

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

February 2, 2011

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

TRUSTEES PRESENT:

Alfred Berry, Jr.	Aaron Watson	Sherri Dickerson
Jo Ellen Paige	Douglas Strachan	Aretha Sumbry-Powers
John Bell	Joya De Foor	Aaron Watson

TRUSTEES ABSENT:

Yolanda Johnson

OTHERS:

Richard Larimer of GEMGoup; Ray Adams of the Office of Retirement Services; Kristen Denius of the City of Atlanta Law Department;; Eric Atwater of the Segal Company and Larry Gray, Bob Hubbard and Jennifer Chrisman of Gray & Company.

Vice Chair Ms. Sumbry-Powers called the meeting to order at 9:30 A.M. There was a quorum.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

MOTION: A motion was made and seconded to approve the minutes of the January 5, 2011 meeting. The motion passed.

GENERAL EMPLOYEES' PENSION FUND PENSION APPLICATIONS:

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. 1-23, as listed on the attached spreadsheet dated January 5, 2011. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Application on the attached spreadsheet was presented to the Board for approval:

MOTION: A motion was made and seconded to approve the disability pension application, as listed on the attached spreadsheet dated February 2, 2011. The motion passed.

MOTION: A motion was made and seconded to amend the pension approvals agenda to add two disability applications that had been deferred from the January 5, 2011 meeting pending further research and review by City Law Department. The motion passed.

The Disability Pension applications on the attached spreadsheet under the heading “Addendum” were presented for Board action. The recommendation from City Law Department was to deny applications No. 1 & 2 on the Addendum.

MOTION: A motion was made and seconded to deny disability pension applications No. 1 & 2 on the attached spreadsheet. 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 No. 1 – 7 on the attached spreadsheet dated February 2, 2011. The motion passed.

SERVICE PENSION CORRECTIONS

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

Two corrections to prior pension approvals were presented. In correction No. 1, the Clearance form submitted as part of the initial documentation package was illegible and the effective date of retirement was processed incorrectly. The effective date of retirement was verified and corrected. Correction No. 2, the City provided corrected vacation payout information and the pension calculation was corrected.

MOTION: A motion was made and seconded to approve the two Service Pension Corrections shown on the attached agenda. The motion passed.

APPROVAL OF INVOICES AND CHECK REGISTER:

The Check Register on the attached spreadsheet was reviewed by the Trustees.

MOTION: A motion was made and seconded to approve five items (Check #'s 19981 – 19985) on the Check Register. The motion passed.

REVIEW OF FEBRUARY 2010 FINANCIALS:

The financials for the period ending December 31, 2010 were reviewed.

Corrected November 30, 2010 statements had been provided to Ms. De Foor and Mr. Berry following last month's meeting. Because Ms. De Foor had not responded with her acceptance of those corrected statements and she was no longer present at this meeting, the board recommended deferring acceptance of the December financials until the next meeting.

LAW DEPARTMENT:

IRS Determination Letter Notice to Interested Parties

Mr. Berry commented that he and other Board members had received numerous calls from retirees and active participants concerning the Notice to Interested Parties letter, what it meant and if they were supposed to do anything. He asked if the Board had authorized the mailing of the letter in advance and whether any consideration had been given to including an explanatory cover letter, as was provided after the fact by Mr. Strachan.

Ms. Denius apologized for sending the letter without first circulating it to the Board. The requirement to mail the letter was learned late in the process and had to be mailed within a very short window of time in order to comply with IRS regulations. But sending it without the Board reviewing it in advance was an oversight.

Ms. Denius did confirm that the IRS requires that the Notice be mailed to every Interested Party, defined as any active participant or retiree.

Mr. Strachan made a suggestion that in the future any communication that is sent to the general participant and retiree population must be reviewed by the board in advance.

Mr. John Bell presented a different point of view on the Notice. He felt that the Notice Letter was obviously a required notice from the IRS and that an additional cover letter would not have improved the situation.

MOTION: A motion was made and seconded that any mass communication this is to be sent to all participants and retirees must be provided to the Board in advance for an opportunity to review and comment. The motion passed. Mr. John Bell voted NO.

