

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

August 3, 2011

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on August 3, 2011 in City Hall, Committee Room 2, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Jo Ellen Paige
Yolanda Johnson

Aretha Sumbry-Powers
Douglas Strachan

Yvonne Cowser-Yancy
Aaron Watson

TRUSTEES ABSENT:

Joya De Foor

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department, Ray Adams, Office of Retirement Services; Eric Atwater, Segal Company, Larry Gray, Gray & Company, Laurel Hill, Wells Fargo Bank and Sherri Davis, Atlanta Public Schools.

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

Mr. Berry read a letter from board member John Bell resigning his position as a member of the General Employees Pension Plan board, citing the time and scheduling conflicts with his new job. Mr. Berry suggested and the other board members agreed that Mr. Bell's board position would remain vacant until his unexpired term ends on December 31, 2011.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

MOTION: A motion was made and seconded to approve the minutes of the July 6, 2011 meetings. The motion passed.

GENERAL EMPLOYEES' PENSION FUND PENSION APPLICATIONS:

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. 1-33, as listed on the attached spreadsheet dated August 3, 2011. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Application on the attached spreadsheet was presented to the Board. Application #2 for Larry Copeland was deferred pending further medical evaluation of his application.

MOTION: A motion was made and seconded to approve the Disability Pension application as listed on the attached spreadsheet dated August 3, 2011. 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 No. 1 - 6 on the attached spreadsheet dated August 3, 2011. The motion passed.

APPROVAL OF INVOICES AND CHECK REGISTER:

The Check Register was reviewed by the Trustees.

A question was raised about the Administration Costs paid to the City of Atlanta. Mr. Adams explained that there had been two staff departures recently and vacation pay and sick leave pay may have caused the salary expense to go up compared to prior months. These expenses are expected to decline going forward.

Mr. Berry directed a question concerning investment fees, particularly Jennison and Ceredex, being quite large. Mr. Gray responded that the manager fees had been aggressively negotiated and relative to their respective portfolio sizes the fees appeared to be competitive. Mr. Gray promised to continue to pay close attention to the manager fees and continue to press for concessions where warranted.

MOTION: A motion was made and seconded to approve 12 items on the Check Register dated August 3rd totaling \$821,559.44. The motion passed.

REVIEW OF FEBRUARY 2011 FINANCIALS:

The financials for the period ending June 30, 2011 were reviewed. Mr. Berry asked if Ms. De Foor had reviewed and commented on the financials. Ms. De Foor had not.

The contribution amounts in the month of May were substantially less than the average monthly amounts. Mr. Larimer noted that the City contribution in the month of June totaled \$10,140,000, making up for the below average contributions received in May. This brings the City's annual contribution to the Plan to \$42,770,464, fully meeting its obligation. The Atlanta Public Schools contributed \$39 million to the Plan.

MOTION: A motion was made and seconded to accept receipt of the financial statements for June 30, 2011. The motion passed.

ACTUARY REPORT:

Mr. Atwater reviewed the June 30, 2010 Actuarial Valuation Report for both the City and Atlanta Public Schools. Mr. Atwater commented that the data for the 2011 report had been requested from the GEMGroup. Receipt of the data has been promised prior the next meeting.

Mr. Atwater summarized the recent changes made to the Pension plan and the impact on the City budget. The 5% increase in employee contributions lowers the required contribution from the City by approximately \$4.5 million and the changes in benefit levels reduces the required contribution by another \$6.0 million. The combination of these two components of the enacted pension reforms serve to positively impact the City's budget by approximately \$10.5 million annually from \$45 million in 2011 to \$35 million in fiscal year 2012. This represents approximately 23.6% of payroll in 2012 compared to approximately 30% of payroll in 2011.

Mr. Atwater pointed out that the market value of plan assets rose 12.5% over the past year, exceeding the actuarial assumed return of 8%. While this is the second consecutive year returns have exceeded the actuary assumption, Mr. Atwater cautioned that this performance should not be expected each year going forward.

Mr. Atwater discussed an experience study being recommended by Segal. Such a study is considered to be prudent every 5 years to ensure that benefits promised are properly measured based on actual experience of the Plan. The GEPP's last experience study was 8 years ago. The projected cost of the study would be \$30 - \$35,000 per plan (City and APS) and would take 3-4 months to complete. Mr. Atwater recommended that the study be done after completion of the 2011 Valuation Report.

