Attachment #1: Benefit Examples -- Effects of Mayor's plan

Assumptions: Hired at age 40, Retire at age 60, Starting pay: $25,000, and Annual pay increase: 4%
DC Plan return: 7% pre-retirement*, 5% post-retirement (withdrawals increasing 3%/ year, as the DB benefit does)

Participant Data			Current Plan	Proposed Plan #1 - Freeze & 12% DC Contributions			Proposed Plan #2*** - - Freeze & 16% DC Contributions		
				Mid-Career Shift		Full Career DC	Mid-Career Shift		Full Career DC
Age	Service	Pay	DB Monthly Benefit	DB Monthly Benefit	DC Plan Balance	DC Plan Balance	DB Monthly Benefit	DC Plan Balance	DC Plan Balance
40	0	$ 25,000	$ 0	$ 0	(12% total	3,000	--	(16% total	4,000
41	1	26,000	54	54	contribs)	6,330	--	contribs)	8,440
42	2	27,040	113	113		10,018	--		13,357
43	3	28,122	176	176		14,094	--		18,792
44	4	29,246	244	244		18,590	--		24,787
45	5	30,416	317	317		23,541	$ 317		31,388
46	6	31,633	395	395		28,985	395		38,647
47	7	32,898	480	480		34,962	480		46,616
48	8	34,214	570	570		41,515	570		55,353
49	9	35,583	667	667		48,691	667		64,921
50	10	37,006	771	771		56,540	771		75,386
51	11	38,486	882	771	4,618	65,116	771	6,158	86,821
52	12	40,026	1,001	771	9,745	74,477	771	12,993	99,303
53	13	41,627	1,127	771	15,422	84,686	771	20,563	112,914
54	14	43,292	1,263	771	21,697	95,809	771	28,929	127,745
55	15	45,024	1,407	771	28,618	107,918	771	38,158	143,891
56	16	46,825	1,561	771	36,240	121,091	771	48,321	161,455
57	17	48,698	1,725	771	44,621	135,412	771	59,495	180,549
58	18	50,645	1,899	771	53,822	150,968	771	71,763	201,290
59	19	52,671	2,085	771	63,910	167,856	771	85,213	223,808
60	20	54,778	2,282	771	68,384	179,606	771	91,178	239,475
Monthly benefit in retirement**			$ 2,282	$ 771	$ 276	$ 726	$ 771	$ 369	$ 968
% of pay replaced			50%	17%	6%	16%	17%	8%	21%
Total Pay replacement			**50%**	**23%**		**16%**	**25%**		**21%**

* Pre-retirement DC plan assumption is very generous to the mayor's plan, as your employees should not be investing aggressively during any time after 50-55.

** Both DB benefit and DC withdrawl would increase by 3% each year (retirement factor used to convert DC balance to monthly benefit assumes 5% post-retirment investment gains an

*** Some would also pay for, and receive, social security -- those who opt-out would receive proposed plan #1

Attachment #2: Comparison of DB and DC Investment Return Support for Cost of Benefits