Status of Corrective Interest Refunds

The Administrator reported that 435 letters with distribution election forms had been mailed; 157 of those had been completed and returned and checks had been mailed. 54 had been returned as undeliverable. Following the board's direction at the last meeting, 205 checks were mailed to

recipients who had not responded to the letter. In addition, 116 names on the original spreadsheet had problems such as no addresses, duplicate names, mismatching social security numbers, etc. These had been sent back to the City for research and corrections

A discussion ensued concerning the extent to which the City is obligated to go to locate individuals who are due a refund. Mr. Strachan suggested that a list of the names that could not be located be posted on the City Website. Additional steps will be discussed at the next meeting when the results of the latest mailing are known.

INVESTMENT CONSULTANT REPORT:

Annual Performance Review – December 2010

Mr. Gray provided overall commentary on the Capital Markets, pointing out that last year, and particularly the second half, showed robust performance in the equity markets, especially in the Small Cap sector. The Fixed Income asset class also delivered solid returns. He cautioned, however, that he believes the market is nearing the end of a “30-year bull market” for bonds and that as interest rates begin to rise there is a need to adjust the portfolio’s asset allocation to de-emphasize bonds accordingly.

International equities also performed strongly in the second half of 2010. Mr. Gray was asked to comment on the recent events in the Middle East, particularly the overthrow of the government in Tunisia and the demonstrations in Egypt. Mr. Gray stated that he had confidence in the fund’s manager that they are not overweighted in their exposure to these economies or region.

Specific one-year performance showed a gain of 14.65% vs. the composite index of 15.02%. Large Cap as a group outperformed the benchmark as were the managers in the Mid Cap space. The Small Cap managers as a group underperformed their benchmark, even though the absolute return was a respectable 26.32%.

The Fixed Income portion of the portfolio performed well, slightly exceeding the benchmark. Again, concerns about the future course of interest rates is cause for concern because of the relatively large allocation of the Plan assets to fixed income and that the quality restrictions on the managers have resulted in approximately 75% of holdings being AAA and therefore limiting some strategies that could otherwise be employed. Mr. Gray again suggested an education session for the trustees where the fixed income managers would make presentations.

The portfolio shows a composite return over 5 years of 5.09% compared to a completely passive index composite return of 5.56%. Mr. Gray pointed out, however, that the risk profile – in terms of volatility – of a completely indexed portfolio may be unacceptably high. This would be an issue particularly in down markets. A discussion on index strategies and approaches ensued which was deferred to later in the report under the topic of the Comparative Index Report.

Overall, Mr. Gray stated that the one-year return of 14.65% and the two-year return of 16.13% were very satisfactory. But the 10-year return of 4.89% has not met the 7.5% actuarial assumption upon which the Plan’s viability is based.

Mr. Berry inquired about the managers falling short of the Board's policy goal to have 35% of securities trading activity go through Georgia-based and minority firms. Mr. Gray reference the Appendix of his report which shows that in the current quarter 30.3% of trades had been placed with Georgia-based and minority firms and pointed out that in the most recent re-rebalancing 35% of the trades had been placed through such designated firms. The year-to-date number, however, was 23.1% and below the 35% target. Letters had been sent and telephone calls made over the past 30 days to all the managers to remind them of the objective.

Investment Policy Statement

Mr. Hubbard reviewed the latest draft of the Investment Policy Statement that had been distributed previously. The primary changes were the addition of two Appendices: A) incorporates the Georgia State Investment Code in its entirety, and B) adopts the Uniform Prudent Investor Act.

MOTION: A motion was made and seconded to add the policy goal of 35% of securities transactions being placed through Georgia-based and/or minority-owned firms. The motion passed.

Mr. Hubbard distributed a list of education conferences that would be appropriate for trustees of public pension fund board members.

On the issue of potential securities litigation firms to be interviewed by the board, it was suggested that Gray & Company speak with Trustee Yolanda Johnson to clarify her suggestion on the subject.

Comparison Study of Historical Returns versus Passive Strategy

Mr. Gray had reviewed the report on the Comparison of Historical Returns versus Passively Managed Index Funds performed by Georgia State University that had been delivered prior to the last meeting and shared some preliminary commentary on the report.

