

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

January 9, 2013

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on January 9, 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; John Robinson and Greg Lofters 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, Wells Fargo Bank.

Mr. Berry called the meeting to order at 9:35 A.M. There was a quorum.

ADOPTION OF AGENDA:

Mr. Larimer distributed a revised Agenda.

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

ELECTION OF CHAIRMAN AND VICE CHAIRMAN

MOTION: A motion was made and seconded to elect Alfred Berry, Jr. as Chairman, and Aretha Sumbry-Powers as Vice Chairman to serve one year terms in 2013. The motion passed.

APPROVAL OF MINUTES:

On the December 5th minutes, several edits were suggested to clarify the comments of Mr. Berry and Ms. Green and to correct a typographical error. Mr. Larimer will make the changes. Subject to these corrections being made,

MOTION: A motion was made and seconded to approve the minutes of the December 5th meeting, as amended. The motion passed.

GENERAL EMPLOYEES' PENSION FUND PENSION AWARDS:

SERVICE PENSION APPLICATIONS

The Service Pension application on the attached spreadsheet was presented to the Board for approval.

MOTION: A motion was made and seconded to approve the service pension applications as listed on the attached spreadsheet dated January 9, 2013. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension applications on the attached spreadsheet were presented for Board action.

MOTION: A motion was made and seconded to approve Disability Pension applications Nos. 2 & 3 as listed on the attached spreadsheet dated January 9, 2013. The motion passed.

MOTION: A motion was made and seconded to deny Disability Pension application No. 1 as listed on the attached spreadsheet dated January 9, 2013. 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. 1-5 on the attached spreadsheet dated January 9, 2013. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

The Check Register dated January 9, 2013 was presented for review and approval.

Mr. Larimer explained check #44642 to ING in the amount of \$17,877.05 was a refund of employer contributions made to the Pension in error for a participant who should have been enrolled in the Defined Contribution plan.

MOTION: A motion was made and seconded to approve 9 items: #44635 - 44642 on the Check Register dated January 9, 2013 totaling \$85,413.74. The motion passed. Ms. Green abstained.

REVIEW OF JULY 2011 FINANCIALS:

The financials for the period ending November 2012 were presented.

Mr. Berry asked why there was no interest earnings credited. Ms. Hill explained that the based on prior direction from the board, the bank accounts were set up to use the earnings credit to offset account fees instead of having the accounts accrue interest and pay the banking fees. A prior analysis demonstrated that this option was more advantageous for the City because the earnings credit rate is higher than the interest rate earned. Ms. Yancy asked that Ms. Hill prepare a service

charge versus interest rate analysis of the General Employees' Pension Plan bank accounts at Wells Fargo for discussion at the next meeting.

Ms. Yancy also pointed out that the Federal Government had announced mandatory Direct Deposit receipt of all payments effective March 1, 2013. This will support the board's decision to implement Direct Deposit for pension benefits on June 1, 2013.

MOTION: A motion was made and seconded to accept receipt of the November 2012 financial statements as presented. The motion passed. Ms. Green and Ms. Powers abstained.

LAW DEPARTMENT:

IRS Voluntary Compliance Program (VCP) – Status Report -- Ms. Denius reported that the calculation of corrective interest amounts had been completed by The Segal Company and the final touches were being added by the outside law firm to the Voluntary Compliance Program application; completion and filing was anticipated prior to the next meeting.

Fiduciary Liability Insurance Application - Ms. Denius reported that the Application for Fiduciary Liability insurance was nearing completion and would shortly be forward to City Risk Management for final review prior to submission.

Settlement in the Tribune Company - The settlement offer approved at last month's meeting has been submitted and outside counsel is preparing the Release language. Additional updates will follow.

Re-Issue of RFP for Investment Consultant Due to an Error in the Original - Ms. Denius reviewed the RFP in advance of the evaluation meeting scheduled for the January 17th and discovered that there was language in the RFP that asked for responses on a different set of services not intended to be included. The original RFP must be recalled and re-issued to all those firms whose interest was solicited in the first round. All the work has been completed by the candidates that have responded already so the process should be able to move quickly once the corrected RFP has been distributed.