Basic Information				#1 - DB plan value		#2 - The DC Promise		#3 - The DC Reality	
age	pay (incr 5%)	Contrib's %	Contrib's $'s	Inv. Return	Balance	Inv. Return	Balance	Inv. Return	Balance
25	25,000	12%	3,000	8.0%	3,118	7.0%	3,103	7.0%	3,103
26	26,250	12%	3,150	8.0%	6,641	7.0%	6,579	7.0%	6,579
27	27,563	12%	3,308	8.0%	10,609	7.0%	10,461	7.0%	10,461
28	28,941	12%	3,473	8.0%	15,067	7.0%	14,785	7.0%	14,785
29	30,388	12%	3,647	8.0%	20,062	7.0%	19,592	7.0%	19,592
30	31,907	12%	3,829	8.0%	25,646	7.0%	24,924	7.0%	24,924
31	33,502	12%	4,020	8.0%	31,876	7.0%	30,828	7.0%	30,828
32	35,178	12%	4,221	8.0%	38,813	7.0%	37,352	7.0%	37,352
33	36,936	12%	4,432	8.0%	46,524	7.0%	44,552	7.0%	44,552
34	38,783	12%	4,654	8.0%	55,082	7.0%	52,484	7.0%	52,484
35	40,722	12%	4,887	8.0%	64,567	7.0%	61,213	7.0%	61,213
36	42,758	12%	5,131	8.0%	75,065	7.0%	70,806	7.0%	70,806
37	44,896	12%	5,388	8.0%	86,669	7.0%	81,335	7.0%	81,335
38	47,141	12%	5,657	8.0%	99,482	7.0%	92,880	7.0%	92,880
39	49,498	12%	5,940	8.0%	113,613	7.0%	105,526	7.0%	105,526
40	51,973	12%	6,237	8.0%	129,183	7.0%	119,364	7.0%	119,364
41	54,572	12%	6,549	8.0%	146,324	7.0%	134,493	7.0%	134,493
42	57,300	12%	6,876	8.0%	165,175	7.0%	151,020	7.0%	151,020
43	60,165	12%	7,220	8.0%	185,892	7.0%	169,060	7.0%	169,060
44	63,174	12%	7,581	8.0%	208,642	7.0%	188,736	7.0%	188,736
45	66,332	12%	7,960	8.0%	233,606	7.0%	210,181	7.0%	210,181
46	69,649	12%	8,358	8.0%	260,980	7.0%	233,539	7.0%	233,539
47	73,132	12%	8,776	8.0%	290,978	7.0%	258,965	**6.0%**	256,587
48	76,788	12%	9,215	8.0%	323,833	7.0%	286,624	6.0%	281,469
49	80,627	12%	9,675	8.0%	359,794	7.0%	316,696	6.0%	308,319
50	84,659	12%	10,159	8.0%	399,135	7.0%	349,373	6.0%	337,277
51	88,892	12%	10,667	8.0%	442,152	7.0%	384,864	6.0%	368,496
52	93,336	12%	11,200	8.0%	489,163	7.0%	423,390	6.0%	402,138
53	98,003	12%	11,760	8.0%	540,518	7.0%	465,192	6.0%	438,374
54	102,903	12%	12,348	8.0%	596,593	7.0%	510,529	6.0%	477,390
55	108,049	12%	12,966	8.0%	657,794	7.0%	559,678	**5.0%**	514,545
56	113,451	12%	13,614	8.0%	724,566	7.0%	612,938	5.0%	554,223
57	119,124	12%	14,295	8.0%	797,387	7.0%	670,630	5.0%	596,582
58	125,080	12%	15,010	8.0%	876,776	7.0%	733,100	5.0%	641,791
59	131,334	12%	15,760	8.0%	963,297	7.0%	800,720	5.0%	690,030
60	137,900	12%	16,548	8.0%	**1,040,361**	7.0%	**856,770**	5.0%	**724,531**
Age 65 balance as multiple of pay					**754%**		**621%**		**525%**
Loss Due to *Return Inefficiencies* while working					**N/A**		**-17.6%**		**-30.4%**
Annual amount available for retirement					78,696		58,925		40,341
Annual amount as % of final pay					57.1%		42.7%		29.3%
Loss Due to Return Inefficiencies Overall					**N/A**		**-25.1%**		**-48.7%**

* The annuity factor varies because the post-retirement investment returns will vary greatly, as DC participants should get conservative and DB plans can continue with long investment horizons. Straight-life annuity used (more generous to DC plan).

Conclusions:

- Achieving higher investment returns is the key to efficient retirement system
- Getting lower investment returns is very costly (while working and after retirement), but a 401k participant also needs to get conservative at all times when account balance is large, creating a lost opportunity cost and loss of efficiency.
- A participant has to be conservative during all the years where his balance is substantial -- driving down dollar weighted investment returns greatly. Compare the DC plan balance at ages 47 and 60, for example.

Attachment #3

Pensions&Investments

DC plan leakage challenges executives, providers

By Robert Steyer
Source: Pensions & Investments
Date: March 7, 2011

Like a nagging cold, leakage from defined contribution plans continues to bedevil plan sponsors and their providers.

Defined contribution plan industry players view leakage as causing lost opportunities for participants to build a stronger foundation for retirement. It represents a persistent challenge to plan executives who include features — ranging from matches to auto-enrollment to auto-escalation — that encourage greater participation, but then see the maximum potential benefit eroded when employees remove some or all of their money prematurely.

Another challenge is defining leakage.

The most common definition includes hardship withdrawals, defaulted loans and cash-outs when employees change jobs and take their money without rolling it over into an individual retirement account or their next employer's plan. But some in the industry more broadly define leakage to include loans, even if repaid, as well as assets removed from the plan and put into an IRA. Leakage also can apply to plans that offer non-hardship withdrawals.

