

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

September 5, 2012

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on September 5, 2012 in City Hall, Committee Room 1, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Gregory Nash

Douglas Strachan
Jim Beard

Yolanda Johnson
Angela Green

TRUSTEES ABSENT:

Yvonne Cowser Yancy, Aaron Watson, Aretha
Sumbry-Powers

OTHERS:

Richard Larimer, GEMGroup; Ray Adams, Pension Office; Kristen Denius, City Law Department; Larry Gray and Lisa Joe of Gray & Company, Eric Atwater, Segal Company, and Laurel Hill of Wells Fargo

Mr. Berry called the meeting to order at 9:40 A.M. Upon the arrival of Ms. Johnson there was a quorum.

ADOPTION OF AGENDA:

The Agenda was reviewed. .

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

APPROVAL OF MINUTES:

Mr. Berry pointed out several minor edits to the August 1st minutes to add attendees, to correct a misspelling and to clarify a statement concerning Investment Subcommittee procedures. The Administrator noted and agreed to make the changes

MOTION: A motion was made and seconded to approve the minutes, as amended. 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. 1-13 as listed on the attached spreadsheet dated September 5, 2012. The motion passed.

DISABILITY PENSION APPLICATIONS

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

MOTION: A motion was made and seconded to approve the Disability Pension application on the attached spreadsheet dated September 5, 2012. The motion passed.

BENEFICIARY PENSION APPLICATIONS

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

It was pointed out that item # 4 showed identical amounts for the deceased Pensioner and the Beneficiary instead of 75% of the Pensioner's benefit amount.

MOTION: A motion was made and seconded to approve Beneficiary Pension applications Nos. 1 – 10, except # 4, on the attached spreadsheet dated September 5, 2012. The motion passed.

The Administrator determined that the deceased Pensioner amount in item # 4 was incorrect due to a clerical error and would be corrected to \$1,895.92.

MOTION: A motion was made and seconded to approve Item #4 on the Beneficiary Pension Applications, as revised. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

The Check Register dated September 5, 2012 was presented for review and approval.

MOTION: A motion was made and seconded to approve 19 items- #40735- #40772, (including voided check #40770) on the Check Register dated September 5, 2012 totaling \$583,714.89. The motion passed.

REVIEW OF JULY 2011 FINANCIALS:

The financials for the period ending July 31, 2012 were presented. There being no questions,

MOTION: A motion was made and seconded to accept receipt of the July 31, 2012 financial statements as presented. The motion passed.

LAW DEPARTMENT:

Fiduciary Liability Policy – Ms. Denius reported that this item was still in process and would be discussed at a future meeting.

IRS Determination Letter Application – Ms. Denius reported that this item was still in process and would be discussed at a future meeting.

Voluntary Compliance Program – Ms. Denius reported that this item was still in process and would be discussed at a future meeting.

Board Protocol for Handling Securities Monitoring Law Firm Proposals - Ms. Denius recommended a written policy be adopted to address the process the law firms and the board should follow as it relates to contacting the board and appropriate parties on the status of specific litigation, considerations to act as lead plaintiff and who will represent the board in individual cases.

Mr. Berry reminded the law firms present at the meeting to send all communication initially to the Administrator and Ms. Denius who will ensure that all board members receive the information in a timely fashion.

A suggestion was made that Ms. Denius prepare a draft of protocol and procedures for securities monitoring for board consideration. Based on a suggestion from Mr. Kimpson of Motley Rice, the law firms offered to prepare drafts of procedures and provide them to Ms. Denius to review and combine into a policy for the board's review and approval. The targeted delivery date to Ms. Denius is September 12, 2012.

Ms. Green asked about the status of the RFP for consulting services. Mr. Berry reported that the matter was with Procurement and that the board needed to establish a 3-person evaluation team to review responses. Ms. Green also asked about the Bank of New York Mellon contract for custody services. Mr. Berry pointed out that it was an agenda item for later in the meeting and would be discussed at that time.

ACTUARY REPORT:

Mr. Atwater reviewed the highlights of the Valuation Report as of July 1, 2011 for both the City and APS. For APS, the contribution from APS was \$42.2 million against a required contribution of \$40.4 million. An unaudited figure for contributions for the fiscal year ending June 30, 2012 was \$39 million vs. a required contribution of \$37.2 million. The investment return of 26.5% was well above the actuarially assumed rate of return of 7.5%. The funded percentage improved over last year from 15.8% to 19.4%. The required contribution for the current fiscal shows a \$1.8 million increase over the prior year.