ACTUARY REPORT:

Valuation Report – Update - Mr. Atwater reported that the data for the 2012 Valuation Report had been received from GEMGroup for both the City and APS in two separate files. He now believes Segal has all the data necessary to complete the 2012 Valuation Report. Segal will be examining data and will get back to the GEMGroup with questions within a week. Mr. Atwater commented that the data is improved from last year but there remains a number of gaps and missing information. In addition, Mr. Atwater commented that additional codes and information were added this year by the City in order to allocate liabilities between various areas of the City and School Board.

Ms. Yancy commented that she expects both Segal and GEMGroup to focus on this data request, schedule regular calls as necessary and complete the compilation in a short timeframe. Segal and GEMGroup committed to hold the first of regular calls by the end of the week.

Mr. Berry asked that the letter on the GEPP funding status and investment returns be put on Segal letterhead before distribution to City Council and posted on the Website. Mr. Atwater agreed.

INVESTMENT CONSULTANT REPORT

Flash Performance Report – November 30 2012 – Mr. Lofters reviewed the November 2012 performance of the portfolio, commenting that portfolio returned 1.33% for the month and 11.67% year-to-date, both net of fees and both ahead of the Policy Index. Barring a meltdown, the board could expect a double digit positive return for the portfolio for the full year ending December 31, 2012. November total market value was \$1.39 billion; as of January 7, 2013 the market value was \$1.70 billion.

Mr. Lofters pointed out that all managers, with the exception of Johnston and Atlanta Capital, outperformed their respective benchmarks for the month. Earnest Partners- who is on probation- outperformed its benchmark by 250 bps for the month. It is expected that the year-end performance numbers will reflect that active management did better than passive management in 2012.

Mr. Strachan asked that 5, 7 and 10 year performance data be included in the Flash Report where available.

Ms. Green asked to receive copies of termination and probation letters that were sent to the various managers.

Cash Projection and Cash Raise

The Board reviewed the Cash Projection and Cash Raise spreadsheet prepared by GEMGroup and Gray & Company as shown in Tab 9 in the meeting package indicating the need to raise cash of \$30 million for benefit payments and expenses.

MOTION: A motion was made and seconded to rebalance the portfolio for the purpose of raising cash for benefit payments and expenses projected over the next three months. The motion passed. Ms. Green abstained.

Investment Manager Transition – Final contracts are with City Law Department and outside counsel for final review and should be completed soon.

Ms. Green asked about the fee negotiation with new manager Channing. It was reported that Channing had agreed to a modest fee reduction. Mr. Berry asked that Gray & Company evaluate the reference to LIBOR in the JP Morgan contract with respect to pricing to determine that the Fund does not have exposure to the recent LIBOR rate controversy.

Mr. Strachan inquired about the rebalancing spreadsheet in Tab 8, commenting that several managers that were on probation or terminated had actually increased their asset positions as a result of the rebalancing. A discussion ensued regarding the policy of rebalancing manager positions to comply with Investment Policy allocations that may be inconsistent with one would expect if the managers are on probation or pending termination. The consensus was for Gray & Company and GEMGroup develop some policy ideas for discussion at a future date.

Review of Due Diligence Process for Investment Manager Recommendations – This item was deferred to a future meeting when Mr. Gray can be present.

OLD BUSINESS:

RFP for Investment Consulting – See above as previously reported.

NEW BUSINESS:

Implementation of Custody Transition from BNY/Mellon to Wells Fargo - Mr. Larimer reported that the project is underway, two conference calls have been held and the transition team is working toward the target implementation date of March 1, 2013.

Pension Staff Director/Chief Investment Officer Positions – The board is requesting a position be filled in the City Finance Department to provide financial, investment and administration support to the General Employees' Pension Fund. Ms. Yancy and Mr. Beard stated their commitment to add the position. Ms. Yancy is working on getting the headcount authorization and they will work together to identify candidates. They promised that the interviewing and hiring process of the Pension Staff Director position will include input from the board.

Legal Consultant/Lawyer Position - A discussion ensued on the merits of the GEPP board having outside counsel engaged to provide independent advice and guidance to the Pension board. The position would be in addition to the services of the City Law Department. Police & Fire Plans has a retainer agreement with an outside law firm for this same purpose. Mr. Berry asked that the board members give some thought to the idea for further discussion at a future board meeting.

