

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

March 6, 2013

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on March 6, 2013 in City Hall, Committee Room 1, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Gregory Nash
Yolanda Johnson

Douglas Strachan
Jim Beard
Aretha Sumbry-Powers

Yvonne Cowser Yancy
Angela Green
Aaron Watson

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department; Larry Gray & Lisa Joe of Gray & Company, Eric Atwater, Segal Company, Louis Amis, City Insurance Department, Robert Stanley, Atlanta Public Schools, Mickey Walker, City Workers Compensation, and Laurel Hill and Dominique Etheridge of Wells Fargo Bank.

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

ADOPTION OF AGENDA:

Mr. Berry requested that an Ordinance being proposed to City Council to amend the City of Atlanta retirement plans at the request of the IRS to repeal certain conflicting ordinances be added to the Agenda.

MOTION: A motion was made and seconded to add Ordinance 13-0-0440 to the Agenda. The motion passed.

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

APPROVAL OF MINUTES:

In reviewing the minutes, the trustees asked about the status of the Fiduciary Liability policy, the securities monitoring procedures as requested by Mr. Watson, and the underlying assets in the GrayCo Core Alts II portfolio that had been requested by Ms. Green. Ms. Denius responded that the Fiduciary Liability policy was in process, as was the securities monitoring procedure to clarify the process when a decision needs to be made between meetings. Ms. Joe commented that the asset list request for the GrayCo Core Alts II portfolio was in process within the Compliance Department at Gray & Company. Mr. Berry and Ms. Green expressed their disappointment that the response was taking so long.

MOTION: A motion was made and seconded to approve the minutes of the February 6, 2013 meeting. The motion passed. Ms. Green abstained.

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 the service pension applications Nos. 1-10 as listed on the attached spreadsheet dated March 6, 2013. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension applications on the attached spreadsheet were presented for Board action. The Administrator recommended that Disability Pension No. 1 be deferred pending further research relating to the recent settlement of a Workers Compensation claim.

MOTION: A motion was made and seconded to remove Disability Pension application No. 1 (Nowden) pending further research. The motion passed.

MOTION: A motion was made and seconded to deny Disability Pension application No. 2 (Seals) as listed on the attached spreadsheet dated March 6, 2013 because the examining physician did not offer an opinion of total and permanent disability. 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 the Beneficiary Pension applications Nos. 1-7 on the attached spreadsheet dated March 6, 2013. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

A revised Check Register dated March 6, 2013 was presented for review and approval.

Check \$45563 in the amount of \$76,176.73 for Johnston Asset Management was added to show as a voided item, replaced by check #46499 for the same amount to Johnston. The revised invoice submitted by Johnston now clearly shows the methodology of the fee calculation and the allocation among plans. The total on the Check Register will be changed to correct the double counting of this item in the total.

MOTION: A motion was made and seconded to approve 10 items: #45563 and #46499 – 46507 on the Check Register dated March 6, 2013 totaling \$219,990.09. The motion passed.

REVIEW OF JULY 2011 FINANCIALS:

The financials for the period ending January 31, 2013 were presented and reviewed. A suggestion was made to change the caption on the Compilation of Equity to read "Atlanta Public School Board" Net Increase/Decrease instead of "Board". The change will be made. After a brief discussion,

MOTION: A motion was made and seconded to accept receipt of the January 2013 financial statements as presented. The motion passed.

LAW DEPARTMENT:

IRS Determination Letter - Status Report -- Ms. Denius joyfully reported that the City's application, pending since 2010, for a Favorable Determination Letter has been approved by the IRS. The approval is conditioned on minor changes to the wording of two sections to remove conflicts. An Ordinance has been prepared and will be placed on the City Council agenda's next meeting. Ms. Denius asked for a motion from the board expressing its position on the Ordinance.

MOTION: A motion was made and seconded to express the board's support for the adoption of Ordinance 13-0-0440 to amend certain language in the City of Atlanta Pension Plans to satisfy the IRS condition to issuing a Favorable Determination Letter. The motion passed.

