

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

April 3, 2013

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A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on April 3, 2013 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Alfred Berry, Jr.  
Gregory Nash  
Aretha Sumbry-Powers

Douglas Strachan  
Jim Beard

Yvonne Cowser Yancy  
Angela Green

**TRUSTEES ABSENT:**

Aaron Watson and Yolanda Johnson

The board acknowledged receipt of a copy of a letter from Mr. Watson resigning his position as a trustee of the General Employees' Pension Fund, effective March 18, 2013.

**OTHERS:**

Richard Larimer, GEMGroup; Kristen Denius, City Law Department; Lisa Joe and Ademir Zeco of Gray & Company, Louis Amis, City Insurance Department, Robert Stanley, Atlanta Public Schools, Mickey Walker, City Workers Compensation, and Laurel Hill and Monique Etheridge of Wells Fargo Bank.

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

**ADOPTION OF AGENDA:**

The Agenda was amended to add an appeal by Ms. Denham of a disability pension denial.

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

**APPROVAL OF MINUTES:**

Mr. Berry pointed out an extraneous word that needed to be deleted.

**MOTION:** A motion was made and seconded to approve the minutes of the March 6, 2013 meeting, as corrected. 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.

**MOTION:** A motion was made and seconded to approve the service pension applications Nos. 1-8 as listed on the attached spreadsheet dated April 3, 2013. The motion passed.

### **DISABILITY PENSION APPLICATIONS**

The Disability Pension application on the attached spreadsheet was presented for Board action.

**MOTION:** A motion was made and seconded to approve the Disability Pension application (Lawson) as listed on the attached spreadsheet dated April 3, 2013. The motion passed.

### **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 the Beneficiary Pension applications Nos. 1-3 on the attached spreadsheet dated April 3, 2013. The motion passed.

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

The Check Register dated April 3, 2013 was presented for review and approval.

**MOTION:** A motion was made and seconded to approve 7 items: #47439 - #47445 on the Check Register dated April 3, 2013 totaling \$86,676.13. The motion passed.

### **REVIEW OF FEBRUARY 2013 FINANCIALS:**

The financials for the period ending February 28, 2013 were presented and reviewed. After a brief discussion,

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

### **LAW DEPARTMENT:**

Board By-Laws- Revised Draft – Ms. Denius distributed a revised draft of updated By-Laws for the General Employees' Pension Plan. The new draft incorporated the comments and feedback from the discussion at last month's meeting.

Ms. Green questioned Sections 2.4.1 and 2.4.2 regarding the removal/suspension of elected trustees and appointed trustees and why these two were different. After a brief discussion, it was resolved that Section 2.4.2 dealing with appointed trustees be amended to say that appointed trustees may be removed at the discretion of the appointing authority "OR by a two-thirds vote of the board". This change will make the two provisions consistent. Ms. Denius will make the edit and bring a revised draft to the May meeting.

Dr. Nash inquired whether there were other municipal and Georgia State boards – other than City of Atlanta Police and Fire – that had similar removal provisions. And Ms. Green asked if she could see some examples of other municipal board by-laws that had been used by Ms. Denius as a model in drafting the GEPP By-Laws. Ms. Denius will provide samples to Dr. Nash and Ms. Green.

Fiduciary Liability Insurance Application – Status Update - Ms. Denius reported that she had received the necessary information from GEMGroup but was waiting on Jerry DeLoach in the Finance Department who has been out of the office on extended leave. Mr. Beard mentioned that he would help by assigning somebody else to work with the Law Department to get the Application completed.

Mr. Strachan asked for updates on the active securities monitoring litigation cases. Mr. Kimpson of Motley Rice gave a quick update of the recent filings in the Hecla Mining case; Ms. Denius had no updated reports on the others.

Mr. Strachan suggested that the topic of securities monitoring litigation be made a standing agenda item for each meeting. The board members agreed.

### **INVESTMENT CONSULTANT REPORT**

Global Real Assets – JP Morgan - Greg Pittenger, Relationship Manager and Bernie McNamara, Portfolio Manager with JP Morgan Asset Management made a presentation to familiarize the board with investing in Global Real Assets as an asset class, now permissible under the enabling legislation for Alternative Investments. JP Morgan manages \$64 billion in real assets around the world. Portfolios consist of commercial real estate, infrastructure such as roads, bridges and airports, and shipping terminals and farmland. Portfolios such as the GEPP may benefit from an allocation to Global Real Assets through diversification, lower volatility of returns and as a hedge against inflation. Mr. McNamara reviewed a variety of metrics that illustrated these benefits if Global Real Assets were added to a traditional 60/40 stock and bond portfolio. They also pointed out that investments in this type of fund should be intended for a long holding period due to low liquidity.

