

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

November 5, 2014

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

TRUSTEES PRESENT:

Douglas Strachan
Aretha Sumbry-Powers
Dr. Gregory Nash

Jim Beard
Angela Green

NOT PRESENT:

Yvonne Cowser Yancy, Jason Esteves, Gina Pagnotta-Murphy and Michael Bond

OTHERS:

Rick Larimer, GEMGroup; Kristen Denius of City Law Department; Ray Adams, Office of Retirement Services; Robert Stanley of Atlanta Public Schools, Nathan Lewis of Security Capital, Gwelda Swilley-Burke of Callan Associates, Jim Scherenko, and Lisa Bowman of BlackRock,

Mr. Strachan called the meeting to order at 9:30 am and asked the audience to introduce themselves. A quorum was reached at 10:00 a.m. when Mr. Beard arrived.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

Minutes from the October 1, 2014 and October 22, 2014 Special Called meetings were provided in the meeting packages in advance.

MOTION: A motion was made and seconded to approve the minutes of the October 1, 2014 and October 22, 2014 board meetings. 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. 1-10 as listed on the attached spreadsheet dated November 5, 2014. 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 Beneficiary Pension applications Nos.1 - 10 on the attached spreadsheet dated November 5, 2014. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

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

MOTION: A motion was made and seconded to approve 13 items: #55259-#55271 on the Check Register dated November 5, 2014 totaling \$660,319.95. The motion passed.

REVIEW OF DECEMBER 2013 FINANCIALS:

The financials for the period ending August, 2014 were presented and reviewed.

MOTION: A motion was made and seconded to acknowledge receipt of the September 30, 2014 financial statements as presented for further review by the Finance Department. The motion passed.

LAW DEPARTMENT:

No Report

ACTUARY REPORT

Mr. Atwater reported that they had received all data from the GEMGroup and the actuarial valuation reports for both the City and APS are in process. He would like to present preliminary data at the next meeting.

Mr. Nash asked about the COLA adjustment letter for 2015. Mr. Larimer reported that it was being prepared by Southern Actuaries for Mr. Atwater's review and should be available for board review at the December meeting.

INVESTMENT CONSULTANT REPORT

Quarterly Performance Review – Ms. Swilley-Burke gave an overview of the overall financial markets and the U S economy, commenting that the economy is improving but slowly and overall financial markets have been muted.

The asset allocation vs. target shows a somewhat overweighed position in Domestic Equity – 60% compared to a target of 55% - but still within Policy guidelines. Callan is not recommending any actions at this time because reallocations will be part of the process in bringing on new managers. Overall, market value of Fund assets declined for the quarter by \$19.9 million, largely attributable to a drop in the equity markets. Outflows to fund benefits and plan expenses were \$14.5 million for the period, resulting in a market value of \$1.23 billion at September 30, 2014.

Ms. Swilley-Burke reviewed the performance within each segment and the individual managers within each category.

Callan prepared a comparison of the long-term performance of the General Pension to a universe of other public pension funds. Except for the most recent quarter, the General Pension's overall performance compares favorably to their peer universe, ranking in the upper quartile in the last year, and in the 3, 5, and 10-year time periods. The General Pension also compares favorably against a corporate pension fund universe (except for the most recent quarter), ranking above median over the past year, and in the upper quartile over the 3- and 5-year time periods.

Investment Policy Statement - Ms. Swilley-Burke distributed the revised Investment Policy Statement that captures many of the changes that the board had previously approved and added the newly approved asset allocations to Emerging Markets, Alternatives and Global Fixed Income. New benchmarks were added for specific assets classes. Callan also recommends that compliance with Georgia law is required and is attached in an Appendix that the managers must acknowledge and sign as part of their contract. Mr. Strachan asked about the mechanism and the process of placing managers on the Watch List. Ms. Swilley-Burke stated that Callan will monitor guidelines on page 14 and make recommendations to the board on a quarterly basis, if needed, and the board can then make the decision.

MOTION: A motion was made and seconded to approve the Investment Policy Statement as amended November 5, 2014. The motion passed.

Emerging Market Equity and Global Fixed Income – Manager Search Criteria - Ms. Swilley-Burke presented the evaluation search criteria that Callan will apply to the manager searches for Emerging Markets and Global Fixed Income segments. Because of the asset class and size of the expected mandate, investment products considered for these mandates will have to be co-mingled/mutual fund vehicles. Callan is proposing to do the searches but Ms. Swilley-Burke pointed out the selection of managers must wait for legislative action by the State of Georgia to clarify the permissibility of comingled funds.

MOTION: A motion was made and seconded to approve the Callan selection criteria and filters for the manager search for a Global Fixed Income manager. The motion passed.

MOTION: A motion was made and seconded to approve the Callan selection criteria and filters for the manager search for Emerging Markets manager. The motion passed.

Gray Co Core Alts II – Portfolio Review – Ms. Yolanda Foreman and Adamir Zecco presented a portfolio update on the Gray Co Core Alts II portfolio. Mr. Zecco summarized the performance to date: \$83 million capital committed, 61% of the committed capital has been funded into 11 investments, 4.7% has been returned in distributions and the current value of the investments is \$40.3. The return has been 1.11% with a gross Internal Rate of Return (IRR) of 13.8%.

