

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

July 6, 2011

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on July 6, 2011 in City Hall, Committee Room 1, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Jo Ellen Paige
Yolanda Johnson

Aretha Sumbry-Powers
Douglas Strachan

Yvonne Cowser-Yancy
Aaron Watson

TRUSTEES ABSENT:

Joya De Foor

John Bell

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department, Ray Adams, Office of Retirement Services; Jackie Vickers and Dan Jacobs, Department of Information Technology, Eric Atwater, Segal Company, Larry Gray, Gray & Company, Laurel Hill, Wachovia Bank.

Mr. Berry called the meeting to order at 9:30 A.M. There was a quorum.

ADOPTION OF AGENDA:

Mr. Berry asked that the agenda be amended to include the purchase of retirement watches.

MOTION: A motion was made and seconded to adopt the Agenda with the addition the purchase of retirement watches. The motion passed.

APPROVAL OF MINUTES:

In reviewing the June 1, 2011 meeting minutes, a typographical error was noted and Mr. Gray, in response to a question, provided a clarification on the selection process of the Vanguard investment fund. Mr. Berry referenced the report from Ms. Hill of Wachovia that had been mentioned in the June 1 minutes, explaining several instances of attempted fraudulent check activity in the bank account. The attempted fraud was thwarted because of the Positive Pay feature that Wachovia maintains on the operating account.

MOTION: A motion was made and seconded to approve the minutes of the June 1, 2011 meetings, as corrected. The motion passed.

A review of the 2011-2012 meeting dates, it was pointed out that the July 2012 board meeting dates falls on July 4th. The board decided to move the board meeting date to Thursday, July 5, 2012.

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. 1-34, as listed on the attached spreadsheet dated July 6, 2011. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Application on the attached spreadsheet was presented to the Board. Discussion on this application was in Executive Session.

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 - 10 on the attached spreadsheet dated July 6, 2011. The motion passed.

CORRECTIONS

Two Corrections were presented to the board for approval:

MOTION: A motion was made and seconded to approve the Corrections listed on the attached spreadsheet dated July 6, 2011. The motion passed. Mr. Berry abstained.

MOTION: A motion was made and seconded to go into **Executive Session** for the purpose of discussing a Disability Pension application that involves private health information. The motion passed.

The **Executive Session** was concluded and the regular board meeting resumed.

MOTION: A motion was made and seconded to deny the Disability application of Betty Caldwell listed on the spreadsheet attached dated July 6, 2011. The motion passed. Ms. Sumbry-Powers abstained.

APPROVAL OF INVOICES AND CHECK REGISTER:

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

Mr. Larimer explained that Check # 24692 to A+ Financial Services was related to a participant who had not received her refund check within a few days after it had been issued. After speaking with the participant twice to advise her that the check was likely to arrive shortly, the participant asked that a Stop Payment order be entered and a new check issued. The participant was instructed not to cash the original check if it did arrive. The original check arrived the next day, the participant cashed the check, but the Stop Payment had already been implemented. The second check arrived and was cashed as well. This check is to reimburse the check cashing agency for the first check (not honored due to the Stop Payment). The participant has acknowledged that she cashed both checks and has been notified that her next check will be eliminated in order to reimburse the fund.

MOTION: A motion was made and seconded to approve 6 items on the Check Register totaling \$94,781.93. The motion passed.

REVIEW OF FEBRUARY 2011 FINANCIALS:

The financials for the period ending May 31, 2011 were reviewed. Mr. Berry asked if Ms. De Foor had reviewed and commented on the financials. Mr. Larimer said that Ms. De Foor had not.

Mr. Larimer stated that since the last meeting he had sent to Ms. De Foor a list of approximately 10 different reports and schedules of financial data that the Administrator delivers to the City Finance & Accounting Department each month, providing the detail behind the information summarized in the financial statements that are presented to the board. Mr. Berry asked that another request be sent to Ms. De Foor.

The contribution amounts in the month of May were substantially less than the average monthly amounts. Mr. Larimer provided an explanation subsequent to the meeting that the City normally submits two transfers of funds each month. Only one was received in May. The contributions will even out after the June posting detail is received.

MOTION: A motion was made and seconded to accept receipt of the financial statements for May 31, 2011. The motion passed.

LAW DEPARTMENT:

Interest Rate Change on Contributions

Ms. Denius prepared a draft of ordinance to lower the interest rate that would be paid on contributions held in the plan that is then paid as part of a refund to a participant that chooses the refund option. The rate is currently 5% per annum; Mr. Berry had suggested the rate be lowered to 1%.

Mr. Strachan raised a concern that changing the accrual rate retroactively would be unfair. Comparing it to a bank account, interest rate changes are made only prospectively, not on accrued interest from prior periods.

Ms. Denius responded that a change would not actually be retroactive because the interest on contributions made to the Fund, unlike a bank account, are not accrued and credited until the refund is taken.

Mr. Watson questioned the appropriate reference point against which to compare the interest rate as being reasonable. He also inquired as to the dollar impact of making a change from 5% to 1%. Mr. Berry cited a previous memo provided by Mr. Larimer showing that in 2010 the interest paid as part of refunds issued by the Plan was approximately \$450,000. At 1% the amount would have been \$90,000, a cost reduction of \$360,000.