Mr. Strachan clarified that Global Real Assets would be considered as part of the 5% overall allocation to Alternatives currently approved under the Investment Policy guidelines.

Flash Performance Report – Lisa Joe reviewed the Flash Performance Report for the period ending February 28, 2013. She noted that all managers showed positive returns for the month and for the quarter to date with the exception of Johnston’s International Equity. Overall, the Fund was up 5.26% net of fees for the QTD and 92 bps above the Policy Index. The near term trends appear to be positive. The \$15 million market value of the GrayCo Core Alts II holding vs. the \$28 million committed amount. Ms. Joe explained that only a portion of the \$28 million commitment had been “called” and was invested. The remaining amount of the \$28 million committed would be requested over the next six months to two years, and would remain invested with the other managers until it is needed to be raised to fund the commitment.

A question was raised about the money in the ConvergeEx transition account and whether it earned interest. Ms. Joe stated that it did but would report back to the board as to the rate being earned.

Review of Due Diligence Process for Investment Manager Recommendation - Ademir Zeco, Senior Portfolio Manager for Alternatives at Gray & Company, presented the firm's Due Diligence Process with respect to Alternative investments such as private equity and hedge funds. A twelve-member committee oversees the process to evaluate both prospective alternative managers and monitors those currently in client portfolios. They look for transparency and managers who maintain highly communicative relationships with managers and clients, active and engaged ownership, and competitive compensation structures. Mr. Zeco described a rigorous five level process from initial identification to investment and ongoing monitoring.

Mr. Beard asked how often and the process for exiting a manager. Mr. Zeco described the process. In response to another question, Mr. Zeco stated that a Gray & Co team member would meet face-to-face at least once each quarter with each manager, augmented by telephone conference calls every two weeks.

Securities Lending – Wells Fargo & Citibank - Brian Crevoiserat of Wells Fargo Institutional Retirement and Trust, and Richard Kissinger of Citibank Transaction Services jointly presented the capabilities of Citibank to provide Securities Lending services to the GEPP as a partner with Wells Fargo under their custody services agreement. Mr. Kissinger described Citi as a “boutique” shop, having 70 securities lending clients and approximately \$80 billion of securities loaned under their program. Since the GEPP has been lending securities with BNYMellon for some time, Mr. Kissinger dispensed with a complete explanation of the securities lending process and focused on pointing out a few differences between the Citi and BNYMellon approaches. Citi does not use comingled pooled vehicles to invest the collateral but rather has individual securities dedicated to each specific lending client. Citi believes this provides a lower risk arrangement for its clients since the liquidity of the collateral (and therefore the risk to the lending entity) is not affected by the actions of the other lenders who may be participating in the pool and who decided to exit. They have a process to strictly monitor the collateral and mark to market each day to ensure adequate margins. The revenue split is 80/20 and Citi would expect the City earnings to be approximately \$200,000 - \$260,000 annually.

Ms. Strachan asked about the downside, if any, to the Fund of engaging in securities lending. Mr. Kissinger stated that there is credit risk of two types: 1) borrower of the securities becomes insolvent and 2) the collateral posted by the borrower rapidly declines in value. Both risks are mitigated by the fact that the loaned positions are always collateralized at 102% and marked to market daily such that the securities can be recalled immediately if need be. Extensive credit analysis is done to qualify borrowers as acceptable credit risks.

Mr. Berry stated his recollection from the March meeting that the board would hear from a few other securities lending providers and make a choice from among them. Wells Fargo apologized for having given the wrong impression at last month's meeting, but explained that Wells Fargo has an exclusive arrangement with Citi to provide securities lending to its custody clients and choosing another provider was not an option. Mr. Berry and other board members expressed their disappointment in having been given incorrect information previously and were frustrated by being “forced” to accept a supposedly independent service provider as part of a contract for other services from Wells. The discussion concluded with Mr. Crevoiserat committing to review the specific responses in the Wells RFP relating to securities lending services, how and by whom it was proposed to deliver securities lending and specifically what was communicated to the board, for further discussion at the May meeting.

## **OLD BUSINESS:**

### **Disability Pension Recalculations – Correction Project -**

Mr. Larimer presented a revised spreadsheet, as requested, that summarized the overpayments and underpayments of 47 participants whose disability pensions should have been recalculated at age 60 but were not. The latest spreadsheet now includes columns showing the interest calculated and due to those individuals who had been underpaid, and three separate columns showing the number of months to full recovery from those who were overpaid at deduction amounts of 10%, 15% and 20%, respectively.

