

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

May 4, 2011

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A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on May 4, 2011 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Alfred Berry, Jr.  
Jo Ellen Paige

Aretha Sumbry-Powers  
Douglas Strachan

Sherri Dickerson  
John Bell

**TRUSTEES ABSENT:**

Yolanda Johnson

Joya De Foor

Aaron Watson

**OTHERS:**

Richard Larimer of GEMGroup; Ray Adams of the Office of Retirement Services; Kristen Denius, City of Atlanta Law Department; Yvonne Cowser Yancy, City of Atlanta Human Resources Department; Rocky Joyner and Eric Atwater of the Segal Company and Larry Gray and Bob Hubbard of Gray & Company.

Mr. Berry 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:**

Several edits to the April 6, 2011 meeting minutes were requested. Administrator will make the edits and bring a revised version to the June meeting for signature.

**MOTION:** A motion was made and seconded to defer approval of the minutes of the April 6, 2011 meeting until Ms. De Foor and Mr. Watson have a chance to review. 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. 1-13, as listed on the attached spreadsheet dated May 4, 2011. The motion passed.

**DISABILITY PENSION APPLICATIONS**

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

**MOTION:** A motion was made and seconded to approve disability pension applications Nos. 1-4 as listed on the attached spreadsheet dated May 4, 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 No. 1 & 2 on the attached spreadsheet dated May 4, 2011. The motion passed.

**CORRECTIONS**

The Correction on the attached spreadsheet was presented to the Board for approval. The previously approved monthly benefit amount was increased to account for corrected Sick Time provided by the City.

**MOTION:** A motion was made and seconded to approve the correction as presented. The motion passed.

**APPROVAL OF INVOICES AND CHECK REGISTER:**

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

In response to a question, Mr. Larimer stated that both the checks for medical examinations were for City employees and would be charged directly to the City of Atlanta portion.

**MOTION:** A motion was made and seconded to approve seven items on the Check Register totaling \$332,130.41. The motion passed.

## **REVIEW OF FEBRUARY 2010 FINANCIALS:**

The financials for the period ending March 31, 2011 were reviewed. Mr. Berry asked if Ms. De Foor had had a chance to review and comment on the financials. Mr. Larimer said that Ms. De Foor had not. Ms. Sneed had been designated to be the point of contact to review the financial reporting process on Ms. De Foor's behalf. With Ms. Sneed's resignation, Ms. De Foor will be designating a replacement to assume this role.

Mr. Berry asked for an explanation of several check reversal entries that appear on the March account statement. Mr. Larimer stated that he would get back to the board with an explanation.

## **ACTUARY REPORT**

Mr. Joyner addressed the board at the request of Mr. Berry to discuss Segal's role with respect to providing services to the Mayor's committee on pension reform and to the General Employees Pension Fund, to address certain changes being proposed for the General Employees Pension, and to address the status of certain requests by Mr. Berry for information.

Ms. Denius commented that the changes being proposed for the General Employees Pension Plan will not affect the Atlanta Public School Plan, unless the APS Board votes to adopt the changes.

Mr. Joyner commented that Segal is serving both the General Employee Pension and the Mayor's committee and there was no conflict. In both cases, Segal's role is to provide analytical support for the policy decisions being made by both groups and they have been careful not to make policy recommendations.

Comparing the effectiveness of a defined contribution plan versus a defined benefit plan, Mr. Joyner stated that to deliver the same benefit at retirement as a defined benefit plan, a defined contribution plan would cost 60% -70% more. The reasons for this cost differential are long-term investment returns and the pooling of risks of longevity.

Mr. Strachan asked if a sliding scale of benefits that are tied to investment market performance - both down in bad times and up in good times - might be a way to mitigate the risks to the City as Plan Sponsor. Mr. Joyner said that there are several ways that this could be addressed but the most common form is a hybrid-type plan known as a Cash Balance plan that combines aspects of a defined benefit and a defined contribution plan. Mr. Joyner commented that the administrative complexities from a systems perspective were difficult.

