

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

November 4, 2015

A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on November 4, 2015 in City Hall, Old Council Chambers Auditorium, and Atlanta, GA.

TRUSTEES PRESENT:

Douglas Strachan
Angela Green
Aretha Sumbry-Powers
Gina Pagnotta-Murphy,

Jim Beard
Dr. Gregory Nash
Yvonne Cowser Yancy
Jason Esteves

NOT PRESENT:

Michael Bond

OTHERS:

Rick Larimer, GEMGroup; Ray Adams, Office of Retirement Services, 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, Monique Etheridge and Laurel Hill of Wells Fargo and Greg Pittenger, JP Morgan.

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

ADOPTION OF AGENDA:

MOTION: A motion was made and seconded to adopt a revised agenda that changed the order of topics and added renewal of the CPERS Membership for the board. The motion passed.

MOTION: A motion was made and seconded to approve the annual renewal of the CPERS Membership for the board. The motion passed.

APPROVAL OF MINUTES:

Minutes from the October 7, 2015 board meeting were provided in the meeting packages in advance.

MOTION: A motion was made and seconded to approve the minutes of the October 7, 2015 meeting 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 the service pension applications Nos. 1-9 as listed on the attached spreadsheet dated November 4, 2015. The motion passed.

DISABILITY PENSION APPLICATIONS

MOTION: A motion was made and seconded to approve the Disability Application on the attached spreadsheet dated November 4, 2015. 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 Beneficiary Pension applications Nos.1 - 5 on the attached spreadsheet dated November 4, 2015. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

The Check Register dated November 4, 2015 was presented for review and approval.

MOTION: A motion was made and seconded to approve 14 items: #59494 - #59507 on the Check Register dated November 4, 2015 totaling \$788,463.03. The motion passed.

REVIEW OF FINANCIALS:

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

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

LAW DEPARTMENT:

GrayCo Letter Draft Review - This item was deferred to next meeting after the outcome of the selection of independent outside counsel.

NEW BUSINESS:

Presentations from Law Firms to Serve as Outside Counsel to the Board - Three firms that were selected from among five that had submitted proposals made presentations to the board: : Womble

Carlyle, Shiff Hardin and Morgan Lewis. Representatives from each firm presented, highlighting their unique capabilities, expertise and experience in representing pension plans and other municipal and governmental entities. Each firm was given 20 minutes plus time for board member questions to make their presentations.

MOTION: A motion was made to go into Executive Session to discuss a matter of possible litigation. The motion passed.

Executive Sessions Ends:

MOTION: A motion was made to engage Morgan Lewis to represent the Pension Board under a retainer agreement. The motion passed by a vote of 5 Yes and 3 No.

Subsequent to the meeting, the prospective firms were notified of the board's decision. Morgan Lewis furnished an Engagement Letter for review by City Law Department.

Johnston Asset Management Portfolio Review –

James Pontone, Managing Director of Johnston Asset Management reviewed the firm's philosophy, methodology and performance. Mr. Pontone commented that the ownership structure of the firm was changing from an S Corp to an LLC to provide more management flexibility and would have no impact on the investment strategy or process. Johnston is a bottom-up, fundamental manager, holding approximately 25 – 30 names and has historically had a 25% turnover ratio. The fairly concentrated approach focuses on high-quality companies that can be acquired at distressed prices.

The portfolio is down YTD by 6.79%, net, more than the EAFE Index which was down 5.28%. In 2014, the portfolio outperformed the benchmark by 5.27% and beat the mark for the 1 and 3 year time frame as well.

Mr. Strachan thanks Mr. Pontone for his presentation.

INVESTMENT CONSULTANT REPORT

September Monthly Performance Report – Dana Brown presented the September Performance Report. The report shows the impact of a very difficult month in the markets generally with all equity managers posting negative returns for the one- and three-month periods. The overall Fund was down 2.01%, net of fees, versus the policy index of negative 2.07%. A full quarterly performance review will be available at the next meeting.

Volatility Analysis and Manager Performance – Following up on a request from the October meeting, Callan prepared an analysis of the portfolio's volatility and the managers' ability to protect the plan's assets on the downside in these volatile conditions. The methodology used seven distinct periods of market volatility between 2007 – 2015, both rising and declining general market returns, and compared the individual managers to peers and ranked them by percentile. The analysis then calculated a downside capture ratio for each manager, expressed as a percentage of how the manager performed relative to the appropriate market index. Results for all managers were presented. The conclusion drawn by Callan was that overall the General Employees' Fund's group of managers did a solid, good job of providing protection in periods of down markets, falling less than the passive index and thereby preserving value during these periods. Of particular note were Morgan Stanley, Earnest and Legato in the equity space, JP Morgan in Fixed Income, and Artisan and Johnston in the international equity segment. The full report is available in the Fund Office.

OLD BUSINESS:

Securities Monitoring Update – No update.

Social Security Monitoring to Check Ongoing Eligibility for Disability – Ms. Yancy is still waiting for a response to data submitted to the Social Security Administration regional office.

Glass Ratner Audit – It was reported that Glass Ratner had made a request for certain information from Gray & Company and Gray has declined to provide. Ms. Green questioned how Gray could refuse to make information available; the assets of the Pension fund taxpayer funded monies and the Pension fund is a public entity. This is a matter that will be reviewed by independent counsel.

Pension Payment Verification Project – Update - Mr. Larimer reported that the Pension Verification project was underway and during the first week of file reviews one administrative error dating back prior to 2009 was discovered that has resulted in a substantial overpayment. This is precisely the type of clerical / administrative error that the project was intended to uncover. Mr. Kirschbaum will work with the Cherry Bekaert audit firm to develop the protocol for reporting the results to the board and how remedial action should be handled. It was also suggested that this recovery protocol be reviewed by newly engaged outside counsel to ensure it is consistent with established practices under ERISA and with other municipal plans.

There being no further business before the board, the meeting was adjourned.

Respectfully submitted:


Douglas I. Strachan, Chair


Jim Beard, CFO & Secretary