

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

November 7, 2012

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A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on November 7, 2012 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Alfred Berry, Jr.  
Gregory Nash  
Aaron Watson

Douglas Strachan  
Jim Beard  
Aretha Sumbry-Powers

Yvonne Cowser Yancy  
Angela Green  
Yolanda Johnson

**OTHERS:**

Richard Larimer, GEMGroup; Ray Adams, Pension Office; Kristen Denius, City Law Department; Larry Gray and Lisa Joe of Gray & Company, Eric Atwater, Segal Company, Robert Stanton, Atlanta Public Schools, Derek Batts of Morgan Stanley and Marlon Kimpson of Motley Rice.

Mr. Berry called the meeting to order at 9:40 A.M. There was a quorum.

**ADOPTION OF AGENDA:**

A request was made to add a review of the performance issues of Globalt, Madison Square, and Earnest Partners, and the related reallocation of assets in the portfolio.

**MOTION:** A motion was made and seconded to adopt the Agenda with the additional item added. The motion passed. Angela Green voted No.

**APPROVAL OF MINUTES:**

**MOTION:** A motion was made and seconded to approve the minutes as presented. 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 service pension applications Nos. 1-13 as listed on the attached spreadsheet dated November 7, 2012. The motion passed.

**DISABILITY PENSION APPLICATIONS**

The Disability Pension applications on the attached spreadsheet were presented to the Board for approval. The notation on application #1 under the Department column was corrected from "130305" to "Public Works".

**MOTION:** A motion was made and seconded to approve disability applications Nos. 1 & 2 as listed on the attached spreadsheet dated November 7, 2012. 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 the Beneficiary Pension applications Nos. 1-9 on the attached spreadsheet dated November 7, 2012. The motion passed.

**APPROVAL OF CHECK REGISTER AND INVOICES:**

The Check Register dated November 7, 2012 was presented for review and approval.

Mr. Beard asked about the postage expense. In his absence at the last meeting, the Board voted to make Direct Deposit mandatory for all pension benefits, effective June 1, 2013. This satisfied Mr. Beard's question.

**MOTION:** A motion was made and seconded to approve 20 items: #42712 - #42742 on the Check Register dated November 7, 2012 totaling \$744,472.85. The motion passed. Mr. Berry abstained, as Check Nos. 42729 & 42742 were payable to him.

**REVIEW OF JULY 2011 FINANCIALS:**

The financials for the period ending September 30, 2012 were presented. There being no questions,

**MOTION:** A motion was made and seconded to accept receipt of the September 30, 2012 financial statements as presented. The motion passed.

**LAW DEPARTMENT:**

Draft Protocol for Handling Securities Monitoring Law Firm Proposals - Ms. Denius reported that this Draft was completed but due to a computer malfunction that morning she was unable to print. She promised to send the Draft to the Board members for review after the meeting.

**ACTUARY REPORT:**

Valuation Report – Update - Mr. Atwater reported that the data for the 2012 Valuation Report had been received from GEMGroup for the APS but that they were waiting for data on the City. A significant amount of corrections and additional data points, particularly the form of benefit codes, had been recently supplied to GEMGroup and the updates were expected to be completed within a few days.

**INVESTMENT CONSULTANT REPORT**

Quarterly Performance Report – September 2012

Mr. Gray presented a brief capital markets overview, noting that excellent third quarter performance had made up for a dismal second quarter. He noted the quite narrow trading range among the various equity categories from Large Cap to Small Cap all showing returns within 100 basis points (bps) for the quarter. The Energy sector performed the best, Utilities were off slightly and Fixed Income remained generally steady. Overall, the portfolio returned 5.14% for the quarter, beating the Policy Index by 24 bps; up 11.4% YTD, slightly under the Policy Index, and up 20.87% for the 1-year period, exceeding the Policy Index by 32 bps. Total market value at September 30, 2012 was \$1.046 billion.

Mr. Gray briefly reviewed the performance of managers in the major market segments of Large, Mid, Small and International that are contained in the Gray & Company Quarterly Report.

Ms. Green asked if the numbers presented showed that the Vanguard Index Fund had lost \$10 million in its initial 3-month period. Mr. Gray and Mr. Beard clarified that the performance of the Vanguard portfolio was incorporated in the report as presented and that the performance of the Vanguard Index Fund does indeed track the S&P 500 Index as it is supposed to do.

