

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

November 3, 2010

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on November 3, 2010 in City Hall, Committee Room 1, Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.	Joya De Foor	Sherri Dickerson
Jo Ellen Paige	Douglas Strachan	Aretha Sumbry-Powers

TRUSTEES ABSENT:

John Bell	Yolanda Johnson	Aaron Watson
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OTHERS:

James Bell and Richard Larimer of GEMGoup; Ray Adams of the Office of Retirement Services; Angela Sneed of the Finance Department, Kristen Denius of the City of Atlanta Law Department; Mickey Walker of the Risk Management Department; Sherry Davis of Atlanta Public Schools; Rocky Joiner and Eric Atwater of the Segal Company, Laura Hord-Hill of Wachovia/Wells Fargo Bank, Rod Norman of JP Morgan, Derek Batts of Union Heritage and Larry Gray and Jennifer Chrisman of Gray & Company.

Mr. Berry called the meeting to order at 9:30 A.M. There was not a quorum. Items not requiring votes were moved up on the agenda to allow other Board members to arrive.

BNY/Mellon – Custodian for GEPP

Tom Barrett, Relationship Manager for BNY/Mellon made a presentation to the Board focusing on three areas of service being provided as custodian for the Plan: Class Actions, Securities Lending, and Commission Recapture and Transition Services.

As custodian for the Plan, BNY/Mellon holds, accounts for and provides safekeeping for plan assets; they are the book of record for the GEPP. In addition, BNY/Mellon provides Performance and Risk Analytics, securities lending, and investment manager monitoring.

Class action services include monitoring the filing of all class actions, determining if the Plan was a holder of the investments during the time period covered by the action being filed, responding to the filing to ensure the Plan benefits from any settlement and the collection of any settlement proceeds that may arise. The City has access to BNY/Mellon's Workbench project and can view a record of

all of these actions on-line. Last year, the pro-active Class Action service accounted for \$185,000 in settlement proceeds received by the Plan.

A question was raised concerning engaging a law firm to pursue Class Actions on behalf of the Plan instead of relying on BNY/Mellon. Mr. Barrett stated that the Bank would work with anyone the trustees designated and provide to them the data in the Bank's system to support those efforts. The Bank's role is to monitor and file; a law firm adds the capability to review individual holdings and issues and advise as to whether filing a lawsuit is advisable and to initiate a lawsuit on behalf of the Plan as lead plaintiff. The larger the Plan the more likely that they would engage a law firm to provide this role. Mr. Barrett defined a large Plan as approximately \$4 - \$5 billion. The monitoring and filing of Class Actions is included in the fees paid to BNY/Mellon for overall custodian services.

Securities Lending

John Fox provided an overview of the securities lending service provided by BNY/Mellon. The GEPP has been participating in the securities lending program since 1994 and over that time period as earned approximately \$5 million. Mr. Fox explained that the underlying risk in a securities lending program is re-investment risk of the cash collateral. In recent years, the collapse of Lehman Brothers and the poor performance of Structured Investment Vehicles (SIV's) have caused most of the problems in the industry. However, the GEPP was unaffected by either of these events because the Plan's conservative investment guidelines did not allow investments in asset backed securities or other lower rated investments.

BNY/Mellon has organized a separate Short Term Cash Investment unit to provide consistent underwriting and investment decisions on these types of portfolios throughout the Bank.

Historically, the earnings to the GEPP from securities lending has been approximately \$250,000 annually. This year the expectation is \$125,000 - \$150,000 due to the extremely low interest rates available on the re-invested collateral.

Commission Recapture and Portfolio Transition Services

Jeff O'Brien provided an overview of the BNY ConvergeEx Group. Commission recapture is a process whereby investment managers are directed to trade through certain brokers who will then provide a rebate of trading commissions. Seventy-two percent of commissions are rebated back to the Plan. Total amount rebated this year is approximately \$96,000.

Transition management provides services when assets are transferred from one manager to another.

Ms. De Foor arrived, making a quorum. Mr. Berry officially convened the meeting at 10:27 AM.

ADOPTION OF AGENDA:

MOTION: A motion was made and seconded to amend the Agenda to include the Investment Policy Statement and to adopt the Agenda, as amended. The motion passed.

APPROVAL OF MINUTES:

Mr. Berry pointed out a name misspelling and suggested several revisions to the text in the October 6, 2010 minutes. After discussion, the Administrator agreed to correct the misspelling and to make the revisions.

