

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

September 2, 2015

A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on September 2, 2015 in City Hall, Suite 2550, Atlanta, GA.

TRUSTEES PRESENT:

Douglas Strachan
Angela Green
Gina Pagnotta-Murphy

Jim Beard
Dr. Gregory Nash
Jason Esteves

NOT PRESENT:

Michael Bond, Aretha Sumbry-Powers and Yvonne Cowser Yancy

OTHERS:

Rick Larimer, GEMGroup; Kristen Denius and Gerrard Grant of City Law Department; Gwelda Swilley-Burke and Dana Brown of Callan Associates, Robert Stanley, Atlanta Public Schools, Derek Batts of Morgan Stanley, Richard Turley of Channing Capital and Monique Etheridge of Wells Fargo.

Mr. Strachan called the meeting to order at 9:35 AM. A quorum was present at 9:50 AM.

ADOPTION OF AGENDA:

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

APPROVAL OF MINUTES:

Minutes from the August 12, 2015 board meeting and the August 18, 2015 Special Called meeting were provided in the meeting packages in advance.

MOTION: A motion was made and seconded to approve the minutes of the August 12 and August 18, 2015 meetings. 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. 1-28 as listed on the attached spreadsheet dated September 2, 2015. The motion passed.

DISABILITY PENSION APPLICATIONS

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

Ms. Green commented that the meeting package did not include the redacted copies of the two doctor—signed applications, confirming the opinion of totally and permanently disabled. Mr. Larimer promised to distribute those after the meeting.

MOTION: A motion was made and seconded to approve Disability Application No. 1, subject to verification that two doctors had concluded in favor of the disability eligibility. The motion passed.

Subsequent to the meeting, the redacted disability applications were furnished to the board.

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 Beneficiary Pension applications Nos. 1 - 6 on the attached spreadsheet dated September 2, 2015. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

The Check Register dated September 2, 2015 was presented for review and approval.

MOTION: A motion was made and seconded to approve 5 items: #58382 - #58386 on the Check Register dated September 2, 2015 totaling \$124,983.46. The motion passed.

REVIEW OF FINANCIALS:

The financials for the period ending July 2015 were reviewed by the board.

MOTION: A motion was made and seconded to accept the unaudited financials for July 2015 for further review by the Finance Department. The motion passed.

LAW DEPARTMENT:

Responding to a question from Mr. Strachan, Kristen Denius reported that the law firm engaged to review the GrayCo Core Alts II matter is continuing to prepare their review and will present it at a later date.

Mr. Strachan mentioned the upcoming date for a mandatory settlement conference in the Bridgepoint matter in advance of a probable trial date in January 2016.

ACTUARY REPORT

No Report

INVESTMENT CONSULTANT REPORT

July Flash Performance Report – Dana Brown presented the July Performance Report. Large Cap Domestic equity was generally in line with benchmarks for the month; Large Caps outperformed the Mid and Small Cap segments. Channing Capital in the Small Cap space provided some protection – while showing a negative return it was better than its index, with all Small Cap managers showing negative numbers. International equity delivered a small but positive return for the month. Fixed Income segment was positive for the month and slightly negative for the 3-month period. Other categories were in line with expectations.

Overall, the portfolio showed a positive return of .65% for the month, under the Policy Index, a .62% return for the 3-month period, slightly better than benchmark, and an 8.07% return for the last year which was 36 bps over the Policy Index. The Fund ended the month with a total market value of \$1.265 billion.

Mr. Brown cautioned that the August performance report will show significant declines as the Domestic equity markets have experienced a downturn of approximately 6%-8% and international and emerging markets were down over 10%.

Asset Allocation & New Manager Funding – Update – Ms. Swilley-Burke reported that the Johnston and Colchester portfolios had been funded from the proceeds of a liquidation of the Vanguard portfolio. She anticipates that the remaining new manager position will be funded by September 15th and will be reviewed at the next meeting.

