



Agenda of Actions

Retirement Pension Committee
February 10, 2011
3:30 PM

Before the meeting County Administrator Jack Krakeel introduced Commissioner Allen McCarty to the Retirement Committee and stated that he would be taking Commissioner Frady's place if the Board of Commissioners voted to approve this item in this evenings meeting (2/10/11).

Commissioner McCarty asked to make a statement for clarification that he was against the defined benefit plan as it is now. Jim Fallon from Mass Mutual stated to him that this board only reviewed the Deferred Compensation plan.

CALL TO ORDER

Meeting was called to order.

Approval of Minutes – 12/8/2010

Motion was made to adopt the minutes by County Administrator Jack Krakeel – seconded by Allen McCullough.

OLD BUSINESS:

- Core Bond Sagic Rate

Jim Fallon from Mass Mutual reviewed the core bond sagic rate with the committee.

NEW BUSINESS:

- Investment Performance Review – Morgan Stanley Smith Barney
- 4th Quarter Review 2010

Neal Kaplan from Mass Mutual reviewed investment performance and 4th quarter review.

ADDITIONAL ITEMS

- Next scheduled Retirement Pension Committee Meeting – May 12, 2011. 3:30pm

ADJOURNMENT

Retirement Pension Committee

Herb Frady, Chairman - Jack Krakeel, Vice Chairman
Connie Boehnke, Wayne Hannah, Allen McCullough, Tony Parrott

Staff Members

Lewis Patterson, Lori Smith

Meeting Location

Commissioners Conference Room
Administrative Complex
140 Stonewall Avenue
Fayetteville, GA 30214

Economic Highlights

- In its December 22 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 2.6% in the third quarter of 2010, in comparison with 1.7% in the second quarter of 2010. Morgan Stanley & Co. Incorporated (“Morgan Stanley”) economists forecast that U.S. GDP will increase 4.0% in 2011.
- The seasonally adjusted unemployment rate remained between 9.4% and 9.8% for the quarter.
- According to the most recent estimate from the Commerce Department, corporate profits rose 2.6% between the second and third quarters of 2010, and 26.4% between the third quarter of 2009 and the third quarter of 2010.
- Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index rose 0.2% in October and 0.1% in November. Morgan Stanley economists expect an inflation rate of 2.0% for the coming year.

Market Highlights

- The fourth quarter saw an ongoing upturn in all major stock indices. For the quarter, the Dow Jones Industrial Average was up 8.1%, and the Standard & Poor's 500 index was up 10.8%.
- During the fourth quarter, all sectors of the S&P 500 index recorded gains. The largest advances were for Energy (21.5%) and Materials (19.0%).
- Although the stocks of small-, mid- and large-cap companies all appreciated significantly during the fourth quarter, small- and 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 U.S. government debt, along with signs of economic recovery, moved investors from low-risk bonds into higher-yielding securities.

Fayette County 401(a) Plan Highlights

- The Fayette County 401(a) portfolio increased approximately 5.42% during the quarter ended December 31. This gain was 0.13% less than the benchmarks' gain of 5.55% on a weighted average over the same period.
- The 401(a) plan 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 we recommend removing it from the Watchlist.

Fayette County 457(b) Plan Highlights

- The Fayette County 457(b) portfolio increased approximately 5.66% during the quarter ended December 31. This gain was 0.22% less than the benchmarks' gain of 5.88% on a weighted average over the same period.
- The 457(b) plan barely underperformed its benchmarks 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 Global Technology Fund remains on the 457(b) plan Watchlist.

Fayette County Plan Diversification

| Current Investment Options | | | |
|--|---|---|--|
| Domestic Equity | Value | Core | Growth |
| Large Medium Small | American Century Equity Income Fund | Select Indexed Eqty Fd (Northrn Tr) Henssler Equity Fund | American Funds Growth Fund of America |
| | Perkins Mid Cap Value Fund | Invesco Mid Cap Core Equity Fund | American Century Heritage Fund |
| | Allianz NFJ Small Cap Value Fund | Invesco Small Companies Fund | Invesco Van Kampen Small Cap Growth Fund |
| Global/International | Target Date/Asset Allocation | Fixed income | Other |
| American Funds Capital World Growth and Income Fund Manning & Napier World Opportunities Fund | American Century Livestrong Target Date Funds Oakmark Equity & Income Fund | PIMCO Total Return MassMutual Premier High Yield Fund Core Bond SAGIC | First American Real Estate Securities Fund American Century Utilities Fund Alger Health Sciences Fund T. Rowe Price Financial Services Fund T. Rowe Price Global Technology Fund |