"Leakage is the price you pay for allowing flexibility" such as hardship withdrawals and loans, said Mark Herman, manager of retirement and wealth programs at Sprint Nextel Corp., Overland Park, Kan., and manager of the company's $2.2 billion 401(k) plan.

"Numerous studies have shown that there is a significant impact of sporadic withdrawals on a (participant's) balance at age 65 vs. no withdrawals," said Marina Edwards, a Chicago-based consultant at Towers Watson & Co. "But some savings, even if a participant takes a withdrawal, is better than no savings at all."

Some experts focus on the movement into IRAs because the participant loses the benefits of economies of scale, such as institutional pricing, when moving assets to a retail environment.

"The IRA rollover industry has been very successful in saying, "Your money is safer with us when you retire than in your employer's plan,'" said Georgette Gestely, director of tax-favored and citywide programs for New York City's Office of Labor Relations. Ms. Gestely is director of the New York City Deferred Compensation Plan, which has $9 billion in 457 assets and another $1 billion in 401(k) assets. "Going from group pricing to individual pricing is not a good move."

Because there are so many definitions, it's hard to assess the overall financial impact.

A 2009 Government Accountability Office report said leakage due to cash-outs from job changes ($74 billion), hardship withdrawals ($9 billion) and loan defaults ($561 million) represented about 3% of the $2.7 trillion in 401(k) assets based on 2006 census data.

Soon-to-be published research by The Vanguard Group Inc., Malvern, Pa., shows the percentage of withdrawals — hardship plus non-hardship — is growing slowly, but steadily, to 3.7% at the end of last year from 2.9% at the end of 2005 in plans for which Vanguard is the record keeper. The company defines leakage as cash-outs, defaulted loans, and hardship and non-hardship withdrawals.

Vanguard also says that from 2006 through 2010, the percentage of participants with outstanding loans has hovered in the mid- to high teens, reaching 18% in 2010. Among participants earning less than $30,000 a year, the loan rate was 23% last year. In aggregate terms, outstanding loans represented 2% of Vanguard's total record-keeping assets in each of the five years.

"I'm less worried about the 20% who borrow," said Jean Young, senior research analyst at the Vanguard Center for Retirement Research. "I'm more concerned about the 30% who don't participate."

Fidelity Investments, Boston, also considers loans as leakage even if they are repaid. "The loan is not working for you in the same way as if the money were still in the plan, due to compounding," said Beth McHugh, vice president of market insights for Fidelity.

Fidelity has found that participants with outstanding loans also have consistently lower deferral rates over time than participants without outstanding loans.

According to research of plans for which Fidelity is record keeper, the aggregate cash-out rate among participants has been creeping up. During the 12 months ended June 30, Fidelity said 33% of participants cashed out all or some of their account balances, a rate that has been increasing every 12 months since the period ended June 30, 2006.

Fidelity also has found that cash-outs are most common among younger, lower-paid participants with lower account balances.

To reduce the effects of leakage, many defined contribution plan executives constantly review plan designs and features.

Executives at Paychex Inc., Rochester, N.Y., count loans, defaulted loans, hardship withdrawals and cash-outs as leakage.

"Active employees who regularly take money out of the account, including loans, are missing out on a growth opportunity," said Rick Amering, compensation & benefits services manager.

Still, officials at the $542 million 401(k) plan began allowing hardship withdrawals. "Philosophically, we felt this (401(k)) money was for retirement, but after the economy started going south, we heard from a lot of employees," Mr. Amering said.

"Hardship withdrawals may seem like an easy way out. The more you can educate (employees), the more you can explain the impact."

Hardship withdrawals hit participants' long-term savings in three ways: Money removed from the plan cannot be replaced; federal law says participants who make hardship withdrawals cannot resume deferrals for six months; and, if a plan has a corporate match, participants lose the benefit of the match for the six months, too.

The Home Depot Inc., Atlanta, offers loans and hardship withdrawals in its $3 billion-plus 401(k) plan, and the company educates employees on the pros and cons of both, said Brant Suddath, director of benefits. "We discuss the advantages of keeping money in the plan," he said. "Loans are better than hardships."

Since December 2009, the company has limited hardship withdrawals per participant to two within a 12-month rolling period. Previously, there was no limit.

Participants can work with a hardship specialist through record keeper Aon Hewitt once they request such a withdrawal. "We started looking at the concept of a hardship specialist because our withdrawal requests were up — similar to other employers during the down economy — and our denial rates were high," said Mr. Suddath. "The No. 1 reason for hardship denials was that documentation did not meet plan requirements."