Earnest Partners Emerging Market Fund and Fees – Mr. Strachan summarized the issue with the Earnest Partners Emerging Markets portfolio by explaining that the offering was originally presented and approved by the board at a fee of 85 bps. It was caught in the documentation phase that this fee was mistakenly quoted and was actually 100 bps. Because this is a co-mingled investment vehicle the 100 bps fee could not be lowered to conform to the agreed upon 85 bps. Earnest Partners proposed that the fee charged on their Small Cap portfolio could be reduced in an amount sufficient to offset the 15 bps difference in Emerging Markets portfolio fee compared to the amount that had been originally quoted. Callan prepared an analysis to show that a reduction in the Small Cap fee from .569% to .451% would offset the 15 bps difference in the Emerging Markets product fee, based on the relative market values of the portfolios.

MOTION: A motion was made to accept the proposal from Earnest Partners to reduce the fee on their Small Cap portfolio by an amount sufficient to offset the 15 bps being charged on the Emerging Market portfolio as a result of originally misquoting that fee at 85 bps instead of 100 bps. The effect on the Plan would be neutral. The motion passed.

OLD BUSINESS:

Securities Monitoring Update – Covered above in Mr. Strachan’s comments.

Social Security Monitoring to Check Ongoing Eligibility for Disability – This item was deferred until Ms. Yancy could be present.

NEW BUSINESS:

Revisit Bylaws – Mr. Strachan suggested that discussion on this matter be deferred to next meeting when more of the board members that may be interested in participating in that discussion are present.

MOTION: A motion was made and seconded to defer this topic to the next meeting. The motion passed.

Dr. Nash inquired about the presence of a uniformed officer at the meeting. Mr. Strachan explained that after the last meeting there was allegedly a lack of decorum and several people felt they had been disrespected. The uniformed officer was invited to attend to ensure that today’s meeting would proceed with proper professional conduct.

Ms. Denius had stated previously that she and the City Law office staff are generalists and are not experts in the law relating to investment matters. Consequently, Ms. Green suggested that the board retain its own independent outside counsel to advise the board on the wide range of legal issues, including investment matters that come before the board. Mr. Strachan responded that he has talked to Police and Fire board members about how they handle their arrangement with retained outside counsel and what the costs would be and promised to discuss his findings and consider the suggestion at the next board meeting.

Ms. Denius commented that she and the City Law Department would be supportive of the board retaining outside counsel if that was their preference.

Globalt Portfolio Review – Bill Roach, President and Gary Fullman, CIO of Globalt presented their portfolio and the key elements of their overlay strategy. Mr. Roach explained the strategy as being intended to reduce portfolio volatility and minimize downside risk while delivering competitive risk-adjusted returns over a full market cycle. The firm manages \$1.8 billion in assets at June 30, 2015. The ability to rotate out of and into various market segments depending on market conditions and having the nimbleness to move quickly is a key to this strategy.

Mr. Strachan asked about the length of a tactical cycle. Ms. Swilley-Burke asked about the triggers that would indicate a move. Mr. Fullman commented that the model used both technical indicators and their proprietary analytical model to suggest these moves. Over the past year, the risk of the portfolio has been lowered by selling asset classes that appeared to subject to more volatility. This has served the portfolio’s return well.

Mr. Strachan asked about the benchmark, which is asterisked, be confirmed that it is appropriate and has not changed. Ms. Swilley-Burke will follow up with her analytical team and work with Globalt to ensure the benchmark is correct.

Mr. Beard asked a series of questions relating to the market environments in which the Globalt strategy could be expected to deliver added value. Mr. Roach and Mr. Fullman responded that periods of volatility and choppy markets tend to favor the Globalt strategy; during periods of divergent returns among various segments the Globalt portfolio should be able to exceed the overall passive blended benchmark. As an example, Mr. Roach referred to page 11 of the presentation that shows their portfolio is currently underweight in U.S. stocks, international bonds and U.S. bonds; they have no holdings in alternatives and have a relatively high Cash position of 14%.

Overall, the performance over the last year was 0.02% vs. the Atlanta Policy Index of -0.15% with the 1st Quarter performance was 2.43% compared to 1.43%. Preliminary August 2015 YTD return is -1.86% compared to -1.67%.

Mr. Beard and Mr. Strachan commented that they now better understood the strategy and objectives. They thanked Globalt for their presentation.

Respectfully submitted:


Douglas I. Strachan, Chair


Jim Beard, CFO & Secretary