Ms. Denius provided a summary explanation of the Social Security Administration Windfall Elimination and that it would impact various categories of employees in different ways. The pension plan changes, as proposed, would allow current employees either to opt in or out of Social Security depending on their personal circumstances.

## **LAW DEPARTMENT:**

### **Interest Rate Change on Contributions**

Responding to request from the board, Ms. Denius provided a draft of legislation for review by the board if and when they decided to recommend a plan amendment to lower the current interest accrual rate on contributions from 5% to a lower amount.

### **Summary of Clarifications of Plan Rules and Processing Procedures**

Ms. Denius reviewed the additions Nos. 15, 16 & 17 to this document that were added after the board approved the clarifications at the last board meeting. The board, Law Department and ORS concurred.

### **Extension of Repayment Schedule - McWhorter**

Mr. McWhorter retired with 30 years' service in the middle of paying back pension and the recent addition of survivor benefits. The amount of monthly payments relative to his retirement benefit was greater than he could handle and he requested an extension. ORS has recommended a three-year payback period. The Plan specifies that such an extension is subject to board discretion. After discussion, a consensus was reached to approve the extension. It was requested that going forward the details of such changes be shown on the Pension approval agenda under Extensions.

**MOTION:** A motion was made and seconded to approve an extension to a 3-year term for the repayment of the back pension obligation for Mr. McWhorter. The motion passed.

### **Credit for Military Service**

Mr. James was called up to active duty in 1981 and served three years in the military before returning to work at the City. A few years after he had returned to work legislation was adopted to allow buy back of pension service credits for all qualifying military service. Mr. James, although he believed he had paid the necessary back pension, has not. He is now preparing to retire and has requested that he be allowed to buy back his pension service credit for two of the three years of military service in order to qualify for an unreduced pension benefit for 30 years of service.

The board was asked to consider two questions: 1) had the length of time elapsed since Mr. James had returned to work disqualify him from the right to buy back those years; 2) should the salary used in the calculation of the buyback amount be his 1981 or current salary. Ms. Denius' recommendations were 1) that the elapsed time from 1984 until now did not disqualify his right to buy back the years of service because the Plan language did not specifically set a time limit and could be interpreted to mean at any time, and 2) that the correct salary to be used was his 1981 salary. After considerable discussion, it was decided that the approval of Mr. James as part of the earlier agenda should first be reconsidered, then another decision made on Mr. James based on the just concluded discussion of the specifics.

**MOTION:** A motion was made and seconded to reconsider the previous approval of Mr. James' pension benefit (#5). The motion passed.

**MOTION:** A motion was made and seconded to allow the buyback of pension service credit in the case of military service at any time after a return to work and that the salary to be used in the calculation of the buyback amount be the participant's salary at the time of the military service. The motion passed.

**MOTION:** A motion was made seconded to approve the pension application of Mr. James (#5) as presented on the spreadsheet attached to the meeting package that includes the calculation of the buyback amount using his salary at the time of military service. The motion passed.

Ordinance No. 11-0-0672 Amend Retirement Plan Benefits

Ms. Denius explained that the Board was required to provide their recommendation to City Council on the proposed amendment. A considerable discussion ensued on the status of the changes being proposed by the Mayor to the General Employees Pension. (It was pointed out by Ms. Denius that none of the proposed changes would affect the Atlanta Public School pension plan unless the Atlanta Public School Board voted to adopt the changes).

Ms. Denius explained that the Georgia State constitution, prior to July 1, 1983, did not allow modifications to any municipal pension plans to make any modifications except those approved by the State General Assembly. An amendment, effective July 1, 1983, granted that authority to the local municipalities such as the City of Atlanta.

The proposed “Hard Freeze” would impact active participants by freezing their current vested benefit as of the effective date and no further pension benefit would be accrued. Future benefits would be accrued in the Defined Contribution Plan. Current retirees would not be affected at all.

Ms. Denius commented in response to a statement from the floor concerning the General Employees Pension Fund “running out of money”. The Georgia State constitution requires the City of Atlanta to make a required minimum contribution to the pension fund, determined by the actuary to fill the gap between what is earned by the fund’s portfolio and the amount that is required to pay all the promised benefits of the fund. Whatever the gap, the City is required by law to contribute that amount to the fund each year. The only exception would be in the very unlikely event of the City declaring bankruptcy. Ms. Denius stressed that the legal requirement of the City to make the required minimum contribution would not be affected by a decision to implement a Hard Freeze on future benefits.

