

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

February 1, 2012

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on February 1, 2012 in City Hall, Committee Room 2, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Douglas Strachan
Jim Beard
Yolanda Johnson

Aretha Sumbry-Powers
Angela Green
Yvonne Cowser-Yancy

TRUSTEES ABSENT:

Aaron Watson Gregory Nash

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department, Ray Adams, Office of Retirement Services; Larry Gray and Greg Johnson of Gray & Company. Also present were Laurel Hill of Wells Fargo, Eric Atwater of Segal, and Robert Stanley, Atlanta Public Schools.

Mr. Berry called the meeting to order at 9:40 A.M. There was a quorum.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

Several edits were suggested to the January 4, 2012 minutes, including the addition of an abstention by Ms. Green on the acknowledgment of receipt of the financials. Administrator will make the changes.

MOTION: A motion was made and seconded to adopt the Minutes of the January 4, 2011 meeting, 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. 1-20 as listed on the attached spreadsheet dated February 1, 2012. The motion passed.

CORRECTION

A correction Service Pension that had previously been approved was presented to the Board for further review and approval. The correction reflected an increase in the previously approved benefit due to a missing payroll record that the applicant was able to document with a receipt for a manual paycheck that she had in her records.

MOTION: A motion was made and seconded to approve the corrected monthly benefit amount as presented. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Applications on the attached spreadsheet were presented to the Board for action. Based on the applicants not having both doctors render an opinion of total disability, applications Nos. 1-3 were recommended for denial.

MOTION: A motion was made and seconded to deny applications Nos. 1-3 as listed on the attached spreadsheet dated February 1, 2012. The motion passed. Ms. Green abstained.

MOTION: A motion was made and seconded to approve application No. 4 as listed on the attached spreadsheet dated February 1, 2012. The motion passed. Ms. Green abstained.

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 – 5 on the attached spreadsheet dated February 1, 2012. The motion passed.

Ms. Green questioned why the meeting materials did not include the actual disability applications. The Administrator responded that the current procedure is not to furnish the disability applications in those instances in which denial is recommended. Complete documentation is provided in the event an applicant appeals the board's denial decision and the board would consider the appeal in Executive Session. Ms. Denius explained that this procedure is supported by a City Law

Department recommendation to provide only the pertinent details about the applicant and the claim amount when a recommendation is being made by the Administrator to deny the claim. A denial at this initial stage was characterized by Ms. Denius as largely an administrative function indicating that the applicant had not met the minimum requirements of two doctors both stating total and permanent disability. Again, at this stage the board should not be making assessments on the merits of the facts and medical information contained in the disability application itself. Her recommendation was to not provide the disability applications in the case of denials at the initial stage.

A lengthy discussion ensued. Ms. Green remained adamant that she needed to see the actual disability applications that were being denied in order for her to vote responsibly on the recommended action. As a compromise, the Administrator was asked to provide as part of the meeting package copies of applications that were being recommended for denial, showing only the portion with the physician's recommendation. These will be included in next month's package for the board's review. It was also requested that the application approval agenda contain a column noting the recommended action and a footnote explanation of the reason for recommending denial.

APPROVAL OF CHECK REGISTER AND INVOICES:

A Check Register dated February 1, 2012 was presented for review and approval. Mr. Berry asked again about a disclosure of fees paid to Vanguard and Artisan for the Fund's investment in these two mutual funds whose fees are paid at the mutual fund level. Mr. Gray stated that his firm will calculate the fees being paid on a monthly basis and furnish them to the Administrator. The fee amounts will then be shown as part of a note to the financial statements.

It was noted by Ms. Green that two checks numbers on the Check Register were out of sequence. Mr. Beard asked that on future Check Registers any out of sequence checks be listed with a brief explanation of the reason.

MOTION: A motion was made and seconded to approve items 1-5 on the Check Register dated January 4, 2012 totaling \$66,546.03. The motion passed.

REVIEW OF NOVEMBER 2011 FINANCIALS:

The financials for the period ending December 31, 2011 were reviewed. The significant increase in December Employee Contributions from November – \$839,000 to \$1,936,000 – was questioned. Administrator confirmed that the amounts received were correct, but did not have explanation for the jump. Mr. Beard recommended that action on financials be put on hold pending his review of the Employee Contribution category.

MOTION: A motion was made and seconded to defer a review of the December 31, 2011 financial statements as presented, pending Mr. Beard's research on Employee Contributions in December. The motion passed.