Disability Pension Recalculations – Correction Project -

Mr. Larimer presented the results of GEMGroup's research into the issue of disability pensions that were not recalculated at normal retirement age as specified by the Plan. The spreadsheet distributed to the board identified a list of people who were receiving a disability pension under the 1986 Amendment and who should have been recalculated at their normal retirement age of 60 but were not. The spreadsheet detailed the amount of the current benefit, the amount by which the current benefit would be adjusted downward or upward (in some cases) when the proper recalculation is done. Of the 47 individuals identified, 31 of the recalculations should have been done prior to 2009 when GEMGroup assumed administration of the GEPP; 16 of the recalculations should have been done since 2009. The total amount of benefit overpaid by the Fund is \$281,930; the amount underpaid and owed to participants is \$86,584. In addition to the 47 individuals for whom recalculations could be made, the spreadsheet contains a list approximately 60 individuals whose files are empty. These files will need to be researched and populated with data from the City Pension Department in order to complete the project.

Mr. Larimer explained that during the initial conversion of the administration to GEMGroup, the electronic benefit payment data files were incomplete and did not identify those people who were under the 1986 Amendment, form of benefit, beneficiary information or in some cases dates of birth. Many of the paper files which were photocopied and delivered to the GEMGroup Fund Office were empty. Without the documentation in the files such as the original application and calculation of the disability benefit it was not possible to identify those people whose benefit needed to be recalculated. The research was done now as the extent of the problem became known.

Mr. Larimer pointed out that while the GEPP is not governed by ERISA, plans that are subject to ERISA have provisions that allow for the recovery from participants of excess benefits paid in error and to which the participants were not entitled. The recovery is typically handled by a deduction from future benefits. Under ERISA, the deduction from future benefits may not exceed 25% of the normal monthly benefit amount.

Ms. Yancy asked why the files on these participants are still empty, who had been asked for the information and was there any written record of these requests having been made. Mr. Larimer stated that numerous requests had been made for complete data but was not sure if those requests were in written form. Ms. Yancy asked why people who were receiving a disability pension and had turned age 60 after GEMGroup assumed the responsibility for plan administration continued to

receive the un-recalculated benefit. Mr. Larimer explained that without having the amendment information on the electronic data file, the issue was not identified in the normal course of processing benefit payments.

Mr. Atwater inquired if the revised benefit amounts on the spreadsheet were included as part of the actuarial data valuation that had recently been furnished to Segal to perform the 2012 Valuation.

Mr. Larimer stated that they were not because the benefits had not been changed in the system pending the board's decision on how to move forward.

Mr. Berry asked if the problem had been addressed for current disability pension applicants. Mr. Larimer stated that it had and that it was not an issue for any participant whose disability pension had begun after GEMGroup assumed the administration in 2009. And the process is in place to identify and re-calculate all new disability pensions going forward.

Ms. Denius commented that the board must notify the affected pension recipients prior to a correction to their monthly benefit amount with an explanation of the reason for the change and the process around any recovery of the overpaid amount.

Ms. Yancy proposed that a decision not be made today and recommended the following steps:

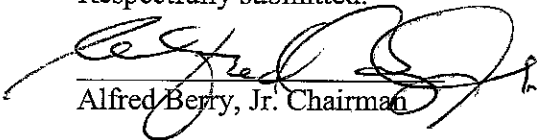
- Revise the spreadsheet to include the new monthly benefit for each affected participant by adding another column;
- Provide an explanation of the calculations and how the amounts were determined;
- Provide the revised spreadsheet to Segal so that the revised benefit amounts can be included in the 2012 Valuation calculation;
- Provide the spreadsheet to the board in advance of next meeting and to the Office of Retirement Services to begin locating the data missing from the list of empty files on page 2 of the spreadsheet;
- Provide any available written requests that have been made of the City to furnish the missing file data.

A discussion and resolution of the issue will be an item for the February board meeting.

PUBLIC COMMENT:

There being no further business to discuss, the meeting was adjourned at 12:05 p.m.

Respectfully submitted:


Alfred Berry, Jr. Chairman


Jim Beard, CFO & Secretary