

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

July 11, 2013

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A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on July 11, 2013 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Alfred Berry, Jr.  
Gregory Nash  
Aretha Sumbry-Powers

Douglas Strachan  
Angela Green

Yvonne Cowser Yancy  
Jim Beard  
Yolanda Johnson

**TRUSTEES ABSENT:**

**OTHERS:**

Richard Larimer, GEMGroup; Kristen Denius, City Law Department; Lisa Joe of Gray & Company, Laurel Hill of Wells Fargo Bank, Robert Stanley of Atlanta Public Schools, Mickey Walker, Risk Management, and Derek Batts of Morgan Stanley.

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

**ADOPTION OF AGENDA:**

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

**APPROVAL OF MINUTES:**

Commenting on the June 5<sup>th</sup> meeting minutes, Mr. Berry asked if a copy of the current Gray & Company contract need to be included with the Investment Consulting RFP when it is distributed to potential bidders. Ms. Denius explained that a form of contract detailing the services being requested must be attached to the RFP. Ms. Johnson suggested that a complete RFP – with the form of contract attached – be sent to the trustees. Ms. Yancy stated that the trustees could meet briefly to approve the form of contract and the RFP could be sent out. Ms. Denius will circulate the Gray & Company contract to the trustees.

As a follow-up to a discussion at the June meeting, Mr. Berry provided a copy of an excerpt from the Plan document – Section 6.1 – Interest on Refunds – that confirms the 5% interest currently being paid on contributions that are refunded to participants is specified as provision of the Plan.

**MOTION:** A motion was made and seconded to approve the minutes of the June 5, 2013 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 the service pension applications Nos. 1-6 as listed on the attached spreadsheet dated July 11, 2013. The motion passed.

**DISABILITY PENSION APPLICATIONS**

The Disability Pension application on the attached spreadsheet was presented for Board action. Mr. Larimer noted that the applicant was only able to submit to one doctor examination due to a recent debilitating stroke rendering him unable to see a City doctor. Under the circumstances, the trustees agreed to make an exception to the normal requirement of two doctor examinations.

**MOTION:** A motion was made and seconded to approve Disability Pension application as listed on the attached spreadsheet dated July 11, 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 July 11, 2013. The motion passed.

**APPROVAL OF CHECK REGISTER AND INVOICES:**

The Check Register dated July 11, 2013 was presented for review and approval.

**MOTION:** A motion was made and seconded to approve 7 items: #49963 - #49981 on the Check Register dated July 11, 2013 totaling \$163,122.39. The motion passed.

The trustees also presented an invoice for Retirement Watches in the amount of \$51,508.70. The amount included sales tax that the trustees directed should be deducted. They authorized the invoice to be paid and reflected on next month's Check Register.

**REVIEW OF MAY 2013 FINANCIALS:**

The financials for the period ending May, 2013 were presented and reviewed. After a brief discussion,

**MOTION:** A motion was made and seconded to accept receipt of the May 2013 financial statements as presented and refer them to the CFO for review. The motion passed.

## LAW DEPARTMENT:

Board By-Laws- Final Draft – Ms. Denius provided a revised draft incorporating comments from previous meetings.

Mr. Nash again raised an objection to Section 2.4 dealing with the removal or suspension of trustees, specifically the language in 2.4.1 that provides that elected trustees may be removed by a vote of the board members. His objection was based on the belief that board members who were elected by the group of constituents that they represent should only be able to be removed by a vote of the same group of constituents that had elected them.

Mr. Strachan acknowledged the concern but did not see a conflict in the overall board being able to remove a trustee for just cause, citing the impeachment of the US President as an extreme example.

Ms. Yancy commented that the board's ability to remove a trustee for just cause was a necessary tool of governance.

Ms. Green stated that the provision had the effect of taking away the citizens' right to vote and was un-American.

Ms. Denius pointed out that if the provision were to be eliminated, there would be no practical way for the board to remove an elected member for any reason.

**MOTION:** A motion was made and seconded to approve the draft of by-laws as proposed. There were four Yes votes and four No votes. The motion failed.

Fiduciary Liability Insurance Application – Status Update - Ms. Denius reported that had contacted the Police and Fire carrier and was awaiting a response as to any possible pricing advantage of combining the coverage for all three plans.

## ACTUARY REPORT

Mr. Atwater introduced Jeanette Cooper of Segal who presented the 2012 Valuation Report for General Employees' Plan.

