

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

October 3, 2012

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on October 3, 2012 in City Hall, Committee Room 1, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Gregory Nash

Douglas Strachan
Jim Beard

Yvonne Cowser Yancy
Angela Green

TRUSTEES ABSENT:

Aaron Watson, Aretha Sumbry-Powers
Yolanda Johnson

OTHERS:

Richard Larimer, GEMGroup; Ray Adams, Pension Office; Kristen Denius, City Law Department; John Robinson and Kurt Lofters of Gray & Company, Laurel Hill of Wells Fargo and Nikole Davenport of Chitwood, Harley.

Mr. Berry called the meeting to order at 9:45 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. Berry pointed out a misspelling of the Investment Subcommittee reference on page 5; the Administrator will make the change.

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. 1-12 as listed on the attached spreadsheet dated October 3, 2012. The motion passed.

DISABILITY PENSION APPLICATIONS

There were no Disability Pension applications this month.

BENEFICIARY PENSION APPLICATIONS

The Beneficiary Pension application on the attached spreadsheet was presented to the Board for approval.

MOTION: A motion was made and seconded to approve the Beneficiary Pension application on the attached spreadsheet dated October 3, 2012. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

The Check Register dated October 3, 2012 was presented for review and approval.

MOTION: A motion was made and seconded to approve 10 items: #40792 and #41727 - #41735 on the Check Register dated October 3, 2012 totaling \$73,324.17. The motion passed.

REVIEW OF JULY 2011 FINANCIALS:

The financials for the period ending August 31, 2012 were presented. There being no questions,

MOTION: A motion was made and seconded to accept receipt of the August 31, 2012 financial statements as presented. The motion passed.

During a review of the bank statement, a question was raised as to the number of checks being issued each month and how many retirees are still receiving paper checks instead of Direct Deposits. The Administrator responded that approximately 700-800 people continue to receive paper checks.

Ms. Yancy noted that the Police and Fire Plans have made the decision to make Direct Deposit/ACH mandatory for monthly benefit payments. After a brief discussion on the merits of Direct Deposit/ACH transactions, the board decided to implement best practices and make the receipt of monthly benefit payments by Direct Deposit mandatory, effective June 1, 2013. The

Administrator will work with Ms. Hill of Wells Fargo on a communication and implementation plan.

LAW DEPARTMENT:

Draft Protocol for Handling Securities Monitoring Law Firm Proposals - Ms. Denius presented a list of policy discussion points for a draft of protocol to help the board manage interaction with the four law firms that have been engaged to provide securities monitoring services. The purpose is to seek the board's direction on questions of policy.

Does the board want to see all securities litigation cases, even if the recommendation from the law firm is to not pursue an action? This may be case if the amount of potential loss is minimal or if the chance of recovery is small, as would be the case with an insolvent defendant.

After a brief discussion, the consensus was that Ms. Denius provide by email to the board members a short synopsis and a recommendation for further action, if any, of all potential actions identified by the law firms. The purpose will be for information only and a law firm will not be engaged on the specific matter unless a board member wants to explore the case further and requests additional information.

Establish a minimum loss threshold? \$250,000? - This would serve as an administrative guideline that communicates to the law firms which cases to pursue and which not to pursue by establishing a minimum dollar amount of the loss (and potential recovery amount) that would warrant the time and effort to pursue the case.

Mr. Strachan stated that he would not like to have a minimum dollar loss threshold applied to potential securities cases. He would prefer to have the firms actively competing with one another to the benefit of the Fund and one firm's minimum dollar amount might be lower than another's and the Fund could miss a recovery opportunity. He didn't see any benefit to the Fund of setting a minimum threshold.

Ms. Yancy commented that she saw no practical impact of setting a minimum threshold because the City and the Fund normally uses multiple law firms and was confident that all actions that made sense to pursue would be presented for board action.

After considerable discussion, the consensus among the board members was to not establish a minimum loss threshold and decide the issue on the merits of each situation.

Should opinions from more than one firm be solicited to evaluate the merits of a particular case?

After discussion, the consensus of the board members was that the board and Fund would benefit from hearing the evaluations of multiple firms of cases to potentially pursue.

Selection of a firm to engage on a particular case once the decision is made to pursue a claim?

Several options were offered including a substantive review by the board of presentations by each firm as to their capabilities in pursuing a particular case, establish a rotation among the firms, or use a "first to notify" as a selection criteria. Mr. Strachan supported a thorough review and presentations by all the firms interested in pursuing the case, noting that the additional time and effort on the part of the board would be worth it because they would be in a position to make a more informed decision. Ms. Yancy concurred.