Mr. Berry inquired again about the three (3) fraudulent checks that showed as exceptions on last month's bank statement to make sure that the GEPP did not suffer any loss as a result. Ms. Hill of Wells Fargo gave a brief explanation of the Positive Pay system that Wells Fargo has in place for the GEPP. The system provides GEMGroup with a list of any out-of-sequence checks each day.

These checks are then examined to determine if they are fraudulent in which case they are denied for payment. She stated that the system has worked well in protecting the GEPP from the unauthorized counterfeit checks.

LAW DEPARTMENT:

Ms. Denius provided the final draft of engagement letter for the Milberg firm to provide securities monitoring services. After a correction to Mr. Berry's complete name, he stated that the letters were acceptable for him to sign.

The board questioned the proxy voting practices of the GEPP investment managers. Mr. Gray and Mr. Batts commented that investment managers typically contract with a specialized proxy voting firm such as ISS to handle proxy voting, adhering to policy guidelines agreed upon. Mr. Gray offered to obtain and forward to board members the proxy voting summaries for each of the managers, cautioning that even the summaries could be voluminous. Mr. Berry would like to review a summary report at least once. Mr. Gray will arrange for the report to be sent to board members directly.

Ms. Denius updated the board on a notification that the GEPP being named as a party to a lawsuit that involves an issue relating to the holding and subsequent sale of securities held in one of the investment manager accounts. The transaction involved a leveraged buyout in which the bond holders are now seeking to have the sale of securities reversed due to some alleged improprieties. A response to the lawsuit will require a firm that is a member of the bar in New York.

MOTION: A motion was made and seconded to engage a competent law firm, at the discretion of the City Law Department, to prepare the GEPP response to the lawsuit. Legal fees are not to exceed \$10,000. The motion passed.

Ms. Denius reported that the Fulton County Tax litigation case had progressed to a hearing on the issue of certifying a class of plaintiffs. No decision has been announced.

ACTUARY REPORT

Experience Study – Progress Report

Mr. Atwater reported that work on the Experience Study was underway and is about three weeks behind the original schedule due to additional time working with GEMGroup to verify and confirm the changes in many of the participant records from last year. Several data clean-up projects over the past year undertaken by GEMGroup with the Pension Department and Segal had resulted in significant adjustments to some participants' historical data. Ms. Yancy stated the need for a working conference call between Administrator, Segal and the Pension Department to resolve as much of the outstanding data questions as possible. Immediately following the meeting, Ms. Yancy scheduled the call. Good progress was made toward the goal of complete and accurate historical pension data, explanations of many of the year-over-year changes were discussed and further data files were exchanged between GEMGroup and Segal. The result was that Segal's follow-up questions were answered satisfactorily.

INVESTMENT CONSULTANT REPORT:

Mr. Gray presented the Quarterly Performance Review of the portfolio for the period ending December 31, 2011. He commented that the past year had been extraordinarily volatile; the market value of the Fund at 12/31/2010 was \$1.046 billion, falling to \$926 million at September 30 and rebounding to \$990 million at year-end and \$1.021 billion on January 31, 2012. There were 12 days in 2011 that the market traded down more than 5%. This level of volatility is historically uncommon.

Mr. Gray provided a brief overview of the Capital Markets, focusing on the ongoing debt crisis in Europe and the efforts of Germany and France, primarily, to craft a bailout solution for Greece, and on the impact of slowing growth in China.

Overall, the portfolio returned 8.39% vs. the policy index of 7.70% in most recent quarter, and .62% compared to 2.43% index for the one year period. The net result of an exceptionally volatile year was a virtually flat return for the twelve months.

Mr. Gray pointed out that Globalt is struggling and suggested that they be invited to review their recent performance at the next Investment Subcommittee.

Ms. Green asked what was being done differently, if anything, to improve the Fund's investment returns. Mr. Gray pointed out that over the course of the past year several of the underperforming managers were replaced and the asset allocation had been shifted to a more aggressive 75/25 equity/fixed income. Many of the other techniques to utilize different asset classes are still prohibited by Georgia State Law. Mr. Gray suggested that the topic of alternative investments be on the agenda for the next Investment Subcommittee for discussion. Mr. Berry mentioned that part of the Legislative Agenda being presented by the Mayor to the State government includes a recommendation to expand the permissible investment guidelines for municipal pension plans.

