

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

February 5, 2014

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A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on February 5, 2014 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Douglas Strachan  
Gregory Nash  
Aretha Sumbry-Powers  
Yvonne Cowser Yancy

Jim Beard  
Angela Green  
Gina Pagnotta-Murphy

**TRUSTEES ABSENT:** Michael Bond

**OTHERS:**

Richard Larimer, GEMGroup; Kristen Denius, City Law Department; Ray Adams, Office of Retirement Services; Monique Etheridge of Wells Fargo Bank, Robert Stanley of Atlanta Public Schools, Jerry DeLoach of Risk Management, Nathan Lewis of Security Capital, Gwelda Swilley-Burke, Callan Associates, Steve Loncar of Ceredex, Derek Batts of Morgan Stanley, and Dan Berman and Tom Woodliff of GlassRatner.

Mr. Strachan called the meeting to order at 9:30 A.M. There was not a quorum initially, but a quorum was reached within 20 minutes of the start time.

Mr. Stanley from Atlanta Public Schools reported that Mr. Jason Esteves had been appointed by the Atlanta Board of Education to fill the vacated seat of Yolanda Johnson. Mr. Stanley provided contact information for Mr. Esteves and he will be included in future meeting notices and materials.

**ADOPTION OF AGENDA:**

Mr. Larimer distributed copies of minutes from the Special Called Meeting of January 14, 2014. The Agenda was amended to include review of these minutes. The Agenda was further amended to move the presentation by Glass Ratner up to follow the Check Register in order to accommodate the presenters.

**MOTION:** A motion was made and seconded to adopt the Agenda, as amended. The motion passed.

**APPROVAL OF MINUTES:**

Minutes from the December 17, 2013 Special Meeting and the January 8, 2014 Board meeting were provided in the meeting packages in advance.

**MOTION:** A motion was made and seconded to approve the minutes of the December 17, 2013 Special meeting as presented. The motion passed.

**MOTION:** A motion was made and seconded to approve the minutes of the January 8, 2014 Board meeting as presented. The motion passed.

Ms. Green asked that the minutes be edited to clarify that her request for a summary of the facts and terms of settlement of the Tribune case was only for her; other board members requested to receive a copy. Mr. Larimer agreed to make the correction.

**MOTION:** A motion was made and seconded to approve the minutes of the January 14, 2014 Special meeting, as amended as noted above. The motion passed.

## **GENERAL EMPLOYEES' PENSION FUND PENSION AWARDS:**

### **SERVICE PENSION APPLICATIONS**

The Service Pension applications on the attached spreadsheet were presented to the Board for approval.

Mr. Beard asked if the two applicants that were assessed an age penalty had been contacted and apprised of the reduction. Mr. Larimer confirmed that they had.

Ms. Green asked that the years of service for Mr. Wade Spencer, Jr. be verified. She thought that he had service in excess of the amount shown.

**MOTION:** A motion was made and seconded to approve the service pension applications Nos. 1-15 as listed on the attached spreadsheet dated February 5, 2014, subject to verification of the accuracy of the years of service shown for Mr. Spencer. The motion passed.

Subsequent to the meeting, Mr. Spencer's years of service were confirmed by the Office of Retirement to be accurate; Mr. Spencer had a break in service during his tenure with the Public Works Department.

### **DISABILITY PENSION APPLICATIONS**

There were no Disability Pension applications this month.

### **BENEFICIARY PENSION APPLICATIONS**

The Beneficiary Pension applications on the attached spreadsheet were presented to the Board for approval.

**MOTION:** A motion was made and seconded to approve Beneficiary Pension applications Nos. 1 - 3 on the attached spreadsheet dated February 5, 2014. The motion passed.

## **APPROVAL OF CHECK REGISTER AND INVOICES:**

The Check Register dated February 5, 2014 was presented for review and approval.

Mr. Beard pointed out that the last two checks listed on the Register had the same check number. A review of the actual checks confirmed this was a typographical error; Mr. Larimer will make the correction.

**MOTION:** A motion was made and seconded to approve 12 items: #52350 - #52362(as corrected) on the Check Register dated February 5, 2014 totaling \$693,805.51. The motion passed.

## **REVIEW OF DECEMBER 2013 FINANCIALS:**

The financials for the period ending December 31, 2013 were presented and reviewed. Mr. Larimer provided a brief summary of the financials and directed the board members' attention to the Glossary of Terms behind Tab 6. The Glossary of account caption descriptions had been requested by to help in understanding the financials. Mr. Beard commented that the Glossary as provided was satisfactory.

**MOTION:** A motion was made and seconded to accept receipt of the December 31, 2013 financial statements as presented. The motion passed.