After discussion, the consensus among board members was to have a substantive presentation from each of the firms who are interested and for the board to make a decision based on the capabilities of each firm as presented.

With the guidance provided by the board, Ms. Denius will prepare a draft of the Securities Litigation Monitoring Policy for review by the board at the November meeting.

Mr. Berry pointed out that there was a vacancy on the 5-member Investment Subcommittee. Ms. Yancy volunteered to serve.

MOTION: A motion was made and seconded to appoint Ms. Yancy to fill the vacant position on the Investment Subcommittee, effective immediately. The motion passed.

ACTUARY REPORT:

There was no Actuary Report this month.

INVESTMENT CONSULTANT REPORT

Mr. Strachan requested time to make a short presentation of findings prepared at his request by Gray & Company as a follow up to an agenda item on Investment Performance of Managers that had been deferred from last month's agenda, particularly the recent performance of Globalt and Madison Square. Mr. Berry pointed out that the item had been deferred due to a lack of a quorum at the Investment Subcommittee meeting and therefore no recommendations could be made. While this was understood, Mr. Strachan was concerned that although performance issues relating to these two managers had been discussed over the past several months, no action had been taken while the portfolios continued to underperform.

Mr. Strachan distributed to the board a spreadsheet showing one, two and three year returns for Globalt and Madison Square relative to their benchmarks. The findings were depicted net of fees and shown in both percentages and dollar amounts. The table illustrates that during this particular 3-year period, Globalt underperformed the benchmark by 1.68%, .19% and 1.20% for the 1, 2 and 3 year timeframes, respectively. The underperformance equated to \$1,169,500 in lower market value for the portfolio over the past year than would have been obtained if the benchmark had been met. Similarly, the 3-year underperformance in dollars of market value was \$835,361, or \$23,204 per month on average. Mr. Strachan commented that it would take consistent outperformance versus the benchmark over many years to make up for this shortfall.

Madison Square also underperformed during the three-year period by 1.20% which equated to a loss compared to benchmark of \$1,291,833 or \$35,884 per month on average. As a third example, Earnest Partners shows underperformance relative to their benchmark in the 1, 2 and 3-year periods of 1.53%, 3.10% and .78%, respectively. This translates in monetary terms to losses relative to the benchmark of \$1.191 million, \$2.413 million and \$607, 200, respectively.

Mr. Strachan stated that his presentation of this investment performance information was to highlight the seriousness of the underperformance problem with these managers and to emphasize the urgency with which he felt the board needed to address the issue. Mr. Strachan concluded by making the following motion:

MOTION: A motion was made to call a Special Meeting of the Board, prior to the next regularly scheduled meeting on November 7, 2012, to evaluate the underperformance of Globalt, Madison Square and Earnest Partners and to take appropriate action immediately.

Discussion on the question ensued. Mr. Beard asked if the board was following the process as outlined in the Investment Policy Statement (IPS) and if Globalt and Madison Square had been put on probation. Mr. Robinson responded that both of these managers had been notified of being placed on probation and that the IPS provides for a monitoring period of up to three consecutive quarters. Mr. Beard stated that while he may agree with the intent of Mr. Strachan's motion, he did not advocate a special meeting and thought it would be more prudent to follow the IPS process of a more careful evaluation.

Ms. Yancy commented that the problem seemed to be one not of the policy (IPS) but of execution. She pointed out that Gray & Company represents the Police and Fire Plans and that a similar policy (IPS) and the execution of that policy seem to work effectively there. Why not with General Employees' Plan? She reiterated that the IPS guidelines needed to be followed strictly and consistently.

Mr. Berry asked if the IPS was sent to all investment managers and if Ms. Denius thought there was any liability attaching to the Board for not following all the specific guidelines with respect to probation notifications and the length of probationary review periods. Mr. Robinson stated that Gray & Company provided each of the investment managers with copies of the IPS. Ms. Denius stated that the IPS was a written guideline only and that the relationships between the General Employees' Pension and its investment managers were governed by the individual contracts with the firms which typically provided for termination by either party with 30- 60 day Notice. The consensus of the board members was to evaluate the investment performance of managers using the established process as outlined in the IPS and the best venue for a critical evaluation was within a duly constituted Investment Subcommittee, not at a Special Meeting of the Board.

The previous **MOTION** made by Mr. Strachan failed for lack of a Second.

