

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

September 7, 2011

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on September 7, 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
Joya De Foor

TRUSTEES ABSENT:

None

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department, Ray Adams, Office of Retirement Services; Larry Gray, Gray & Company, and Mickey Walker, City of Atlanta.

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

Mr. Berry proposed adding Selection of Securities Monitoring Firm to the agenda.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

MOTION: A motion was made and seconded to approve the minutes of the August 3, 2011 meetings. 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. 1-25, as listed on the attached spreadsheet dated September 7, 2011. The motion passed.

DISABILITY PENSION APPLICATIONS

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

MOTION: A motion was made and seconded to approve the Disability Pension application on the attached spreadsheet dated September 7, 2011. The motion passed.

MOTION: A motion was made to reconsider the approval of the Disability Pension application and defer a decision pending the City Attorney's review of the application. 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, 2, 4, 5, 6, 7 & 8 on the attached spreadsheet dated September 7, 2011. The motion passed.

MOTION: A motion was made and seconded to approve Beneficiary Pension application No. 3 on the attached spreadsheet dated September 7, 2011. The motion passed. Ms. Sumbry-Powers abstained.

APPROVAL OF CHECK REGISTER AND INVOICES:

The Check Register was reviewed by the Trustees.

Mr. Berry questioned the portion of the GEMGroup invoice captioned "supplies recovery". Mr. Larimer responded that the charge was for supplies used in mailing the 2010 Pension Statements. Mr. Berry believes those costs are included in the GEMGroup contract. Mr. Larimer agreed to verify the accuracy of the item and, pending such verification, suggested that the GEMGroup check not be signed.

MOTION: A motion was made and seconded to approve 8 items (excluding the GEMGroup check #27967) on the Check Register dated August 3rd totaling \$241,263.39. The motion passed.

REVIEW OF JULY 2011 FINANCIALS:

The financials for the period ending July 31, 2011 were reviewed. Mr. Berry asked Ms. Yancy if she had had an opportunity to talk with Ms. De Foor concerning a review of the financials. Ms. Yancy stated that those efforts are still in process.

Mr. Berry asked about counter deposit items that appear on page one of the Bank Statement. Mr. Larimer said he would get back to him with an explanation.

LAW DEPARTMENT:

Interest Rate Change on Contributions

Ms. Denius reported that she had not been successful in getting information from nearby municipalities on their practices on paying interest to participants on refunds of contributions. Mr. Strachan, however, had provided her a chart compiling survey data from various government pension plans from around the country on their practices. The chart shows that the GEPP's practice of paying 5% interest to be about in the middle to low end of the range compared to these national peers. Interest rates paid range from a low of 3% to a high of 9%.

The source of the information, according to Mr. Strachan, was the research analyst for the National Association of State Retirement Plan Administrators and represented a cross section of state and municipal pension benefit plans nationally. He also pointed out that simply comparing the stated interest rates may not always provide accurate comparisons. For example, while the State of Alabama pays 4% compared to the GEPP's rate of 5%, Alabama's rate is compounded whereas the GEPP's is simple annual interest. This different computation methodology actually makes Alabama's effective rate higher than the GEPP for periods of five years or more.

Ms. Denius promised to continue to try to get survey data from comparable plan in the local Southeast area and report those findings to the board.

Mr. Strachan furthered the discussion on this issue by posing what he called a central question, "Is the pension fund a savings account?" Mr. Berry and the board agreed that it was not. Mr. Strachan's then made the point that if it was not a savings account, then the appropriate yardstick against which to compare the interest rate paid on contributions should be the overall, historical return on the portfolio instead of a bank passbook savings account rate. He also reiterated his view that any change to interest rate practice should be done prospectively, not be applied retroactively to balances that have been in the plan prior to a change.

Election Schedule

Ms. Denius reported that she was working on the final details of the election schedule for the two Retiree board member seats.

INVESTMENT CONSULTANT REPORT:

Mr. Gray provided a brief capital markets overview with the July Flash Report, noting that the solution to the economy's woes lies in job creation and as of yet current policies have not been successful. He reiterated his prediction that market volatility and slow growth can be expected for some time. The overall portfolio value at July 31, 2011 was \$1.047 billion, but had slipped to \$967 million as of September 5. The one-year performance was 14.47%, virtually matching the policy benchmark index.

Mr. Berry commented on a negative reaction he had experienced at a recent meeting of securities professionals to the board's recent decision to allocate a portion of the GEPP portfolio to index

funds and asked Mr. Gray to comment. Mr. Gray opined that a negative reaction from such a group should not be a surprise because generally they do not offer index funds and have a bias toward active management.

Mr. Berry reiterated his interest in having Mr. Williams from Georgia State University, the author of the index strategy research for the board, attend a board meeting and present his findings. Mr. Strachan will invite him.

Mr. Berry inquired about the exposure to Greece, Ireland and Spain in the portfolios of the newly hired international investment managers, Artisan and Johnston. Mr. Gray thought the best way to address the question would be to invite the two managers to address the board at the next meeting. Mr. Gray will invite them.