Fayette County Plan Highlights

The 401(a) Plan

| Investment | \$ Value | % of | | | | | | |
|------------------------------|----------------------|-----------|--------------|--------------|--------------|--------------|--------------|---------------|
| | | Portfolio | 4th Qtr | 1 yr | 3 yrs | 4th Qtr | 1 yr | 3 yrs |
| Core Bond SAGIC | 4,463,062.45 | 34.91% | 1.01% | 3.88% | N/A | 0.04% | 0.13% | 0.69% |
| Large Cap | 3,168,601.54 | 24.78% | 10.01% | 13.16% | -2.02% | 11.04% | 15.60% | -2.32% |
| International/ Global | 1,285,988.74 | 10.06% | 5.80% | 8.43% | -3.74% | 7.71% | 9.63% | -6.00% |
| Asset Allocation/Lifecycle | 1,199,672.75 | 9.38% | 7.32% | 9.87% | 2.86% | 6.08% | 12.23% | 0.69% |
| Fixed Income | 1,122,228.59 | 8.78% | -1.00% | 8.39% | 8.60% | -1.26% | 6.61% | 5.94% |
| Mid Cap | 606,413.03 | 4.74% | 10.30% | 17.17% | 1.26% | 13.25% | 25.66% | 1.03% |
| Small Cap | 548,298.15 | 4.29% | 15.73% | 23.26% | 5.13% | 16.11% | 26.48% | 2.21% |
| Specialty Funds -Real Estate | 390,339.70 | 3.05% | 7.79% | 30.24% | 3.32% | 7.87% | 28.60% | 0.18% |
| Total 401 Plan | 12,784,604.95 | | 5.42% | 9.86% | 0.81% | 5.55% | 9.83% | -0.68% |

The 457(b) Plan

| Investment | \$ Value | % of | | | | | | |
|----------------------------|----------------------|-----------|--------------|---------------|--------------|--------------|---------------|---------------|
| | | Portfolio | 4th Qtr | 1 yr | 3 yrs | 4th Qtr | 1 yr | 3 yrs |
| Core Bond SAGIC (60325) | 5,179,808.46 | 32.01% | 1.01% | 3.88% | N/A | 0.04% | 0.13% | 0.69% |
| Large Cap | 4,475,226.80 | 27.66% | 9.90% | 13.18% | -1.83% | 10.99% | 15.55% | -2.48% |
| Fixed Income | 1,652,601.94 | 10.21% | -0.83% | 8.58% | 8.50% | -1.09% | 6.95% | 6.11% |
| Asset Allocation/Lifecycle | 1,595,347.14 | 9.86% | 7.23% | 10.10% | 2.64% | 6.10% | 12.42% | 0.72% |
| International/ Global | 1,425,182.15 | 8.81% | 5.80% | 8.44% | -3.74% | 7.71% | 9.62% | -6.01% |
| Small Cap | 794,530.28 | 4.91% | 14.06% | 23.92% | 3.76% | 16.01% | 26.21% | 2.20% |
| Mid Cap | 784,514.00 | 4.85% | 12.29% | 23.60% | 0.09% | 13.57% | 25.97% | 1.00% |
| Specialty Funds | 273,855.71 | 1.69% | 10.01% | 14.74% | 2.08% | 12.52% | 25.77% | 5.02% |
| Total 457 Plan | 16,181,066.48 | | 5.66% | 10.07% | 0.76% | 5.88% | 10.11% | -0.41% |