MOTION: A motion was made and seconded to conduct additional research into the practices of other municipal pension plans with respect to interest paid on employee contributions to pension plans. The motion passed.

INVESTMENT CONSULTANT REPORT:

Flash Report – May 31, 2011

Mr. Gray distributed the May Flash Report. Market value as of the December 31 was \$1.046 billion; as of March 31 \$1.083 billion and at May 31st it was \$1.088 billion, representing a \$42 million gain from the beginning of the year. Mr. Gray commented that with all the challenges in the world's financial markets, he believes this is respectable performance. He cautioned the board that volatility should be expected and the unrealized losses of \$10 million in May represents less than 1% of the portfolio market value.

JP Morgan has sent a letter, being reviewed by Mr. Gray and Ms. Denius that requests more specificity with respect to the investment parameters required by the Georgia Code. Consideration of the letter will be on the next agenda.

Mr. Watson asked if there were communication and education sessions that the board should be preparing for the employees' benefit in understanding the pension changes.

Ms. Yancy summarized the Human Resources Department plans for communication and education programs, including posters, website pieces and meetings. A new hire will be available to provide one-on-one guidance to participants and answer questions concerning their investment and

retirement planning. The program is designed for a long term effort to provide educational and communication support to employees.

Securities Litigation Firms

Mr. Gray will schedule a separate meeting with Mr. Watson and Ms. Johnson to develop an RFP and a list of firms to interview to provide this service.

OLD BUSINESS:

Data Correction Project and Annual Pension Statements - Update

Mr. Larimer reported that all but approximately 50 -60 of the 2010 Annual Pension statements were mailed on July 1. The remaining will be mailed on or before July 8, completing this project.

NEW BUSINESS:

Pension Administrator Vacancy in the Finance Department

Discussion of this topic was deferred until Ms. De Foor could be present.

IRS Tax Information Authorization – Form 8821

Mr. Larimer explained that the IRS is now requiring third-parties such as GEMGroup to be specifically authorized by the Plan Sponsor to communicate with the IRS concerning tax information related to the Plan. The board authorized Mr. Berry to sign the Form after review by Ms. Denius.

Union Heritage Request to Board

Derek Batts of Union Heritage briefly reviewed the performance of the portfolio since inception, pointing out that Union Heritage is ranked in the top 10% of money managers over 10, 5, 3 and 1 year. He thanked the board for the firm's long-standing relationship with the City of Atlanta General Employees' Pension Plan.

Mr. Batts informed that board that Union Heritage was being acquired by Morgan Stanley under an arrangement that would preserve Union Heritage's team of professionals within Morgan Stanley. Mr. Batts asked the board to assign the investment management contract currently in place to Morgan Stanley. This change would mean that Union Heritage would no longer be a minority-owned firm, even though the management of the portfolio would remain with a minority manager.

Mr. Watson commented that the original objective of the policy to promote minority owned firms to manage a portion of the pension fund's assets had been achieved in the case of Union Heritage. Mr. Batts' firm was selected to manage asset for the Atlanta pension plan when his firm was just getting started. His successful performance has allowed his firm to grow and has enabled this association with Morgan Stanley and it would be counterproductive to the original objective to penalize an otherwise successful manager when that success results in the acquisition of a minority owned firm by a major non-minority owned.

Mr. Batts pointed out and Mr. Strachan clarified that there would be a reduction in the cost to the Fund because the Morgan Stanley relationship would eliminate trading costs on the portfolio.

MOTION: A motion was made and seconded to approve the assignment of the investment contract with Union Heritage to Morgan Stanley to enable the continued investment arrangement with the GEPP, subject to an initial six-month probation period. The motion passed. Mr. Berry voted No.

Purchase of Retirement Watches

Mr. Berry requested the board authorize the purchase of watches for City of Atlanta employees who have served for 25 years.

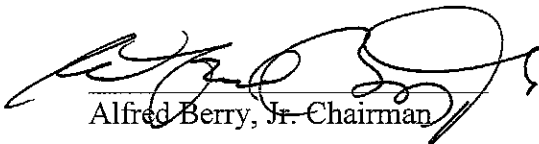
MOTION: A motion was made and seconded to purchase a supply of watches to be awarded to City of Atlanta employees that have reached 25 years of service. The motion passed.

PUBLIC COMMENT:

Mr. Larry Renfroe addressed the board to request assistance in obtaining a beneficiary distribution from his deceased mother's estate who had been receiving a beneficiary pension. Ms. Renfroe's bank in Tennessee returned the entire monthly benefit upon notification of her death, instead of the prorated amount up to the date of death. Through no fault of his own, Mr. Renfroe was now going to have to probate his mother's estate prior to a distribution being made, consistent with the board's policy. The board determined that this situation warranted an exception to this policy and asked GEMGroup to make the distribution immediately to Mr. Renfroe. The distribution was made to Mr. Renfroe on Friday, July 8.

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

Respectfully submitted:


Alfred Berry, Jr. Chairman

Joya C. De Foor, CFO & Secretary