

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

**March 4, 2015**

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A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on March 4, 2015 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Douglas Strachan  
Aretha Sumbry-Powers  
Dr. Gregory Nash  
Gina Pagnotta-Murphy

Jim Beard  
Angela Green  
Yvonne Cowser Yancy

**NOT PRESENT:**

Michael Bond and Jason Esteves

**OTHERS:**

Rick Larimer, GEMGroup; Kristen Denius of City Law Department; Ray Adams of Office of Retirement Services; Gwelda Swilley-Burke and Dana Brown, of Callan Associates, Robert Stanley of Atlanta Public Schools, Nathan Lewis of Security Capital, and Gene Kirschbaum, City Finance and Accounting Department, Monique Etheridge of Wells Fargo and Derek Batts of Morgan Stanley.

Mr. Strachan called the meeting to order at 9:30 am and asked the audience to introduce themselves. A quorum was present.

**ADOPTION OF AGENDA:**

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

**APPROVAL OF MINUTES:**

Minutes from the February 11, 2015 board meeting were provided in the meeting packages in advance and were reviewed by board members.

Ms. Green commented that she didn't see anything that she had said and, while not objecting to the minutes as being incorrect, further commented that the board may regret in the future not having a verbatim transcription of the meetings. Mr. Strachan acknowledged the difficult task in capturing all the significant elements of the meeting; he asked Mr. Larimer to continue his efforts to make the minutes as comprehensive as reasonably possible.

**MOTION:** A motion was made and seconded to approve the minutes of the February 11, 2015 board meeting as presented. The motion passed. Ms. Green abstained.

**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. 1-7 as listed on the attached spreadsheet dated March 4, 2015. The motion passed.

**DISABILITY PENSION APPLICATIONS**

There were no Disability Pension applications on the March 4, 2015 Agenda.

**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 - 8 on the attached spreadsheet dated March 4, 2015. The motion passed.

**APPROVAL OF CHECK REGISTER AND INVOICES:**

The Check Register dated March 4, 2015 was presented for review and approval.

**MOTION:** A motion was made and seconded to approve 8 items: #56640 - #56647 on the Check Register dated March 4, 2015 totaling \$237,815.67. The motion passed.

**REVIEW OF FINANCIALS:**

The financials for the period ending December 2014 and January 2015 were reviewed by the board.

**MOTION:** A motion was made and seconded to accept the unaudited financials for December 2014 and January 2015 for further review by the Finance Department. The motion passed.

**LAW DEPARTMENT:**

**MOTION:** A motion was made and seconded to go into Executive Session to discuss a matter involving potential litigation. The motion passed.

{Executive Session begins}

{Executive Session ends}

## ACTUARY REPORT

No Report

## INVESTMENT CONSULTANT REPORT

Capital Market Review – Mr. Dana Brown presented Callan’s Capital Market Projections and Expected Returns for the Plan. Mr. Brown explained that this was an annual exercise to make an educated guess about reasonable expectations for market performance that is used to base asset allocation decisions for the portfolio. The result of Callan’s analysis indicates that the current asset allocation targets and the projected index returns for the various asset classes, the 10 year geometric mean return is 6.89%. Adding the presumed value added by active managers of 50 bps, the expected return to the portfolio is 7.39%, within an acceptable range of the Plan’s 7.5% actuarial assumption.

Fourth Quarter Performance Review – December 2014 – Ms. Swilley-Burke briefly reviewed macro factors that impacted the performance for the December-ended quarter. Q3 GDP was revised upward sharply to 5.0%; home price gains stalled in the quarter; inflation remains benign and job growth accelerated but wages remained stagnant. US dollar continued to strengthen.

Asset allocation remains within range although slightly overweight in Domestic Equity and under a bit in Fixed Income. The rebalancing underway with the selection of new managers will bring the asset allocation closer to target in the next few months.

The portfolio enjoyed \$56.1 million in investment returns or 8.36% gross/7.99% net, slightly under the Policy Index of 8.78%. Performance in the last 3-year time period was in excess of the Policy Index.

Total assets were \$1.3 billion. All managers were all positive except for the international sector.

Following up on a request from the board, Ms. Swilley-Burke showed Callan’s comparison of the GEPP’s to the performance of other public funds to be favorable, ranking in the top quartile among its peers. The GEPP also compares favorably to the universe of corporate plans as well. (pages 7 & 8 of the presentation book).

Review of Managers - Overall Large Cap equity has ranked above median of all Large Cap managers in all periods going back 10 years. Morgan Stanley outperformed significantly over 10 and 20 years and in the recent quarter. Ceredex has struggled over the past quarter and year, but shows close to benchmark performance for the 3-year time period. Cornerstone shows above benchmark in all periods since inception 7 years ago.

Small Cap sector managers underperformed for the quarter. Earnest Partners underperformed for the most recent quarter, but has outperformance for the 1-year, 3-year and 5-year periods.