Flash Performance Report

Mr. Lofters reviewed the portfolio performance for the period ending August 30, 2012, commenting that all active equity managers, except international equity manager Johnston, and the Fixed Income managers had outperformed their benchmarks for August, helping the overall Fund to return 2.47% for the month and exceed its benchmark policy index for the month by 83 basis points. The allocations to mid- and small-cap growth allocations did well and contributed to the near-term outperformance. The one-year performance is still behind the policy index benchmark but is improving. Market value of the portfolio at October 1 was \$1.046 billion. In response to a question, Mr. Lofters pointed out that the "Net of Fee" performance numbers had been added to the Flash Report, as requested.

Mr. Strachan commented that the dollar amount of fees being paid to underperforming managers - \$15,000 - \$22,000 per month - makes the underperformance even more unpalatable. Ms. Green commented that as long as the investment managers are adhering to their assignment and policy guidelines and compared favorably to their peer group, she did not have a problem with near term underperformance.

Ms. Green asked Gray & Company to prepare the same analysis versus benchmark on Vanguard, the same as had been done for Mr. Strachan on Globalt and Madison Square.

Ms. Green mentioned that she had heard from several investment managers that they were finding it difficult to meet with Gray & Company to present their capabilities. Mr. Robinson stated that Gray & Company has an "open door" policy to interview prospective new managers and he would look into any comments from board members from specific managers and make sure they are given an opportunity to make a presentation.

Mr. Robinson concluded by saying that Gray & Company would finalize the revisions to the IPS and rigorously implement the process as understood by the board.

OLD BUSINESS:

NEW BUSINESS:

Third-Party Administrator Contract

Mr. Larimer presented an Addendum to the GEMGroup Service Agreement providing for a one-year extension with a 3% increase, with the addition of services to attend and prepare minutes for the Investment Subcommittee. The effective date is November 1, 2012. These terms had been approved by motion at the September meeting. The Addendum was signed by Mr. Berry.

Summary of Plan Clarifications – Update

Mr. Larimer presented an updated Plan Summary of Plan Clarifications, a copy of which was included in the meeting package.

Item #14 highlights a special provision for participants who are the subject of a Reduction in Force (RIF) action that allows the effective date of a participant's pension application to be the last date of their employment provided that the application is submitted within two years of the last date of employment. This provision allows an employee who was terminated as a result of a RIF the option of seeking re-hire opportunities during this two-year window while preserving eligibility under the pension plan if rehired. This change was approved by motion at the September meeting, subject to review and agreement by Ms. Yancy. Ms. Yancy approved.

Item #26 implements a new procedure requiring a beneficiary applicant whose name and/or address of primary residence is different from that of the deceased participant to obtain a Not-on-File Divorce Search letter from the Office of Vital Records to support the application, in addition to the current requirement to furnish a Marriage Certificate and photo identification.

Board Staff Position

The board requested that the position within the Finance Department that has been vacant following the departure of Ms. Angela Sneed be filled and that the position be dedicated to support the financial and administrative needs of the General Employees' Pension Fund. Mr. Beard and Ms. Yancy stated that such a staff addition was in the works.

Investment Subcommittee Organization (ISC) and Reporting

Further discussion on ISC organization and reporting protocol was deferred to a future meeting.

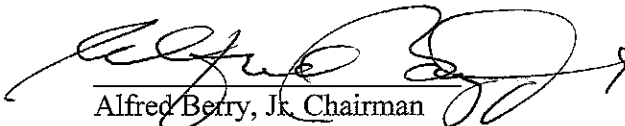
PUBLIC COMMENT:


Mr. Roach of Globalt requested to address the board to offer a rebuttal to some of the comments made by Mr. Strachan earlier in the meeting. Mr. Roach stated that the past three years were extraordinary times in the markets and that, in his opinion, a three years was too short a period to focus on when making an evaluation of a money manager. In defense of his firm's performance, he commented that if one were to look at a 5-year performance number for Globalt it would show a 190 basis point net-of-fees outperformance. He stated that Globalt has outperformed during the quarters under review during their probation period.

Mr. Strachan and Mr. Roach agreed that an appropriate approach is to evaluate performance over a long period of time. Mr. Roach stated that since the inception of the Globalt relationship with the General Employees' Pension in 1992, Globalt has earned \$80 million for the Fund. Mr. Strachan reiterated his objective was simply to ensure the viability of the General Employees' fund and would welcome a review of the expanded data set and suggested that Mr. Roach provide the data to Gray & Company for review at a future date.

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

Respectfully submitted:


Alfred Berry, Jr. Chairman


Jim Beard, CFO & Secretary