Mr. Suddath said the program has been successful. "At a minimum, we feel more comfortable that we have more educated employees," he said.

United Parcel Service Inc., Atlanta, takes a broad view of leakage that includes rollovers into IRAs, and it has taken steps to encourage participants in the $4.5 billion 401(k) plan for salaried employees to stay in the plan even after retirement.

"We want to make sure they know what their choices are when they retire," said Justine Peddle, corporate retirement and portfolio manager. "Our plan has greater bargaining power and institutional pricing. We want to make sure participants could leverage that as long as possible."

To reflect this philosophy, plan executives have added installment options so when employees retire, they can keep their money in the plan and remove funds in monthly, quarterly or other installments. In addition, UPS retirees may keep their money in the plan as long as they wish, although they have to take IRS-mandated distributions beginning at age 70½. Previously, retirees had to remove all of their money from the plan by that age.

The New York City Deferred Compensation Plan views rollovers into IRAs as leakage, and it has responded by choosing a rarely used design called a "deemed IRA," allowed by Section 408(q) of the Internal Revenue Code.

Participants may roll over money into an IRA administered by the city plan that benefits from institutional buying power and pricing, Ms. Gestely said.

She noted that after a federal law was enacted in 2002 allowing rollovers into IRAs for 457 plan participants, "money started leaving our plan at the rate of $5 million to $10 million a month." The "deemed IRA," initiated in 2006, had $68 million in assets at the end of 2010.

Rollovers into retail IRAs are still occurring at a rate of about $4 million to $6 million per month, "but we're a much bigger plan than we were before we started the deemed IRA," Ms. Gestely said. "Relatively speaking, when we look at those numbers, we're doing better."

Attachment #4

THE WALL STREET JOURNAL.
WSJ.com

RETIREMENT PLANNING | FEBRUARY 19, 2011

Retiring Boomers Find 401(k) Plans Fall Short

By E.S. BROWNING

Jason Henry for The Wall Street Journal

Patti and Bob Webster had planned to retire in North Carolina but say they need to keep working.

The 401(k) generation is beginning to retire, and it isn't a pretty sight.

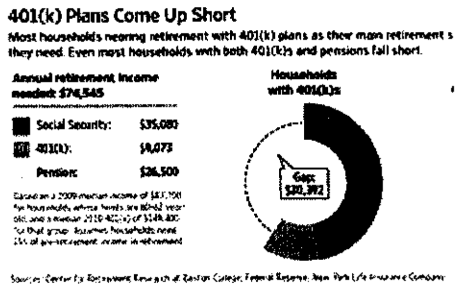
The retirement savings plans that many baby boomers thought would see them through old age are falling short in many cases.

The median household headed by a person aged 60 to 62 with a 401(k) account has less than one-quarter of what is needed in that account to maintain its standard of living in retirement, according to data compiled by the Federal Reserve and analyzed by the Center for Retirement Research at Boston College for The Wall Street Journal. Even counting Social Security and any pensions or other savings, most 401(k) participants appear to have insufficient savings. Data from other sources also show big gaps between savings and what people need, and the financial crisis has made things worse.

Even though 2010 is behind us you can still save money on 2010 taxes with some retirement savings moves. Kelsey Hubbard and the panel on the WSJ's Tax Report discuss.

This analysis uses estimates of 401(k) balances from the end of 2010 and of salaries from 2009. It assumes people need 85% of their working income after they retire in order to maintain their standard of living, a common yardstick.

Facing shortfalls, many people are postponing retirement, moving to cheaper housing, buying less-expensive food, cutting back on travel, taking bigger risks with their investments and making other sacrifices they never imagined.

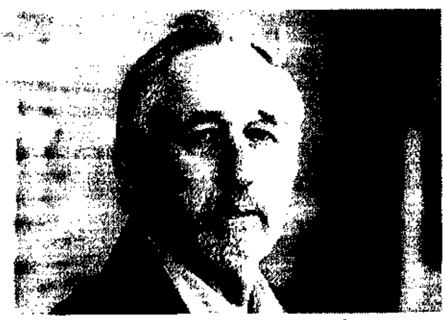


"Inevitably, we find that, for the average person, there is not enough there," says financial adviser Paul Merritt of NTrust Wealth Management in Virginia Beach, Va., who has found himself advising many retirement-age people with too little savings. "The discussion turns out to be: What kind of part-time work do you want to do after you retire?"

