

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

**October 5, 2016**

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A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on October 5, 2016 in City Hall, Committee Room 2, Atlanta, GA.

**TRUSTEES PRESENT:**

Douglas Strachan  
Angela Green  
Dr. Gregory Nash  
Jason Esteves

Jim Beard  
Yvonne Cowser Yancy  
Gina Pagnotta-Murphy  
Aretha Sumbry-Powers

Not present: Michael Bond

**OTHERS:**

Rick Larimer, GEMGroup; Tracie Gay, Office of Retirement Services, Kristen Denius and Desmond Dorsey of City Law Department; Peter Chan and Marla Kriendler of Morgan Lewis; Dana Brown of Callan Associates, Monique Etheridge of Wells Fargo, and Jeanette Cooper of Segal, Bill Roach of Globalt, and Derek Batts of Morgan Stanley.

Mr. Strachan called the meeting to order at 9:40 AM.

**ADOPTION OF AGENDA:**

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

**APPROVAL OF MINUTES:**

Minutes from the September 7, 2016 board meeting were provided in the meeting packages in advance and reviewed again at the meeting.

**MOTION:** A motion was made and seconded to approve the minutes of the September 7, 2016 meeting. 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. 1-15 as listed on the attached spreadsheet dated October 5, 2016. The motion passed.

**DISABILITY PENSION APPLICATIONS**

No Disability Pension applications were presented.

**BENEFICIARY PENSION APPLICATIONS**

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

**MOTION:** A motion was made and seconded to approve the Beneficiary applications Nos. 1- 4 on the attached spreadsheet. The motion passed.

**APPROVAL OF CHECK REGISTER AND INVOICES:**

Mr. Larimer reviewed the Check Register dated October 5, 2016.

**MOTION:** A motion was made and seconded to approve 10 items: #63166 #63169 & #63146 and 63147 on the Check Register dated October 5, 2016 totaling \$470,047.68. The motion passed.

**REVIEW OF FINANCIALS:**

The financials for the period ending August 2016 were reviewed by the board.

**MOTION:** A motion was made and seconded to accept the unaudited financials for August 2016 for further review by the Finance Department. The motion passed.

Review of Financials by City Finance Department – Gene Kirschbaum – this item is being deferred until Mr. Kirschbaum is available.

**ACTUARY REPORT:**

Jeanette Cooper reported that the draft of GASB 67 disclosures have been sent to City Finance; follow up questions and discussions are underway to finalize.

**OLD BUSINESS:**

## **NEW BUSINESS:**

**Election for Board Positions** – Tracie Gay recommended that the election ballots be mailed (return postage envelope included) to participants instead of the past practice of delivering ballots to worksites. Ms. Gay commented that the Police and Fire pension boards conduct their board elections by mail. Ms. Gay has obtained a quote of approximately \$6,500 to do the mailing. Office of Retirement Services is working with GEMGroup to update addresses for approximately 150 City and 45 APS actives.

Considerable discussion ensued on the election process, including the choice of mailing ballots versus delivering to worksites, the importance of security and integrity of the voting process and the costs. Angela Green commented that she supported delivering ballots to worksites instead of mailing because she believes it encourages greater participation in the election. The City has a much larger active workforce than Police and Fire and having the ballots at the worksites would be better, in her opinion. Ms. Pagnotta-Murphy commented that the highest priority was that election be secure, the ballot box needed to be monitored and secured over the 5-day voting period. Mr. Strachan estimated that cost of securing the ballot boxes 24/7 in multiple locations would be costly, arguing for the more cost effective method of mailing and that with numbered ballots and sealed envelopes the process could be adequately secure. After considerable discussion,

**MOTION:** A motion was made to accept the recommendation of the Office of Retirement Services to conduct the election for board positions by mailed ballots. The motion passed. The vote was 4 Yes, 3 No. Ms. Green, Dr. Nash and Ms. Sumbry-Powers voted against.

Ms. Pagnotta-Murphy wanted the board to receive a written plan of the election process to make sure they could answer any questions that came to them from employees.

**National Association of State Plan Administrators (NASRA) Membership Renewal** – Mr. Strachan proposed renewing this membership, stated that he has found value in access to the educational resources and peer group information. Dr. Nash questioned if others had used the site or its materials; no comments were made.

