

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

June 1, 2016

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A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on June 1, 2016 in City Hall, Committee Room 2, Atlanta, GA.

**TRUSTEES PRESENT:**

Douglas Strachan  
Angela Green  
Dr. Gregory Nash  
Gina Pagnotta-Murphy

Yvonne Yancy  
Aretha Sumbry-Powers

Not present: Jim Beard, Michael Bond, and Jason Esteves.

**OTHERS:**

Rick Larimer, GEMGroup; Ray Adams and Tracie Gay, Office of Retirement Services, Kristen Denius & Desmond Dorsey of City Law Department; Peter Chan, Morgan Lewis; Gwelda Swilley-Burke of Callan Associates, Monique Etheridge of Wells Fargo, and Jeanette Cooper of Segal.

Mr. Strachan called the meeting to order at 9:35 AM.

**ADOPTION OF AGENDA:**

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

**APPROVAL OF MINUTES:**

Minutes from the May 4, 2016 board meeting were provided in the meeting packages in advance and reviewed again at the meeting. Mr. Strachan asks that the comment on the Website be clarified to state that the update is in process instead of having been completed. Mr. Nash and Ms. Green asked that their votes on the motion on the JP Morgan Real Estate commitment be noted by name. Mr. Larimer stated these changes would be made.

**MOTION:** A motion was made and seconded to approve the minutes of the May 4, 2016 meeting as amended. 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 June 1, 2016. The motion passed.

**DISABILITY PENSION APPLICATIONS**

There were no Disability Pension applications.

**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 June 1, 2016.

**MOTION:** A motion was made and seconded to approve 7 items: #61849 - #61855 on the Check Register dated June 1, 2016 totaling \$149,257.90. The motion passed.

**REVIEW OF FINANCIALS:**

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

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

Review of Annual Financials by Finance Department – Mr. Kirschbaum briefly reviewed the financial statements as of March 31, 2016, explaining that the monthly statements prepared by GEMGroup and presented to the board were cash basis, operating statements as compared to the audited annual statements. The differences between these two statements are the accrual items and adjustments which are all consistent with acceptable accounting principles. Mr. Kirschbaum confirmed that he views the monthly GEMGroup financials as accurate and sufficient financial representations for the board. He did recommend that he review the interim, operational statements with the board on a quarterly schedule and Mr. Strachan encouraged setting a schedule for upcoming agenda: an August, November, February and May cycle.

## ACTUARY REPORT

Ms. Cooper reviewed a the July 1, 2015 Actuarial Valuation for APS, commenting on the assumptions, the recommend contribution of \$51.9 million, the planned full amortization of the unfunded liability over the next 14 years. The funded ratio of the plan is approximately 21% on a market value basis. APS has adopted a policy to increase their contribution by 3% annually which should allow the plan to reach its goal of being fully funded in approximately 15 years.

## INVESTMENT CONSULTANT REPORT - Callan

Quarterly Performance Report – March 2016 - Ms. Swilley-Burke reviewed the Q3 performance. The portfolio showed a return of 1.74%, net of fees, for the quarter vs the policy index of 1.46%. For the last 12 months, the return was a negative 1.62% vs the index of negative .51%. The Mid Cap, Small Cap and International segments contributed negatively to the return for the past year and the quarter. Cornerstone, Earnest Partners and Channing Capital rebounded to positive returns for the most recent quarter. Globalt delivered a positive return for the quarter that was 30 bps under the Policy Index; the full year returns continue to be negative and Callan is recommending close monitoring over the next two quarters.

Fixed Income managers continued to show positive returns with Colchester performing well in Q3 with a return of 8.84%, 175 bps over their benchmark.

As authorized at the May meeting, JP Morgan Fixed Income Portfolio is on watch and a search for a replacement manager is underway.

As is typical for Alternative portfolios, reporting was delayed for the GrayCo Alts II investment and no returns for the quarter were available. The board requested that the principals of Parkview, one of the underlying partnerships in the GrayCo limited partnership, be invited to appear before the board to review their portfolio. Ms. Swilley-Burke commented that sub-managers in alternative investment partnerships do not typically present directly to investors; reviews are provided by the general partner, GrayCo. At the urging of Mr. Strachan, Ms. Swilley-Burke will make the request.

Flash Performance Report – April 2016 – Ms. Swilley-Burke of Callan commented that the fixed income segment held up with positive returns in April and several equity categories also delivered modest but positive returns for the month, resulting in overall return for the overall Fund of .53% vs. the Policy Index of .99%.

Work Plan for the Year – Ms. Swilley-Burke reviewed the final draft of Callan's Work Plan for the upcoming year including the scheduled review of the Investment Policy Statement in the second quarter and manager fees in the third quarter. The board approved the Work Plan. The board also discussed and approved that a series of board member education sessions conducted by Callan would be done as part of the regular monthly board meetings beginning in September. Mr. Strachan asked that these sessions be reflected on the upcoming agendas.

Mesirow – Mark Newlin and Ryan Johnson addressed board on the subject of the departure from Mesirow of Linda Jordan, the relationship manager for the General Pension fund. Messrs. Newlin and Johnson identified Charlene Linke as the person who will take over Linda Jordan's relationship manager role for the GEPP, but she was not in attendance due to a misunderstanding of the board's expectations. Ms. Linke will be introduced at a future board meeting.

Mr. Newlin briefly reviewed Mesirow's performance, noting 5.65% return since inception.

Angela Green asked that Mesirow address the diversity and minority representation among their employee base, particularly in the portfolio management and asset research side. Mr. Newlin did not have the data immediately available but stated that he would furnish a report summary to the board.

**OLD BUSINESS:**

Ms. Green brought up two items that need to be addressed: 1) updating the bylaws to include voting by telephone, and 2) a review of the meeting attendance requirements in the bylaws or the City Code, whichever governs. Mr. Strachan asked that these two items be placed on the agenda for the next meeting.

**NEW BUSINESS:**

Legato Portfolio Review – Victor Hymes and Adam Lawlor - Mr. Hymes introduced the Legato firm by saying it is 100% employee owned and is a certified minority owned business. The firm’s strategy focuses on the Small Cap segment, using a manager of manager platform to select managers with whom they have high conviction. Legato attempts to manage the volatility inherent in the Small Cap segment by staying focused on the long term and by combining managers whose styles and strategies are not closely correlated in order to try to mitigate the volatility swings in the individual portfolios. The current proposed re-alignment is an implementation of that strategy. By removing Apex and replacing with Bridge City Capital and Lesanti and replacing Stoneridge with Redwood, Legato hopes to achieve above benchmark returns with lower than market volatility. The key driver of returns (80%) should come from stock selection. Mr. Strachan thanked Mr. Hymes and Mr. Lawlor for their presentation and their contribution to the General Employees’ Pension fund.

**LAW REPORT**

City Law Department – No Report

Morgan Lewis – Matters involving potential litigation and sensitive client privileged information needed to be discussed in Executive Session.

{Executive Session begins} {Executive Session ends}

After a brief discussion,

- MOTION:** A motion was made to engage Morgan Lewis to do the following:
- Review the Bylaws and Investment Policy Statement for conformance with industry best practices;
  - A high-level review of the existing investment manager contracts;
  - Prepare a model investment manager contract.

The motion passed.

**PUBLIC COMMENT**

There being no further business before the board, the meeting was adjourned at 11:450 a.m.

Respectfully submitted:

  
Douglas I. Strachan, Chair

  
Jim Beard, CFO & Secretary