Relative Performance

| Investment | \$ Value | % of | | | | |
|---|--------------|-----------|---------|---------|--------|--------|
| | | Portfolio | 4th Qtr | 1 yr | 3 yrs | 5 yrs |
| American Century Heritage Fund | 612,916.05 | 2.12% | 0.52% | 4.59% | -2.31% | 5.40% |
| Core Bond SAGIC (60325) | 9,642,870.91 | 33.29% | 0.97% | 3.75% | N/A | N/A |
| Total Return Fund (PIMCO) | 2,694,055.44 | 9.30% | 0.26% | 1.80% | 2.70% | 1.76% |
| Nuveen Real Estate Securities Fund | 390,339.70 | 1.35% | -0.08% | 1.64% | 3.14% | 2.93% |
| Manning & Napier World Opportunities Fund | 1,443,451.19 | 4.98% | -0.15% | 1.47% | 3.94% | 4.55% |
| American Century LIVESTRONG Income Port | 145.59 | 0.00% | 3.47% | 1.27% | -3.26% | -1.42% |
| Allianz NFJ Small Cap Value Fund | 505,293.85 | 1.74% | -3.45% | 0.38% | 2.22% | 3.93% |
| American Century LIVESTRONG 2015 Portfol | 99,559.53 | 0.34% | 1.90% | -0.37% | -1.45% | -0.66% |
| Select Indexed Eqty Fd (Northrn Tr) | 1,889,854.08 | 6.52% | -0.13% | -0.77% | -0.60% | -0.66% |
| Henssler Equity Fund | 2,684,545.75 | 9.27% | -0.43% | -1.67% | 2.08% | 1.04% |
| Premier High Yield Fund (Babson) | 80,775.09 | 0.28% | 0.24% | -1.78% | -4.11% | -2.94% |
| American Century LIVESTRONG 2025 Portfol | 153,957.74 | 0.53% | 0.21% | -1.85% | -0.66% | -0.69% |
| Oakmark Equity & Income Fund | 2,350,804.86 | 8.12% | 1.40% | -2.41% | 2.59% | 2.51% |
| American Century Equity Income Fund | 991,131.26 | 3.42% | -3.29% | -2.50% | 4.71% | 2.80% |
| American Century LIVESTRONG 2045 Portfol | 1,682.81 | 0.01% | -1.18% | -2.81% | -1.44% | -0.96% |
| American Century LIVESTRONG 2035 Portfol | 188,869.36 | 0.65% | -1.20% | -2.91% | -0.91% | -0.81% |
| American Century Utilities Fund | 50,048.72 | 0.17% | -0.61% | -3.16% | -7.68% | -2.27% |
| American Funds Capital World Growth and Inc | 1,267,719.70 | 4.38% | -3.91% | -4.22% | 0.35% | 2.01% |
| Invesco Small Companies Fund | 625,516.30 | 2.16% | 1.24% | -4.29% | 4.23% | 2.58% |
| American Funds Growth Fund of America | 2,078,297.25 | 7.18% | -1.69% | -4.77% | -2.54% | -1.54% |
| Invesco Van Kampen Small Cap Growth Fund | 212,018.28 | 0.73% | -3.72% | -5.17% | -4.37% | -0.25% |
| T. Rowe Price Financial Services Fund | 23,632.41 | 0.08% | 2.54% | -6.83% | -4.26% | -1.83% |
| T. Rowe Price Global Technology Fund | 130,943.13 | 0.45% | -2.48% | -10.04% | 0.00% | 0.08% |
| Perkins Mid Cap Value Fund | 100,323.97 | 0.35% | -2.33% | -10.24% | 1.71% | 1.93% |
| Invesco Mid Cap Core Equity Fund | 677,687.01 | 2.34% | -4.25% | -12.97% | 0.99% | 0.69% |
| Alger Health Sciences Fund | 69,231.45 | 0.24% | -5.66% | -20.03% | -4.66% | -0.21% |

Fayette County Report Card

| Fayette County 401 & 457 Plans - Q4 10 | | | | | | | | | | | | | |
|--|-------|-------------|----------------|---------------|-----------|------------|-------------|-----------------|-------|-------------|-------------|-------------|-------------|
| | Style | | | Risk/Return | | | Peer Group | | | Period | | | |
| | Style | Style Drift | R ² | Risk / Return | Up / Down | Info Ratio | Return Rank | Info Ratio Rank | Qual. | Score Q4 10 | Score Q3 10 | Score Q2 10 | Score Q1 10 |
| Large Cap Value | | | | | | | | | | | | | |
| American Century Equity Income A | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 9 | 9 |
| Large Cap Blend | | | | | | | | | | | | | |
| MassMutual Select Indexed Equity A | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 5 | 5 | 5 | 5 |
| Henssler Equity | 1 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 2 | 9 | 9 | 9 | 9 |
| Large Cap Growth | | | | | | | | | | | | | |
| American Funds Growth Fund of Amer R3 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 2 | 6 | 6 | 7 | 7 |
| Mid Cap Value | | | | | | | | | | | | | |
| Perkins Mid Cap Value S | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 2 | 8 | 8 | 9 | 9 |
| Mid Cap Blend | | | | | | | | | | | | | |
| AIM Mid Cap Core Equity A | 1 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 2 | 9 | 9 | 9 | 8 |
| Mid Cap Growth | | | | | | | | | | | | | |
| American Century Heritage A | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 10 | 9 |
| Small Cap Value | | | | | | | | | | | | | |
| Allianz NFJ Small Cap Value A | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 2 | 8 | 9 | 9 | 9 |
| Small Cap Blend | | | | | | | | | | | | | |
| AIM Trimark Small Companies A | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 10 | 9 |
| Small Cap Growth | | | | | | | | | | | | | |
| Van Kampen Small Cap Growth A | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 2 | 6 | 9 | 9 | 9 |
| International - Large-Cap Core | | | | | | | | | | | | | |
| Manning & Napier World Opportunities A | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 10 | 9 |

