

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

February 6, 2013

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A meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on February 6, 2013 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Alfred Berry, Jr.  
Gregory Nash  
Yolanda Johnson

Douglas Strachan  
Jim Beard  
Aretha Sumbry-Powers

Yvonne Cowser Yancy  
Angela Green  
Aaron Watson

**OTHERS:**

Richard Larimer, GEMGroup; Kristen Denius, City Law Department; Lisa Joe and Greg Lofters of Gray & Company, Eric Atwater, Segal Company, Louis Amis, City Insurance Department, Robert Stanley, Atlanta Public Schools, Mickey Walker, City Workers Compensation, and Laurel Hill, Wells Fargo Bank.

Mr. Berry called the meeting to order at 9:30 A.M. There was a quorum.

**ADOPTION OF AGENDA:**

**MOTION:** A motion was made and seconded to adopt the Agenda as presented. The motion passed.

**APPROVAL OF MINUTES:**

Several minor edits and clarifications were suggested and Mr. Larimer agreed to make the corrections. Subject to these corrections being made,

**MOTION:** A motion was made and seconded to approve the minutes of the January 9, 2013 meeting, as amended. The motion passed. Ms. Green abstained.

**GENERAL EMPLOYEES' PENSION FUND PENSION AWARDS:**

**SERVICE PENSION APPLICATIONS**

The Service Pension application on the attached spreadsheet was presented to the Board for approval.

**MOTION:** A motion was made and seconded to approve the service pension applications Nos. 1-23 as listed on the attached spreadsheet dated February 6, 2013. The motion passed.

**CORRECTION**

**MOTION:** A motion was made and seconded to accept the request of Ms. Pamela Lawson to rescind her Service Pension application that had been approved at the January meeting. She intends to submit a disability pension application at a future meeting. The motion passed.

**DISABILITY PENSION APPLICATIONS**

The Disability Pension application on the attached spreadsheet was presented for Board action.

**MOTION:** A motion was made and seconded to approve Disability Pension application as listed on the attached spreadsheet dated February 6, 2013. The motion passed. Ms. Green abstained because a copy of the redacted Disability application was not included in the meeting package. Mr. Larimer will correct that omission in future meeting packages.

**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 February 6, 2013. The motion passed.

**APPROVAL OF CHECK REGISTER AND INVOICES:**

The Check Register dated February 6, 2013 was presented for review and approval.

Mr. Berry questioned the check in the amount of \$76,176.73 for Johnston Asset Management. The invoice submitted by Johnston seemed to be based on an account value of \$112,064,706 when in fact the General Employees' Pension Fund account has a market value of approximately \$51 million. Due to this lack of clarity, Mr. Larimer stated that the invoice would be researched and the check was withheld until the next meeting.

**MOTION:** A motion was made and seconded to approve 15 items: #45553 – 45568 (with the exception of check #45563 to Johnston Asset Management) on the Check Register dated February 6 2013 totaling \$803,781.22. The motion passed.

Subsequent to the meeting, Johnston Asset Management provided a detailed breakdown of their fee calculation. The methodology combines - for fee purposes – the assets that they manage for both the General and the Police and Fire Plans, then applies the scaled fee schedule to the combined pool of assets and allocates a proportionate share of the overall fee to each plan. This approach is advantageous to each plan because it allows each of the plans to benefit from the lower asset based fee that applies above the first \$25 million in assets. Future invoices from Johnston will include the detail of this methodology.

### **REVIEW OF JULY 2011 FINANCIALS:**

The financials for the period ending December 31, 2012 were presented and reviewed. After a brief discussion,

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

Account Analysis Statement – Service Charge vs. Interest Earnings Review - Laurel Hord Hill of Wells Fargo Bank presented an Account and Service Charge Review of the GEPP's banking account pricing. The analysis showed that that current arrangement that uses Earnings Credits on the account balances to offset banking service fees is more advantageous to the Plan compared to using an interest bearing checking account. In the current environment, the Earnings Credit rate (.25%) is higher than the Interest Rate (.02%) and results in a net gain for the Plan. Wells Fargo has also renegotiated their Treasury Management fees to provide a further savings to the Plan. Based on this review and the recent reduction in fees, Ms. Hill recommended that the board maintain the current pricing model. The board was satisfied that the current arrangement was the appropriate pricing model for the Plan.