As a follow-up to a question raised by Ms. Johnson at the last meeting, Mr. Atwater referred to page 20 of the report that shows the aggregate administrative expenses for the fund were .58%, pointing out that this compares favorably to the average for all public funds of .73% as reported in a study from Pension and Investment Age that he had sent to board members.

For the City, the contribution was \$38.7 million. There were data changes and clarifications of definitions that resulted in an increase in liabilities year over year. These issues have now been resolved for future years. The City has made the required contributed of \$35.2 million (unaudited) for the fiscal period ended June 30, 2012. The funded percentage improved year over year from 52.7% to 56.8%.

Mr. Atwater pointed out that the addition of people from the United Water unit added approximately \$10 million to total liabilities and certain other adjustments created offsets. He also stated that a project was underway by the Pension Office to capture specific information about the life-only vs. joint and survivor annuity of all participants. Currently that identifying code is not in the data supplied to GEMGroup and Segal has made the most conservative assumption that all participants are joint and survivor which increases the estimate of total liability. Once completed, the corrected data will likely result in a reduction in total liabilities in the next valuation. Mr. Atwater commented that based on a snapshot as of today based on accumulated contributions and current market value, the funded percentage ratio is 69.1%. The board commented that this positive number and good news should be communicated to employees and the media.

INVESTMENT CONSULTANT REPORT

Flash Performance Report – July 31, 2012 – Overall, the Fund shows .69% return for the current month and YTD of 6.68%, both somewhat under the policy benchmark.

Mr. Berry inquired which of the large cap managers were currently on probation. Ms. Joe reported Madison Square and Globalt were on probation and Atlanta Capital in the Fixed Income category. Earnest Partners is scheduled to be on the Agenda for the October meeting.

Mr. Strachan asked again about the procedure for placing managers on probation and inviting them to come before the board to explain underperformance. Mr. Gray commented that the Investment Policy was undergoing a third revision draft which will incorporate a clarification of the procedures for probation and the new alternative investment space.

Ms. Green commented that managers must adhere to their style mandate for which they were hired. Mr. Gray confirmed that managers were constantly evaluated against this measure.

Mr. Nash asked about the methodology for deciding the amounts to be taken from each manager in a re-balancing. Mr. Gray responded that the primary consideration was maintaining the strategic asset allocation and the manager's relative performance against their benchmark.

Mr. Strachan asked about the length of an initial period of a manager's tenure was required before considering them for probation based on underperformance. Mr. Gray's recommendation would be a full market cycle of 3-5 years. Mr. Beard reiterated that a consistent policy needed to be followed, "machine-like" so that all managers are dealt with fairly. However, he cautioned on making decisions on changes too quickly in the midst of volatile market cycles.

Cash Raise – 3-Month Cash Projection - The board reviewed the memorandum from Gray & Company dated August 28, 2012 recommending a cash raise of \$18 million from four managers as noted in the Gray & Company Report behind Tab 10. Mr. Berry asked Mr. Beard to comment on the strategy of taking money away from managers who were performing under benchmark as

opposed to “harvesting gains” from outperforming managers. Mr. Beard commented that despite the normal strategy, the small change of strategy is defensive in nature and he was supportive.

MOTION: A motion was made and seconded to approve the recommendations from Gray & Company to raise \$18 million from Artisan Partners (\$4,000,000), Globalt (\$5,500,000), Madison Square (\$4,500,000) and Ceredex (\$4,000,000) for the purpose of covering benefit payments and expenses. The motion passed.

Asset Allocation Recommendations - Mr. Gray presented a memorandum dated August 1, 2012 recommending changes in the overall asset allocation guidelines of the portfolio to make room for new allocations to Alternatives (5%) and Overlay (10%) strategies.

Mr. Berry expressed his concern for the risk and suggested more time be spent on educating the board members on this new asset class before investments are made in the portfolio. Mr. Gray suggested a dialogue session at the next Investment Subcommittee and requested that it be held soon.

Mr. Berry commented that the ISC should have an established meeting schedule and that minutes of the meetings be prepared and provided to the Full Board for review and action. Ms. Johnson suggested that Mr. Berry and Mr. Watson (ISC Chair) who was not present discuss a schedule and objectives of the IBC and work together to get the meetings underway on a regular basis.

After further discussion, Mr. Beard recommended that consideration of the Asset Allocation recommendations be deferred until all board members had an opportunity to thoroughly review and understanding the risks inherent in the two new asset classes.

