



**Minutes**  
Retirement Pension Committee  
February 10, 2011  
3:30 P.M.

The Retirement Pension Committee met on February 10, 2011 at 3:30p.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  
Allen McCullough, Fire & EMS Director  
Tony Parrott, Director of Water System

**Committee Absent:** Connie Boehnke, Human Resources Director  
Wayne Hannah, Sheriff

**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

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Commissioner McCarty called the meeting to order. He stated that for the record he is against a defined benefits plan as we have it. Jim Fallon stated that this body does not review the defined benefit. Commissioner McCarty responded that he understood this.

**Approval of Minutes** - The meeting minutes for 12-8-10 were approved. Jack Krakeel made the motion to adopt the minutes and Allen McCullough seconded.

**Old Business:** History of Core SAGIC account

Jim Fallon reviewed the history of the Core SAGIC account as per request from Jack Krakeel going back to June 2009. Listed are the Core SAGIC rates since inception:

6/25/09	4.05
10/1/09	3.85
1/1/10	3.55
4/1/10	3.85
7/1/10	4.05
10/1/10	4.05
1/1/11	3.85

There was a backend termination clause as part of the assumption of the account from Hartford. The way that Mass Mutual absorbed that was to reduce the guaranteed rate in the core SAGIC account for a period of time.

Jack Krakeel stated that his thought was that we had a guaranteed rate which the Hartford had annually.

Jim Fallon stated that the Hartford has a minimum guarantee of 3 percent.

Jack Krakeel asked about the difference between the basis points being about 25 points.

Jim Fallon agreed that there would probably be somewhere in the neighborhood of about 25 – 30 basis points difference once the surrender charges were fully accounted for, but we would get a written response from MassMutual to clarify for the record.

Jack Krakeel asked for clarity on the basis points.

## **New Business:**

### **Morgan Stanley Investment 4<sup>rd</sup> Quarter Review 2010**

Neal Kaplan reviewed the 4<sup>th</sup> quarter review 2010.

#### **Economic Highlights:**

- Gross Domestic Product grew at an annual rate of 2.6% in the third quarter in comparison to 1.7% in the second quarter.
- Unemployment remains between 9.4% and 9.8%.
- Corporate profits rose 2.6% between second and third quarters.
- Inflation rate remained low – the Consumer Price index rose 0.2%. Morgan Stanley economists expect inflation rate of 2.0% for the coming year.

#### **Market Highlights:**

- Dow Jones Industrial Average up 8.1% - Standard & Poor's 500 index up 10.8%.
- Fourth quarter S & P index recorded gains with the largest advances in Energy (21.5%) and Materials (19.0%).
- Fourth quarter mid-cap stocks fared best.
- Growth stocks outperformed value stocks.
- In the fourth quarter, the Fed's policy of quantitative easing ("QE2") in which it purchased US govt. debt, along with signs of economic recovery, moved investors from low risk into higher-yielding securities.

#### **Fayette County 401(a) Plan Highlights:**

- The Fayette County 401(a) portfolio increased 5.42% during the quarter ending December 31. This gain was 0.13% less than the benchmark of 5.55% on a weighted average over the same period.
- The 401(a) outperformed its benchmarks on a one year, three year and five year basis.

- All investment categories posted investment gains for the full year 2010.
- The only fund on the 401(a) watchlist - the MassMutual Premier High yield fund posted another acceptable report card score and it is recommended to remove it from the watchlist.

#### Fayette County 457(b) Plan Highlights:

- The Fayette County 457(b) portfolio increased 5.66% during the quarter ended December 31. This gain was 0.22% less than the benchmark of 5.88% on a weighted average over the same period.
- The 457(b) plan barely underperformed its benchmark in 2010, but outperformed on a three year and five year basis.
- All investment categories posted investment gains for the full year 2010.
- The T. Rowe Price Financial Services Fund remains on the 457(b) watchlist.

Neal Kaplan then reviewed the following:

- Fayette County's Plan Diversification  
Current investment options
- Fayette County Plan Highlights – plan performance comparison

Tony Parrott asked about the funds that had a negative number.

Neil Kaplan stated that interest rates rose in the fourth quarter which caused a decline in bond prices. All the stock sectors did well thus have a diversified portfolio.

Neal Kaplan continued his presentation going over the following:

- Relative Performance
- Fayette County Report Card – a score 5 or less would place a fund on the watchlist.
- Fayette County Watchlist – MassMutual Premier High Yield Fund – performance is coming back. 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. It remains on the watchlist.

#### Specialty Funds:

- Sector mutual funds are those funds that restrict their investments to a particular segment or sector of economy.
- Advantages – provide opportunity for focused investments.
- Disadvantages – sector funds tend to be riskier and more volatile than the broad market because they are less diversified.
- Conclusions – One should only have a small allocation to such a fund. They are not suitable for long term investments

#### Correlation Matrix

- Shows the correlation between funds.

A motion was made by Allen McCullough to remove MassMutual Premier High Yield Fund from

the watchlist. This was seconded by Commissioner McCarty. Motion passed.

Jack Krakeel asked that a PDF of the format highlights be posted on website along with the minutes.

Jack Krakeel also asked that a snapshot be provided of the participation rate in terms of what the average portfolio size/account balance is by age group in ten year increments.

Allen McCullough recommended on the age group that we use the same criteria that was used when the assumptions were done on the front end.

Jim Fallon stated this could be done.

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 \_\_\_\_\_.

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Lori Smith, Benefits Administrator