

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

August 3, 2016

A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on August 3, 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; Ray Adams and Tracie Gay, Office of Retirement Services, Kristen Denius and Desmond Dorsey of City Law Department; Peter Chan of Morgan Lewis; Gwelda Swilley-Burke and Dana Brown of Callan Associates, Monique Etheridge of Wells Fargo, and Jeanette Cooper of Segal.

Mr. Strachan called the meeting to order at 9:30 AM.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

Minutes from the July 6, 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 July 6, 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. 1-17 as listed on the attached spreadsheet dated August 3, 2016. The motion passed.

DISABILITY PENSION APPLICATIONS

There were no Disability Pension applications on this agenda.

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. 1-9 on the attached spreadsheet. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

Mr. Larimer reviewed the Check Register dated August 3, 2016. A revised Check Register was provided adding a supplemental check to State Street Bank NA whose invoice arrived past the cut-off.

MOTION: A motion was made and seconded to approve 15 items: #62439 - #62459 & #62462 on the revised Check Register dated August 3, 2016 totaling \$684,682.39. The motion passed.

REVIEW OF FINANCIALS:

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

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

ACTUARY REPORT

Following up on a suggestion by Ms. Pagnotta-Murphy from the July meeting regarding extending the age from 23 to 26 for beneficiary to continue to receive a benefit if they were attending post-secondary school and Ms. Green's suggestion that disabled children continue to receive beneficiary benefits for life, Mr. Strachan added an idea to allow participants to elect a 100% Joint and Survivor option subject to paying an additional fee as a payroll deduction. Mr. Strachan asked Ms. Cooper for a cost estimate to study the cost of such amendments.

Ms. Cooper explained that the cost could vary significantly depending on variables but thought a range of \$1,500 - \$10,000 would cover the probable range.

Mr. Beard and Ms. Yancy noted that they could foresee several obstacles, one of which is conformity with the Police and Fire plans would need to be maintained and therefore those boards would have to agree to the same proposals. Also, any such changes would have to get City Council approval. Ms. Yancy and Mr. Beard agreed to bring up the idea with the Police and Fire board.

Mr. Strachan asked when the last Experience Study had been completed. Ms. Cooper will research and get back to the board.

INVESTMENT CONSULTANT REPORT - Callan

Monthly Flash Performance Report – June 2016 – Mr. Dana Brown reviewed the June performance.

The asset allocation is close target after the funding of the JP Morgan Real Estate portfolio occurred on July 1, and will move further in line with overall targets when the second funding of this investment is called in October.

In the recent risk-averse environment, small cap funds – particularly the smaller size holdings within these portfolios – have experience a downturn and has put a drag on overall performance. Most active managers underperformed their active counterparts in the segment with the exception of international managers where active management delivered some outperformance relative to the benchmarks.

Overall, the fund was virtually flat to the Policy Index for the month and 32 bps behind the Index for the 3-month period.

Globalt beat its benchmark for the 2nd quarter by 13 bps (net) but remained behind 100 bps (net) for the year. This prompted a discussion about placing Globalt on the Watch List which Callan is recommending. Mr. Roach spoke from the audience to voice his confidence in the longer term success of the fund's strategy, explaining that it was both tactical and strategic and that the current extremely volatile conditions had been a challenge.

As part of the discussion, Mr. Strachan used a novel illustration: different animal styles of Kung Fu, e.g., tiger, python, monkey, etc. Mr. Strachan opined that the different styles have success relative to their opponents. The analogy, he said, was that different investment manager styles have relative success depending on the state of the economy and other variables. Mr. Strachan's understanding was that Globalt's mandate was tactical, and that it should effectively combine all of the "Kung Fu styles", in that there are no limits to the assets available to Globalt, and that its tactical mandate was supposed to be ideally poised to beat the market, despite variable market conditions.

Mr. Roach of Globalt responded by saying that he had adopted a more strategic posture, citing a litany of market conditions such as Brexit, for example, as a rationale. Mr. Roach also initiated a debate regarding the index that his performance was being benchmarked against.

Callan reiterated that it has reservations about the value that the Globalt product adds to the GEPF portfolio. Callan recommended that Globalt be placed on the Watch List, having met the criteria specified in the IPS for such action. After additional discussion,

MOTION: A motion was made to accept Callan's recommendation to place the Globalt portfolio on the Watch List. The motion failed for lack of a second.

Mr. Roach was invited to discuss the Globalt portfolio and the benchmark being used to evaluate the performance of the Globalt Tactical ETF the September meeting.

Fixed Income Manager Search – Ms. Swilley-Burke introduced Kevin Machiz of Callan to review the managers selected by Callan’s search committee for the board’s consideration to replace the JP Morgan Core Fixed Income portfolio.

Mr. Machiz first listed the 17 names of managers/funds that had been suggested by the board for inclusion in the search. None of these managers were eligible because none were active, Core Bond strategies as indicated by the Investment Policy Statement. He reviewed summary data, including history, leadership, portfolio and firm size, compliance with the board’s diversity goals, among other criteria, for the following seven candidates:

- Baird Advisors
- Earnest Partners
- Garcia Hamilton
- Income Research + Management
- Longfellow Investment Management
- Loomis Sayles
- Ramirez Asset Management

After a thorough review, Mr. Strachan asked that each board member list their top three selections. Compiling the selection preferences and tallying the votes the following action was taken:

MOTION: A motion was made and seconded to invite **Baird Advisors, Garcia Hamilton and Ramirez Asset Management** to make finals presentations to the board at the September meeting. The motion passed.

Fee Review – This topic was deferred to the September meeting.

OLD BUSINESS:

NEW BUSINESS:

LAW REPORT

City Law Department –

Attendance Policy for Board Members and Voting by Telephone - Ms. Denius commented that the GA Open Records Act contains rules that govern voting by telephone, rules that were not in effect when the Bylaws were last updated. The Act permits voting by telephone if the reasons are travel or illness with limitations on the number of times this provision can be used by any one board member. The Act also states that the member can vote but cannot be counted toward making a quorum. A more comprehensive discussion was deferred and would be part of an overall best practices and governance review by Morgan Lewis.

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

MOTION: A motion was made and seconded to go into Executive Session. The motion passed.

{Executive Session begins at 11:30} {Executive Session ends at 12:20}

MOTION: A motion was made to send a letter to Consequent Capital Management addressed to its Chief Executive Officer, Commissioner Aguilar, requesting certain details of pending transaction to acquire Gray & Company. The motion passed.

MOTION: A motion was made to incorporate into the model form of investment manager contract language under which the investment manager would agree to be bound by the fiduciary standards of ERISA and the ethical standards of behavior as required under the City of Atlanta Code of Ethics. The motion passed.

PUBLIC COMMENT

There being no further business before the board, the meeting was adjourned at 11:45 a.m.

Respectfully submitted:



Douglas I. Strachan, Chair



Jim Beard, CFO & Secretary