Ms. Paige cited the recent declines in the portfolio as very troubling and asked what can be done about it. Mr. Gray responded by pointing out that many of the alternative tools to help manage risk in a portfolio are not permitted by Georgia State law. Timing the market also has proven not to be an effective strategy. The best approach is to maintain an asset allocation discipline and trust that the long term market performance over a 10 – 20 year cycle will be favorable.

Ms. Paige asked about the Fund's investment in Vanguard Index Funds, mentioning her recollection that this investment was to have had a 3-month trial period. Mr. Berry read a motion from an earlier board meeting that stated the move to Vanguard would be reviewed in 90 days. While not recalling the 3-month review stipulation, Mr. Gray said he would be happy to review the Vanguard holdings at the next board meeting. He also commented that a 90-day period was insufficient time to draw any meaningful conclusions.

Mr. Strachan recalled that the context of the 90-day review was to determine if the board wanted to allocate more money to indexing. He offered his opinion that a 3-month period was too short to make a judgment on the strategy and reminded the board that the study on passive investing upon which the recommendations to add index funds was based looked at 20 years of market returns, not one quarter's experience. Mr. Strachan said he was not advocating moving significantly more of the GEPP portfolio to index funds at this time, nor was he in favor of undoing the board's previous move to Vanguard.

Mr. Berry urged his fellow board members and other legislators to advocate at the Georgia State level for changes in investment policies that would allow more flexibility in managing pension portfolios in these particularly volatile times.

Securities Monitoring Firm Selection

Ms. Johnson reported that the Subcommittee charged with evaluating and making recommendations on firms to perform securities monitoring firms had met and interviewed six different firms. Four had been selected for the board's consideration: Chitwood Harley Harnes; Milberg; Motley Rice and Robbins Geller Rudman & Dowd. Ms. Johnson commented that a variety of factors were taken into consideration including a local presence and specialties in services provided. Mr. Gray pointed out that his firm has worked with all except the Milberg firm and that many of his other clients have engaged more than one firm without any adverse effect.

Some concerns were aired about recent litigation that had affected the Milberg firm. Mr. Gray shared some knowledge of the circumstances that resulted in the splitting of the firm, but confirmed that they were still an active player in this area of law. The Subcommittee was aware of the circumstances prior to including them in their recommendation.

Mr. Berry noted that the Chitwood firm had worked for the Board in the past and had been discharged. He would have trouble supporting the Chitwood firm being included in the group.

It is the Subcommittee's recommendation that the Board enter into agreements for securities monitoring with all four of the firm. Ms. De Foor made a motion in support of accepting the recommendations of the Subcommittee.

MOTION: A motion was made and seconded to accept the recommendations of the Subcommittee and engage all four of the firms listed above to render securities monitoring services. The motion passed. Mr. Berry registered a "No" vote on the Chitwood firm.

OLD BUSINESS:

None

NEW BUSINESS:

Dr. Kevin B. Hicks – Authorization to Perform Medical Examinations on behalf of the City For Disability Pension Applications

MOTION: A motion was made and seconded to authorize Dr. Kevin B. Hicks to perform examinations for the Board relating to disability pension applications. The motion passed.

Investment Consultant RFP

It was reported that the Office of Procurement had been given the scope of work document from the board and that they were still in the process of preparing the Request for Proposal.

Presentation of Active vs. Passive Investing – Mr. Ryan Williams

Mr. Strachan volunteered to contact Mr. Williams and extend an invitation to present to the board his findings on Passive vs. Active Investing.

Notebook vs. Bound Agenda Packages

The board expressed a preference to return to a bound presentation booklet instead of the 3-ring notebook format. Administrator will implement the change for the next meeting.

Appeal of the Denial of Service Pension Application for Chukwumeka Edeh

Mr. Edeh applied for a service pension in April 2011. His service pension application was denied by letter of May 25, 2011 because his records indicate that he has taken refunds of his prior contributions and has less than 5 years credited service, the minimum to earn a pension benefit. Mr. Edeh appealed this denial by letter dated July 27, 2011.

After discussion and a review of the facts:

MOTION: A motion was made and seconded to deny the appeal for this service pension based on the lack of minimum vesting. The motion passed.

MOTION: A motion was made and seconded to go into **Executive Session** for the purpose of discussing the appeal of a disability pension application for Ms. Betty Caldwell. The motion passed.

Upon returning to regular session:

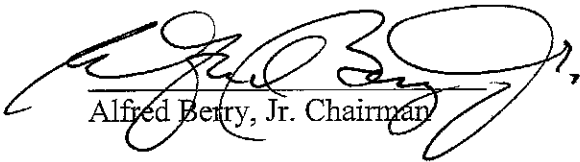
MOTION: A motion was made and seconded to reverse the board's previous denial of Ms. Caldwell's disability application and to allow the application process to proceed by scheduling an examination by a City authorized physician. The motion passed.

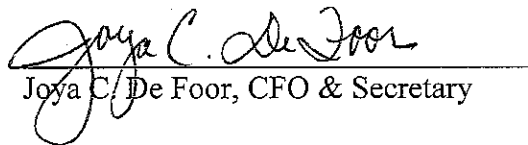
PUBLIC COMMENT:

None

There being no further business to discuss, the meeting was adjourned at 11:15 a.m.

Respectfully submitted:


Alfred Berry, Jr. Chairman


Joya C. De Foor, CFO & Secretary