The international sector has shown losses over the past year, as did most of the Plan’s individual managers, but underperformed less than the index but approximately 300 bps – providing protection on the downside of the this market segment.

The Global Tactical ETF outperformed its Policy Index for the quarter by 90 bps.

The Fixed Income segment delivered solid 5%-6% returns over the past year and the Plan’s managers continued to outperform on a 3-year basis, with Mesirow exceeding in all periods going back over 8 years. JP Morgan struggled somewhat over the past quarter and year.

Callan has developed a benchmark to be used for the Alternative portfolio of Gray & Co Core Alts II. The holding shows underperformance for the quarter and the year, but Ms. Swilley-Burke pointed out that returns and reporting of returns in this type of portfolio makes this benchmark much better of long term holding period than it is in the short term.

Mr. Strachan asked if an “adjustment” factor could be developed that might take into account externalities that may affect the performance and make it more useful as a measuring tool in the short run. Ms. Swilley-Burke will research.

Ms. Swilley-Burke commented that January was not a good month with virtually all managers in the red. However, the February equity markets rebounded somewhat and will be reflected in the next quarterly review.

Finally, Ms. Swilley-Burke reviewed a recap of the work accomplished in 2014 including the asset allocation study and conducted manager searches and hires for several new managers. She also discussed the work plan for 2015 highlighted by a fee review for all managers in the second quarter and the implementation of various manager selections. She suggested establishing a regular schedule for managers to present to the board, either at once in a roundtable format or separately at board meetings as scheduled.

Funding New Manager Mandates – Ms. Swilley-Burke reported that new account for Legato had been funded.

Rescheduled Manager Presentations – Emerging Markets and Global Fixed - A special meeting was scheduled for Thursday, March 26, 2015 to hear presentations from these manager candidates.

#### **OLD BUSINESS:**

Securities Monitoring Update – Mr. Strachan reported that a tentative mediation date has been scheduled in Los Angeles that may require him and a City Law Department rep to attend.

By Laws Review and Discussion – Ms. Yancy expressed the desire to have this discussion when all board members are present. Other board members expressed concern that this topic has been deferred several times before; Ms. Green suggested that the delays were being done in order to make sure the right votes were present. Ms. Pagnotta-Murphy suggested that the discussion could proceed but that a vote could be defer to a later meeting.

Ms. Green objects to the provision that appointed board members have the power to vote to remove board members who are elected. She checked with other pension boards and commented that no other boards have this type of provision.

Ms. Pagnotta-Murphy shared her experience with other boards by stating that those boards have provisions to remove members, but only for malfeasance and violation of laws and other egregious offences.

Ms. Green stated that the by-laws were changed in response to her filing allegations of non-disclosure with the SEC and that the original changes were directed at her. Mr. Strachan believes the board is functioning effectively, but gave examples of certain types of conduct that would warrant removal and there should be some mechanism to act to dismiss the offending member.

Ms. Yancy pointed out that such a vote requires a super-majority and that provides individuals a certain amount of protection from unfair dismissal because the likelihood of a super-majority being reached would be rare.

Mr. Nash asked if a member who had been removed could run for re-election again. And if so, what is the ultimate point of the provision.

Ms. Pagnotta-Murphy suggested that each board member prepare written suggestion, edits, deletions or additions and get them to Mr. Larimer for distribution in advance of the next meeting for further discussion and a vote. Board members agreed to this suggestion.

**NEW BUSINESS:**

**Cash Flow Projections and Cash Raise** – Mr. Larimer presented the Cash Flow Projections through April showing a cash shortfall of \$17.8 million. He requested a cash raise of \$20 million to fund benefit payments and Plan expenses for the next 90 days. A memorandum from Callan Associates recommended that the source of the cash funding come from the BlackRock iShares Small Cap ETF portfolio.

**MOTION:** A motion was made and seconded to authorize a \$20 million cash raise by liquidating a like amount from the BlackRock iShares Small Cap ETF. The motion passed.

**Fiduciary Liability Policy – Renewal** – Mr. Larimer presented the Renewal Application for the Fiduciary Liability of \$5,000,000 for the coming year. The terms and conditions remain the same as approved last year. The premium increased by \$36.00 to \$58,475.

**MOTION:** A motion was made and seconded to approve the Renewal Application for one-year of the Fiduciary Liability Policy in the amount of \$5,000,000 with the same terms and conditions at a premium of \$58,475. The motion passed.

Ms. Swilley-Burke and Mr. Strachan reminded the board that the Special Called meeting on March 26 begins at 9:00 AM. Ms. Yancy will make arrangements for food to be served.

There being no further business to discuss, the meeting was adjourned at 11:30 AM. The next meeting will be the Special Called meeting on March 26<sup>th</sup> beginning at 9:00 AM. The next regularly scheduled board meeting will be on Wednesday, April 1, 2015 at 9:30 am. Both meetings will be in Conference Room 1, City Hall.

Respectfully submitted:

  
Douglas I. Strachan, Chair

  
Jim Beard, CFO & Secretary