He has clients contemplating part-time work into their 70s, he says.

Tax-deferred 401(k) retirement accounts came into wide use in the 1980s, making baby boomers trying to retire now among the first to rely heavily on them.

The problems are widespread, especially among middle-income earners. About 60% of households nearing retirement age have 401(k)-type accounts, according to government data, and those represent the majority of most people's savings. The situation is less dire for those in a higher income bracket, who tend to save more outside their 401(k) accounts and who have more margin for error if their retirement returns fall below the recommended 85% figure.


William Hacker for the Wall Street Journal

Steven Rutschmann says his six-figure 401 (k) balance was damaged by the financial crisis.

Steven Rutschmann, 60 years old, manages the buildings and grounds at a Midwest research facility. His employer recently offered him a bonus if he retired early.

Mr. Rutschmann's 401(k) is well into six figures. His wife has a 401(k) and expects a small pension from her nursing job. An outdoorsman, he dreams of spending time hunting, fishing and hiking.

So he consulted a financial planner at Ernst & Young and learned that even with the bonus, his savings could run out before he turns 85. Now he expects to work for several more years.

"I was disappointed," says Mr. Rutschmann, whose 401(k) balance was damaged by the financial crisis and who still has a large mortgage.

In general, people facing problems today got too little advice, or bad advice. They didn't realize that a 6% annual contribution, with a 3% company match, might not be enough.

Some started saving too late or suspended contributions when they or their spouses lost jobs. Others borrowed against 401(k) accounts for medical emergencies or ran up debts too close to their planned retirement dates.

In the stock-market collapses of 2000-2002 and 2007-2009, many people were over-invested in stocks. Some bailed out after the market collapse, suffering on the way down and then missing the rebound.

Initially envisioned as a way for management-level people to put aside extra retirement money, the 401(k) was embraced by big companies in the 1980s as a replacement for costly pension funds. Suddenly, they were able to transfer the burden of funding employees' retirement to the employees themselves. Employees had control over their savings, and were able carry them to new jobs.

They were a gold mine for money-management firms. In 30 years, the 401(k) went from a small program to a multi-trillion-

Jason Henry for The Wall Street Journal

The Websters thought they had "the perfect plan" for retirement says Patti, pictured with her husband Bob.

dollar industry supporting thousands of financial planners and money managers.

But a 401(k) also requires steady, significant savings. And unlike corporate pension plans, which are guaranteed by the U.S. government, 401(k) plans have no such backstop.

The government and employers aren't going to pay more for people's retirements. Unless people begin saving earlier and contributing more to their 401(k) plans, advisers say, they are destined to hit retirement age with too little money.

Vanguard Group, one of the biggest providers of 401 (k) plans, has changed its advice on how much people should save.

Vanguard long advised people to put 9% to 12% of their salaries—including the employer contribution—in their 401(k) plans. The current median amount that people contribute is 9%, counting the employer contribution, Vanguard says.

Recently, Vanguard has begun urging people to contribute 12% to 15%, including the employer contribution, because of the stock market's weak returns and uncertainty about the future of Social Security and Medicare.

Plans of younger people have been affected too. Of those 45 to 59 who had substantial retirement assets prior to the downturn, 40% planned to work longer, according to a study by the Center for Retirement Research.

Gloria Moss has been contributing to a 401(k) since 1985, when she went back to work after having children. Especially after divorcing, she wasn't able to contribute as much as she wished and when her children finished college, she focused on repaying college loans. She says she lost more than half her savings in the recent financial crisis, then shifted heavily to bonds and missed the stock rebound.

"I thought I was doing the right thing, and found out otherwise," she says. When she consulted a financial adviser, "I got a report that said, 'You have a 5% chance of reaching your retirement goal'."

In her early 60s, she is ready to retire, but if she does that now, "I will have $25,000 to $30,000 a year less than I anticipated having," she says.

To retire at her current standard of living, she figures, she needs nearly twice the savings she has now.

Dr. Moss, who has a Ph.D. in education, also made good decisions along the way. She saw trouble coming at the educational software company where she worked and found a new job a week after losing hers.

Now she has sold the condominium she loved, near the Atlantic Ocean, and moved to a cheaper house. She cut back on vacations and meals out. She adores the theater but hasn't been to a play in at least a year.

She works extra hours each week and contributes to her employer's version of a 401(k), but doesn't feel financially able to contribute the maximum amount.