New Board By-Laws – Ms. Denius had distributed in advance a draft of updated By-Laws for the General Employees' Pension Plan and presented a copy for board review.

Mr. Berry asked that the time periods for elections of the active employee and retiree representatives be equalized. Mr. Beard suggested that the term "ex-officio" be defined.

Considerable discussion ensued on the provision regarding voting, abstention, and recusal due to a potential conflict of interest. According to Ms. Denius, the re-draft of the By-Laws in the area of voting and abstention are consistent with the By-Laws governing City Council and requires a board member to vote unless the member has a conflict. The member must state the conflict and, in some cases, provide a written statement of the conflict within a specified time period. This provision is also part of the City Ethics Code to which the GEPP board is subject. The effect of this provision is that a board member must vote either Yes or No and may not abstain unless they have a disclosed conflict of interest.

Several board members objected to this interpretation, giving examples of situations in which they feel there is more information needed or that they have not been sufficiently persuaded to support an issue but at the same time recognize the need for the board to move forward. In those instances, a vote for abstention would seem reasonable and they disagreed with not being allowed to "straddle the fence". Others commented that it was not unusual for a board member to decide that the case for an issue had not been completely explained or that the arguments in favor of supporting it were not compelling; the proper alternative in those instances was to cast a No vote.

It was pointed out that Robert's Rules of Order permit abstentions. Ms. Denius responded that Robert's Rules of Order is a guide and govern when the By-Laws are silent on a specific issue. However, the By-Laws as drafted are specific on this issue and do not permit abstention votes except in the case of a disclosed conflict, superseding Robert's Rules in this instance.

Mr. Strachan commented that not allowing abstentions may be useful in that it would force a No vote in those instances in which a member is not completely satisfied with the presentation of an issue or is not persuaded by the arguments in favor and the result would be further discussion toward resolution. Ms. Johnson commented that the consensus of the APS board (that has a similar no abstention rule) that it was the job of board members to vote.

Ms. Green state that she did not agree with not being able to abstain and believes each member should be able to do what they want to do. She wants this board to be run without politics.

Mr. Watson commented that he didn't view this issue as one of politics. Members should feel comfortable in casting a No vote on any issue on which they have not been fully persuaded. The No vote will make the advocates and supporters work harder to explain and convince other board members based on the merits of the issue.

Ms. Green recommended that the board hire its own law firm to provide independent counsel and consider having a Court Reporter transcribe the meeting minutes.

Mr. Berry asked what criteria would be used to appoint a new member if a seat were vacated more than six months prior to the expiration of the remaining term of the departed board member. Ms. Denius commented that the eligibility of the proposed new member would have to be consistent with the vacate spot, i.e., active employee representative would have to be replaced by a representative of the actives, a mayoral appointee would again be appointed by the mayor, etc. The specific criteria would be agreed upon by the board and could include nominations and ballot voting if they chose.

Dr. Nash asked about the specific criteria by which a board member may be removed by a two-thirds vote of the full board as provided for in section 2.4.2.1. Ms. Denius responded that the provision applies to elected board members and requires only a two thirds vote by the full board. No specific criteria need be specified. Appointed members may be removed by the appointing authority, e.g., the Mayor, and ex-officio members who hold their board position by virtue of the position within City government, e.g., the Chief Financial Officer, cannot be removed by board action – only as a result of being removed from their position in City government.

Ms. Johnson questioned the constitutionality of removing a board member who has been elected by the public. The Law Department has reviewed this issue and has determined that the governing principles for the GEPP board do not confer a constitutional status to elected board members, as is the case with the US Congress, for example, and therefore the removal provision in the current draft is acceptable.

Mr. Berry inquired about the provision regarding a board members attendance and the stipulation that members may not miss three (3) consecutive meetings. The current By-Laws provide for automatic removal if three (3) consecutive meetings are missed. Ms. Denius explained that his was problematic in that appointed and ex-officio members cannot be removed by board action.