### **LAW DEPARTMENT:**

IRS Voluntary Compliance Program (VCP) – Status Report -- Ms. Denius reported that the VCP filing was close to being finalized and asked if the board wanted to see and review a copy prior to actual filing. The consensus was that board review was not necessary.

Fiduciary Liability Insurance Application - Ms. Denius reported that the Application for Fiduciary Liability insurance should be completed for review by the board prior to next meeting.

Mr. Watson asked that a policy and practice for responding in a timely fashion to litigation decisions in the securities monitoring area. Ms. Denius offered to draft such a policy.

**MOTION:** A motion was made and seconded to go into Executive Session for the purpose of discussing attorney – client privileged information on pending litigation. The motion passed.

{Enter Executive Session}

{Resume Regular Session}

Settlement in the Tribune Company - The settlement offer approved at last month's meeting has been submitted and outside counsel is preparing the Release language. Additional updates will follow.

### **ACTUARY REPORT:**

Valuation Report – Update - Mr. Atwater reported that Segal had received 95% of the data for the 2012 Valuation Report from GEMGroup and the City for both the City and APS.

### **INVESTMENT CONSULTANT REPORT**

Loop Capital Investments – Update - Courtney Ratcliffe informed the board that Loop Capital has made the decision to suspend fundraising for the Private Equity Capital Fund that the GEPP had committed \$10 million to in December due to difficult market conditions for private equity fund of funds and particularly for emerging managers. The threshold amount needed to begin the intended investment program is \$500 million and the current commitments are significantly short of that amount. Rather than ask their committed prospective clients to continue to hold a place for their allocation, Loop has made the decision to suspend the fund raising efforts at this time. The board appreciated Ms. Ratcliffe coming to speak to the board directly on this decision.

Quarterly Investment Performance Review – December 2012 – Lisa Joe presented the December 2012 Performance Review by pointing out that the calendar 2012 year was quite favorable with overall portfolio returns of 13.41% net of fees, 44 basis points (bp) over the Policy Index. The 10-year return number was helped by this rebounding performance, showing a 6.82% annualized return over the period but still 29 bps under the Policy Index.

Ms. Joe singled out Madison Square for commentary, apprising the board that Madison Square had acquired a minority stake in Cornerstone, another investment management firm with \$3 billion under management. The acquisition prompted a senior management change but Gray & Company is still recommending keeping Madison Square at least through their scheduled probationary review at the end of March. She commented that Madison Square was experiencing a turnaround due to their over-performance net of fees to the benchmark of 36 bp for the year.

Mr. Strachan commented that he did not consider a one-year rebound to be a “turnaround” since the firm still showed under performance in the most recent quarter and for the 2-, 3-, and 5-year periods.

Investment Manager Transition – Ms. Joe reviewed the implementation of the manager transitions approved in December. Globalt was terminated for Large Cap Growth and hired for an ETF mandate. There have been three capital calls for the GrayCo Alt II portfolio with another one scheduled for later in the week. The total will be \$15 million.

Mr. Berry reiterated the need for a staff addition in the Finance Department to support the Pension board.

Ms. Green asked about the underlying investments in the GrayCo Alts II and who was actually managing the assets. Mr. Lofter promised to send a list of the sub-managers and their investment strategies to Ms. Green. Mr. Berry referenced the selection of GrayCo Alts II as the private equity manager and who the competition was, if any, that Gray & Company was compared to. Ms. Green

mentioned again that the presentation on the private equity investment did not include a specific reference to the fact that Gray & Company was the sponsor.

