

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

May 2, 2012

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

TRUSTEES PRESENT:

Alfred Berry, Jr.	Angela Green
Douglas Strachan	Aretha Sumbry-Powers
Yvonne Cowser-Yancy	Yolanda Johnson
Aaron Watson	Gregory Nash

TRUSTEES ABSENT:

Jim Beard

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department, Ray Adams, Office of Retirement Services; Lisa Joe, Gregory Johnson and John Robinson of Gray & Company, Eric Atwater of the Segal Company, and Chuck Burbridge of Atlanta Public Schools and John Gaffney and Karen Sutton from the Finance Department.

Ms. Sumbry-Powers called the meeting to order at 9:40 A.M. There was a quorum.

ADOPTION OF AGENDA:

The Agenda was revised to include 1. Presentation by Mr. Atwater on an Early Retirement proposal, 2. Discussion of a participant's request to review her refund amount from a prior year, and 3. Removal of a disability application.

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

APPROVAL OF MINUTES:

Ms. Green commented for the record that she would like to receive the meeting packages no later than the Friday prior to the meeting to allow sufficient time for review. Administrator agreed.

Ms. Yancy commented for the record that issues surrounding individual applications placed on the agenda should be resolved among staff and the Administrator and elevated internally, if necessary, prior to day of the meeting so that they do not have to appear on the agenda then be removed. Administrator commented that best efforts are used to resolve questions prior to applications being placed on the agenda and a more concerted effort will be made to avoid this situation in the future.

MOTION: A motion was made and seconded to adopt the Minutes of the April 4, 2012 meeting. 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. 1-6 as listed on the attached spreadsheet dated May 2, 2012. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Application on the original attached spreadsheet was removed and action deferred to a future meeting. There were no Disability applications presented to the board.

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 – 4 on the attached spreadsheet dated May 2, 2012. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

A Check Register dated May 2, 2012 was presented for review and approval.

The first two items on the Check Register noted Voided Checks: #33487 had been issued to Globalt Inc. in payment of their fourth quarter fees but was never received. Globalt requested a Stop Payment, and #35702 had been prepared as payment to Segal for the Experience Study but had to be re-issued as a result of the misallocation of this expense on last month's register.

MOTION: A motion was made and seconded to approve 13 items- #35783 - #35795 on the Check Register dated May 2, 2012 totaling \$881,892.24. The motion passed.

REVIEW OF FEBRUARY 2011 FINANCIALS:

The financials for the period ending March 31, 2012 were presented. In Mr. Beard's absence, the board deferred review of the financials.

MOTION: A motion was made and seconded to acknowledge receipt of the March 31, 2012 financial statements as presented, pending a review by the CFO.

Ms. Green made a suggestion that the board consider membership in the International Foundation of Employee Benefit Plans organization as being a worthwhile means of enhancing the education of members on the issues involving pension funds. The consensus was that Ms. Green should bring IFEBP membership material to a future meeting for board consideration.

LAW DEPARTMENT:

Fiduciary Liability Policy – Discussion of this item was deferred to next month.

MOTION: A motion was made and seconded to go into Executive Session for the purpose of discussing the proposed settlement of a litigation matter and to receive an update on the progress of a second litigation matter.

{Executive Session begins}

{Regular Session resumes}

Under a previous authorizing motion, the board directed the Administrator to wire transfer \$43,000 to settle the litigation matter.

ACTUARY REPORT

Mr. Atwater presented for discussion purposes only Segal's experience with Early Retirement Window (ERW) programs and whether these had been an effective cost saving tactic. Segal had performed such studies and helped implement the programs in Los Angeles County, CA and DeKalb County, GA.

Mr. Atwater stated that Early Retirement Window programs can work to trim costs, but only if the positions eliminated under such programs are not refilled. The evidence suggests that few organizations, particularly public entities, have the discipline to hold the line on future hires and re-hires. Pension costs typically go up in the short-run because of the incentives offered to leave early; the payroll savings are also real in the short-run, but tend to return under the pressure to re-staff the workforce.

Mr. Strachan commented that certain aspects of some ERW programs may work to reduce their effectiveness. Early – Out incentives were effective only with people within a short distance from retirement, and often included a provision that made them whole five (5) years after their normal retirement date.

A second issue involves the attitude of workers who remain after an ERW feeling resentful about having to pick up the work of those that left. He made the point that an effective ERW program should include a sweetened compensation arrangement of some sort to address this frustration of the retained workforce. He also added that the design of an ERW program should include input from the tactical people (workers) who really know how many people it takes to get the work done.