**MOTION:** A motion was made to renew the board's membership in NASRA for the same membership rate as last year not to exceed \$1,600. The motion passed. Ms. Green and Dr. Nash voted against.

## **LAW REPORT:**

Peter Chan and Marla Kriendler updated the board on the creation of an "Electronic Document Room" on Morgan Lewis' secure server to house all plan documents including investment management agreements and related documents. The "E-Room" is now operational and an email will be sent shortly to board members and others that who may need access to the portal.

Ms. Kriendler distributed for review and discussion a revised draft of the Investment Policy Statement (IPS). The draft incorporated comments from Callan and Morgan Lewis. Board members had several questions, including Ms. Pagnotta-Murphy and Ms. Yancy on the criteria for hiring and firing managers, placing firms on Watch List, and having firms acknowledge acceptance of fiduciary responsibility with respect to manage the GEPP's assets. After considerable discussion, the board decided to further consider the recommended changes and review and vote on adoption at the November meeting.

**MOTION:** A motion was made and seconded to go into Executive Session for the purpose of discussing a matter of possible litigation. The motion passed.

{Executive Session begins – 10:30 AM and ends at 10:45 AM.}

### **INVESTMENT CONSULTANT REPORT – CALLAN:**

Garcia Hamilton – Fixed Income Manager Transition from JP Morgan – Dana Brown and Mr. Larimer updated the board on the transition of the \$70 million in assets from JP Morgan to Garcia Hamilton. The list of securities currently held by JP Morgan was provided to Garcia Hamilton to review for possible transfers in-kind. Garcia Hamilton elected to receive the entire portfolio in cash.

Callan explored with their own transition staff the possible benefit of engaging a transition manager. Their conclusion and recommendation was to allow JP Morgan to liquidate the portfolio because they are the best equipped and most knowledgeable to trade the securities in the most advantageous manner. JP Morgan stated that they needed about a month to liquidate the portfolio to ensure best execution on trades, with 50% of the portfolio liquidated within two weeks and the remaining 50% over the next 3-4 weeks.

Ms. Green asked about whether the contract with Garcia should have included a requirement to accept securities in-kind in the transition. Mr. Brown opined that he would not recommend having such provisions in investment manager contracts; in this case, JP Morgan is in a better position to obtain best execution on behalf of the GEPP. Mr. Beard asked what incentive JP Morgan has – now that they have been fired – to do a good job in liquidating the portfolio. While there is no guarantee, Mr. Brown responded that JP Morgan is a large, reputable institutional manager who can be relied on to perform professionally. In addition, JP Morgan maintains an ongoing relationship with GEPP with the Real Estate portfolio and has an incentive to perform professionally and liquidate the portfolio in a manner consistent with best practices of institutional managers. Mr. Larimer pointed out that initially JP Morgan was asked to liquidate by October 5<sup>th</sup>; they came back and recommended a longer transition to ensure the most advantageous pricing.

**MOTION:** A motion was made to direct JP Morgan to liquidate the portfolio in two stages – approximately 50% - 60% within two weeks, and the remainder by November 11<sup>th</sup> to enable the transfer of assets to Garcia Hamilton. The motion passed.

Flash Performance – August 2016 – Dana Brown reviewed the portfolio performance for the period ending August 2016 and market updates through the third quarter ended September 30. Actual allocations are reasonable in line with targets. Performance of the major indices for the quarter has been good: S&P up 8.5%, Small Cap up 9%, International up 6% and Emerging Markets up 9%.

Large Cap managers lagged as the period has been difficult for Active managers. Channing and Legato in the Small and Mid-Cap space have struggled but are expected to recover in the near term. Globalt outperformed their benchmark by 24 bps over the past quarter.

Overall, the total portfolio underperformed by 5 bps for the month of August and 31 bps for the 3-months. No changes were recommended.

Mr. Brown reviewed the Watch List Report, noting that at least one edit needs to be made to reflect JP Morgan having been terminated. The Report lists Globalt and Mesirov. Mr. Beard noted that the Start Date of Watch List should reflect the date of board action taken to place the manager on Watch List. The Watch List Report will be provided as part of the performance report each month.