Ordinance No. 11-0-0674 Amend Amortization Schedule

There was some disagreement on whether or not this Ordinance dealing with the Amortization Schedule methodology used by the Plan had already been adopted. Ms. Denius will confirm the status and bring it back to the next meeting, if necessary.

Because several provisions of Ordinance 11-0-0672 have yet to be finalized, a final vote on a recommendation from the board was deferred to the next meeting.

Mr. Strachan commented that the City’s current budget gap was \$18 million and part of the motivation to make changes to the current Pension Plan was to close this budget gap. He made several proposals that, if adopted, could cover the estimated gap, and he would like to see the chairmen of the General Employees’, the Police and Fire Plans to recommend these initiatives to the Mayor’s committee and to City Council. The three components of Mr. Strachan’s proposal are 1) increasing the employee’s contribution rate to the pension to 15% that could produce annual savings to the City of up to \$20 million; 2) aggressive implementation of indexing strategies across all three plans to lower the cost of managing the pension assets; and 3) consolidating the boards of all three

(3) City pension funds. Mr. Berry stated that the chairmen of the three pension boards had been asked to make such a presentation to City Council and will be doing so in the near future.

### **INVESTMENT CONSULTANT REPORT:**

#### First Quarter Performance Review – March 31, 2011

Mr. Gray reviewed the March 2011 First Quarter performance results. Total asset value of the portfolio was \$1.083 billion, up 27% from its low point in 2008. Overall, the portfolio was up 4.8% for the quarter. The one-year number of 15.24% compared favorably with the Policy Index of 14.48%. The Large Cap segment showed gains of 6.09% compared to the index of 5.92% for the quarter. Mid Cap remained a challenging segment, underperforming its Policy Index in the quarter with a 7.82% return vs. 9.36% for the index and 26.4% vs. 27.0% for the year. Small Cap outperformed its benchmark index 9.42% vs. 7.8% for the quarter and 26.4% compared to 25.8% for the year. Fixed income remained solid and generally outperformed in both the quarterly and annual returns.

#### Portfolio Rebalancing

Mr. Gray reported that the rebalancing plan that was approved at last month's meeting had not been implemented as of yet due to delays in getting approval sign-off from all the parties. Approval had been received late on Sunday evening and implementation can now move forward.

Mr. Gray suggested that Gray & Company be given the authority to prepare, sign and send letters of direction to the managers to implement these types of portfolio moves as a means to overcome the delays that have been experienced in the past. Mr. Berry suggested that, as an alternative, direction letters and transfer requests be sent to him directly and that he would sign and process promptly.

#### Atlanta Capital Management

Jim Womack and Dallas Lundry presented a performance and portfolio review of the GEPP fixed income account being managed by Atlanta Capital.

The firm was founded in 1969, specializes in high-quality fixed income securities and tries to add value from bottom-up fundamental research. Total assets under management were \$11.3 billion.

The performance over the longer term has been above benchmark: 4.90% vs. 4.77% since inception (almost 10 years); 5.86% vs. 5.69% over five years; and 4.66% vs. 4.49% over three years.

Performance in the past two years has been below benchmark. Mr. Womack commented that the substantial outperformance of the lower quality segment of the fixed income market recently has negatively impacted their relative performance because they do not participate in this segment. They believe the portfolio is positioned to outperform as the credit cycle turns and interest rates rise.

In response to a question from Mr. Strachan, Mr. Womack explained that the performance numbers were shown gross of fees and that the management fee for the GEPP account was 11 basis points.

A copy of the Atlanta Capital presentation is on file in the Fund Office.