Mr. Strachan commented that he believes strongly in a passive indexed strategy for the large cap segment. He also believes that it makes sense to have active management in the small- and mid-cap segments and international because these segments are less efficient and therefore more likely to benefit from the talents of a specialized investment manager. Mr. Strachan further suggested that Vanguard be invited to attend the next board meeting to make a presentation on their philosophy of index investing, to discuss their products and to generally further educate the board on this approach to portfolio management. Mr. Berry questioned the value of hearing a presentation from them since they were performing as advertised and there were no problems. It was left that if other board members had no objections, Vanguard would be invited to a future board meeting. Gray and Company will make the arrangements.

Mr. Berry also asked about the difference between the Vanguard and Rydex index products. Mr. Gray explained that Rydex used a capital-weighted index strategy whereas Vanguard employs an equal-weighted approach. According to Mr. Gray, over the intermediate term the equal-weighted strategy has done better.

Ms. Green inquired about Globalt and Ceredex being affiliated with Synovus Bank and SunTrust Bank, respectively, and what effect this may have since both the banks participated in TARP. Mr.

Gray responded that both the investment units had become valued parts of the larger banking enterprises, were being allowed to continue to manage their own portfolios, and he felt that there was minimal negative impact as a result of the bank ownership.

Ms. Green asked how the Vanguard index investment has performed since the GEPP made its initial investment of \$144 million. Mr. Gray stated that the investment had declined to \$133 million at one point, but has rebounded back to \$143 million as of January 31st -- essentially flat so far.

Mr. Gray provided an update to the board of several investment managers' agreements to provide new, more favorable fee schedules. On behalf of the board, Mr. Gray had requested fee concessions from all the managers: Mesirow agreed to a 10% reduction for two years; Johnston offered a reduction in the breakpoint amount for the second tier of their schedule; and Earnest Partners agreed to reduce their first tier fee from 85 to 80 basis points.

Madison Square offered two fee proposals: a 3 basis point reduction in their schedule across all tiers, and a performance-based fee tied to their performance against the benchmark. Based on performance over the past 6 years, GEPP would have paid more under the performance-based fee proposal than under the current schedule.

Mr. Strachan asked to see the analysis to support this conclusion. While Madison Square provided a historical recap of the fees that would have been paid under the new proposal, Mr. Strachan requested that Gray & Company provide several scenarios of future expected returns and the impact on the fees that would be paid using the different performance assumptions. Mr. Strachan pointed out that in the recent past, a performance-based fee structure would have saved the Plan as much as \$750,000. Mr. Gray agreed to provide an analysis of the performance-based fee as proposed under several different scenarios for the next meeting.

MOTION: A motion was made and seconded to accept the new, reduced fee schedules offered by Mesirow, Johnston and Earnest Partners. The motion passed.

MOTION: A motion was made and seconded to request Gray & Company to provide an analysis of impact on the cost to the Fund of the performance-based fee proposed by Madison Square. The motion passed.

OLD BUSINESS:

Mr. Berry made a few wording suggestions to the Pre-Retirement Planning Guide that had been prepared by GEMGroup and circulated prior to the meeting. Mr. Larimer would make the revisions and work with the Pension Department to get it posted on the City Website.

Mr. Larimer updated the board on the City Law Department's revised interpretation of the vacation credit methodology in calculating pensions. The change now allows the full 25 days per year for three years (75 days = 600 hours) to be used in the pension calculation. This was consistent with the board's current understanding and methodology was confirmed. The retiree who had questioned the prior practice has been informed and her revised pension is in process.

NEW BUSINESS:

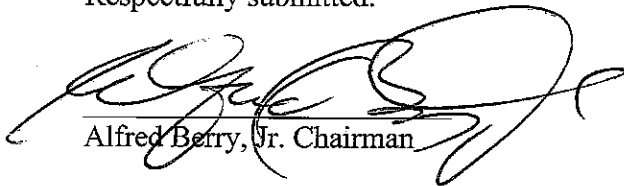
Election of Board Chair and Vice Chair

MOTION: A motion was made and seconded to re-elect Mr. Berry as Board Chair and Ms. Sumbry-Powers as Vice Chair. The motion passed.

PUBLIC COMMENT: None

There being no further business to discuss, the meeting was adjourned at 11:40 a.m.

Respectfully submitted:


Alfred Berry, Jr. Chairman


Jim Beard, CFO & Secretary