## **LAW DEPARTMENT:**

Fiduciary Liability Insurance Application –Mr. Larimer and Ms. Denius updated the board on the progress to obtain fiduciary liability coverage. Mr. Atwater and Mr. Larimer participated in a call arranged by Mr. Atwater with Segal's Fiduciary Liability practice staff that had done a courtesy review of the Alterra/Ullico policy and quote. The call was informative and raised a number of questions and issues concerning the operation of the policy as written and the circumstances under which coverage would be provided in the event there was indemnity available to the trustees from another party and/or the Plan would cover the cost of legal defense against a claim. According to City Law Department, in most instances in which trustees were acting in their capacity as board trustees the Plan would cover the costs of defense and any claims against individual trustees. The issue needs to be explored in more detail to ascertain if the policy, as offered, is providing a value to the individual trustees.

Additional clarification is needed on the \$50,000 deductible and whether the Plan would be responsible and permitted to pay this deductible, shielding the individual board members from this liability.

The board requested that these issues be examined by the City Law Department and that the broker and the insurance carrier attend the March meeting to explain the coverage and the operation of the policy. Mr. Larimer will arrange these discussions and the presentation at the March meeting.

## **ACTUARY REPORT**

No actuary report this month.

## **INVESTMENT CONSULTANT REPORT**

Callan & Associates – Gwelda Swilley-Burke distributed a preliminary quarterly Performance Report for the period ending December 31, 2013. The report indicates that the overall asset allocation of plan assets is in conformance with the Investment Policy Statement. Performance of the overall portfolio over the last year was quite good with the Total Fund return of 24.35%, 393 bps over the blended Policy Index. The full quarterly performance review report should be available for the March meeting. In response to Mr. Strachan’s question, Ms. Swilley-Burke stated that future performance reports would show performance data “net of fees” once Callan had received all of the manager’s fee agreements.

Ms. Swilley-Burke reviewed the Callan proposed Work Plan for 2014 (Tab 7) that sets forth the various tasks to be accomplished. The board requested that the Manager searches scheduled for the third quarter be accelerated to the second quarter. With some adjustments, Ms. Swilley-Burke thought that could be accomplished. With this adjustment, the board approved the proposed Work Plan.

Ceredex – Ownership Restructuring & Assignment Letter - Steve Loncar addressed the board and presented a Consent to Assignment letter regarding the pending change in ownership structure of Ceredex Value Advisors. Mr. Loncar explained that the employees of RidgeWorth Investment, in partnership with Lightyear Capital, a private equity firm, have entered into an agreement to acquire RidgeWorth from SunTrust Bank. Ceredex is a subsidiary of RidgeWorth. The transaction requires the consent of clients because it constitutes an assignment of the Investment Advisory agreement under which Ceredex provides portfolio management services.

Mr. Loncar explained that the sale is considered a “lift out” of the RidgeWorth unit and all executive management, portfolio managers, analysts and client service team members will continue to remain with the new independent firm.

Mr. Strachan asked if there was an opportunity to further discount the investment management fee on the account. Mr. Loncar reminded the board that the current fee schedule includes a 13% discount across the board, but would take the board’s request back to Ceredex management before the next meeting.

**MOTION:** A motion was made and seconded to approve the Consent to Assignment letter of the Plan’s investment advisory agreement to the new entity, conditioned upon an additional 2% across the board discount for a total of 15% being applied to the current fee arrangement. The motion passed. Ms. Green abstained.

### **OLD BUSINESS:**

Securities Monitoring Update – There were no specific updates on Securities Monitoring cases. Mr. Strachan asked that Mr. Kimpson be invited to attend the March meeting and educate the board on what they should be looking for in the reports that were being circulated periodically. Mr. Larimer will extend the invitation to Mr. Kimpson.

GlassRatner Forensic Audit Report on GrayCo Alternative Partners II (“GrayCo Alt II”) - Dan Berman and Tom Woodliff of GlassRatner Advisory & Capital Group presented their findings on the review of the GrayCo Alt II investment by GEPF. Responding to a question from Mr. Beard, Messrs. Berman and Woodliff stated that they had received cooperation from Gray & Company with respect to supplying documents as requested.

The presentation included a summary of the capital commitments by investor, analysis of underlying funds, a funds tracing analysis of inflows and outflows, review of management fees and expenses and a review of disclosures of key terms and roles. Messrs. Berman and Woodliff noted that the date range of the review was December 2012 (partnership inception date) through September 2013 (latest date for which financial records are available).