Ms. Yancy commented that an effective ERW must first be based on a solid understanding of what realistic staffing levels should be to provide the discipline for resisting the urge to refill the

positions, and a rigorous performance evaluation and personnel management system to implement it.

Ms. Green commented that the inertia of politics in the organization works against the effectiveness of an ERW program by making it difficult to resist the re-staffing the positions. Anecdotally, she cited previous attempts with ERW programs at the City that resulted in staffing levels actually increasing a year or two out from the ERW implementation.

Mr. Atwater commented that in the Los Angeles County example, Council added legislation that limited re-staffing over an extended period of time to slow down the rate of re-hires.

The overall assessment of ERW programs suggests that while they may work, their implementation is difficult and relies heavily on not re-staffing the eliminated positions. The challenges are great and the experiences of other public bodies that have tried it have been mixed.

INVESTMENT CONSULTANT REPORT:

Mr. Robinson, Ms. Joe and Mr. Johnson reviewed the Performance Report for the Quarter ending March 31, 2012.

Ms. Joe updated the board that Atlanta Capital had been informed of being put on probation. Mr. Berry asked for a copy of the letter dated March 16th. Mr. Larimer had a copy and provided it. Mr. Strachan asked about the policy of providing a copy of all correspondence to the board in advance. Mr. Larimer clarified that the practice that was adopted concerning advance review only applies to correspondence being mailed to all participants.

MOTION: A motion was made and seconded to adopt the practice of providing a copy via email of all correspondence (not in advance) to the board. The motion passed.

Administrator will implement the new policy of copying all board members on future correspondence.

Ms. Joe confirmed that the new Fee Agreement with Madison Square had been fully executed. The new Agreement provides for a 3 basis point reduction.

Mr. Berry again questioned the "Estimated" fees for mutual fund holdings in Vanguard and Artisan. Ms. Joe and Mr. Johnson explained that mutual fund fees are calculated daily and taken at the overall mutual fund level on a monthly basis. Each investor shares in the fees in direct proportion to the percentage of shares each holds relative to the total shares of the mutual fund. The returns reported are net of these asset management fees. Mr. Berry and the board agreed to continue to accept the Gray & Company calculation of the fees and their inclusion in the monthly reports without using the term "Estimate".

Ms. Joe asked for dates to schedule an educational session prepared by Gray & Company on the recently passed legislation to allow alternative types of investments. She also asked for a date for the next Investment Subcommittee meeting.

Mr. Watson requested from Gray & Company a comprehensive list of organizations and conferences that could provide ongoing educational opportunities for board members. Ms. Green mentioned an educational conference offered by Bank of New York Mellon.

Ms. Joe reviewed the First Quarter performance. Total market value of assets was \$1.062 billion and current quarter and one year returns were strong at 9.21% and 5.22%, respectively. All segments of the Domestic Equity performed well in the quarter with Large, Mid and Small all up by double digits. The Fixed Income segment composite return was .78% for the month and 7.47% for the one-year period with JP Morgan Bank One and Mesirov beating the Barclays US Aggregate Index. Fixed income returns for the quarter were positive but much lower than what they had been over the course of the last year, reflecting a stabilization and small upward trend in interest rates. Overall, the portfolio remains within the target asset allocation guidelines.

Ms. Joe mentioned that Globalt had been put on probation several months ago but their performance had rebounded in the recent quarter. Mr. Strachan asked if Globalt had changed their strategy in response to being put on probation to cause the turnaround. Globalt had not changed their strategy but had stuck to their discipline and was rewarded with market changes that benefited their approach. Considerable discussion ensued concerning what probation means and whether or not a manager should change something in their process to try to improve performance. According to Mr. Strachan, probation should be a notice to try to do better, not just for the manager to wait for the market to "come their way". Mr. Roach of Globalt was invited to address the issue and described the Policy Guidelines as a framework within which a manager is to operate and that the manager must have confidence in their process and the results it will produce over a full market cycle. Mr. Roach confirmed that Globalt made no change to strategy after the probation notice. The discussion ended with Mr. Strachan suggesting that the definition and objectives of probation be re-examined. Mr. Berry, while expressing a different opinion on the objective of a probation notice, suggested it could be an agenda item for a future Investment Subcommittee.