Mr. Strachan commented that if Gray & Company believed there to be inadequacies in analytical methodology or invalid assumptions in the report as prepared, he would like to see alternatives prepared by Gray. Mr. Berry questioned the use of \$1 billion as the base amount for the analysis when the Fund may not have had \$1 billion dollars in 1997, the starting point of the study period. Mr. Strachan commented that the study was to have two parts: a performance based analysis and a cash flow based analysis. According to the author of the report from Georgia State University, all the data necessary to perform the cash flow based analysis had not been provided.

Mr. Atwater of Segal offered to provide 10 years of benefit payments and expense history to enable to cash flow based analysis. Various comments suggested that the study would benefit from a central point of coordination for the collection of data and clarification of analytical approach. Ms. Dickerson volunteered a resource from the Pension Department to serve that role; Mr. Atwater will provide the 10-year historical cash flow data to her.

Mr. Strachan reiterated that his goal was to evaluate the merits an indexing strategy as a means to lower investment management costs and thereby improve the net performance of the pension fund. He requested that all parties cooperate in sharing information to accomplish that objective. Mr. Gray promised to communicate to all parties by sending an email summarizing the next steps that need to be taken. To do a fair and comprehensive evaluation of the report will require a significant amount of in-depth research.

Mr. Strachan asked why the GEPP had not been represented on the Mayor's Pension Panel on Pension Reform. He would like to see the ideas and actions taken by the GEPP Board to be viewed as important input to those deliberations and ultimately incorporated in the final recommendations.

OLD BUSINESS:

Annual Pension Statement – Update

The Administrator reported that approximately 650 remain that will require more research in order to complete. The data reconciliation project is manual and time-consuming and will take additional time to complete.

Mr. Berry commented that the group of participants that had worked for the Water Department which had been privatized for a time, then merged back into the City, all had significant data issues with their work histories and pension records. This may account for 200- 300 of the delayed statements. The Administrator summarized the process that needed to take place in order to correct the data on its system and hoped to outline a work plan for the next meeting.

NEW BUSINESS:

Selection of Actuary Firm:

The Chair asked for discussion or a motion on the selection of one of the four candidates that had submitted proposals for actuarial services to the GEPP: Aon, Buck, Segal (incumbent) and Southern Actuarial.

MOTION: A motion was made and seconded to retain the services of Segal Company as actuary of the GEPP. The motion passed. Mr. Berry voted NO.

Scope of Services for Investment Consultant

A Scope of Services document had been prepared and circulated in advance listing the requirements for the Investment Consultant in preparation for the City Office of Procurement to seek bids for these services. The document was reviewed and the consensus was that it was complete.

MOTION: A motion was made and seconded to authorize the City Office of Procurement to prepare and send Requests of Proposals to provide Investment Consulting services to the GEPP based on the Scope of Services as prepared. The motion passed.

Comparison Study of Historical Returns versus Passive Strategy

(This topic was discussed under the Investment Consultant's Report)

Education and Training

The need for education and training on investments and the money management and asset allocation process was discussed. The board members agreed and suggested that Mr. Berry set the dates and inform the other board members.

Formation of an Investment Subcommittee

The establishment of an Investment Subcommittee had previously been discussed and the consensus of the board was positive. Mr. Berry suggested a subcommittee of five board members; Mr. John Bell argued that three would be sufficient and more efficient. A discussion ensued on what

constituted a board meeting, the requirement that the meetings be public and whether the meetings would be in-person or by teleconference.

MOTION: A motion was made to form an Investment Subcommittee comprised of five members to include Mr. Berry, Mr. Strachan, Ms. Powers, Mr. Watson and Ms. Dickerson. The motion passed.

PUBLIC COMMENT:

Mr. Walter White addressed the Board. He questioned why the Board could not have invited him to speak at the beginning of the meeting instead of having to wait for 3 hours until the end of the meeting.

Mr. White commented negatively on the service and treatment he had received from the Administrator. His question concerned his first pension in January 2011, which was less than his December 2010 check amount. Mr. White received his COLA increase in January, but the increase in the withholding tables more than offset the COLA increase and the net effect caused a decrease of \$10.99. The board asked the City Office of Retirement Services and GEMGroup to work together to research Mr. White's question and respond to him in writing. Subsequent to the meeting, a letter of explanation was prepared by GEMGroup and mailed to Mr. White February 15th.

There being no further business to discuss, the meeting was adjourned at 11:50 A.M.

Respectfully submitted:

Alfred Berry, Jr. Chairman

Joya C. De Foor, CFO & Secretary