

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

August 1, 2012

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

TRUSTEES PRESENT:

Alfred Berry, Jr.
Douglas Strachan
Gregory Nash
Aaron Watson

Aretha Sumbry-Powers
Yolanda Johnson
Jim Beard

TRUSTEES ABSENT:

Yvonne Cowser Yancy

OTHERS:

Richard Larimer, GEMGroup; Ray Adams, Office of Retirement Services; Kristen Denius, City Law Department; Larry Gray, Lisa Joe of Gray & Company, Eric Atwater, Segal Company.

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

ADOPTION OF AGENDA:

The Agenda was reviewed. .

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

APPROVAL OF MINUTES:

Mr. Strachan requested that an addition be made to the minutes of the July 5th meeting on page 4 to express the Board's commitment to pursue implementation of the Web site. Administrator will make the change to the minutes.

MOTION: A motion was made and seconded to approve the minutes, 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. 1-23 as listed on the attached spreadsheet dated August 1, 2012. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Application on the attached spreadsheet was presented the Board for approval.

MOTION: A motion was made and seconded to approve the Disability Pension application on the attached spreadsheet dated August 1, 2012. 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 Beneficiary Pension applications Nos. 1 - 3 on the attached spreadsheet dated August 1, 2012. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

A revised Check Register dated August 1, 2012 was presented for review and approval. The revised Check Register was distributed by the Administrator at the meeting to replace the one contained in the meeting books to add a supplemental check in the amount of \$40 to Mr. Nash as part of an expense reimbursement that contained an incorrect per diem rate.

MOTION: A motion was made and seconded to approve 14 items- #38841- #38853 and #39762 on the Check Register dated August 1, 2012 totaling \$344,071.45. The motion passed.

REVIEW OF APRIL 2011 FINANCIALS:

The financials for the period ending June 30, 2012 were presented. Mr. Larimer provided a brief overview of the fiscal year-end statements, commenting that the overall administration expenses for the Plan were 7 basis points which compared favorably with other plans with which the Administrator was familiar. Ms. Johnson inquired about available studies and data that would support that opinion. Mr. Atwater mentioned a recent study in Pension and Investment Age that had such data. Subsequent to the meeting, Mr. Atwater sent a copy of the article to the Board.

Mr. Berry asked whether Indirect Costs being allocated from the City to the GEPP were reflected in the financials. Mr. Beard stated that they were not. The Finance Department was looking at all the cost allocations for the City and was in the process of sending a Request for Proposals to independent, third-party firms to perform a study and make recommendations.

Mr. Berry inquired about a \$37,410 expense item in May. Mr. Larimer responded prior to the end of the meeting that this item was the payment to settle the Lyondell securities litigation that had been approved at the May meeting.

MOTION: A motion was made and seconded to accept receipt of the June 30, 2012 financial statements as presented. The motion passed.

LAW DEPARTMENT:

Fiduciary Liability Policy – Ms. Denius asked that this item be deferred to a future meeting until the IRS Determination Letter filing is completed.

Policy for Pension Effective Date in Reduction in Force Terminations: - Ms. Denius presented a policy change recommendation that would allow a participant who has been separated from employment due to a Reduction in Force (RIF) to submit an application for retirement within 24 months of their separation date and the effective date of that participant's pension benefit would be the last day of their employment.

The rationale for the policy change is that the employee is given the possibility of future employment from the "RIF List" for two years which in many cases provides an incentive to not submit a pension application immediately after their separation because they would be precluded from any further accrual into the pension plan if they were to be rehired after drawing a pension. If future employment does not occur, the participant is currently penalized by an effective date well after their last day of employment. Considerable discussion ensued to clarify the board's understanding of the circumstances to which this policy would apply.

MOTION: A motion was made and seconded to adopt the policy change as recommended, subject to review and approval by HR Commissioner, Ms. Yancy. The motion passed. Ms. Green abstained.

Voluntary Compliance Program – An IRS audit of the GEPP in the early 2000's found certain deficiencies and recommended corrective actions be taken. Most were completed and implemented. The IRS came back with an objection to the method used to calculate interest owed to refund recipients during the period that the GEPP was calculating interest, incorrectly, on refunds by applying 5% to the final balance owed the participant, regardless of number of years the contribution balance had accrued interest. The methodology used in calculating the corrective amounts was 5% per annum, simple interest, which is consistent with how interest on refunds is supposed to be calculated according to the Plan. The IRS has stated that the corrective interest refunds should have included interest on the interest to compensate recipients for the time value of the late payments. The Law Department is awaiting the recalculation being done by the Pension Department.

Mr. Beard asked if an outside firm should be engaged to assist. Ms. Denius explained that that may be needed in order to complete the entire list of calculations, but at this point counsel has said the IRS only needs to see 10 examples which should be able to be accomplished with internal resources.

IRS Determination Letter Application – Ms. Denius explained that one of the IRS corrective action recommendations was the adoption of a Plan Amendment in a timely fashion. The Amendment was adopted in 2010, but missed the deadline by 3 weeks. Outside counsel has recommended, and the request has been made of the IRS, to allow the late amendment filing issue into the VCP filing and allow both to be handled under the VCP procedures. The VCP filing requires a base fee of \$20,000. If the IRS does not approve the combination of the two issues, an amended filing will cost a penalty of \$50,000 and a fine for the late amendment adoption would be an additional \$32,500. Ms. Denius pointed out that the fines and penalties could not be paid by the Plan but would need to be paid by the City as Plan Sponsor.