Mr. Strachan commented that while the current By-Laws provide for automatic removal of a member after missing (3) three consecutive meetings, the revised draft of By-Laws allows the board to exercise its reasonable discretion in making that determination.

Mr. Watson clarified, however, that the board should have the right to remove or suspend an appointed member in their discretion; the Mayor would then appoint a replacement to fill the vacated spot.

Mr. Berry asked if the City Council and Atlanta Public School By-Laws provide for the removal of a board member.

Dr. Nash commented that the discussion suggested that removal or suspension could occur only as a result of illness or missed meetings. Ms. Denius clarified by stating that while those may be reasons, removal or suspension requires only a super-majority, two-thirds vote of the board.

Ms. Green stated that she was uncomfortable with members deeming other members to be difficult to work with and perhaps being able to remove a member on that basis. All differences of opinion and points of view must be tolerated. She stated that she is not a supporter of this provision and viewed it as an attempt to “shut down” opposing points of view.

Ms. Yancy added that it is important for the board to have good governance as embodied in By-Laws that are current, correct and that the board can follow. She suggested that Ms. Denius take back the comments heard today and prepare and circulate a revised draft for further discussion and action at the next board meeting.

Ms. Sumbry-Powers asked to be provided with a copy of the current By-Laws for comparison. Ms. Denius will provide by email a copy to all board members.

Board Resolution – SEC Matter – At the request of Mr. Watson and Ms. Yancy, a Resolution was drafted by the Law Department. At the request of Mr. Berry the following Resolution was read into the minutes:

***A RESOLUTION
BY THE BOARD OF TRUSTEES OF THE CITY OF ATLANTA
GENERAL EMPLOYEES’ PENSION FUND***

***A RESOLUTION CLARIFYING THAT THE REPORTED
ACTIONS OF BOARD MEMBER ANGELA GREEN REGARDING AN
ALLEGED COMPLAINT FILED WITH THE U.S. SECURITIES AND
EXCHANGE COMMISSION WERE UNDERTAKEN IN HER
CAPACITY AS AN INDIVIDUAL AND WERE NOT ON BEHALF OF
THE BOARD OF TRUSTEES; AND FOR OTHER PURPOSES.***

WHEREAS, it has been reported that Ms. Angela Green, an elected trustee of the City of Atlanta General Employees’ Pension Fund, has filed a complaint with the U.S. Securities and Exchange Commission; and

WHEREAS, the Board of Trustees of the City of Atlanta General Employees’ Pension Fund has not been provided with a copy of the reported complaint by Ms. Green; and

WHEREAS, the Board of Trustees of the City of Atlanta General Employees’ Pension Fund has taken no official action to authorize such a complaint.

***THE CITY OF ATLANTA GENERAL EMPLOYEES’ PENSION FUND BOARD OF TRUSTEES
hereby resolves on Wednesday, March 6, 2013, as follows:***

SECTION 1. Any action or actions taken by Ms. Angela Green regarding an alleged complaint filed with the U.S. Securities and Exchange Commission on January 18, 2013 were taken by Ms. Green as an individual and not on behalf of the Board of Trustees of the City of Atlanta General Employees’ Pension Fund.

Mr. Watson explained that it was important the board formally state for the record that the actions of Ms. Green were taken in her capacity as an individual and that her action was not an official position or opinion of the full Board.

Ms. Yancy commented that while she had no problem or objection to Ms. Green sending a letter to the SEC if she felt it was appropriate, the Resolution was necessary to dispel any public perception that the letter was an officially sanctioned action by the Board and that Ms. Green acted solely as an individual.

Ms. Green responded that she thought she had made it clear in the letter that she was writing as an individual even though it may have been perceived as a Board communication.

Mr. Strachan stated that as fiduciaries, each board member has a duty to take appropriate actions in instances where they believe something is amiss in the operation of the Fund. However, his concern is that certain actions may not be appropriate if damage is done to the reputation of the Board by an individual's actions that are not the consensus opinion of the full Board.