## **OLD BUSINESS:**

### Data Correction Project and Annual Pension Statements - Update

Mr. Larimer reported that an additional 31 Pension statements for 2009 had been corrected and mailed. The remaining 130+ on the corrected spreadsheet had been reconciled and it was determined that they were not owed a 2009 Pension statement because they no longer had a vested or contribution balance in the Plan. A second spreadsheet of approximately 200 individuals is in the process of having corrected data loaded to the GEMGroup system. It is anticipated that it will be determined that most of these names will not be owed a 2009 Pension statement for the same reasons. All 2009 Pension statements should be mailed on or before May 13<sup>th</sup>. The commitment remains to mail 2010 Annual Pension statements by May 31<sup>st</sup>.

### Education and Training Session for Board Members – May 25, 2011

Mr. Berry confirmed that the Education and Training Session for Board members had been scheduled for May 25, 2011. Mr. Norman of JPMorgan Chase outlined the Risk Assessment Study prepared by his firm that would be part of the agenda and Mr. Gray listed several other topics that would be covered. Mr. Berry will provide the final details as to the specific time and location of the meeting to Mr. Larimer so that an announcement could be prepared for posting on the City Website to comply with the requirement that public meetings be advertised in advance.

## **NEW BUSINESS:**

### Appeal of Prior Pension Award

Mr. Derrick Cannon presented his request that the board reconsider the prior approval of his service pension application with an effective date of July 2010 in favor of his original retirement date of May 2009.

Mr. Cannon explained that his position was terminated in May 2009 and he originally submitted an application to retire as of that date. He later rescinded that application because of the prospect of finding another position within the City. When those prospects ultimately did not come to fruition he submitted a second application for retirement in July 2010. Because his first application had been rescinded, his July 2010 application was considered the only valid application of record and his pension benefit was approved on that basis at the March meeting.

The July 2010 has a negative impact on the amount Mr. Cannon must pay for to continue health insurance coverage in retirement. The age penalty that would be applied based on the earlier May 2009 is less than the increase in health insurance premiums that would apply going forward as the result of the later date being deemed a deferred retirement. He is asking that his original application of May 2009 be considered his valid effective date.

In response to a question from the board, Ms. Denius stated that the opinion of the Law Department was that since the May 2009 application was rescinded, there is no valid application as of that date to approve.

**MOTION:** A motion was made and seconded to go into Executive Session for the purpose of deliberating on Mr. Cannon's appeal of the effective date of the commencement of his retirement. The motion passed.

After deliberating in Executive Session, the regular session was reconvened.

**MOTION:** A motion was made and seconded to reconsider the March 2011 approval of Mr. Cannon's pension approval in favor of approving a revised retirement effective date of May 2009. The motion passed.

**PUBLIC COMMENT:**

Several individuals asked to be recognized and addressed the board.

Angela Green

Ms. Green handed out a reprint of an article on the benefits of defined benefit pension plans. She proceeded to register her objection to the Hard Freeze being proposed by the Mayor, stating that a defined contribution plan had been tried by the City before and had failed. She reminded the board of their fiduciary responsibilities and to adhere to the established policies of governance, administration and investment policy. Ms. Green then asked the two active City employees that serve on the board to state their opinions of the proposed changes to the GEPP.

Mr. Berry agreed that the changes were not positive for most people and that many employees, including him, would be unable to meet their goal of reaching 30 years of service to earn a full and unreduced pension. He stated that philosophically he was adamantly opposed to the changes being considered, but acknowledged that the decisions will be made by City Council without much input from the GEPP board. Mr. Berry mentioned that he and the Chairmen of the Police and Fire Boards have asked to present their points of view to the Mayor and Council in Open Session prior to a final decision being made.

Mr. Strachan responded that he wanted to make sure that whatever changes were made that "we all get it right the first time", to achieve the two primary goals for the GEPP of viability and sustainability. He described a defined benefit plan as a co-operative for retirement with three sources of revenue: employer contributions, employee contributions and investment earnings. If managed properly, with each contributing in proper proportions, defined benefit plans can be great. Mr. Strachan stated that he believes it is not practical to litigate issues such as this, but to craft a comprehensive solution working with all the parties.