EXECUTIVE SESSION

MOTION: A motion was made and seconded to go into Executive Session for the purpose of discussing the Bridgepoint securities litigation matter and an appeal of a disability application denial. The motion passed.

{Executive Session Begins}

{Executive Session Ends}

MOTION: A motion was made and seconded to engage the law firms of Motley Rice and Chitwood Millburg to represent the GEPP in seeking lead plaintiff status in the Bridgepoint litigation. The motion passed.

MOTION: A motion was made and seconded to authorize Ms. Collins-Jones to be sent to a City approved doctor at the board's expense for a third evaluation on her disability claim. The motion was approved.

Ms. Collins-Jones' attorney was present at the meeting and was informed of the board's decision. Subsequent to the meeting, a letter was sent by Administrator to Ms. Collins-Jones and her attorney confirming the board's decision.

ACTUARY REPORT

Actuarial Asset Allocation Method - Mr. Atwater presented his recommendations on the Actuarial Asset Allocation Method to equalize the investment returns for both the City and the APS portions of the GEPP because both portions of the fund are invested identically.

MOTION: A motion was made to accept the Segal Company recommendation as to Asset Allocation Methodology to equalize the investment returns for both the City and the APS portions of the plan for this year and going forward. The motion passed.

2011 Valuation Report – Trustees asked that this item be deferred to next meeting.

INVESTMENT CONSULTANT REPORT:

Quarterly Performance Report – June 30, 2012

Mr. Gray reported that the macro-economic themes of the past few quarters have not changed; the markets continue to be dominated by a stubbornly high unemployment rate, low growth in the US, Europe's debt crisis and the slowdown in China. His expectations are that these themes will continue to drive market performance and continued volatility over the remainder of the year.

For the quarter, the S&P 500 Index was down 2.75% and the Russell 1000 was down 3.00%. The market has followed a pattern over the past three years of having a strong first quarter followed by a poor second quarter; 2012 has been no different.

Mid-Cap as a specific asset class continues to show problematic performance. The two Mid-Cap managers underperformed the benchmark by 400 bps, combined. Mr. Berry asked about Madison Square. The performance was reviewed at the investment sub-committee and the recommendation is to terminate this manager.

A discussion ensued concerning the process and protocol for reviewing managers, compliance with the IPS with respect to placing managers on probation, and what information should be provided to the board in advance. Mr. Berry reiterated that the policy should be followed. It was the consensus of the board that the status of Madison Square be placed on the September agenda with materials provided in advance.

Fixed income managers, particularly JP Morgan, had positive performance in the absolute and compared to the benchmark. The cash account returns were near zero and will likely continue in this range.

Mr. Strachan asked about the recommendations that came out of the Investment sub-Committee and the minutes. A discussion ensued concerning governance and the protocol for preparation of minutes for the Investment sub-Committee. He made the point that the business of the Investment sub-Committee needs to be recorded in minutes and distributed to the Board in advance of the Board meeting so that the full Board can take actions on any recommendations. This is not happening now. Mr. Gray promised to follow up with a more comprehensive outline of proposed governance and protocols for the board's consideration.

Mr. Larimer offered to attend the Investment Subcommittee meetings and to serve in the same capacity as for the monthly board meetings by preparing agendas and taking and preparing the minutes. This would be an addition to the current service agreement and require an additional cost. Mr. Watson, Chair of the Investment Subcommittee, would need to consider this proposed arrangement and make a recommendation to the Board.

OLD BUSINESS:

Indirect Cost Allocation to GEPP

Reconciliation of Amounts Due to GEPP

Both of these items were deferred to a future meeting after the Department of Finance completes its review of all cost allocations for the City.

NEW BUSINESS:

Third-Party Administrator Contract

It was noted that the GEMGroup contract expires October 31, 2012. Mr. Larimer presented a draft of a proposed one-year extension with a 4% increase, the same annual rate increases as provided for in the original contract. Mr. Berry and Mr. Strachan agreed that the one-year extension should be exercised prior to the October 31, 2012 expiration, but wanted to deliberate over the new proposed fee schedule. The board asked that a copy of the current contract be re-sent and the item put on the September meeting agenda for action at that time. Subsequent to the meeting, Mr. Larimer sent by email the current contract to all board members.

Annual Pension Statements and Cover Letter – Mr. Larimer presented drafts of two Pension Statement formats: one for a participant in the standard pension plan and another for those participants that elected the Hybrid DB effective November 2011. Also presented for review was the Cover Letter that would accompany both statements.

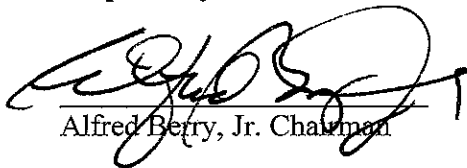
MOTION: A motion was made and seconded to approve the statement formats and the cover letter as presented. The motion passed.

Web site Access for Participants - Mr. Strachan reiterated the board's commitment to bringing Web site access to participants. Mr. Larimer stated that GEMGroup was prepared to offer access to the GEMGroup Web site that would be populated with the GEPP data and other plan materials and that would be accessed via a link found on the City's Web site. Mr. Strachan's impression was that the Web site would be the City's site and would be maintained and populated by the City with data supplied by both the City and GEMGroup. The issue of the approach and delivery of Web site access will need to be resolved separately and implemented at a later date.

PUBLIC COMMENT: None

There being no further business to discuss, the meeting was adjourned at 12:45 p.m.

Respectfully submitted:


Alfred Berry, Jr. Chairman


Jim Beard, CFO & Secretary