The required annual contribution for the City for the coming fiscal year is \$42.1 million or 29% of payroll, up from \$38.7 million last year. The increase is primarily due to low investment returns (0.5% actual vs. 8% actuarial assumption for fiscal year-end June 30, 2012) and an expected increase in the amortization payment, partially offset by a change in the asset method.

A detailed Experience Study was completed for the 7.5 year period ending June 30, 2011. The board, under resolution 5.1.13, chose to delay the implementation of the revised assumptions into the valuation methodology until the 2015 fiscal year. Therefore, this valuation only incorporates the demographic and asset method assumptions recommended by the Experience Study. If the proposed economic assumption changes were made part of this valuation, the Annual Recommended Contribution (ARC) and the Unfunded Actuarial Accrued Liability (UAAL) would have been higher by \$6 million and \$52.7 million, respectively. Barring any dramatic changes in demographics or investment losses, the City should expect an increase in the ARC for next year of \$10 million due to economic assumption changes and the normal 4.5% increase.

Mr. Berry questioned the impact on the valuation of the disability pension rules that allow years of service to be granted while receiving a disability pension and credited to the participant's service pension calculation at conversion at age 60. Mr. Atwater confirmed that the impact was small, noting that only 227 people were receiving a disability pension or less than 3% of covered participants.

Ms. Yancy suggested that Mr. Atwater and Mr. Carr, actuary for the Police and Fire Plans, get together to make sure that the implementation of new GASB regulations and reporting requirements are consistent among all the City's plans.

Mr. Beard commented on the idea of exploring issuing Pension Obligation Bonds (POB) as means to fully fund the Plan. He stated that he might consider funding a portion of the Plan's unfunded liability using POB's but not a full funding. Mr. Beard asked that Segal provide an analysis of the pros and cons of using POB's to fund a portion of the Plan's unfunded liability.

## **INVESTMENT CONSULTANT REPORT**

Flash Performance Report-May 2013 - Lisa Joe and Kurt Lofter reviewed the Flash Performance Report for May 2013. Total fund assets were \$1.13 billion at period end May 2013. Overall returns for the one-year period were ahead of the Policy Index by 110 bps, net of fees, (21.3% vs. 19.2%). The Large Cap composite return was below benchmark, but the one-year returns in Mid, Small and International more than offset this shortfall.

The Fixed Income segment also showed above benchmark performance in the one-year period, but struggled in the current month and quarter, missing targets in both periods. This prompted discussion about the drivers of the bond market – primarily the actions of the Federal Reserve and its decisions as when to ease up on bond buying in the future – and strategies for the Fund to protect the portfolio from any negative impacts. Mr. Beard noted that one tactic would be to shorten the duration of the portfolio. He asked Gray & Company to offer some other strategies at the next meeting.

Certificates of Deposit Held by the Plan - Ms. Joe distributed two letters from Citizens Trust Bank verifying that two Certificates of Deposit were being held at the Bank as investment of the General Employees' Pension Plan – the combined amount of the CD's is \$188,925.23. The CD's have been on deposit for some time, earn only .2% and mature in January 2014.

**MOTION:** A motion was made and seconded to allow the certificates of deposit to mature in January 2014 and at that time move them into the cash investment account of the Plan. The motion passed.

Cash Flow Projection and Cash Raise – Ms. Joe reviewed the Cash Flow Projection prepared by GEMGroup showing the estimated cash needs of the Plan through October to be \$30 million and Gray & Co recommendation to raise the cash from two managers – Ceredex and Cornerstone - \$15 million each. There was a brief discussion of changing the plan to a complete re-balancing and taking amounts from all managers prorate, but using Ceredex and Cornerstone allowed the overall asset allocation to be brought closer into line with target.

**MOTION:** A motion was made and seconded to accept Gray & Company's recommendation to raise \$30 million in cash to fund benefit and expenses through October by transferring \$15 million from each of the Ceredex and Cornerstone portfolios to the Cash Account. The motion passed.

Manager Questionnaire – Minority Representation on Staff – Ms. Joe distributed the survey results obtained from the managers. Board members reviewed the report and asked Gray & Company to request from Vanguard and Artisan a written copy of their respective policies with regard to their non-disclosure in the EEOC Questionnaire. Ms. Green asked that Gray and Company to ask Wells Fargo Bank to complete the EEOC Questionnaire as well.

## **OLD BUSINESS:**

Securities Lending – Wells Fargo & Citibank – Final documents were delivered to Mr. Berry and Ms. Denius earlier in the week. There had not been sufficient time for Ms. Denius to read all the documents and therefore she was not in a position to give her final approval. However, the board approved the following motion,

**MOTION:** A motion was made and seconded to authorize Mr. Berry and Mr. Beard to execute the necessary Custody and Securities Lending Agreements after Ms. Denius' review and approval. The motion passed.