Investment Subcommittee Vacancy and Draft of Governance Policy - Mr. Gray called the attention of the board to an initial draft of Governance Policy for the ISC and asked the members to review. No action was taken on the ISC vacancy.

Mr. Beard suggested that a training or education presentation be provided to the board on alternatives and overlay strategies and review at a separate meeting dedicated to this specific purpose.

Atlanta Capital – Investment Presentation – James Womack and Dallas Lundy of Atlanta Capital made a presentation to the board to review the firm’s recent performance and explain the underperformance against the benchmark.

Mr. Womack acknowledged that the portfolio has underperformed its benchmark – the Barclays Capital Intermediate Govt. /Credit Index – over the past three years. The lag has been driven by the significant outperformance of lower quality issues which Atlanta Capital’s strategy does not favor. Consequently, in times when low-quality segments have up-cycles, Atlanta Capital will tend to lag its benchmark. The corollary is that in time of market turmoil and downturn, Atlanta Capital will tend to protect the portfolio and outperform its benchmark. Mr. Womack pointed out the past three years were characterized by bond managers stretching for higher yields and taking on more risk. This move toward lower quality, higher yield securities has caused Atlanta Capital to suffer by comparison. Their 5-year performance was slightly in excess of the benchmark.

Mr. Womack stated that he believed the portfolio was positioned to outperform as the credit cycle turns and interest rates rise and asked the board for patience as the inevitable upturn in market interest rates will be rewarded with a return to superior performance from Atlanta Capital.

BNY Mellon Fee Schedule - The suggestion was made to explore moving the custody business from BNY Mellon to Northern Trust, the custodian of the Police and Fire plans in order to benefit from potential economies of scale and obtain a lower fee. The board directed Gray & Company to provide data on the GEPP to Northern Trust and to solicit a quote on providing services to the GEPP, combining the assets, for fee calculation purposes only, with the Police and Fire plans.

OLD BUSINESS:

Indirect Cost Allocation to GEPP
Reconciliation of Amounts Due to GEPP

Both of these items were deferred to a future meeting after the Department of Finance completes its review of all cost allocations for the City.

NEW BUSINESS:

Third-Party Administrator Contract

Mr. Larimer presented a draft of a proposed one-year extension with a 4% increase, the same annual rate increases as provided for in the original contract. Following up on a request by Mr. Strachan at the last meeting, Mr. Larimer offered to reduce the proposed increase to 3%. Mr. Strachan proposed that the one-year extension be accepted, provided that GEMGroup agreed to attend and prepare minutes for the ISC meetings on a regular basis. On behalf of GEMGroup, Mr. Larimer agreed, subject to the approval of GEMGroup management. Subsequent to the meeting, GEMGroup management approved the Addendum.

MOTION: A motion was made and seconded to approve an extension of the GEMGroup Agreement for a term of one year from November 1, 2012 – October 31, 2013 with a fee increase of 3% provided that GEMGroup attend and prepare minutes for the ISC meetings. The motion passed.

Mr. Larimer will prepare a revised Addendum incorporating the agreed upon terms and present it for signature at the October meeting.

Mr. Strachan suggested that the Agenda be distributed further in advance of the meeting to allow time for board members to review. Mr. Larimer suggested that the draft of Agenda could be sent out earlier to all board members. The complete meeting packages cannot be delivered sooner due to the processing timetable of the pension applications. However, Mr. Larimer will make an effort to provide certain meeting attachments and materials that require more time to read to be distributed within two weeks of the meeting date.

EXECUTIVE SESSION

MOTION: A motion was made and seconded to go into Executive Session for the purpose of discussing a securities litigation matter and the appointment of counsel to represent the board as lead plaintiff in the litigation. The motion passed.

{Executive Session Begins}

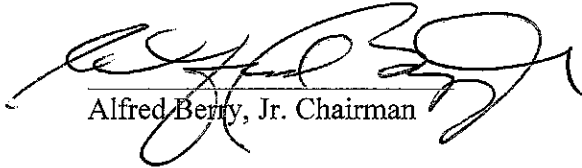
{Executive Session Ends}

MOTION: A motion was made and seconded to engage the law firm of Robbins, Geller, Rudman & Dowd to represent the GEPP and to petition for lead plaintiff status in the Bridgepoint Education litigation. The motion passed.

PUBLIC COMMENT: None

There being no further business to discuss, the meeting was adjourned at 12:45 p.m.

Respectfully submitted:



Alfred Berry, Jr. Chairman



Jim Beard, CFO & Secretary