"I am going to probably have to work considerably longer than I anticipated," she says. "It is a nice job but I had not planned to be working well into my sixties," she says. "A lot of people are doing that. They need the money."

It isn't possible to calculate precisely how many people are able to cover the recommended 85% of their pre-retirement income, but Federal Reserve data suggest that many people can't.

Consider households headed by people aged 60 to 62, nearing retirement, with a 401(k)-type account at their jobs.

Such households had a median income of $87,700 in 2009, according to data from the Center for Retirement Research at Boston College, which derived this and other numbers by updating Fed survey data, at The Journal's request. The 85% needed for retirement would be $74,545 a year.

Experts estimate Social Security will provide as much as 40% of pre-retirement income, or $35,080 a year for that median family. That leaves $39,465 needed from other sources. Most 401(k) accounts don't come close to making up that gap.

The median 401(k) plan held $149,400, including plans from previous jobs, according to the Center for Retirement Research. To figure the annual income from that, analysts typically look at what the family would get from a fixed annuity.

That $149,400 would generate just $9,073 a year for a couple, according to New York Life Insurance Co., the leading provider of such annuities— less than one-quarter of the $39,465 needed.

Just 8% of households approaching retirement have the $636,673 or more in their 401(k)s that would be needed to generate $39,465 a year.

Some families do have other income. Just under half expect pension income of a median $26,500 a year. Added to the $9,073 in 401(k) income, that still falls short. Some families have other savings, but Federal Reserve and other data suggest that those don't fill the gap for most people.

These data don't even include people who are in the direst situations: Those who have lost their jobs, stopped contributing to 401(k) plans or shifted to jobs without 401(k) plans. The numbers also don't account for inflation, which would further eat into income from a 401(k).

Some researchers question the Fed numbers because they are based on surveys rather than on records of actual contributions.

Jack VanDerhei, head of research at the Employee Benefit Research Institute, a group supported by 401(k) providers, estimates the median person actually has about $158,754, based on data from 401(k) providers. That is based on individuals in their 60s who have been at the same company for more than 30 years, a somewhat different group than that measured by the Fed data.

Even that amount of 401(k) savings generates much less than what is needed.

The difficulties have been worsened by the 2007-2009 financial crisis. Since the housing and financial markets began to collapse, about 39% of all Americans have been foreclosed upon, unemployed, underwater on a mortgage or behind more than two months on a mortgage, says Michael Hurd, director of the Rand Corporation's Center for the Study of Aging.

In 2008, when he was 59, John Mastej figured he was on track to retire in his early 60s. He and his wife both were working, with 401(k) plans. Counting all their savings, they had close to $200,000. Mr. Mastej was putting 20% of his salary into his 401(k).

The financial collapse cut their savings in half and left Mr. Mastej out of work for two years, with no 401(k) contributions. He had to dip into other savings and use up an inheritance to pay the mortgage. He found a new job in a specialty food store, but it paid much less than his old one in a plastics factory.

Today, Mr. Mastej figures he has about $90,000 in savings left, including about $50,000 from the two 401(k)s, now mostly in a fixed annuity that isn't affected by the stock market. He and his wife have canceled their satellite television and drive 11-year-old cars to work.

They buy some food at discounted prices through their church, but are proud they have remained current on their mortgage, home-equity loan, insurance and property taxes.

"We don't go out to dinner. We don't do much entertaining," Mr. Mastej says. "I will probably end up having to work for another 10 years."

Carol Dailey is continuing to work at age 71. Ms. Dailey spent 10 years as an executive assistant at America Online and had stock options she figures were once worth $1.7 million. The options' value collapsed with the company's stock.

Now she relies on her 401(k), which took a hit in the 2008 market plunge. She has cut back spending for entertainment and organic food, and continues to work three days a week as an office manager for an Internet security company.

"At AOL, we were buying $60 bottles of wine and not blinking. Now I drink box wine," she says.

Eventually, she wants to retire completely. Then, to make ends meet, she plans to take bigger investment risks. Her financial adviser then will shift some of her savings out of an annuity and into high-yielding bonds and real-estate investment trusts, aiming to double the return on that money to 10% a year.

Some people were done in by the twin collapses of the housing and stock markets.

Patti and Bob Webster had accumulated a six-figure balance in their 401(k) accounts and were building a dream house in North Carolina in 2007. They planned to retire there in about a year. Then their builder went out of business and the stock collapse knocked 40% off their savings. They temporarily suspended 401(k) contributions.