Mr. Atwater reviewed several financial highlights of the Valuation Report, noting that the Funding Ratio was 55%, the number of retired participants and beneficiaries continued to rise while the number of active participants continued to decline, a trend that most defined benefit plans are experiencing that puts added pressure on plans' funding ratios.

Mr. Strachan recommended that a summary of the Valuation Report be prepared and posted on the City Website to provide City employees direct access to the information upon which the pension reform decisions were made.

Mr. Atwater reviewed the highlights of the Valuation Report for the Atlanta Public Schools. The school board approved an extension of the amortization period temporarily for a period of 3 years in order to reduce the required contribution in the short run. Responding to questions, Mr. Atwater stated that the APS plan has a much higher ratio of retirees to actives compared to the City plan and its Funded Ratio is only 17%. The risk to the APS plan is the ability to pay the required benefits and remain solvent.

Mr. Atwater promised to send to the board the summary of the Valuation Report for posting to the Website and a proposed timeline for preparation of the experience study.

LAW DEPARTMENT:

Interest Rate Change on Contributions

Ms. Denius reported that several of the contacts she tried to reach were on vacation. Her survey of the practices of other governmental plans with respect to interest accrual will be presented at the next meeting.

INVESTMENT CONSULTANT REPORT:

Mr. Gray provided a capital markets overview, touching on the debate in Congress over raising the debt ceiling and the negative impact on America's stature around the world. On the international front, multiple countries in Europe are facing credit problems any one of which could cause a second global recession. Basically, the near term outlook has many more risks than positives.

The portfolio has enjoyed robust returns over the past year with equity returns in excess of 30%. Fixed income investments were modest but positive; however, with interest rates at virtually zero, Mr. Gray cautioned that rising rates are likely at some point and will have a negative impact on bond portfolio performance.

Total market value of the portfolio at June 30 was \$1.072 billion, down from \$1.080 billion in March. Overall, Large Cap managers performed above the benchmark for the year, although Globalt underperformed significantly in the most recent quarter. Fixed Income managers performed close to their respective benchmarks, with the exception of Atlanta Capital that underperformed by 100 bps over the past year.

Mr. Gray called the board's attention to various graphs showing the Return vs. Risk profiles of the Fund's managers, making the point that the managers for the GEPP are expected to achieve at or above benchmark returns while exhibiting below average risk as measured by volatility.

Mr. Gray stated that the firm has been in contact with all the managers to review their process and any changes with personnel. He also stated that a brief meeting of the Securities Litigation committee had been scheduled for immediately following today's board meeting.

Mr. Gray reiterated his recommendation that the board begin holding meetings of the Investment Subcommittee and begin to meet to discuss the many investment issues confronting the portfolio.

Mr. Berry asked about the proxy voting policies and practices of the GEPP's managers, focusing on the criteria that the managers follow to make the decisions on proxy issues. Mr. Gray offered to request the written proxy voting policies of several managers for the board's review.

Ms. Paige reported on a call she received from a participant asking if the "matching" contribution that the City makes to the pension plan on behalf of all participants should be included in a refund payable to the participant. Ms. Denius explained that the City's contribution is not a match where funds are earmarked for individual accounts. Participants do not receive any of the City's contributions to the pension plan; they are only entitled to receive a refund of the contributions they made, plus interest at 5% per year.

OLD BUSINESS:

None

NEW BUSINESS:

Conversion to Wells Fargo from Wachovia

Ms. Hill addressed the board on the timeline for the conversion to the Wells Fargo banking name and platform from Wachovia.

Ms. Hill began the presentation by informing the board that she had noticed an increase in the costs charged to the GEPP's bank account. Upon further research, it was discovered that a mistake had been made on the fees and she had processed a refund of \$1200 to the Plan to correct the error.


Ms. Hill explained that the GEPP accounts will be migrated to the Wells Fargo platform on October 15. Most of the work will be done between Wells Fargo and GEMGroup, with test files exchanged to make sure the transition runs smoothly. There will be a new on-line banking tool that both GEMGroup and City finance staff will use to monitor account activity. Communication has already begun among the teams at Wells Fargo and GEMGroup.

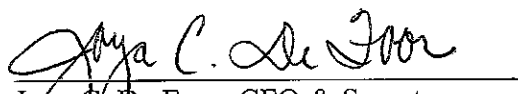
PUBLIC COMMENT:

None

There being no further business to discuss, the meeting was adjourned at 11:30 a.m.

Respectfully submitted:


Alfred Berry, Jr. Chairman


Joya C. De Foor, CFO & Secretary