Mr. Gray commented that the Atlanta Capital Fixed Income portfolio had outperformed its benchmark in the most recent quarter but had missed the benchmark in the 1- and 3-year timeframes.

Mr. Berry asked for commentary on why Atlanta Capital seems to be consistently underperforming the benchmark. Mr. Gray explained that Atlanta Capital is a more conservative portfolio, holding a higher proportion of US Government and AAA rated securities and in shorter durations. By design it is a more defensive strategy intended to provide protection during an upward move in interest rates that is widely expected to occur.

Mr. Beard asked if the benchmark was appropriate; Mr. Gray responded that it was. Both Mr. Strachan and Mr. Berry questioned whether this portfolio should be a candidate for indexing. Mr. Gray pointed out that unlike many of the other managers, particularly on the equity side, there would not be a significant cost advantage in moving this portfolio to an Index strategy because

Mr. Strachan requested that Gray & Company provide recommendations in writing at least a week in advance of the Investment Subcommittee meeting to give members time to study and consider the options.

Angela Green stated that an investment manager had told her that he had gone to Gray & Company offices and looked at all the portfolio information for the General Employees Pension Fund and she wanted to know if all managers were afforded this same opportunity. Mr. Gray responded that he had not visited their offices. Ms. Yancy pointed out that all of the pension information was or should be publicly available. Mr. Strachan asked whether the pension performance reports should be put on the Website. The discussion on transparency progressed to inviting Channel 26 to provide a camera to videotape the General Employees' Pension meetings for broadcast. Mr. Berry will make such an inquiry in writing to the television station manager.

The consensus of the board was to place the Quarterly Investment Reports on the Website. Ms. Joe will furnish 5 years of Reports to Mr. Larimer who will forward to Mr. Johannes for posting.

Atlanta Capital – Manager Performance Review - Mr. Gray reported that Atlanta Capital has trailed their benchmark recently and they were on probation. In response to questions as to when and what the IPS protocol was, the specific date of their probation notice was not known. The consensus of the board was to delay taking any further action on Atlanta Capital until it can be discussed in more detail at the Investment Subcommittee meeting.

Private Equity/Alternatives - Mr. Gray stated that time was of the essence in making a decision to authorize an investment in a private equity partnership – Core Alts II. Mr. Gray explained that the partnership was in fact closed to new investors, but was still available to the General Employees' Pension Fund since its commitment had been under active consideration since the Georgia State Legislature approved the investment in Alternative asset classes. The recommendation was to take \$28 million of the \$50 million (5%) allocation to the Alternatives asset class as outlined in the memorandum dated August 1, 2012 and reviewed at the September meeting. The commitment needed to be made now in order to get in but capital calls for the actual money investment would come later.

In response to questions, Mr. Gray said the fee would be 1% of assets, plus 10% of future gains after a target return of 8%. Mr. Beard commented that this was within the normal range.

In response questions, Mr. Gray stated that the expected returns are in the 20% range and that highly sought after managers in this space typically do not make client sales presentations; generally, prospective investors make application to become an investor in these private partnership investment vehicles.

Also in response to questions, Mr. Gray stated that locally, among others, the City of Atlanta Police and Fire plans had already authorized investments in this Core Alts II offering.

**MOTION:** A motion was made and seconded to authorize making a commitment to the Core Alts II Private Equity partnership in the amount of \$28 million. The motion passed. Ms. Green and Mr. Nash voted No. .

RFP Responses for Custody Business - Ms. Joe reviewed a table summarizing the responses of BNY Mellon (current provider), Amalgamated Bank, Northern Trust and Wells Fargo. Based on

Atlanta Capital's fee is very competitive. This manager will be a topic at the Investment Subcommittee meeting.

Globalt – Manager Performance Review - Mr. Gray commented that Globalt has been under review and has been the subject of discussion over a number of months and have been on probation. He reminded the board that the IPS sets as a goal that managers outperform their respective benchmark, net of fees, over a full market cycle. Large cap has been in a very difficult period in which to outperform. However, it was Gray & Company's recommendation that Globalt be terminated and that a search for a new manager be undertaken. Mr. Strachan suggested that an equal-weighted index fund be used during any transition between managers.