## OLD BUSINESS:

### PUBLIC COMMENT

#### Walter White -

Mr. White addressed the board to register complaints against GEMGroup. He commented about an incident that occurred several years ago involving a discrepancy in his benefit amount which was resolved. He complained that the GEMGroup Atlanta office has no private space to meet with participants; other trustees agreed that the office was deficient in this regard. Mr. Larimer agreed to look into addressing this shortcoming in the office design.

Mr. White cited another current incident involving his change of bank for ACH deposit of this monthly check, which requires that the first check be paper until the ACH transaction is tested. Mr. White did not receive his check on Friday when most recipients did. He was advised by GEMGroup Atlanta office staff to wait until Monday to see if the check arrives. The check did not arrive on Monday and Mr. White called to inquire. The GEMGroup procedure is to request that the participant wait 10 days before ordering a Stop Payment / Reissue to allow the Post Office to deliver the check and avoid the cost of Stop Payment. Mr. White was upset with this request. Mr. White's check was returned as undeliverable to GEMGroup on Tuesday. Mr. Larimer reported that his check was in the Atlanta office and available to be picked up. Ms. Yancy requested that the check be brought over to the immediately and hand delivered to Mr. White. This was done. The check and the address will be verified and determine why the problem occurred.

Mr. Strachan proposed that if there was a problem with the address, that GEMGroup would reimburse Mr. White for any late charges that he may have incurred based on submitted receipts for such charges and a reimbursement for lost earnings for the days the check was delayed. Mr. White said that would be satisfactory.

Ms. Yancy suggested that waiting 10-days in these instances was an unreasonable burden on retirees and she asked that the policy be amended to provide Stop Payment and Reissue more quickly – preferably within 2 days. Mr. Larimer explained that practice had been discussed by the board in prior years and was implemented to avoid the situation in which a Stop Payment check was eventually received by the retiree and taken to a Check Cashing service location and cashed. This check must be honored by the Plan and the Plan ends up paying twice. Ms. Yancy stated that this situation occurs so infrequently that the loss is negligible compared to the benefit of providing better service to retirees who need a replacement check more quickly to cover critical living expense needs. Mr. Larimer stated that the practice will be changed.

#### Alfred Berry, Jr. -

Mr. Berry addressed the board with three issues. He asked if he, and others who would elect to do so, could receive their monthly deposit advice for the ACH deposit by email instead of receiving a mailed copy to save on postage. Mr. Larimer will research.

Mr. Berry commented on the requirement that life insurance from the City must be elected at the time of retirement or the right to do so later is forfeited. He stated that he was unaware of the rule, did not elect life insurance as part of his retirement, and now that his personal policy has expired he was told that he cannot obtain a policy now. He suggested that this rule be prominently communicated as part of the retirement package of documents.

Lastly, Mr. Berry commented that he feels that the City was “underhanded” in its implementation of the policy limiting (360 hours) the amount of Vacation time that a participant could be paid for upon retirement. He cited several individuals, including the Fire Chief, who seemed to have been exempted from the application of this rule. He believes this was unfair and that the City owes him the money he

was required to forfeit. He is pursuing a lawsuit through the Magistrate's office. He suggested that the board communicate to the 130 or so people he believes are in this category to make them aware. Ms. Yancy and Mr. Beard expressed the position of the City that the rule was fully vetted by City Law and the ordinance passed by Council. They acknowledged that it was Mr. Berry prerogative to pursue recovery through a lawsuit.

Dr. Nash raised a question concerning the recent news reports about the Wells Fargo Bank scandal involving the retail banking operation opening unwanted and unauthorized personal accounts. Dr. Nash and Ms. Green would like assurances that the scandal did not affect the pension fund. Monique Etheridge explained that the GEPP business at Wells Fargo was handled in the Institutional and Retirement Division and was not impacted. Ms. Green noted that many plan participants had personal accounts at Wells Fargo and that she would like to hear from Wells Fargo on the subject. Mr. Strachan asked that the item be placed on the Agenda for November.

Dr. Nash asked Ms. Cooper when the board would see the COLA calculations and adjustments for the upcoming year. Ms. Cooper stated that Segal's role has been to review calculations made the actuary for the Police and Fire Plans (the cost is shared among all three plans) and that she expected to have the COLA calculations for board review at the December 7<sup>th</sup> meeting.

There being no further business before the board, the meeting was adjourned at 1:00 p.m.

Respectfully submitted:

  
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Douglas I. Strachan, Chair

  
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Jim Beard, CFO & Secretary