



Minutes

Retirement Pension Committee

August 11, 2011

3:30 P.M.

The Retirement Pension Committee met on August 11, 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
Connie Boehnke, Human Resources Director
Allen McCullough, Fire & EMS Director
Tony Parrott, Director of Water System
Wayne Hannah, Sheriff

Committee Absent:

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
Chad Smith, Business Partner, Morgan Stanley
Darryl Hicks, Morgan Stanley

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

Approval of Minutes - The meeting minutes for 5/12/11 were approved. Jack Krakeel made the motion to adopt the minutes and Wayne Hannah seconded.

Old Business:

Core Bond SAGIC Rate

Jim Fallon reviewed the Core SAGIC Bond Rate of 4.25% with the committee. This was for the third quarter July 1, 2011 through September 30, 2011.

Publicizing Quarterly Pension Meetings

Connie Boehnke stated that we have been advertising our Quarterly Pension Meetings. She stated that communication with Stuart Baesel and Jim Fallon denoted that it was unclear as to whether advertising the meetings are required. She went on to say that just to be on the safe side, we are advertising the meetings on the web and to the employees on the employee self service. Jim Fallon stated that this would be adequate and that there is no requirement to put announcements in the paper.

New Business:

New Business Partner – Morgan Stanley Smith Barney – Chad Smith

Jim Fallon, Morgan Stanley Smith Barney, introduced new Associate Vice President Chad Smith.

Request approval for Mass Mutual to take on administrative review of QDRO – Qualified Domestic Relations Orders

Connie Boehnke explained that qualified domestic relations orders are in the event of a divorce. What is occurring is that employees are coming in with the orders with expectation to receive their share of the money in the employee's retirement plan. QDRO is a legal document that has to be prepared by an attorney and can become challenging from time to time. She stated that in talking to Shaundi Bauer with Mass Mutual, that they will administer the QDRO at no fee to the county. However, there is a fee involved for the employee and the spouse for both the 401 and 457 plans.

Jack Krakeel asked to clarify if the employee had an option of who completes the QDRO agreement. Connie Boehnke stated that, with Mass Mutual's review of the QDRO document, it would insure that the document is legal. Jim Fallon stated that there are several components to paying out a QDRO.

Investment Performance Review – Morgan Stanley Smith Barney – Chad Smith

Chad Smith reviewed the economic issues and implications of the US market in regards to credit worthiness and other global issues that affect the stock market. He stated that the second quarter had moderate economic growth. He stated that one of the major concerns was the balance of US government debt saying that we have actually been here before during post World War II. One of the concerns is the US going into default because of the debt limits. What has transpired is that the US did not default – the debt ceiling was raised. As was anticipated, S & P cut US credit rating.

Some of the issues concerning the S & P downgrade is that it would cause forced selling with all kinds of pension plans and investment bodies which could very well be problematic and cause an adverse effect with the economy in regards to interest rates, etc.

Since the downgrade, we have seen a massive move into US treasuries. Yesterday, the US Treasury auctioned \$75 billion of treasure securities – 10 year notes. It was over-subscribed by a factor of 3 1/2 to 1 and the demand was outrageous and the yield was 2.14% – a new record low.

Over all, in general, there is a lot of fear without the understanding of the natural facts. Our view is that this is actually more than extreme forced selling type of situations based on a lot of that fear.

It is not like the 2008 event which was an absolute complete dismantling and crumbling of the credit markets. We got to the point where overnight banking and lending was shut down because nobody trusted each other. That is not going on today. There have been slight hints of that in Europe but that is not going on in the banking system and there are ways of tracking that. Actually it is opposite of the case, there are massive amounts of liquidity that has not yet matriculated into the economy and there is an ample reserve for the banking system as well as the economy globally.

Jack Krakeel stated that the fundamental problem is that we are all faced with the uncertainty and not having knowledge of what is truly going on in Europe. Until we have some clear data, we are probably going to continue to see a slope in the economy.

Morgan Stanley Investment 2nd Quarter Review 2011

Neal Kaplan reviewed the 2nd quarter 2011.

Market Highlights:

- During the second quarter, the Dow Jones Industrials was up 1.4%.
- S & P was up 1/10th of a percent
- The bond market rose 2.3%

Fayette County 401(a) Plan Highlights:

- The Fayette County 401(a) portfolio increased approximately 0.82% during the quarter ending June 30. The gain was about 0.28% better than the benchmark gain of 0.54% on a weighted average over the same period.
- The Asset Allocation Funds, Core Bond Sagic, Small Cap and International funds all outperformed their respective benchmarks during the quarter.

Fayette County 457(b) Plan Highlights:

- The Fayette County 457(b) portfolio increased approximately 0.74% during the quarter ending June 30. This gain was 0.29% better than the benchmark gain of 0.45% on a weighted average over the same period.
- The Asset Allocation Funds, Core Bond Sagic, Small Cap and International funds all outperformed their respective benchmarks during the quarter.

Neal Kaplan then reviewed the following:

- Fayette County Plan Diversification
Current Investment options
- Fayette County Plan Relative Performance
- Fayette County Plan Report Card

- Fayette County Plan Watchlist
The T. Rowe Price Global Technology Fund was removed from the watchlist because of performance and improved Report Card scores. No other funds scored below acceptable levels and no further action is indicated at this time.

Allen McCarty asked if there would be an option to combine our defined benefit plan, 401(a) and 457(b) plans.

Jack Krakeel stated that would be a Board decision.

Jim Fallon stated that he contacted Kurt Nesheim with Mass Mutual in reference to the QDRO clarification. He stated that Kurt said that there was an outside arrangement with a firm that Mass Mutual outsources to review QDRO's.

Jim Fallon made a recommendation to precede allowing Mass Mutual to handle QDRO paperwork, with the caveat of getting a 100% clarity from them of what the options are.

Allen McCullough asked if the summary reports of our quarterly meetings are available to our employees on the website. Connie Boehnke responded that it is already on the website.

Jack Krakeel also stated that it is posted along with the meeting minutes from the previous meeting and agenda with supporting documentation for each meeting.

Jack Krakeel made a motion to allow Mass Mutual to serve as the administrator for the QDRO requirements with the caveat as stated. Allen McCarty seconded the motion. The motion was approved.

Jack Krakeel commended Jim Fallon and his staff for keeping us apprised at what is happening in the market by giving us the analysis and the expertise so that a rational decision can be made in what is taking place.

Jack Krakeel made the motion to adjourn. Connie Boehnke seconded the motion.

The next meeting was set up for November 10, 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