Ms. Green stated that disclosure is very important to her and she filed the letter complaint on the issue of the lack of disclosure involving the selection of a private equity manager. She reiterated that she was only acting on her own as an individual. Mr. Berry read the first line of the complaint letter which states, "I am writing as a concerned trustee" as support for the position that Ms. Green acted as an individual. Several other board members commented that the use of the term "trustee" refers to her position on the board.

MOTION: A motion was made and seconded to adopt the above-referenced Resolution as written. The motion passed by a majority 6 to 3 vote. Mr. Berry, Dr. Nash and Ms. Green voted No.

ACTUARY REPORT:

Valuation Report - Mr. Atwater reported that Segal now has all the data from GEMGroup that has been requested. Segal still needs to receive audited, final assets figures from KPMG, the City's outside Auditor, to finalize their report. Mr. Atwater commented that it will take them approximately six (6) weeks after receipt of the audited assets numbers to complete the Valuation Report.

Mr. Atwater requested the board support on providing additional file documentation going forward that will improve the completeness and accuracy of the Valuation Report. Many of the electronic files records do not include the beneficiary, if there is a one designated, nor the form of payment -such as Single Life Annuity or Joint & Survivor - being received. This information may be contained in the participant/retiree file at the City and may be among those that had not been copied and delivered to GEMGroup.

Ms. Yancy commented that the City has been good about obtaining hard copy documentation going back to the original dates of employment and confident that these records can be located and delivered to GEMGroup and to Segal. Ms. Yancy stated that a project will be initiated and the documentation in these files – numbering over 800 – will be located, duplicated and delivered to GEMGroup before the next meeting.

It was recommended by Mr. Atwater and Mr. Larimer that once the missing file documentation has been delivered and loaded to the system, a mailing be done to all participants and retirees asking them to verify and update beneficiary information. It is not uncommon for pension plans to perform this type of data request annually.

Mr. Berry recognized Steve Loncar of Ceredex Investments in the audience. Mr. Loncar has requested permission of the board to use the General Employees' Pension Fund as a reference for Ceredex with prospective clients. Mr. Berry would be the designated contact.

MOTION: A motion was made and seconded to allow Ceredex to use the General Employees' Pension Fund as a reference with prospective clients. The motion passed.

INVESTMENT CONSULTANT REPORT

Minority Trading Practices – Jennison - Dan Nichols, Relationship Manager for Jennison Associates addressed the board on the trading policies of his firm. Specifically, the board expressed an interest in the lack of trading business being directed to minority firms and trading firms based in Georgia.

Ms. Yancy stated that the board had asked Jennison to provide demographic information, even if only in summary format, of the relationships that Jennison had with trading firms who were owned by minorities – people of color, women – and firms who were based in Georgia. Jennison has declined to provide this requested information.

Mr. Nichols stated that Jennison has no process in place to identify the ownership of trading firms and therefore is not able to comply with the request.

Mr. Beard asked if consultants that Jennison does business with could provide this information to them.

Mr. Nichols said the consultants don't tell them; Mr. Beard queried, "Did you ask"?

Mr. Beard and Ms. Yancy reiterated their request that Jennison make more of a good faith effort to reach out to minority and Georgia-based firms. The response thus far from Jennison is perceived as indifference.

Mr. Strachan commented that the City of Atlanta had historically not simply supported, but in fact had assumed a leadership role in promoting diversity over the years, both locally and nationally. Advancing diversity is part of the City's culture, has been over the past 50 years, and is a part shared community success about which the City is most proud. The Pension Fund needs good investment performance, but the Board also needs a demonstration of effort from partners who share these values and culture and actively support diversity goals.

S&P Equal Weighted Portfolio – Rhumblin - Denise D'Entremont, Relationship Manager and Portfolio Manager for Rhumblin Advisors introduced the firm and the Equal Weighted Index Fund. The product was created in 2003 but the firm was founded 22 years ago. Their goal is to deliver the index return and keep trading to a minimum to hold costs low. Clients number 170; about 50% are public funds. The firm was founded by an African-American, now retired, and the firm continues to be a minority owned firm.

