

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

September 7, 2016

A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on September 7, 2016 in City Hall, Old Council Chambers, Atlanta, GA.

TRUSTEES PRESENT:

Douglas Strachan
Angela Green
Dr. Gregory Nash
Michael Bond (arrived late)

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

Not present: Jason Esteves

OTHERS:

Rick Larimer, GEMGroup; Ray Adams and Tracie Gay, Office of Retirement Services, Kristen Denius and Desmond Dorsey of City Law Department; Peter Chan and Marla Kriendler of Morgan Lewis; Gwelda Swilley-Burke and Dana Brown of Callan Associates, Monique Etheridge of Wells Fargo, and Jeanette Cooper of Segal, Bill Roach of Globalt, and Marlon Kimpson of Motley Rice.

Mr. Strachan called the meeting to order at 9:55 AM.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

Minutes from the August 3, 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 August 3, 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.

Pension application #2 was questioned; applicant shows same years of service as age. Mr. Larimer confirmed subsequent to the meeting that this was a typographical error and that the pension benefit amount was correct as calculated.

MOTION: A motion was made and seconded to approve the service pension applications Nos. 1-11 as listed on the attached spreadsheet dated September 7, 2016. The motion passed.

DISABILITY PENSION APPLICATIONS

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

MOTION: A motion was made and seconded to approve disability applications Nos. 1 & 2 as listed on the attached spreadsheet dated September 7, 2016. The motion passed.

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 September 7, 2016.

MOTION: A motion was made and seconded to approve 10 items: #62824 - #62832 & #62859 on the revised Check Register dated September 7, 2016 totaling \$193,750.63. The motion passed.

REVIEW OF FINANCIALS:

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

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

ACTUARY REPORT:

Recommendation for Experience Study - Ms. Cooper had reported that the last Experience Study had been completed in May 2012 covering the period January 1, 2003 – June 30, 2011. She recommended that a new Experience Study be done by Segal covering the period July 1, 2011 to June 30, 2016. The study could be started in December and completed in May 2017 for a proposed cost of \$70,000 to be split between the City and APS. Ms. Yancy commented that Police and Fire boards are planning to undertake an Experience Study as well.

In response to a questions from Ms. Pagnotta-Murphy, Ms. Cooper explained that the purpose of an Experience Study was to compare actual experience over the past five years to the assumptions used both over the past five years and to better inform the assumptions being used going forward.

MOTION: A motion was made and seconded to authorize Segal Company to perform an Experience Study covering the five year period July 1, 2011 – June 30, 2016 at a cost not to exceed \$70,000. The motion passed.

OLD BUSINESS:

Globalt InnovatETF – Strategy and Benchmark Review - Following up on a discussion at last month's board meeting, William Roach, President and Gary Fullam, Chief Investment Officer reviewed the Globalt ETF portfolio – its objectives, features and performance compared to two benchmarks: the Atlanta Policy Index and the Growth Blended Benchmark. Performance annualized since inception was 8.60% vs. 9.11% for Policy Index and Mr. Roach acknowledged that, pursuant to the terms of the Investment Policy Statement (IPS), the Globalt portfolio should be placed on the Watch List. Mr. Roach discussed some of the reasons for the underperformance – including a lack of exposure to Real Estate and a greater, more conservative allocation to Cash due to weakness in China and high market volatility, and why he believes the portfolio will rebound in the current and near-term future. In response to a question for Ms. Yancy, Ms. Swilley-Burke reiterated that the underperformance warranted a Watch List designation and Callan continues to recommend placement on Watch List.

Dr. Nash asked why the Globalt ETF Tactical strategy is in the Plan and why not just put the money back into a Globalt Large Cap strategy like they had before.

Mr. Roach stated that he believes the Globalt ETF Tactical strategy has a place in the portfolio and will contribute positively going forward.

MOTION: A motion was made and seconded to place the Globalt ETF Tactical portfolio on the Watch List for up to one year, consistent with the terms of the IPS. The motion passed. Ms. Green and Ms. Pagnotta-Murphy voted against.

NEW BUSINESS:

Election Notices – Tracie Gay and Ray Adams reported that Election Notices had been distributed to the appropriate departments at the City and Atlanta Public Schools announcing the upcoming election for three expiring terms of Doug Strachan, Gina Pagnotta-Murphy and Aretha Sumbry Powers. The Qualifying Period for candidates is from September 1 – 15, 2016 with the election tentatively scheduled for November 7th & 8th. Several Board members commented that two days did not seem to be adequate time to ensure everyone who wanted to vote had the opportunity. After discussion, it was agreed the election period would be increased to five days – Monday, November 7 to Friday, November 11, with results announced on December 7.

Ms. Yancy commented that the election process needed to be closely monitored for compliance with policy and that the ballots needed to be secured and that each department head must be accountable for accuracy and transparency in the voting process.