Fayette County Report Card

| Fayette County 401 & 457 Plans - Q4 10 | | | | | | | | | | | | | |
|--|-------|-------------|----------------|---------------|-----------|------------|-------------|------------|------------|-------------|-------------|-------------|-------------|
| | Style | | | Risk/Return | | | Peer Group | | | Period | | | |
| | Style | Style Drift | R ² | Risk / Return | Up / Down | Info Ratio | Return Rank | Ratio Rank | Info Qual. | Score Q4 10 | Score Q3 10 | Score Q2 10 | Score Q1 10 |
| Global | | | | | | | | | | | | | |
| American Funds Capital World G/I R3 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 2 | 8 | 10 | 9 | 9 |
| Core Fixed Income | | | | | | | | | | | | | |
| PIMCO Total Return A | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 2 | 9 | 9 | 8 | 8 |
| High Yield | | | | | | | | | | | | | |
| MassMutual Premier High Yield A | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 2 | 6 | 6 | 6 | 5 |
| Technology | | | | | | | | | | | | | |
| T. Rowe Price Global Technology | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 8 | 5 | 7 | 7 |
| Utilities | | | | | | | | | | | | | |
| American Century Utilities Inv | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 7 | 9 | 9 |
| Real Estate | | | | | | | | | | | | | |
| First American Real Estate Secs A | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 10 | 10 | 9 | 9 |
| Health Care | | | | | | | | | | | | | |
| Alger Health Sciences A | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 2 | 9 | 6 | 7 | 9 |
| Finance | | | | | | | | | | | | | |
| T. Rowe Price Financial Services | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 8 | 7 | 9 | 8 |

Fayette County Plan Watchlist

- The MassMutual Premier High Yield Fund posted an acceptable Report Card score of six for the third consecutive quarter and outperformed its benchmark.
- As we discussed last quarter, we are recommending removing it from the 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. It remains on the Watchlist.

Specialty Funds

- Sector mutual funds are those mutual funds that restrict their investments to a particular segment or sector of the economy.

Advantages:

- These provide the opportunity for focused investments.
- It allows investors to place bets on specific industries or sectors, which have strong growth potential.

Disadvantages:

- Sector funds tend to be riskier and more volatile than the broad market because they are less diversified, although the risk level depends on the specific sector. Sector funds are riskier than equity diversified funds.

Conclusions:

- One should have only a small allocation to such a fund. It is not suitable to be a core holding of one's portfolio.
- A long-term investment horizon may not be suited for sector funds.

Correlation Matrix

January 2006 - December 2010

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1) PIMCO Total Return A | 1.00 | | | | | | | | | | | | | | |
| 2) MassMutual Premier High Yield A | 0.33 | 1.00 | | | | | | | | | | | | | |
| 3) American Century Equity Income A | 0.26 | 0.72 | 1.00 | | | | | | | | | | | | |
| 4) Henssler Equity | 0.22 | 0.72 | 0.95 | 1.00 | | | | | | | | | | | |
| 5) American Funds Growth Fund of Amer | 0.26 | 0.77 | 0.89 | 0.94 | 1.00 | | | | | | | | | | |
| 6) Perkins MidCap Value S | 0.29 | 0.76 | 0.92 | 0.95 | 0.96 | 1.00 | | | | | | | | | |
| 7) American Century Heritage A | 0.11 | 0.68 | 0.78 | 0.86 | 0.94 | 0.88 | 1.00 | | | | | | | | |
| 8) Invesco Small Companies A | 0.19 | 0.74 | 0.85 | 0.88 | 0.87 | 0.91 | 0.82 | 1.00 | | | | | | | |
| 9) American Funds Capital World G/I R3 | 0.34 | 0.74 | 0.90 | 0.91 | 0.95 | 0.92 | 0.85 | 0.81 | 1.00 | | | | | | |
| 10) Nuveen Real Estate Secs A | 0.24 | 0.69 | 0.81 | 0.80 | 0.76 | 0.84 | 0.67 | 0.82 | 0.75 | 1.00 | | | | | |
| 11) Alger Health Sciences A | 0.31 | 0.72 | 0.81 | 0.81 | 0.81 | 0.81 | 0.74 | 0.78 | 0.77 | 0.69 | 1.00 | | | | |
| 12) American Century Utilities Inv | 0.28 | 0.68 | 0.81 | 0.78 | 0.81 | 0.77 | 0.76 | 0.71 | 0.82 | 0.57 | 0.74 | 1.00 | | | |
| 13) T. Rowe Price Financial Services | 0.28 | 0.65 | 0.92 | 0.91 | 0.86 | 0.91 | 0.74 | 0.85 | 0.87 | 0.82 | 0.74 | 0.66 | 1.00 | | |
| 14) T. Rowe Price Global Technology | 0.20 | 0.74 | 0.81 | 0.88 | 0.94 | 0.89 | 0.91 | 0.87 | 0.87 | 0.70 | 0.77 | 0.73 | 0.80 | 1.00 | |
| 15) S&P 500 | 0.26 | 0.74 | 0.96 | 0.99 | 0.97 | 0.97 | 0.88 | 0.90 | 0.94 | 0.82 | 0.82 | 0.81 | 0.93 | 0.90 | 1.00 |