Later that day, Ms. Denius completed her review and gave final approval. Mr. Berry and Mr. Beard will sign the documents as soon as possible and send all originals to Mr. Larimer for distribution to all parties.

Investment Consultant RFP -Update – As referred to earlier in these minutes, the board authorized the RFP for Investment Consulting services to be issued by the City Procurement Department and a copy of the form of consulting contract will be attached.

## **NEW BUSINESS:**

Direct Deposit Implementation – Mr. Larimer reported that after the Third Notice 614 of the original 866 people who had been receiving paper checks had authorized Direct Deposit, a compliance rate of 71%. Based on the higher than expected success rate, the board directed that a Fourth Notice be sent to those remaining individuals giving them extra time to make the change. Mr. Beard and Ms. Yancy commented that the initiative is underway to implement the capability to issue Debit Cards for active employee payroll and other City regular disbursements. This platform would be necessary to implement alternative disbursement options for the General Pension Plan retirees as well. Progress will be reported at the August meeting.

Spousal Benefit – Payments Post Retirement – Mr. Larimer distributed a revised Summary of Clarifications to Plan Rules to address the interpretation of the rules for spousal pension benefits when the participant has not paid for the benefit during active employment. The current practice is that upon the death of an active participant or upon retirement, it is determined that the participant had not paid the 1% additional contribution required to earn a spousal benefit, the spouse (in the case of an active participant death) or the participant in the case of retirement, will be permitted to pay the total amount that should have been paid for the spousal benefit as a monthly deduction from the future benefits over a period not to exceed five years. A spousal benefit will not be paid to a spouse when the marriage occurs post retirement. An error or oversight of not paying for a spousal benefit can be corrected only upon the death of an active participant or at the time of a participant's retirement – not after the participant's pension benefit has commenced. The board concurred with this interpretation of practice.

Interest Rate on Refunds of Contributions - Mr. Berry provided a copy of Section 6.1 of the Plan document stating that the interest rate to be paid on contribution balances is 5% per annum. Further discussion on changes to this Plan provision was deferred to a later date.

Appeal of Denial of Disability Pension Application – Lesley Wallace – Ms. Wallace, represented by her attorney, Daniel Levitas, appealed the denial of her eligibility to file an application for a disability pension based on the fact that her application was filed after her employment with the City had been terminated by her resignation. The current and long-standing practice of the Pension Fund states that in

order to be eligible to apply for a disability pension, the participant must be employed by the City at the time of application. Mr. Levitas cited Chapter 6, Article II Sec. 6-57 of the Plan document which states that a person "may make application therefor at any time after the termination of his service and employment by the City". The City Pension staff, Law Department and the Administrator interpreted this provision to only apply to service pensions in which years of service had vested a pension benefit that could be applied for at a later retirement age.

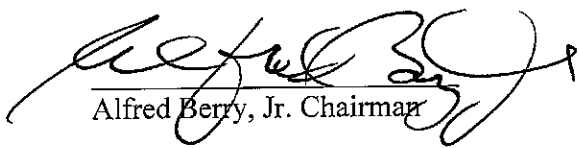
Ms. Yancy asked City Counsel if the Plan had language addressing rights specifically with respect to disability pension applications that were different than those cited by Mr. Levitas. Ms. Denius responded that there were no specific references to disability application rules. The consensus of the board was that, absent any specific language to the contrary, the provisions of Sec 6-57 suggest that Ms. Wallace was eligible to apply for a disability pension after her employment terminated.

**MOTION:** A motion was made and seconded to allow the applicant to proceed with her disability application and should be referred to a City doctor for evaluation. The motion passed.

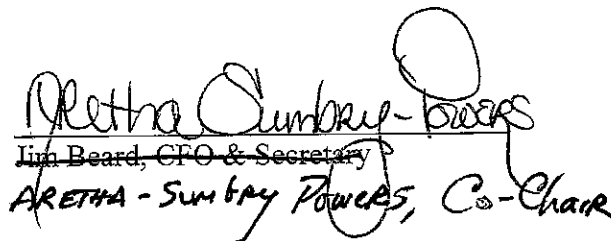
There being no further business to discuss, the meeting was adjourned at 12:30 p.m.

The next meeting will be held on Wednesday, August 7, 2013 in Conference Room 1, City Hall.

Respectfully submitted:



Alfred Berry, Jr. Chairman



~~Jim Beard, CFO & Secretary~~  
ARETHA - Sumbry Powers, Co-Chair