LAW REPORT:

Peter Chan and Marla Kriendler proposed creating an “Electronic Document Room” to house all plan documents including investment management agreements and related documents. The “E-Room” would be housed on Morgan Lewis site and accessible as an extranet portal. The archive would make it easier and more efficient to for all to access documents as needed. The cost to establish the E-Room would be free; the cost to collect all outstanding GEPP investment manager documentation would be approximately \$5,000 - \$6,000.

MOTION: A motion was made and seconded to establish an electronic archive file – E-Room – for plan documents on the Morgan Lewis site and accessible via an extranet portal for no cost, and for Morgan Lewis to collect that aforementioned documents at a cost not to exceed \$6,000. The motion passed.

Standard Investment Manager Contract – Template - Ms. Kriendler briefly discussed the form of standard investment manager contract that had been distributed to the Board after the August meeting for review.

MOTION: A motion was made and seconded to approve and adopt the Standard Investment Manager contract as presented. The motion passed.

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 – 10:55 AM and ends at 11:15 AM.

MOTION: A motion was made and seconded to authorize filing for inclusion in a class action matter regarding Navistar, if it is confirmed by BNY Mellon that the Plan held this security during the period. The motion passed.

INVESTMENT CONSULTANT REPORT – CALLAN:

Second Quarter 2016 Performance – Gwelda Swilley-Burke reviewed the portfolio performance for the second quarter. Asset allocation is on target after the funding of the JP Morgan Real Estate portfolio on July 1, and will move further in line with overall targets when the second funding of this investment is called in October. International and Emerging Markets did well in the quarter while Large Cap and Mid Cap domestic equity lagged. Overall Fund performance was under the Policy benchmark by 30 bps, net of fees, for the quarter but was virtually on the benchmark for the 3, 5 and 10 year time periods.

Ms. Swilley-Burke commented that Mesirow had underperformed over the one and three year timeframe and was technically eligible to be placed on the Watch List; Callan, however, was not recommending this action at this time, due to their discipline remaining in place and the most recent quarterly outperformance. After discussion, the board felt it was appropriate to adhere to a strict interpretation of the IPS and,

MOTION: A motion was made to place the Mesirow Core Fixed Income portfolio on the Watch List. The motion passed. Ms. Pagnotta-Murphy voted against.

Ms. Swilley-Burke commented that Cornerstone experienced some difficulty in the current quarter and over the past year, under performing 235 bps, but their 3 and 5 year performance remains strong compared to the benchmark.

Fixed Income Manager Candidate Interviews – Ms. Swilley-Burke briefly summarized the list of manager candidates chosen at the August meeting to make presentations for \$70 million fixed income mandate. Baird Advisors, Garcia Hamilton and Ramirez Asset Management made their presentations.

Baird - Richard Whittow, Mary Ellen Stanek and Warren Pierson, presented on behalf of Baird. Based in Milwaukee, WI, Baird is a private, majority employee-owned firm that prides itself on consistency of returns and low volatility in a risk-controlled environment. Their strategy is duration neutral, seeking to add incremental return of 15 – 20 bps over full market cycles. To ensure optimal diversification, Baird recommends using their comingled fund as the preferred investment vehicle for a \$70 million mandate. Fees for the fund are 30 bps. Baird has \$44 billion under management.

Garcia Hamilton – Gilbert Garcia and Stephanie Roberts presented on behalf of Garcia Hamilton. Founded in 1988, Garcia Hamilton is 100% employee owned and is a certified Minority Business-Owned Enterprise with 28 employees and \$7.5 billion in assets under management. The portfolio uses no leverage, no derivatives and accepts no soft dollars. Their strategy is based on high quality securities dominated by Treasuries, Agencies and Corporates A or better, trying to achieve return by actively rotating sectors and exploiting smaller markets. The firm has delivered above benchmark returns in 1,- 3, - 5 and -10 year periods. Diversity is a central theme in the firm's workforce. After Mr. Strachan asked Mr. Garcia if he would go any lower relative to the management fees (as he did with each of the other proponents), he committed to an all-in fee of 18 bps flat for the \$70 million mandate.

Ramirez – Samuel Ramirez, Jr., Janet Henry and James Haddon presented on behalf of Ramirez. The New York City based firm has excellent returns vs. benchmark over all time periods. A relatively small firm with \$1.45 billion under management, Ramirez has a strong commitment to diversity and its size and nimbleness was positioned as an advantage. They utilize taxable municipals among their asset holdings to boost returns. The fees would be 20 bps.

After considerable discussion, with each board member offering their comments and their rankings,

MOTION: A motion was made and seconded to hire **Garcia Hamilton** for the \$70 million Core Fixed Income mandate at a fee of 18 bps. The motion passed.

OLD BUSINESS:

MOTION: A motion was made and seconded to approve Consequent Capital Management's acquisition of Gray & Company, subject to additional language being added to the approval specifying that Mr. Gray will not be involved in the ongoing management of the firm. The motion passed.

NEW BUSINESS:

PUBLIC COMMENT

There being no further business before the board, the meeting was adjourned at 2:00 p.m.

Respectfully submitted:



Douglas I. Strachan, Chair



Jim Beard, CFO & Secretary