"We thought we had the perfect plan," says Patti Webster. "When the bottom fell out of the market, it kind of fell out of our perfect plan as well."

Today in their mid-60s, they have completed the house but have worked two years longer than planned and expect to work two years more.

"We are having to spend another two years in just trying to catch up with what the market did to us," Ms. Webster says.

Write to E.S. Browning at jim.browning@wsj.com

Attachment #5 – Resources on Plan Management and NCPERS Views on State Legal Protections

Plan Management 'Best Practice' Resources

1. GFOA's Committee on Retirement and Benefits Administration (CORBA) has issued a number of best practices over the years dealing with several specific issues: http://www.gfoa.org/index.php?option=com_content&task=view&id=124&Itemid=136

2. GFOA has an updated "Governance of Public Employee Post-Retirement Benefits Systems" that is very detailed.
   See: http://www.gfoa.org/index.php?option=com_content&task=view&id=1628

3. NCTR Member Principles of Good Plan Administration
   http://www.nctr.org/About%20NCTR/Governing%20Documents/Principals_and_Goals.html

4. NCTR Statement of Principles and Goals (see "Plan Design and Benefit Administration;" "Plan Governance and Independence;" and "Investment Authority and Corporate Governance.")
   http://www.nctr.org/pdf/PrinciplesandGoals.pdf

5. NASRA also has a wealth of links to governance documents that can be found at "Public Retirement System Governance Resources'"
   See: http://www.nasra.org/resources/governanceresources.htm
   This is a pretty exhaustive collection of links to draft model governance legislation, a number of articles and studies on governance, and numerous actual plan governance policies.

State Constitutional Protections for Pensions

NCPERS: STATE CONSTITUTIONAL PROTECTIONS FOR PUBLIC SECTOR RETIREMENT BENEFITS:
See: http://www.ncpers.org/Files/News/03152007RetireBenefitProtections.pdf

Attachment #6: Consumer Price Index

All Urban Consumers - (CPI-U)
U.S. city average
All items

Year	Dec.	% Change Dec/Dec
1981	94	**8.9**
1982	97.6	3.8
1983	101.3	3.8
1984	105.3	3.9
1985	109.3	3.8
1986	110.5	1.1
1987	115.4	4.4
1988	120.5	4.4
1989	126.1	**4.6**
1990	133.8	**6.1**
1991	137.9	3.1
1992	141.9	2.9
1993	145.8	2.7
1994	149.7	2.7
1995	153.5	2.5
1996	158.6	3.3
1997	161.3	1.7
1998	163.9	1.6
1999	168.3	2.7
2000	174	3.4
2001	176.7	1.6
2002	180.9	2.4
2003	184.3	1.9
2004	190.3	3.3
2005	196.8	3.4
2006	201.8	2.5
2007	210.036	4.1
2008	210.228	0.1
2009	215.949	2.7
2010	219.179	1.5

Average: last 30 years	3.16
Average: last 15 years	2.41
Number of Years over 4.5%	3
Percent of Years over 4.5%	10%

Attchment #7: General Employees Pension Plan - Funding History

Date	Value of Assets	Actuarial Accrued Liability	Percent Funded	Unfunded Liability	Covered Payroll	UAAL as % of pay	Annual Required Contribution (ARC)	ACR % Pay	City ARC % of Pay	
1/1/1998	$590,739	$808,374	73.1%	$217,635	$155,605	140%				
1/1/2000	$703,381	$920,409	76.4%	$217,028	$177,754	122%	$26,206	15%	7%	
1/1/2002	$726,180	$1,059,876	68.5%	$333,696	$175,752	188%	$30,910	18%	10%	
1/1/2004	$681,159	$1,110,501	61.3%	$429,342	$160,767	267%	$37,084	23%	15%	
1/1/2005	$681,145	$1,143,676	59.6%	$462,531	$157,665	293%	$51,773	33%	25%	
1/1/2006	$702,178	$1,335,974	52.6%	$633,796	$152,408	416%	$29,799	20%	12%	ARC: 1/2 yr
7/1/2007	$749,352	$1,436,278	52.2%	$686,925	$155,185	443%	$59,780	39%	31%	
7/1/2008	$829,734	$1,483,733	55.9%	$653,999	$179,982	363%	$69,991	39%	31%	
7/1/2009	$881,009	$1,481,563	59.5%	$600,554	$150,312	400%	$51,699	34%	27%	

Recent Plan Asset Data:	Market Value of Assets (in Mils)	Percent Increase	Dollar Increase (Mils)
June 30, 2009	$ 782.4	--	--
June 30, 2010	$ 953.7	22%	$171
February 28, 2011*	$ 1,076.0	38%	$294

* From April 6, 2011 General Employees Pension Fund Board Meeting Minutes

Summary: Unfunded was $600 mil on 7/1/2009, had $100 million in outstanding losses to factor in. Recent returns have been nearly $300 million. Recent accrued liabiliity growth has been slow (only 3% since 2007) -- which is likely due to layoffs, slow salary growth.

