of the Executive Summary can be viewed on the Authority's website at: www.vaports.com).*

After some discussion between Aon and Great-West consultants regarding the status of several funds, the Chairman suggested that Aon and Great-West review the funds' performance and return to the Committee in May with a firm decision as to which investment portfolios to retain and those to "watch" or eliminate. Mr. Milliken advised that the Committee's last analysis of funds was conducted in November 2003, and that a comprehensive review of funds every two years would be good. Ms. Kyle remarked that VPA has double the investment advice than most companies.

After briefings from the investment consultants, the Committee took action on the following items that had been held over from the Investment and Administrative Committee meeting that was held January 25:

1. Mandatory Cash-out of Vested Benefits

Ms. Traub explained the rules for cash-outs for private pension plans compared with government plans. She advised that rulings would be applicable next year for government entities that want to institute mandatory cash-outs for former employees with small, remaining balances in pension plans.

Action: The Committee approved a mandatory cash-out of vested benefits for employees who leave service. The Chairman suggested that staff work with consultants to develop a resolution outlining guidelines for a cash-out procedure and include a recommendation of a final cash-out threshold, for adoption at the May 24 board meeting.

2. Cost-of-Living (COLA) Adjustments (Increases) for Sworn Retirees

Mr. Sanford reported that it had been two years since COLA adjustments were made to the Plan, in which most of the participants are VPA sworn officers. He advised that the VPA sworn supplement is currently \$9,816 per year compared to the recently approved VRS sworn supplement of \$10,704, effective July 1.

Action: The Committee approved a "catch up" adjustment for the fixed benefit supplement in order to match VRS levels, effective July 1. A similar percentage adjustment would also apply to VPA Pension Plan retirees who are currently receiving monthly payments other than the fixed benefit supplement.

3. Partial Lump-sum Option (PLOP)

Mr. Sanford advised that Aon and VPA Human Resources are currently reviewing potential retirees who qualify for PLOP, as part of the preparation of Aon's July 2005 actuarial report.

Action: The Chairman instructed Ms. Daisy Jones (Great-West) to work with Aon on a list of recommendations to include consideration of a small lump-sum PLOP payment.

The meeting adjourned at approximately 9:20 a.m.

Respectfully,

Debra J. McNulty
Clerk to the Board