Nathan Jackson

Mr. Jackson had sent a letter to the board through Ms. Sumbry-Powers prior to the meeting. Mr. Jackson requested that the board consider a plan amendment that would allow early retirement without the current age penalty if certain circumstances existed such as long term service, a reduction in force (RIF) action or major re-organization. He described his own circumstances of facing a possible elimination of his position after 24 years of service and, based on his relatively young age, receiving a benefit equal to only 13% of salary. Mr. Jackson asked the board if they thought that was fair and pleaded for consideration of an "early out" waiver of the age penalty to address situations such as his.

Mr. Berry responded that a plan amendment would have to be proposed to and approved by the City Council and Mayor. He suggested that Mr. Jackson attend the Council meeting the following week to present his proposal. Ms. Dickerson recommended that the first step be for Mr. Jackson to make his proposal to the School Board (Mr. Jackson is an employee of APS) so that they could make a recommendation to City Council.



Gwendola Grier

Ms. Grier addressed the board. She commented that when she voted for people to represent her and other retirees on the GEPP board, she expected them to speak for her. She complained about the customer service being provided by GEMGroup in the Atlanta office, a concern she had expressed at a previous meeting and she stated that nothing has changed. She gave as an example an unnamed participant that called the Atlanta office to review a pension estimate calculation that was allegedly incorrect. This participant reported to Ms. Grier that they had not been treated professionally. She warned that the proposed changes to the pension will result in the GEMGroup office being filled with retirees who choose to retire earlier than anticipated and that GEMGroup had better be prepared to deliver better customer service. Subsequent to the meeting, Mr. Larimer spoke with Ms. Grier and promised to follow up on the specific situation she mentioned.

Jody Mullins

Ms. Mullins addressed the board to speak on behalf of her fellow Watershed employees and the impact on this specific group of City workers. She related how many of the long term Water Department employees had to “pull their money out” of the DB plan when the Water Department was privatized and received bad advice or no advice at all regarding what to do with the money. Now, the money is all gone and people who have worked for 35 - 40 years are facing retirement with little or no pension benefit. She wanted to make the board members aware of the issues facing this particular group, and asked that the board members have a heart as they consider the changes being made to the pension plan.

Julia Loften

Ms. Loften addressed the board as a retiree of the Water Department. Ms. Loften related how she had gone through two privatization moves in her career with the City – once with the Atlanta Zoo and then in 1998/1999 with the Water Department move to United Water Company. She described how the Water employees were given three options: leave their pension money in the Plan, roll it into an IRA at a local bank, or take all the money in the pension account now. According to Ms. Loften, this advice was erroneously based in the participant’s entire vested balance that included the total amount of the City’s contribution. When people chose this option, they discovered that the amount that they received was reduced by half (the City’s contribution portion was not available until retirement), and then further reduced by taxes and other levies. The result was that many Water Department employees who had elected to take the third option have ended up with little or no pension benefit. Ms. Loften asked that the board “do a great job” in representing the interests of retirees and participants before the City Council.

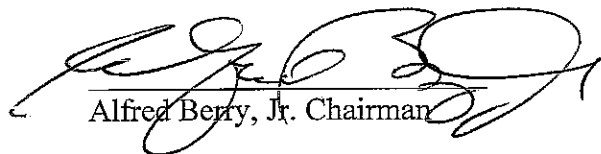
Phyllis Hall

Ms. Hall addressed the board by introducing herself as a Water Department employee who recounted her experience with the United Water privatization. She described two sets of meetings with employees at the time of the outsourcing, one with the management level employees and those with employees in the field. She alleged that the field employees were strongly encouraged and in some cases “threatened” to take their money out of the pension plan. When the United Water arrangement was terminated and she was brought back into the City workforce, she was asked to payback her pension in the amount of \$13,000+ even though she alleges that she only received \$2000. She stated that she and many of her co-workers would be willing to continue to make the extra payments into the pension plan equal to the amount they were paying now for back pension

payments in order to preserve the DB plan. Ms. Hall asked that the board not side with the Mayor and the Special Committee on Pensions on the changes being proposed.

There being no further business to discuss, the meeting was adjourned at 1:30 p.m.

Respectfully submitted:



Alfred Berry, Jr. Chairman

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Joya C. De Foor, CFO & Secretary