MOTION: A motion was made and seconded to approve the minutes of the October 6, 2010 meeting, as amended. The motion passed. Ms. De Foor abstained.

MOTION: A motion was made and seconded to approve the Executive Session minutes of the October 6, 2010 meeting. The motion passed. Ms. Powers abstained.

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. 1-14, as listed on the attached spreadsheet dated November 3, 2010. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension Applications on the attached spreadsheet were presented to the Board for approval:

MOTION: A motion was made and seconded to approve disability pension applications Nos. 1-4, as listed on the attached spreadsheet dated November 3, 2010. 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, as listed on the attached spreadsheet dated November 3, 2010. The motion passed.

SERVICE PENSION CORRECTIONS

The Service Pension Corrections on the attached spreadsheet were presented to the Board for approval:

Two corrections to prior pension approvals were presented. The Administrator explained that after these two judges from the Municipal Court division had been presented to and approved by the Board, the Administrator was informed that there had been a retroactive pay increase for these individuals dating back to 2007. Municipal judges are to be paid equivalent to Georgia State judges and those increases had not been made in 2007 and were not reflected in the City's payroll system. Ms. Dickerson confirmed.

MOTION: A motion was made and seconded to approve corrections in the pension benefit amounts for Nos. 1 & 2 as listed on the attached spreadsheet based on retroactive compensation being added by the City. The motion passed. Mr. Berry abstained.

APPROVAL OF INVOICES AND CHECK REGISTER:

The Check Register on the attached spreadsheet was reviewed by the Trustees. Mr. Berry questioned the fees for Jennison Associates relative to other managers with similar amounts of assets. Mr. Gray explained that the Small Cap style requires more costly research and trading costs compared to Large Cap.

MOTION: A motion was made and seconded to approve items 1 – 15 on the Check Register totaling \$565,224.94. The motion passed.

REVIEW OF FEBRUARY 2010 FINANCIALS:

The financials for the period ending 9/30/2010 were reviewed.

A question was raised about the \$36 million amount relating to unrealized losses in the April – June quarter. It was attributable to the poor performance in the equity markets. Questions were raised concerning the postage and supplies expense of approximately \$3500 per month and if some of that expense could be avoided by posting pension deposit confirmation notices to the Web site and the use of electronic delivery of statements and other mailings. Administrator will work with City staff as the capability of the City's Web site is developed.

MOTION: A motion was made and seconded to accept receipt of the financial statements for the period ending September 30 2010. The motion passed.

LAW DEPARTMENT:

Status of Interest Calculations for Corrective Pension Refunds

Ms. Denius reported that the calculations of the corrective refunds are 99% complete for the 635 affected individuals. The goal is to issue the checks before year-end.

The Administrator reported that the recipients would have the option to rollover this distribution to an IRA or other qualified plan and would have to provide that direction. A letter will need to be prepared by the Law Department explaining the refund and a form provided for the recipient to make that election. The process can begin as soon as Administrator receives the list and works with the City to verify the addresses.

Plan Amendments and Procedural Changes for the IRS Determination Letter.

A charter amendment and an Ordinance require a board vote. The charter amendment as proposed will remove two paragraphs from the Plan. The first, section 3-507, subparagraph 5 deals with the methodology of calculating a pension benefit and is in conflict with another paragraph in the Plan that correctly specifies this methodology. The second, section 3-507, subparagraph 6 deals with a provision that states that a participant will forfeit all contributions they may have made to the plan if they do not request a refund of those contributions within 7 years of their date of termination. The proposed amendment will remove both of these paragraphs from the plan.

The proposed ordinances are necessary to bring the plan into compliance with IRS Code changes that were made in 2008. They involve sections 6-93 and 6-98 of the plan.

MOTION: A motion was made and seconded to favorably recommend adoption of the changes contained in Ordinances 10-0-1892 and 10-0-1893. The motion passed with 6 Yes votes and 0 No votes.

INVESTMENT CONSULTANT REPORT:

Union Heritage Capital Management

Mr. Derek Batts made a presentation on Union Heritage and their investment philosophy and performance as an investment manager for the GEPP that began in 1994. The bottom up, value oriented style in a relatively concentrated portfolio 30-50 names has generated excess returns over the S&P 500 benchmark over the period: 146 bp, 279 bp, 270 bp and 121 bp, net of fees from inception, and for 10, 5, 3, and one years, respectively.