The asset allocation is a bit skewed vs. target due to the fact that the portfolio is in early stage and the overall allocation will more closely mirror the target when all the investments have been funded and the positions stabilized. Ms. Swilley-Burke mentioned that a custom benchmark will be developed by Callan based on the target, stated allocation to provide an accurate measurement. Mr. Zecco commented that they were very pleased with the performance of the Private Equity and Hedge fund investments to date.

The board had expressed some concern over the Real Estate portion portfolio. Mr. Zecco reported that \$7.5 million has been committed to Real Estate with \$4.15 contributed, including a \$1 million slice that represents an equity investment in the general partner of one of the investments. This has resulted in ownership of 10% of the 5 Stone Green Capital general partnership. In addition, 5 Stone Green has recently been added to the distribution platform of Bainbridge Capital that will provide a boost to the capital raising process.

Gray Co reviewed the Special Situation portfolio holdings in detail, including US Community Lending whose investment was converted from equity to a debt instrument which is being repaid as agreed. The principal is due June 2015.

The board requested information more frequently and to have more detail added to the letter requesting future capital calls. Ms. Green commented that she continues to have concerns about both US Community Lending and 5 Stone Green Capital.

Mr. Beard commented that modern portfolio theory applies to these alternative investments such as Gray Co Alts II and the diversification among various investments is intended to protect the Fund from the likelihood that all the individual underlying investments will not perform as expected. The total exposure to the Fund is less than 5% for the entire alternative category.

OLD BUSINESS:

Securities Monitoring Update – No updates.

Approval of New Physicians for Disability Exams – Ms. Yancy requested that discussion on this item be deferred to the next meeting to allow more time for the City Employee Benefits and Insurance department to complete the recommended procedures and obtain resumes from additional physicians.

Raiford Jackson Overpayment - Mr. Larimer briefly summarized for the board the facts of a pension overpayment error from 2008 which resulted in an overpayment to Mr. Jackson over the past six years of \$235,793. Mr. Jackson addressed the board at the October meeting to explain that although he realized the check was more than it should have been, various health issues and other difficult circumstances occurred in his life at the time that created a need for some assistance. After praying about it for some time, Mr. Jackson concluded the overpayment was simply a blessing from God in his time of need and he asked for the board's understanding and mercy. Mr. Jackson wrote a letter to the board proposing that he pay \$100 a month toward recovery of the overpayment.

At the board's request, Mr. Larimer had prepared a list of options showing what the monthly repayment amount would be at 50%, 25% and 10% of his current net monthly benefit.

Considerable discussion ensued with various board members pointing out that Mr. Jackson acknowledged that he knew the payment was wrong but did not take action to correct it. The board expressed a strong sense that their fiduciary responsibility requires steps to recover the overpayment.

MOTION: A motion was made and seconded to reduce Mr. Jackson's net monthly benefit by 50% or \$1,331.00 until the overpayment is fully repaid. After further discussion, the motion failed.

MOTION: A motion was made and seconded to reduce Mr. Jackson's net monthly benefit by 25% or \$665.75 until the overpayment is fully repaid. The motion passed.

NEW BUSINESS:

Cash Projection and Cash Raise – Mr. Larimer presented a Cash Projection for the next 90 days showing requested a cash need of approximately \$17.2 million. The recommendation was to raise \$20 million. The Cash Projection had not been provided to Callan in advance and therefore, Ms. Swilley-Burke, in response to a question from Mr. Strachan was not able to provide a recommendation on the source of the cash raise. Mr. Beard proposed that the board authorize \$7 million only to be taken from Small Cap Equity from the BlackRock portfolio to fund operations for one-month; a Cash Raise and recommendation to fund the remaining \$13 million would be brought to the board at the December meeting.

MOTION: A motion was made and seconded to authorize the sale of \$7 million of the BlackRock iShares Russell 2000 Index portfolio to raise cash to fund benefits and plan expenses. The motion passed.

Board Election – The Election Notices were delayed in being mailed such that the window for qualifying candidates to submit their intent to participate in the election provided insufficient time. A second mailing (at no cost the Plan) has been done that pushes the time frame forward. Mr. Strachan asked if the board preferred a compressed timetable for the election to proceed and the winners to be seated on January 1, or an uncompressed schedule that would allow voting to occur in mid-December and the seating of the new board members at the February meeting.

MOTION: A motion was made to have an uncompressed, regular election schedule and the seating of newly elected/re-elected board members seated at the February meeting. The motion passed.

New Physician for Disability Exams – With the endorsement of Louis Amis, Manager of Employee Benefits, City of Atlanta, a resume of Dr. Winston H. Gandy was distributed for board approval to be accepted to conduct examinations and evaluations of disability pension applicants. Ms. Yancy was contacted by telephone to confirm her endorsement.

MOTION: A motion was made and seconded to approve Dr. Gandy to conduct examinations and evaluations of disability pension applicants on behalf of the General Pension board. The motion passed.

Customer Service Standards – GEMGroup - Update – Discussion on this item was deferred to next meeting in order for Ms. Pagnotta-Murphy to be present.

There being no further business to discuss, the meeting was adjourned at 11:30 PM. The next regularly scheduled board meeting will be on Wednesday, December 3, 2014 at 9:30 am in Conference Room 1, City Hall.

Respectfully submitted:


Douglas I. Strachan, Chair


Jim Beard, CFO & Secretary