

**BOARD OF TRUSTEES OF THE CITY OF ATLANTA
GENERAL EMPLOYEES PENSION FUND
MINUTES OF MEETING**

November 2, 2011

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on November 2, 2011 in City Hall, Committee Room 1, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Jo Ellen Paige
Yolanda Johnson
Aaron Watson

Aretha Sumbry-Powers
Douglas Strachan
Jim Beard

TRUSTEES ABSENT: Yvonne Cowser-Yancy

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department, Ray Adams, Office of Retirement Services; Larry Gray and Lisa Joe of Gray & Company. Also present Rod Norman of JP Morgan and Laurel Hill of Wells Fargo.

Ms. Sumbry-Powers called the meeting to order at 9:35 A.M. There was a quorum.

ADOPTION OF AGENDA:

Mr. Larimer advised that the Cash Flow Projection and Cash Rebalancing Plan included under the Investment Consultant Report was for the 3-month period through January 2012, and not the 6-months period as shown.

MOTION: A motion was made and seconded to adopt the Agenda, as amended. The motion passed.

APPROVAL OF MINUTES:

It was pointed that the location of the meeting of Investment Subcommittee was incorrectly identified as the Congress Club; the meeting was held at the Commerce Club. The correction will be made.

MOTION: A motion was made and seconded to approve the minutes of the September 7, 2011 meetings, as corrected. The motion passed.

GENERAL EMPLOYEES' PENSION FUND PENSION AWARDS:

SERVICE PENSION APPLICATIONS

The Service Pension Applications on the attached spreadsheet were presented to the Board for approval:

MOTION: A motion was made and seconded to approve service pension applications Nos. 1-16, as listed on the attached spreadsheet dated November 2, 2011. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Applications on the attached spreadsheet were presented to the Board.

MOTION: A motion was made and seconded to approve Disability Pension applications 1-7 on the attached spreadsheet dated November 2, 2011. The motion passed.

BENEFICIARY PENSION APPLICATIONS

The Beneficiary Pension applications on the attached spreadsheet were presented to the Board for approval:

MOTION: A motion was made and seconded to approve Beneficiary Pension applications Nos. 1 – 4 on the attached spreadsheet dated November 2, 2011. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

Mr. Larimer reviewed a spreadsheet of monthly postage expenses back to January 2011 in order to remove any confusion concerning the amounts that had been requested at the last board meeting. The summary was satisfactory to the board and the current and back check requests for postage expense were approved. The board requested that the spreadsheet showing a rolling 6 month period be presented each month.

The board suggested making an effort to eliminate a large portion of the postage expense for mailing deposit advices for the monthly pension checks by giving participants the option of viewing their deposit advice on a password protected secure server. Mr. Beard offered to work with the Administrator to explore such an option.

Mr. Berry inquired why the invoices for two of the examining physicians were less than the normal \$600 standard. The Administrator will research and respond with an explanation.

MOTION: A motion was made and seconded to approve 22 items on the Check Register dated November 22011 totaling \$578,179.17. The motion passed.

REVIEW OF SEPTEMBER 2011 FINANCIALS:

The financials for the period ending September 30, 2011 were reviewed. Mr. Larimer reported that GEMGroup would prepare several different formats of financial statements as had been requested by the prior Chief Financial Officer. These will be reviewed with Mr. Beard to determine if any changes to the format would better serve the financial reporting needs of the City. GEMGroup will follow-up with Mr. Beard prior to the December meeting.

Ms. Paige commented that the losses in the investment portfolio were large and disturbing and wanted to know what could be done about it. Mr. Gray responded that he would address the topic in his report.

MOTION: A motion was made and seconded to accept receipt of the September 30, 2011 financial statements as presented. The motion passed.

LAW DEPARTMENT:

Survey Results on Interest Rates Paid on Contributions

Ms. Denius stated that she had no report at this time.

Election Schedule for Retiree Board Positions

Ms. Denius reported that the Election process was on schedule. She distributed to the Board a list of the candidates for the two retiree seats. The election will be conducted December 14-16, 2011 for a three year term beginning on January 4, 2012.

