



Minutes
Retirement Pension Committee
May 12, 2011
3:00 P.M.

The Retirement Pension Committee met on May 12, 2011 at 3:00p.m. in the Commissioner's meeting room of the Fayette County Administrative Complex, 140 Stonewall Avenue, Fayetteville, Georgia.

Committee Present:

Allen McCarty, Commissioner
Jack Krakeel, County Administrator
Connie Boehnke, Human Resources Director
Tony Parrott, Director of Water System

Linda Jones on behalf of Sheriff Wayne Hannah

Committee Absent:

Wayne Hannah, Sheriff
Allen McCullough, Fire & EMS Director

Staff Present:

Lewis Patterson, Assistant Human Resources Director
Lori Smith, Benefits Administrator

Retirement Representatives Present:

Jim Fallon, Senior Vice President, Morgan Stanley
Neal Kaplan, CFA Financial Advisor, Morgan Stanley
Steve Vaughn, President and CEO, GebCorp

Ray Vuicich, USB Financial Services

Retirement Attorney:

Stuart Baesel

Call to Order - Commissioner McCarty called the meeting to order.

Approval of Minutes - The meeting minutes for 2/10/11 were approved. Jack Krakeel made the motion to adopt the minutes and Tony Parrott seconded.

Old Business: Core Bond SAGIC Rate

Jim Fallon reviewed the Core SAGIC Bond Rate of 4.15% with the committee. This was for the second quarter April 1, 2011 through June 30, 2011.

Last quarter rate was 3.85%. Jack Krakeel asked about the perspective of what would happen

to the Core Bond rate issued at a federal level regarding the deficit. Neal Kaplan stated that there is such a variety of rates and that he could not make a perspective because other issues would have to be used other than the treasury.

New Business:

Discussion of Annual Defined Benefit Valuation Report – Steve Vaughn with GebCorp started by saying that actuarially speaking the recommended amount for 2011 is right at \$770,000 which is 2.5% of payroll. At that point the county was encouraged to put 3.8% of the payroll into the surplus. The total recommended amount is 5% which represents a 2.5% employee and 2.5% employer contribution.

The average total contribution for other defined benefit plans is about 12% of covered payroll with 5% of that being contributory. This percentage does not include the employer contribution.

The average multiplier range is between 1.5% and 1.6%. Fayette County is about average in terms of a multiplier and which also includes public safety. Non-contributory plans range somewhere between 1% and 1.25% where as contributory plans range between 1.8% and 2%.

Fayette County has 112.6% of net based on present value of accrued benefits including payment of the contribution rate. The ratio would be much higher if Fayette County weren't obligated to pay back the contributions of the buy back.

Connie Boehnke asked if the County could make a one time contribution to the plan since Fayette County did not put in an automatic cost of living increase. Steve Vaughn answered by stating that this could be done on a one time basis and those are generally done only with retirees.

Jack Krakeel asked if there is a threshold number for funding the plan. Could the IRS step in and say that you are over funding a plan? Steve Vaughn stated that there is no legal limit for governmental plans. Stuart Basel responded that the public sector is not applicable to excise taxes or 404 limits.

Steve Vaughn stated that GebCorp's recommendation of 3.8% employer contribution is the reason for long term funding and should be reviewed in five years.

Stuart Baesel commented by saying that sister counties and the City of Atlanta for example funded at the lowest amount possible and are "paying the piper" now.

Steve Vaughn stated that minimum funding standards for state and local government require you to conservatively fund your plan.

Jim Fallon stated that the way the county has the plan modeled is a very conservative model. He stated that the reason people go towards a defined benefit plan is because of the consistency in the budget.

Steve Vaughn went on to explain what would cause an actuarial gain or loss. He stated the actuarial gain for Fayette County is a little over \$400,000. He stated that this was a pleasant valuation and pretty strong for future basis.

Investment Consultant – Update on Defined Benefit Performance – Ray Vuicich with USB

Financial Services started by introducing USB as the consultant to GebCorp.
UBS Institutional Consulting Group Overview – Specialized advisory consulting services and comprehensive investment consulting since 1984. Clients include corporations, private and public retirement plans.

Consulting services include investment policy assistance, asset allocation modeling, portfolio evaluation and review, investment search.

Ray Vuicich presented the executive summary as of March 31, 2011 – ACCG pension fund.
Allocation – by manager – total market value \$725,101,066
Growth of a dollar – ACCG Pension Fund for first quarter 3.89 – blended benchmark 3.95

He reviewed the statement of investment objectives and guidelines in reference to purpose, statement, objectives and responsibilities (investment managers, plan administrators, trustees, and consultant).

Discussion of Plan Administrative Amendment – Jack Krakeel started by stating that one of the issues the county had was that the perspective was the county should not be providing double dipping.