Quarterly Performance Report

Larry Gray presented the quarterly performance report for the period ending September 30, 2010. Interest rates remain extraordinarily low and most analysts are expecting rates to rise in the near term, with some thinking that the Fed is actually trying to create some inflation by adding to the money supply. This would impair returns to the fixed portion of the portfolio. The unemployment rate will serve as a counterbalance to these inflationary pressures.

Mr. Gray highlighted the volatility still present in the markets. Despite a robust return of 11% to the S&P 500 for the quarter, the returns for the 5 year and 10 year periods are virtually flat, reflecting the significant declines in 2007 and 2008.

The portfolio performance was 6.63% for the quarter, about 90 bps under the Policy Index. Mr. Gray pointed out that most of the managers and the portfolio overall slightly underperformed the benchmarks, but that is part of the deliberate design of the portfolio to moderate risk; you would expect the portfolio to underperform somewhat in up markets but to protect the downside in down markets.

The fixed income portion of the portfolio performed at or slightly below the benchmark Barclays index for the quarter, but for the one year and two year time frames the fixed income portion benefited from the high quality guidelines and declining interest rates and generated historically high returns in the 8% - 9% range.

Mr. Gray queried the board on their comfort level for the GEPP's investment representing a relatively large percentage of a managers overall account size. The Investment Policy statement does not specify a maximum percentage. It was suggested that Gray & Company bring some written suggestions on this issue back to the Board at a later date.

Mr. Gray reviewed a preliminary re-balancing plan as part of the regular December and June cycle of portfolio re-balancing. The plan highlighted that currently the plan's cash position is near \$150 million which is substantially above target. This is a function of the extreme volatility recently and reflects a cautious approach to funding new manager positions and re-investing cash. The Administrator had provided the six-month Cash Flow projection which will be incorporated into the final recommendations.

Mr. Gray reported that they had followed up on the request by the trustees to ask each of the bidders for actuarial services to explain their offerings of modeling software such as ProVal that would be available to the Board. Ms. Chrisman had emailed the responses to the Board members last week.

OLD BUSINESS:

Mr. Berry commented that he had received a number of calls on the Annual Pension Statements about the absence of the estimated pension benefit at 30 years for those participants who had reached 30 years of service but who had not yet reached the Normal Retirement Age of 60. Administrator pointed out that the statements included an explanatory note, but acknowledged that the definition could have been expanded to provide more clarity. The 30-year benefit estimate would be included in the statements for 2010 which should be able to be mailed in March or April of next year after the data reconciliation efforts that are underway for the 2009 statements are completed.

Ms. Dickerson asked if GEMGroup could prepare and send a PDF file containing the check stub information for each monthly benefit check that could be posted and password protected on the

City's Web site. This would avoid the mailing costs for a significant number of deposit confirmations. The Administrator agreed to explore that capability.

Mr. Strachan suggested expanding the capability of the Web site to include the ability of participants to prepare their own pension estimate on line by developing a custom application. The up-front cost might be substantial but the savings to the plan over time would likely more than compensate.

The trustees approved the addition of a line on the Deposit Confirmation Notice and the Pension Check Stub to read "Total Gross Benefit" to make the notices more clear. This was requested by a group of retirees and a sample prepared by the Administrator. The change will be implemented with the December checks and ACH deposit confirmations.

NEW BUSINESS:

On Demand Checks

In response to a question, the Administrator explained that On Demand checks were checks for Refunds of Contributions and the retroactive portion of regular pension approvals that cover the period from the Board-approved retiree's effective date and the date their pension checks commence. Because the monthly funds transfer request must be submitted in advance of the GEMGroup accounting staff knowing how many pension approvals (and associated retro checks) and refunds are on the agenda, it is difficult to estimate the exact cash needs in advance. This caused a supplemental funds transfer request to be needed for October. The delay caused the operating account to be underfunded and charges for insufficient funds to be incurred. In a response to a question, the Administrator indicated that GEMGroup would reimburse the Plan for any charges related to the overdraft in this instance.

There being no further business to discuss, the meeting was adjourned at 12:50 P.M.

Respectfully submitted:

Alfred Berry, Jr. Chairman

Joya C. De Foor, CFO & Secretary