Mr. Roach of Globalt addressed the board to make the case of continuing the relationship. He reviewed the historical performance since inception in 1992, explaining several strategic portfolio moves in terms of capitalization and quality. Mr. Roach concluded his presentation with a request that the board retain Globalt through the first quarter 2013 to see if their strategy bears tangible results in better performance.

Mr. Watson cautioned that replacing managers inevitably involves the risk of exiting a manager whose performance is down in the near-term and choosing a new manager based on their past performance just at the time when the performance is about to turn. Considerable discussion ensued before the board reached a consensus.

**MOTION:** A motion was made and seconded to terminate Globalt Investments, effective November 30, and to schedule a meeting of the Investment Subcommittee prior to November 30 to determine the appropriate investment vehicle to use during transition. The motion passed with 5 Yes votes to 4 No votes.

A meeting of the Investment Subcommittee was scheduled for Tuesday, November 20, 2012 at 10:00 a.m. Given the length of the proposed agenda, the Board directed that this meeting be designated as a Special Board Meeting and that all board members be invited to participate.

Mr. Berry again reminded Gray & Company that it appears as if Earnest Partners should be on probation already but they are not, reiterating that this process should be automatic in following the guidelines of the Investment Policy Statement.

Earnest Partners – Manager Performance Review – Mondrell Moore of Earnest Partners was invited to discuss the performance of the Earnest Partners Small Cap portfolio. Mr. Moore pointed out that Earnest is a locally-based, employee-owned firm. He stated that Earnest had annualized performance of 9.7% since inception in 1999, beating the benchmark by 3%. In dollar terms, the portfolio has added \$40 million in value since inception, \$25 million more than the comparable passive index. This performance appears to have met the objectives.

Mr. Strachan challenged the performance data as presented by Mr. Moore, citing the Gray & Company quarterly report that shows performance under benchmark, net of fees, year-to-date, 1-year, 3-years, 5-years 7-years and 10-years by 435bps, 149bps, 211bps, 93bps, 261bps and 26bps, respectively. Mr. Moore's explanation is that the time periods being used may be different. After considerable discussion,

**MOTION:** A motion was made and seconded to put Earnest Partners on probation for the remainder of the current quarter and to review a range of next steps at the Investment Subcommittee meeting scheduled for November 20<sup>th</sup>. The motion passed unanimously.

After considerable discussion and questions about the Securities Lending revenue split, the cost of Short Term Investment Management Fee, and transaction fees, the board reached a consensus.

**MOTION:** A motion was made and seconded to terminate BNY Mellon as the custodian for the Plan and hire Wells Fargo, subject to favorable responses from Wells Fargo on a request to lower the STIF management fee and transaction charges. The motion passed. Ms. Green and Mr. Nash voted No.

**MOTION:** A motion was made to go into Executive Session for the purpose of discussing a matter of legal liability to the Fund. The motion passed.

{Executive Session discussion}  
{Executive Session ends}

**MOTION:** A motion was made and seconded to authorize an expenditure not to exceed \$5000 to engage Segal Company to calculate the interest amount due to certain refund recipients in order to complete a required IRS filing. The motion passed. Mr. Berry and Ms. Green voted No.

**OLD BUSINESS:**

**NEW BUSINESS:**

**Investment Subcommittee Organization (ISC) and Reporting**

Further discussion on ISC organization and reporting protocol was deferred to the next meeting of the Investment Subcommittee which was scheduled for Tuesday, November 20, 2012. Dates of future meetings of the ISC will be discussed at this upcoming meeting.

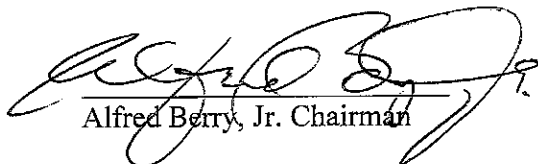
**January Meeting Date**

The date for the January 2013 meeting was moved to Wednesday, January 9<sup>th</sup> from January 2<sup>nd</sup> to avoid the New Year's Holiday.

**PUBLIC COMMENT:**

There being no further business to discuss, the meeting was adjourned at 12:30 p.m.

Respectfully submitted:

  
Alfred Berry, Jr. Chairman

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Jim Beard, CFO & Secretary