Mr. Larimer reported that the files (which are currently empty) for the 60 people listed on page 2 have been pulled and are ready to be copied and delivered to GEMGroup. They have not been received as yet.

Mr. Adams supplied the criteria to identify those individuals on the list whose overpayment may be reduced because it had been the practice of the Office of Retirement Services until 2009 to allow participants who were receiving a disability pension and reached age 60 prior to being vested to continue to receive an un-recalculated disability benefit until they became vested. (This practice ended in 2010 after GEMGroup assumed the administration). GEMGroup applied the criteria and found that only Aaron Johnson was affected; the calculated overpayment amount was reduced by approximately \$80,000.

After discussion, the consensus of the board was that an effort should be made to recover the overpayments.

**MOTION:** A motion was made and seconded to implement the corrections to the current benefit amounts being received by the next monthly payment and to issue retroactive reimbursement checks, with interest at 5% per annum, to those who had been underpaid. For those who were overpaid, the deduction from their corrected benefit amount would be 15% and would commence with the July 31<sup>st</sup> payment after giving a 60-day notice in advance. The motion failed - one Yes and four No.

**MOTION:** A motion was made and seconded – identical to the previous motion that failed except that the deduction amount would be 10% instead of 15%. The motion passed with four Yes votes. Mr. Berry voted No.

GEMGroup will send letters explaining the corrective actions, including reimbursement checks to those who were underpaid, on or before April 12, 2013.

**Investment Consultant RFP -Update** - Mr. Berry confirmed that he had distributed copies of the RFP to all board members for a final review and comments and that the RFP was now with City Procurement.

**Pension Staff Director/Chief Investment Officer Positions** – Mr. Beard and Ms. Yancy reported that this process is underway.

## **NEW BUSINESS:**

**Appeal of Disability Denial – Thjuanda Denham** - An appeal of the denial of a disability application from Ms. Denham was submitted by her Counsel. The application had previously been denied because the applicant's examining physician did not indicate total and permanent disability.

**MOTION:** A motion was made and seconded to direct the applicant to see another doctor and resubmit the application. The motion passed.

Ms. Denius subsequently counseled the board that under the Plan rules the board must deny the appeal. The applicant would then have the right to appeal the decision by submitting additional information from another doctor. The board should not be in a position of recommending or sending her to another doctor at this stage of the process.

**MOTION:** A motion was made and seconded to reconsider and rescind the previous motion. The motion passed.

**MOTION:** A motion was made and seconded to deny the appeal of Ms. Denham based on the initial examining physician not supporting a diagnosis of total and permanent disability. The motion passed.

Appeal of Disability Denial – Linda Collins-Jones – Ms. Heather Carr, representing Linda Collins-Jones, presented the appeal. Since the board last heard Ms. Collins-Jones’ appeal, the applicant had seen a physical therapist for a complete evaluation who concluded that Ms. Collins-Jones was totally and permanently disabled. However, a City doctor continued to maintain that the applicant was not completely disabled. Because the Plan requires the concurrence of two doctors, the board denied the appeal again, but instructed the Administrator to have the applicant see a second City approved doctor and re-submit the application.

**MOTION:** A motion was made and seconded to deny the appeal of Ms. Linda Collins-Jones and to authorize another examination by a City approved doctor. The motion passed.

Appeal of a Refund Denial – Owyn Franklin - Mr. Franklin has been denied eligibility to receive a refund of prior contributions for the period August 1993 – November 1996 because City and GEMGroup records show that a refund for this period had been properly applied for and a check issued to Mr. Franklin in December 1996.

Mr. Franklin contends that he never received the check. After 16 years, however, it is not possible to obtain a copy of a cancelled check. The board listened to Mr. Franklin make his appeal but, without any evidence to the contrary, all the documentation available indicates that the refund had been issued.

**MOTION:** A motion was made and seconded to deny the appeal by Owyn Franklin for a refund of prior contributions. The motion passed.

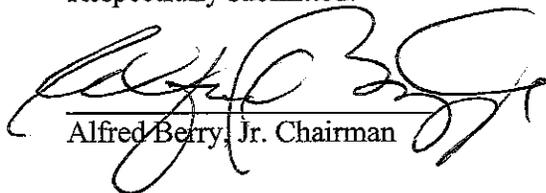
July Meeting Date Change - The July meeting date was changed from Wednesday, July 3, 2013 to Thursday, July 11, 2013 to avoid the Independence Day Holiday.

New Products as Investment Options in other City Plans - This topic was deferred to a future meeting.

**PUBLIC COMMENT:**

There being no further business to discuss, the meeting was adjourned at 12:40 p.m.

Respectfully submitted:

  
Alfred Berry, Jr. Chairman

  
Jim Beard, CFO & Secretary