

**Investment and Administrative Committee**  
**Virginia Port Authority**  
**Open Session Minutes**  
Meeting of September 27, 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

Commissioners Present:

- Mark B. Goodwin, Vice Chairman, VPA Finance/Planning Committee

Staff and Guests:

- Richard L. Walton, Jr., Senior Assistant Attorney General
- J. J. 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 Investment Consulting
- Kim Kyle, Great-West/BenefitsCorp.
- George H. Whitmore, Account Vice President, UBS Financial Services, Inc.
- Debra J. McNulty, Clerk to the Board

Mr. Sanford distributed copies of the Actual Valuation Report as of July 1, 2005 for the VPA Defined Benefit Pension Plan. The Committee reviewed the July 1, 2005 actuarial report prepared by Aon Consulting. Mr. Sanford noted that the report is issued annually, and is undertaken to disclose the actuarial liabilities of the plan, to compare the liabilities to plan assets and to develop the recommended rates at which VPA makes contributions to the plan. He reported that the recommended contribution rates for 2005-2006 have increased from the prior year due to growth in the numbers and payroll of participants covered by the plan, as well as the fact that there were a significant number of new retirements among VPA Sworn employees during the year ending June 30, 2005.

The recommended VPA contribution is approximately \$466,000 for the 2005-2006 year, as compared to \$336,000 for the prior year. The actuarial report also provides a development of pension plan information to be included in VPA's financial statements, as well as a reconciliation of the group of plan participants and plan assets over the year.

Mr. Goodwin referenced page 4 of the report and questioned the Fair Value of Assets for FY05/06 at \$1.91M compared to the Projected Benefit Obligation (PBO) of \$4.3M and Accumulated Benefit Obligation (ABO) of \$3.3M. He asked if the plan was underfunded on an IRS basis. Mr. Sanford said it was not subject to IRS funding standards but is underfunded by \$1.4M on an accounting basis.

Mr. Goodwin advised that most of corporate America is used to ABO and he thought the VPA plan was within 90% of ABO. Mr. Traub explained that this is a government plan and, therefore, not subject to the same rules as a corporate plan. Mr. Sanford added that the plan is closing that gap and that ABO and PBO numbers are due to market fluctuations and interest rates.

(Mr. Walton arrived at this time.)

Ms. Traub asked if the COLA adjustments affected the cost. Mr. Sanford said it was a minor difference. Mr. Sanford advised that he could prepare a projection of the cost of sworn employees in time for the 2006 valuation report.

**Action:** Upon motion by Mr. Bray, seconded by Mr. Milliken, the Investment and Administrative Committee approved the Actuarial Valuation Report.

**Action:** Upon motion by Mr. Milliken, seconded by Mr. Bray, the Investment and Administrative Committee approved the increase in the recommended fiscal year 2006 VPA contribution.

Mr. Sanford recommended Great-West Retirement Services to administer the Great-West Rollover IRA for mandatory cash out of benefits in the Defined Benefit Pension Plan. Ms. Kyle provided a one-page outline that describes the requirements of the new mandatory IRA rollover provision that will go into effect for VPA on January 1, 2006.

Ms. Traub advised that the federal government provided fiduciary protection for mandatory IRAs as long as they act in accordance with guidelines similar to IRAs. The investment vehicle has to protect principal and cannot have extra fees. She advised that Great-West will meet the federal government guidelines.

Mr. Kyle reviewed the features of the flyer advertising the rollover product. She advised that roll-overs are directed by Great-West into the most conservative funds and that, once the funds are in that account, the employee can later move them to another fund. Ms. Kyle added that the employee could also move their funds to a deferred compensation plan that would eliminate fees.

**Action:** Upon motion by Mr. Bray, seconded by Mr. Milliken, the Investment and Administrative Committee approved Great-West Retirement Services' Rollover IRA to administer the mandatory cashouts of account balances of \$5,000 or less, at severance of employment.

Mr. Whitmore distributed the portfolio summary for the VPA employer funded Defined Benefit Pension Plan and reviewed the Plan's performance through September 22, 2005. Portfolio value as of Thursday, September 22, was \$2.018M. Approximate 2005 year-to-date return through September 22 was +4.15%. Mr. Whitmore announced that the VPA Defined Benefit Plan ranked in the top 28% for one year and top 18% since portfolio inception compared against a universe of investment managers managing portfolios in similar asset categories for the period ending June 30, 2005.

Mr. Whitmore predicted that costs associated with Hurricanes Katrina and Rita could be offset by major construction. He anticipated interest rates could increase another basis point with inflation due to higher energy prices.

Mr. Whitmore explained that Rittenhouse, a large company growth fund manager, has not performed well and he offered to present several alternatives for replacement for the Committee's review in November. Mr. Whitmore noted that GE Asset Management is a good manager.

Ms. Kyle reported that 12 new employees were added to the 457 and 401(a) Defined Contribution Plans. She reported that the fund balance for the cash match program amounted to approximately \$500,000 and fund balance in the deferred compensation is \$1.7 million.

Ms. Kyle advised that, as of July 25, 2005, the transaction for the recommended fund eliminations and the addition of three new funds occurred with no problem. She reported that forfeiture reallocations from non-vested former employees were calculated last week and will be distributed to existing participants.

Mr. Milliken received approval from the Investment and Administrative Committee to present to the full Board his recommendation for appointment of Mr. Mark Goodwin as Chairman of the Finance/Planning Committee and appointment to the Investment and Administrative Committee, fulfilling the office held by former Commissioner Ronald W. Massie.

The meeting adjourned at approximately 10:40 a.m.

Respectfully,

Debra J. McNulty  
Clerk to the Board