The review confirmed the following key findings:

- The GEPF capital commitment is \$28 million, of which \$11.3 million (35.9%) had been called. The amount called is in the same ratio as the overall capital commitments of all investors.
- Selection of underlying fund investments complies with GrayCo Alt II stated investment policies with respect to allocation among fund types (e.g., hedge fund, private equity) and the single manager limit of 15%.
- Two of the ten underlying funds were started in 2013 and GrayCo Alt II is either the sole investor or one of two investors in these two funds: 5 Stone Green Capital and US Community Lending Holdings..
- A review of GrayCo Alt II records found that all cash inflows from investors (including GEPF) to GrayCo Alt II were accounted for. The records reflected GEPF's capital investment of \$11.3 million and capital investment by all investors of \$31.6 million.
- A review of GrayCo Alt II records found that all cash outflows from GrayCo Alt II to underlying funds were accounted for. The records reflected total cash outflows of \$31.6 million to ten underlying funds.
- Management fees were reconciled with the terms of the partnership agreement. Organizational expenses incurred were \$159,908, less than the maximum allowed of \$300,000. All other expenses appear reasonable.
- Gray & Company made the following disclosures: General Partner would be a Gray & Company related company; Fund Manager would be a Gray & Company related company; General Partner would invest a minimum of \$1 million; and management fees of 1% would be paid by Limited Partner investors to the Fund Manager.

An extensive discussion ensued. Ms. Pagnotta-Murphy asked why there was an unreconciled amount of \$3,921 in the outflows to underlying funds. GlassRatner stated that they could go back and dig deeper to reconcile the amount, but deemed the amount to be de minimis. In response to a question from Ms. Green, GlassRatner confirmed that the partnership agreement provided for GrayCo Alt II to pay organizational expenses and management fees. Ms. Yancy said she received a call from someone who she thought might be an investor in GrayCo Alt II other than the four identified in GlassRatner's findings (GEPF, Atlanta Firefighters Pension, Atlanta Police Pension, and MARTA Local 732 Retirement) and requested an updated list of investors through December 31, 2013. She also wanted to understand further GEPF's legal rights to call for a meeting of investors in GrayCo Alt II and explore an exit from the fund.

Mr. Strachan asked if more details were available on the specific investments of the underlying funds. GlassRatner received the fund prospectuses that were provided to Gray & Company, but those documents do not include this information. Additional research could be done in this area but it was noted that a high level of privacy and lack of disclosures in these types of investments was not uncommon.

Ms. Pagnotta-Murphy asked for GlassRatner's overall assessment. According to Messrs. Berman and Woodliff, GrayCo Alt II in general is doing what they said they would do with respect to the types of funds in which they would invest. However, there is a question about the rationale for the investment in the two newest funds (5 Stone Green Capital and US Community Lending Holdings), largely because these funds started in 2013 and GrayCo Alt II was either the sole investor or one of only two investors. The consensus of the board was that additional research by GlassRatner should be done, specifically to 1) update the summary of investments in GrayCo Alt II by investor and the summary of investments by GrayCo Alt II in underlying funds to include the quarter ending 12/31/2013, 2) prepare a summary of all ten underlying funds, to the extent applicable, by referencing the target size of the fund, number of investors, total capital committed, and total capital called and 3) perform additional research of 5 Stone Green Capital and US Community Lending Holdings including identifying a) the investments made by

those two funds and b) any minimum capital commitment amount required in order to proceed with their investment program. .

**MOTION:** A motion was made and seconded to 1) accept the findings of the GlassRatner Forensic Audit; and 2) authorize GlassRatner to engage in additional research as identified in the preceding paragraph, subject to an additional fee not to exceed \$10,000. The motion passed. Ms. Pagnotta-Murphy abstained.

**MOTION:** A motion was made and seconded to authorize the Law Department to engage outside counsel with securities law expertise to examine the GrayCo Alt II contract to determine the terms, conditions and options regarding an exit strategy. The motion passed. Ms. Pagnotta-Murphy abstained.

Ms. Yancy and Mr. Beard reported that the Police and Fire plans would agree to split with the GEPP the cost of both the Glass Ratner and outside counsel fees.

**NEW BUSINESS:**

Authorized Signers Form for Wells Fargo Trust and Custody Accounts - These forms had been prepared in advance by Wells Fargo and were signed by the appropriate board members to authorize transactions within and among the investment accounts.

There being no further business to discuss, the meeting was adjourned at 11:45 a.m.

The next meeting will be held on Wednesday, March 5, 2014 in Conference Room 1, City Hall.

Respectfully submitted:

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Douglas I. Strachan, Chair

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Jim Beard, CFO & Secretary