Attachment #8

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

April 6, 2011

A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on April 6, 2011 in City Hall, Committee Room 1, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Jo Ellen Paige
John Bell
Aaron Watson
Douglas Strachan
Joya De Foor
Sherri Dickerson

TRUSTEES ABSENT:

Yolanda Johnson
Aretha Sumbry-Powers

OTHERS:

Richard Larimer of GEMGroup; Ray Adams of the Office of Retirement Services; Kristen Denius of the City of Atlanta Law Department;; Eric Atwater of the Segal Company and Larry Gray and Bob Hubbard of Gray & Company.

Mr. Berry called the meeting to order at 9:30 A.M. There was a quorum.

ADOPTION OF AGENDA:

MOTION: A motion was made and seconded to adopt the Agenda. The motion passed.

APPROVAL OF MINUTES:

Several edits to the March 2, 2011 meeting minutes were requested: 1) in the report on the Corrective Interest Refund project, the numbers need to be reconciled with the updated spreadsheet provided; 2) the classification and department description for #12 on the pension approval spreadsheet need to be reversed, and 3) Mr. Watson is shown as both present and absent (he was present). Subsequent to the meeting, these edits were made.

MOTION: A motion was made and seconded to approve the minutes of the March 2, 2011 meeting, as amended. The motion passed.

Strachan proposed that the board consider amending the plan by eliminating the provision that ows beneficiaries or refund designees the option of taking a refund of the participant's ontributions to the plan in the event of the pre-retirement death of the participant, or the net amount of a participant's contributions to the plan after subtracting the amount already received by the retired participant in the event of a post-retirement death. Mr. Strachan argued that the pension plan was not a savings account and despite the fact that participants contributed their own money to the plan, he felt that refunds in the circumstances of the death of participant should be retained by the plan for the benefit of the other participants. At a minimum, Mr. Strachan argued that the data on the amount of such refunds be obtained so that the board could assess the magnitude of the potential impact on the plan.

Other members of the board expressed strong opposition to the proposal.

MOTION: A motion was made to gather data on the amount of the refunds paid to beneficiaries or refund designees as a result of the death of the participant over the past several years to assess the impact of this option on the plan. The motion failed for lack of a second.

INVESTMENT CONSULTANT REPORT:

Flash Report – February 2011

Mr. Gray reviewed the February 2011 Flash Performance report. The portfolio was up 3.79% for the quarter compared to the Policy Index of 3.49%. The one-year number of 17.59% was slightly under the Policy Index of 17.65%. The Large Cap segment showed gains of 5.79% compared to the index of 5.88%; Mid Cap underperformed its Policy Index with a 5.8% return vs. 6.74% for the index; Small Cap outperformed its benchmark index 6.29% vs. 5.21% and fixed income beat its benchmark for the quarter .54% vs. .37%.

Total market value of the portfolio at February 28, 2011 was $1.076 billion.

Ms. De Foor asked about the exposure in the international portfolio to Japan. Mr. Gray estimated it to be about 8%, which is an underweight position relative to the proportional size of the Japanese economy relative to the rest of the developed world economies.

Portfolio Rebalancing – Cash Needs

Mr. Hubbard presented a Cash Flow Projection prepared in collaboration with the Administrator showing that $52.5 million needed to be raised to cover benefit payments and expenses through the remainder of the year, and to maintain a minimum cash reserve equal to one month's benefit and expense needs. The established practice had been to present a re-balancing plan to the board every 6 months for the purpose of raising operational cash.

Mr. Berry asked what the re-balancing would cost. Mr. Gray stated that the cost, in advance, is not known, that the board should anticipate some costs, but that the re-balancing that took place in February had actually made money for the plan due to the timing and the inter-day movement of the market.

Mr. Watson asked about the impact of holding $52 million in cash. Mr. Gray responded that it would depend on the performance of the market over the period. If the market went down, the