Ms. Green requested that Rhumblin representatives be invited to a future meeting to introduce themselves and their firm to the board.

Mr. Beard suggested that Gray & Company bring some suggested managers to the board to replace the allocation to Emerging Managers that had been approved for Loop Capital.

Mr. Berry questioned the lack of securities trading in the Minority Directed/Georgia-based brokers in the Morgan Stanley and Jennison portfolios. Mr. Batts of Morgan Stanley commented that the GEPP incurs no trading costs on the portfolio.

A question was raised concerning the participation of minority and women-owned firms. Jennison stated that their firm's policy was not to disclose information on race or minority ownership of the firms with whom they trade. Ms. Yancy commented that managers responding to other RFP's that she has seen this type of information – at least in summary or composite form – was disclosed. Gray & Company will work with them to resolve.

Review of Due Diligence Process for Investment Manager Recommendations – The board elected again to defer discussion on this item to the next meeting when Mr. Gray can be present.

### **OLD BUSINESS:**

#### Disability Pension Recalculations – Correction Project -

Mr. Larimer presented a revised spreadsheet, as requested, that was easier to read and summarized the overpayments and underpayments of 47 participants whose disability pensions should have been recalculated at age 60 but were not. Several of the individual specific amounts were reviewed to explain the larger variances. The spreadsheet also includes a list of 60 people on disability pensions but for whom insufficient data is available to determine if and/or when they should have been recalculated.

One mitigating factor suggested by Mr. Adams was that it had been the practice of the Office of Retirement Services up through 2009 was to allow participants who were receiving a disability pension and reached age 60 prior to being vested to continue to receive an un-recalculated disability benefit until they became vested. More research needed to be done by ORS to determine which people, if any, would fall in the category. This would reduce the amount of the overpayment to these individuals.

A lengthy discussion ensued on the plan rules governing disability benefits, the earning of vesting service credits and the lack of contributions required to be made by disability pensioners. Ms. Denius was asked to review the rules and make some suggestions as to possible changes.

Mr. Strachan raised the issue of putting a process in place to verify at least annually that people continue to be disabled.

Mr. Larimer explained that the process to prevent this problem currently and going forward is in place and the problem is fixed. ORS has pulled most of the files on the remaining names to enable GEMGroup to complete the re-calculations (as listed on page 2); as soon as the photocopying can be completed and delivered, the problem can be finally resolved.

Mr. Berry urged the research and file data production to be done quickly and some effort be made to recover the overpayments.

Mr. Strachan suggested that the amount of disability pension payments in the aggregate be added as a line item on the financials. He also wanted to know the number of people receiving disability benefits.

Ms. Green stated that she would not be in favor of amending the Plan document to change the contribution requirement for disability pensioners.

Additional research will be done and recommendations presented at the next meeting for communicating to the affected participants and recovering the overpayments. A discussion and resolution of the issue will be an item for the March board meeting.

Pension Staff Director/Chief Investment Officer Positions – Mr. Beard and Ms. Yancy reported that this process is underway.

**NEW BUSINESS:**

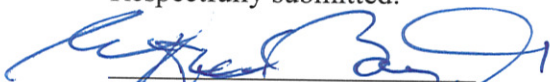
Implementation of Custody Transition from BNY/Mellon to Wells Fargo - Mr. Larimer reported that the project is proceeding smoothly and is on target to be completed by the target date of March 1, 2013.

Appeal of Refund Denial – Owyn Franklin - Mr. Adams met with Mr. Franklin and the City Accounting Department during the course of the meeting to attempt to locate a copy of the cancelled check for his refund. The search was not concluded but the results would be communicated to Mr. Franklin subsequent to the meeting.

**PUBLIC COMMENT:**

There being no further business to discuss, the meeting was adjourned at 12:05 p.m.

Respectfully submitted:

  
Alfred Berry, Jr. Chairman

  
Jim Beard, CFO & Secretary