Flash Performance Report – Larry Gray covered the January 2013 Performance Report. Overall, total Fund performance was 4.28% for the month and 13.9% for the one-year period, both in excess of the Policy Benchmark, net of fees. Mr. Gray noted a rebound for Mid Cap in the one-year number to 21.84%, 360 bps over the benchmark. Small Cap was under the benchmark. International equity managers showed good performance and exceeded the benchmarks by 4% -5% for the one-year period. Fixed income continued to show steady above benchmark returns for the year. Mr. Gray cautioned again that at some point interest rates will begin to rise and these returns will be challenged. Mr. Beard asked if the fixed income managers had begun to shorten their maturities. Mr. Gray said not yet. Mr. Berry inquired about the \$268 million shown in the ConvergeEx transition account. Ms. Joe reported that the money was held briefly during the transition of managers in an interest-bearing account. Mr. Beard inquired about the timetable and process to bring forward new private equity and emerging managers. The board expressed that the Due Diligence Process as outlined by Gray & Company be followed. Gray & Company presented their outline of the Due Diligence Process and distributed copies

to the board. The consensus of the board was to proceed to follow the steps as outlined in the selection of new managers and they would discuss it in more detail at a future meeting.

Mr. Strachan broached an idea – in the context of exploring alternative investment opportunities – to explore participating as an investor in the construction of the new proposed Falcons Stadium. HE commented that private equity was a different type of investment than the Fund has traditionally considered and it takes a variety of forms including venture capital, real estate and others. He cited examples of other public pension funds that have pursued a successful private equity strategy that includes some of these alternatives. Mr. Strachan stated that his goal is to ensure that the board is creative in seeking maximum returns at manageable risk levels.

Mr. Beard commented that while he was willing to take a look at a variety of alternative investments, the debt side of the Stadium financing would be municipal bonds which are not an advantageous investment for an already tax-exempt entity such as a pension fund. Also the controversial nature and high political profile of a professional sports team stadium may be too risky for the GEPP to consider.

Rebalancing & Cash Raise Procedures - Ms. Joe reviewed the Rebalancing & Cash Raise Procedures draft (Tab 8). The revised draft incorporated the added provision that a rebalancing to raise cash would not result in addition assets being invested in a manager that was on probation or had been notified of termination but had not yet been replaced. To the extent an investment in the particular asset class handled by a terminated or on-probation manager needs to be made to comply with the overall Asset Allocation Policy guidelines, the Investment Consultant, Administrator and the CFO will review and approve an alternative investment to resolve the conflict.

Review of Due Diligence Process for Investment Manager Recommendation - Ms. Joe pointed out the revised Due Diligence Process for Manager Recommendation (Tab (7)). A full discussion of this item was deferred to the next meeting. Mr. Strachan suggested that another education session be scheduled for board members. Mr. Berry suggested that Gray & Company reach out to board members in advance of any manager search to solicit their suggestions or recommendations on who to include in the process.

Emerging Manager Search – Update - This process will be discussed at the next meeting. The board reiterated that the Due Diligence Process as outlined in Tab 7 is to be followed in this selection process.

OLD BUSINESS:

Disability Pension Recalculations – Correction Project -

Mr. Larimer presented a revised spreadsheet, as requested, that summarized the overpayments and underpayments of 47 participants whose disability pensions should have been recalculated at age 60 but were not. The spreadsheet now includes a column showing the interest calculated and due to those individuals who had been underpaid. The calculation methodology used is consistent with Segal's approach on the recently concluded Corrective Interest Refund project and was acceptable to the IRS. Mr. Larimer reported that the files (which are currently empty) for the 60 people listed on page 2 have been pulled and are ready to be copied and delivered to GEMGroup. They have not been received as yet.

At the suggestion of Mr. Adams, there may be individuals on the list whose overpayment may be reduced because it had been the practice of the Office of Retirement Services until 2009 to allow participants who were receiving a disability pension and reached age 60 prior to being vested to continue to receive an un-recalculated disability benefit until they became vested. This practice ended in 2010 after GEMGroup assumed the administration. Mr. Adams will identify the individuals in this category and the approach of reducing the amount of overpayments as a result of this practice will be reviewed with the City Law Department.