INVESTMENT CONSULTANT REPORT:

Mr. Gray reviewed the 3rd Quarter performance report and provided a capital markets overview. He noted that the Fed Funds rate remains at near zero with the commitment on the part of the Federal Reserve to keep it there. Overhanging the markets is the concern about Europe and the solvency of its banks and ultimately of several of the sovereign governments of the Euro zone. This has caused extreme volatility in world markets. As concerns mounted, the flight to quality caused Treasury yields plunged to record low levels and a 23% price gain for Treasuries during the period. The S&P 500 Index declined 14% in Q3, and the other equity indices all were down between 15% - 22%.

Mr. Gray returned to Ms. Paige's earlier question to address what, if anything could be done to mitigate these difficult market conditions. Alternative asset classes such as commodities, gold and private equity tend to have non-correlated returns with respect to the broad equity market and could be helpful. Georgia State law currently prohibits investment in these asset classes, but work is underway to attempt to address this issue with local state legislators.

Mr. Gray also pointed out the private pension funds tend to be more nimble and give more flexibility to the investment managers and advisors to make portfolio moves within the context of an Investment Policy Statement. The GEPP would benefit by making the procedures to execute portfolio moves easier by delegating more discretion to the investment advisor.

Mr. Strachan pointed out that over a full market cycle of five years the portfolio is behind the Policy Benchmark by approximately 30 basis points. He also noted that using Active managers versus Index strategies was supposed to provide the advantage of some measure of downside protection, and at least over the recent period that does not appear to be the case. He stated he was trying to justify paying the higher fees of Active managers for below benchmark returns and no protection in down markets. Should we consider indexing more of the portfolio?

Mr. Gray responded that the Fund should examine the additional use of passive strategies. He also cautioned that the market is quite cyclical and that virtually all managers' performance will regress toward the mean return for their asset class and strategy. Good managers who are down now tend to rebound and outperform in future periods. Market timing, according Mr. Gray, is not a viable alternative to picking sound, quality managers and giving them a reasonable period to perform. Gray & Company has researched Globalt's Tactical Asset Allocation Strategy and our opinion is favorable, however they are waiting for an opinion from the City's Legal Counsel.

Mr. Beard asked how often the portfolio was reviewed (monthly) and it would be useful to examine the underlying holdings of the managers, their adherence to the stated style and strategy. Mr. Gray welcomed that examination.

Ms. Johnson raised a question concerning Performance based fees for managers. Mr. Gray stated that also could be explored and suggested it be a topic for the next Investment Subcommittee meeting.

Mr. Gray summarized the overall portfolio performance: market value of assets the beginning of the year were \$1,046 million compared to \$926 million at September 30, a decline of 6.2%. The overall portfolio return in the third quarter was (12.1%). Both the Mid-Cap and Small Cap managers performed quite poorly experiencing declines of 20+%. Fixed income, due the price appreciation caused by the flight to quality, delivered a 30% positive return, despite coupon rates near 2%.

Mr. Berry asked about the Commission Recapture program. The commission recapture details were provided in the 3rd quarter report packet at the end of the report.

The Cash Flow Projection and Rebalancing Plan for 3-month period through January 2012 was reviewed and discussed. The Board reminded the Investment Consultant and the Administrator that a set of procedures covering cash raises and rebalancing was to have been developed with the Finance Department. Mr. Beard offered to make his staff available to work on such procedures prior to the next meeting; Mr. Gray and Mr. Larimer will follow up.

MOTION: A motion was made and seconded to accept the Investment Consultant Report and to approve the Cash Flow Projection and Rebalancing Plan as presented and to authorize its implementation by Gray & Company. The motion passed.

OLD BUSINESS: None

NEW BUSINESS:

OPEB Task Force - The City is creating a Task Force to review and report back to the Mayor and City Council on the proliferation of other post employment benefits (OPEB) cost for the City of Atlanta, its employees and other similarly situated groups. The request stipulates that one member of the Task Force be a member of the General Employees Pension Fund Board. Mr. Strachan volunteered to represent the GEPP board on the OPEB Task Force.

MOTION: A motion was made and seconded to appoint Mr. Strachan to the OPEB Task Force. The motion passed.

PUBLIC COMMENT: None

There being no further business to discuss, the meeting was adjourned at 11:15 p.m.

Respectfully submitted:

Alfred Berry, Jr. Chairman

Anthony (Jim) Beard, CFO & Secretary