

Investment and Administrative Committee
Virginia Port Authority
Open Session Minutes
Meeting of May 24, 2005

The Committee met in open session on the above referenced date at 10:00 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
- J. Robert Bray, Executive Director

Members Absent:

- Ronald W. Massie, Chairman, VPA Finance/Planning Committee

Staff and Guests:

- Richard L. Walton, Jr., Senior Assistant Attorney General
- 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 Investment Consulting
- Kevin Schmid, Aon Investment Consulting
- 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

Mr. Schmid referred to his letter of May 4, 2005, that outlined three fund replacement recommendations that were developed by Aon Investment Consulting and Great-West, with respect to the VPA Deferred Compensation (457) and Matching (401a) Plans. Mr. Schmid described the performance of the following funds that are recommended for termination and the recommended (new addition) replacement funds.

High Yield Fixed Income:

Terminate MFS High Income Fund (GSHAX)	Replace with Goldman Sachs High Yield Fund
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Large Cap Blend:

Terminate MFS Capital Opportunities	Replace with Legg Mason Value FI (LMVFX)
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Small Cap Growth:

Terminate AIM Small Cap Growth Fund	Replace with Buffalo Small Cap (BUFSX)
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Action: Upon motion by Mr. Milliken, seconded by Mr. Bray, the Investment and Administrative Committee approved the termination and mapping of funds, as recommended above.

Mr. Schmid reported that several revisions were made to the Investment Policy Statement that reflect the reallocation of funds and the replacement of the three fund managers. Ms. Traub stated that there was no need for a resolution for this action, as the minutes would reflect the approval of revisions to the fund allocation and to the Policy.

Action: Upon motion by Mr. Bray, seconded by Mr. Milliken, the Investment and Administrative Committee approved the revised Investment Policy Statement.

Ms. Traub explained that the current changes to the Policy are reasonable, but noted that the Committee should give careful consideration to future Policy changes. She said, “We cannot let the fund “wag” the policy statement. Just because the fund changes its makeup, we don’t necessarily change the Investment Policy Statement.”

Mr. Sanford explained that Resolution 05-8, which was developed by Aon Consulting and Ms. Traub, authorizes amendments to the VPA Defined Benefit Plan (Pension Plan), that were approved at the March 22nd meeting, and are further described in the resolution, as follows:

- Effective with the July 1, 2005 payment, the temporary supplement for law enforcement officers shall be increased to \$10,702 (\$892/mo.) for all retirees receiving the temporary supplement;
- Effective with the July 1, 2005 payment, a cost of living adjustment of 9.05% shall be applied to the enhanced basic benefit for law enforcement officers resulting from the application of the three-tenths of one percent (0.3%) multiplier for all retirees receiving the enhanced basic benefit;
- Effective with the July 1, 2005 payment, a cost of living adjustment of 9.05% shall be applied to the basic accrued benefit for all retirees who retired in calendar year 2003 or earlier;
- Effective July 1, 2005, a mandatory cash-out of benefits with a lump sum value of less than \$10,000 shall be added to the plan subject to the automatic rollover rules imposed by the Internal Revenue Service effective January 1, 2006. The mandatory cash out shall apply to all separated employees, including those who separated prior to July 1, 2005.

Ms. Kyle advised that former employees could do a direct roll-over into their deferred compensation plan with Great-West.

Action: Upon motion by Mr. Bray, seconded by Mr. Milliken, the Investment and Administrative Committee approved the adoption of Resolution 05-8, pending full Board approval.

Mr. Walton questioned the Committee’s delegating authority. Mr. Bray advised that he would provide Mr. Walton with a copy of the Resolution that was adopted by the Board, appointing the Investment and Administrative Committee.

At this time, Mr. Whitmore distributed copies of the updated Portfolio Summary for VPA's Employer Funded Defined Benefit/Pension Plan, through May 20, 2005.

He reported that initial funding of the plan began in early January 2002 and the portfolio value as of March 31, 2005, was \$1,532,106. First quarter 2005 total return is -0.80% versus -1.62% for the blended benchmark. It was reminded by Mr. Whitmore that the Committee recently approved a reallocation of funds, that reduced the Plan's bond exposure by 10% and reduced exposure in the "lifestyle funds" (Diversified Equity). He advised that there has not been enough time since that meeting to reflect any real growth in those areas.

Mr. Whitmore reported that the annualized return since inception is +8.34% versus +4.21% = **two times the blended benchmark**. Portfolio value as of Friday, May 20, 2005 was \$1,558,669 and approximate net 2005 year-to-date return through May 20, is +0.70%. He reported that the VPA Defined Benefit Plan ranked in the top 17% for one year and top 16% since portfolio inception compared with a universe of investment managers' portfolios in similar asset categories for the period ending March 31, 2005.

The meeting adjourned at approximately 10:30 a.m.

Respectfully,

Debra J. McNulty
Clerk to the Board