Mr. Berry urged the research and file data production to be done quickly and some effort be made to recover the overpayments. Ms. Yancy again confirmed that resources would be assigned to the File Room to get the files located, copied and delivered to GEMGroup prior to next meeting. Mr. Strachan pointed out that each month that goes by without a resolution and corrective action costs the Fund money in benefits being paid that individuals are not entitled to receive.

Mr. Larimer suggested that the recalculations be done immediately and the overpayments be recovered from the participants by a deduction of 15% from their corrected monthly benefit going forward. He will provide draft letters to affected participants prior to next month's meeting.

Mr. Beard requested that the spreadsheet be updated to show the number of months required to recover the overpayments from each participant using 10%, 15% and 20% deductions to give the board the ability to review the options.

MOTION: A motion was made and seconded to recover the overpayments to participants as a result of not recalculating disability pensions as required at age 60. The motion failed.

Mr. Beard and the other board members wanted the opportunity to review the options to evaluate the impact on participants of the various deduction amounts.

Pension Staff Director/Chief Investment Officer Positions – Mr. Beard and Ms. Yancy reported that this process is underway.

Investment Consultant RFP -Update - In response to a question, Ms. Yancy confirmed that a Pre-bid conference should be conducted once the RFP is finalized. Mr. Berry will distribute the RFP to all board members for a final review and asked that it be returned with any comments by March 11, 2013.

NEW BUSINESS:

Implementation of Custody Transition from BNY/Mellon to Wells Fargo - Mr. Larimer reported that the conversion of the custody business from BNY/Mellon to Wells Fargo was completed by the target date of March 1, 2013. The process went smoothly.

Mr. Larimer and Wells Fargo suggested that the board hear a presentation directly from Citibank to whom Wells Fargo outsources the securities lending services. The board agreed and Citibank will be invited to present to the board with Wells Fargo at the next meeting. The board asked if they should consider other securities lending providers or if they had to use Citibank as part of their relationship with Wells Fargo. Ms. Etheridge will check on whether alternative providers could be used.

Summary Plan Description (SPD) - Ms. Yancy reported that the SPD is currently being revised and updated to address the new plan rules by an outside communications firm and will be distributed when it is completed.

PUBLIC COMMENT:

Cheryl Brassell addressed the board to ask about the Funding status of the General Employees' Pension Fund, the percentage of assets in the Fund compared to the actuarially determined amount of the future liabilities. The board responded that the latest finding as determined by Segal Company, the Plan actuary, was 69%. Mr. Atwater is preparing a letter to be provided to the board outlining their analysis and methodology and it should be available shortly. A copy will be provided directly to Ms. Brassell who provided Mr. Larimer with her mailing address.

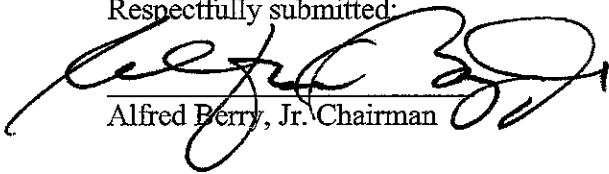
Phyllis Hall, an employee with the Water Department, addressed the board to comment on the increased cost of pension contributions and the high cost of insurance being deducted from employees' pay, but no pay increases. She stated that employees are suffering and wanted to know what the City is going to do about it.

Ms. Yancy responded that a compensation plan was being finalized and she expected it to be presented to the Mayor and to City Council in the next few weeks. The plan included a recommended pay increase for all employees Citywide. Ms. Hall said that she had heard from the union representatives that they were seeking a 3%-5% increase; Ms. Hall expressed on behalf of City employees that she didn't think that was enough.

The Board thanked Ms. Brassell and Ms. Hall for their comments.

There being no further business to discuss, the meeting was adjourned at 1:05 p.m.

Respectfully submitted:



Alfred Berry, Jr. Chairman



Jim Beard, CFO & Secretary