For instance, prior to 7/1/09, Tax Commissioner employees were entitled to a state retirement plan as well as the county plan. What was essentially said is that these employees would be able to continue the DC plan but would not be entitled to the DB plan or they could elect the county DB plan but not the state plan.

Mr. Krakeel stated that Stuart Baesel was brought in to clarify the language in terms of who the class of employees are and what benefits they are eligible for.

Stuart Baesel stated that this was an amendment to make the document the way that it was intended to be and the way it was originally funded. He stated that there was no change in policy or coverage's. The way the plan is structured dictates the way the amendment was structured.

Mr. Baesel went on to review the plan administrative amendment by starting with eligibility classes - other, class 1 and class 2 employees. He also reviewed contribution levels determined by the class and whether employed before or after 07/01/2009 and vesting schedule for employees hired prior/after 7/1/09.

Motion was made by Tony Parrott to approve the county administrator's signature on the administrative agreement – seconded by Commissioner McCarty. Motion approved.

Morgan Stanley Investment 1st Quarter Review 2011

Neal Kaplan reviewed the 1st quarter review 2011.

Economic Highlights:

- Gross Domestic Product grew at an annual rate of 3.1% in the fourth quarter in comparison to 2.6% in the third quarter.
- Unemployment remains between 8.8% and 9.0% for the quarter. The unemployment rate fell to 8.8% - the lowest in two years signifying the fastest

pace of job creation in almost a year.

- Corporate profits rose 2.3% between the third and fourth quarters of 2010.
- Inflation rate remained low – the Consumer Price index rose 0.4%. Morgan Stanley economists expect inflation rate of 2.9% for the coming year.

Market Highlights:

- Despite geopolitical troubles and natural disasters, Dow Jones Industrial Average up 7.1% - Standard & Poor's 500 index up 5.9%.
- Fourth quarter S & P index recorded gains with the largest advances in Energy (16.8%) and Industrials (8.8%). Healthcare rose 5.6% - Utilities and Consumer Staples were up 2.8% and 2.5%.
- Both value and growth-style stocks rose during the first quarter. The Russell 1000 index – large-cap rose 6.2% in comparison to the mid-cap index that rose 6.2% and the small-cap that rose 7.9%
- Growth stocks outperformed value stocks.
- The bond market remained resilient. Quantitative easing and signs of recovery continued to move investors from low risk bonds in higher yielding securities.

Fayette County 401(a) Plan Highlights:

- The Fayette County 401(a) portfolio increased 3.50% during the quarter ending March 31. This gain was 0.18% better than the benchmark of 3.32% on a weighted average over the same period.
- The 401(a) outperformed its benchmarks on a three year and five year basis and narrowly underperformed, by 6 basis points on a one year basis.
- All investment categories posted investment gains for the first quarter.

Fayette County 457(b) Plan Highlights:

- The Fayette County 457(b) portfolio increased 3.61% during the quarter ended March 31. This gain was 0.12% better than the benchmark's gain of 3.49% on a weighted average over the same period.
- The 457(b) plan barely underperformed its benchmark over the past twelve months, but outperformed on a three year and five year basis.
- All investment categories posted investment gains for the first quarter.
- The T. Rowe Price Global Technology Fund posted a 9 on the report card and was the best relative performer during the quarter.

Neal Kaplan then reviewed the following:

- Fayette County's Plan Diversification - current investment options
- Fayette County Plan Highlights – plan performance comparison
- Relative Performance
- Fayette County Report Card – a score of 5 or less would place a fund on the watchlist.
- Fayette County Watchlist – The T. Rowe Price Global Technology Fund fell to a 5 on the report card in the third quarter but bounced back to an 8 in the fourth quarter and posted a 9 in the first quarter. Mass Mutual is recommending that the board should consider removing it from the watchlist.

Jack Krakeel asked if this was a trending that's continuing or are there some cyclical events that prevent that. Neal stated that he would look into this.

Commissioner McCarty asked for a vote to remove T. Rowe Price Global Technology Fund from the watchlist. Connie Boehnke made a motion to remove and Jack Krakeel seconded the motion. Motion approved.

Jack Krakeel asked Stewart Baesel to define what constitutes an open meeting of a local government including its committees, boards, etc. Stuart Baesel stated that he would get back with Mr. Krakeel in regards to this.

Jack Krakeel made the motion to adjourn. Tony Parrott seconded the motion.

The next meeting was set up for August 11, 2011.

Adjournment

Minutes prepared by Lori Smith,
Benefits Administrator

The minutes were duly approved at an official meeting of the Retirement Pension Board of Fayette County, Georgia held on _____.

Lori Smith, Benefits Administrator