Mr. Berry inquired about the Commission Recapture Program: specifically, the receipt and reporting of these commissions. He referred to monthly financial statements for February and March that show no postings in the Commission Recapture line item despite the managers reporting that some of these collections had been accrued by them. Gray & Company and GEMGroup will research the accounting for Commission Recapture proceeds.

Subsequent to the meeting it was learned that the managers collect and accrue these commission monthly and provide a report to Gray & Company. The cash payment of these commissions is made quarterly from Bank of New York Mellon and are therefore reflected on the financial statements prepared by GEMGroup upon receipt, typically the first month of each quarter for the previous quarter. Mr. Berry pointed out that an entry had been posted on the financial statement in November 2011. Research indicated that this posting was in error and was actually a realized investment gain in the Cash Investment account. That error was corrected and the November 2011 financial statements were revised to reflect the correction.

OLD BUSINESS:

Georgia Association of Public Pension Trustees Application - Mr. Larimer reported that the completed application and the check for membership dues would be mailed to the GAPPT. All board members are registered as members.

NEW BUSINESS:

Allocation of Indirect Costs to GEPP from City Finance Department - Mr. Gaffney presented and invoice for Indirect Costs owed to the Finance Department but not billed for fiscal years 2010, 2011 and year-to-date 2012 totaling \$436,513.04. Mr. Gaffney explained that the City's practice is to allocate the costs of support functions such as accounting and audit. The invoice represents those services being rendered to the GEPP. The costs were being accrued but the Finance Department did not submit the bills for payment after GEMGroup assumed the administration for the plan. Mr. Gaffney discussed the difference between direct and indirect costs and promised to send to the board a more detailed accounting and description of the specific items that go into the indirect costs. Mr. Gaffney explained that in addition to the indirect costs, there are other items that have been reconciled in the Finance Department and suggested that there is actually a larger amount owed to the plan such that the plan will be in a net receipt position after the offset. A detailed accounting of both will be presented at the next meeting.

Mr. Burbridge, CFO of Atlanta Public Schools -- Mr. Burbridge addressed the board on the topic of the recommendations contained in the Experience Study prepared by Segal for the Atlanta Public School board.

Mr. Burbridge commented on the recommendation that the current investment rate of return assumption be reduced from the current 8% to a lower 7.75% or 7.5% to better reflect current market conditions. Mr. Burbridge suggested that the board maintain the 8% assumption, believing that it is intended to be an expected return over a long period of time and that experience shows that an 8% assumption is reasonable.

Mr. Burbridge commented that the two plans -- General Employees and APS -- are very different. The APS plan has close to four retirees receiving benefits for every active employee. Consequently, approximately \$37.5 million of the APS annual contribution of \$40 million goes directly to paying current benefits. The actuarial funding plan currently shows the APS plan being fully funded in 15 years. A change in the return assumption would require a higher contribution and would have to come from expenditures elsewhere in the APS budget such as current teacher positions. Mr. Burbridge encouraged the trustees not to change the investment return assumptions.

Ms. Yancy commented on behalf of the City and its concerns over the unfunded liability in the GEPP overall and reiterated how important the issue is to the City. While understanding the strategic course that APS has established to reach full funding in 15 years, there would be concern if APS were to decide to deviate from the established course because any negative impact would end up falling on the City because the plans are operated as a combined fund.

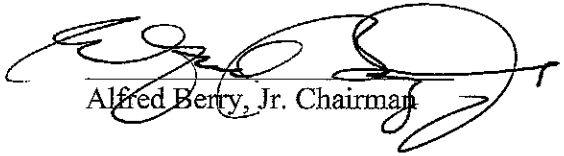
Betty Hendricks -- Appeal of Refund Denial - Ms. Hendricks had stated that she would attend to board meeting to present her appeal but she was not present. The board deferred action on her request until next month. The Administrator will send a letter informing her that her appeal will be on the agenda next month.

Past Refund -- Discrepancy Alleged by Theresa Stanford - Ms. Denius summarized that Ms. Stanford was terminated in 1999, claiming that she did not receive the "City portion". Ms. Denius explained that there is no City portion and the City's records indicate that Ms. Stanford's refund was calculated correctly and that she had received the proper amount due her. The Administrator will write her an explanatory letter.

PUBLIC COMMENT: None

There being no further business to discuss, the meeting was adjourned at 12:30 p.m.

Respectfully submitted:



Alfred Berry, Jr. Chairman

Jim Beard, CFO & Secretary