

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

SPECIAL MEETING OF THE BOARD ON INVESTMENTS

MINUTES OF MEETING

November 20, 2012

A Special meeting of the Board of Trustees of the City of Atlanta General Employees Pension Fund was held on November 20, 2012 in City Hall, Committee Room 2, and Atlanta, GA.

TRUSTEES PRESENT:

Alfred Berry, Jr.
Gregory Nash
Aaron Watson

Douglas Strachan
Jim Beard

Yvonne Cowser Yancy
Angela Green
Yolanda Johnson

ABSENT: Aretha Sumbry-Powers

OTHERS:

Richard Larimer, GEMGroup; Kristen Denius, City Law Department; Larry Gray, Lisa Joe and Cecil Callahan of Gray & Company and Laurel Hord-Hill of Wells Fargo.

Mr. Berry called the meeting to order at 10:00 A.M. There was a quorum.

ADOPTION OF AGENDA:

Mr. Berry commented that he was unhappy with the Agenda for two reasons. He commented that it included items that were beyond the intended scope of the meeting and, it did not include revisiting the decision to appoint Wells Fargo as Custodian based on information that had not been disclosed prior to the decision being made. He asked Mr. Gray to address the issue of information that may have been missing from the presentation upon which the board took action at the November 7, 2012 board meeting. It was pointed out that the Custody Proposal – Revised Bid was in fact on the Agenda as Item IV.

Ms. Johnson stated that she felt that Items VIII and IX were the primary topics for which the meeting was called and wanted them to be moved up and be dealt with first.

MOTION: A motion was made and seconded to move Item VIII up to be the first discussion item on the Agenda. The motion failed on a 3 to 3 vote.

MOTION: A motion was made and seconded to approve the agenda as presented. The motion passed on a 4 to 2 vote.

Mr. Gray summarized the presentation of the Custody RFP responses made at the November 7, 2012 board meeting that resulted in Wells Fargo being awarded the custody business for the GEPP subject to a favorable negotiation on lowering both the Short Term Investment Fund management fee and securities transaction fees. Mr. Gray reported that Wells Fargo had agreed to the revised terms requested by the board and thereby had removed the board's conditions to acceptance of their proposal.

Mr. Gray then reported that he had received calls from Amalgamated Bank, one of the other bidders, suggesting that a recent settlement by Wells Fargo involving alleged discriminatory lending practices may not have been fully considered by the board in their deliberation. Mr. Gray also heard from several board members that the decision to select Wells Fargo should be reconsidered in light of this information.

Ms. Yancy stated that she was disturbed by the process and tactics of a third-party to have a board decision re-opened. She pointed out that the news of the Wells Fargo settlement had recently been made public and fully reported in the press and everyone should have been aware of the circumstances. She also remarked that with the rapid consolidation in the banking industry, it would be hard find a large financial institution that had not entered into some sort of settlement. Ms. Yancy believed the decision of the board had been made and would not support revisiting the previously approved action to hire Wells Fargo as custodian.

Ms. Yancy also commented on the Agenda being expanded to cover topics beyond its original advertised purpose and in the future she expected that Agenda would only reflect items specifically requested by the board.

MOTION: A motion was made and seconded to acknowledge acceptance of the Wells Fargo revised pricing proposal as requested by the board to ratify the board's acceptance of Wells Fargo as the custodian for the General Employees' Pension. The motion passed. Mr. Nash and Ms. Green voted No.

Tactical Asset Allocation Search – List of Preliminary Candidates including Globalt ETF

Mr. Gray presented a comparative analysis of the following investment firms who were chosen as candidates to be hired for a Tactical Asset Allocation mandate: BlackRock, Globalt, Harris Associates, Janus and Waddell & Reed Ivy. Gray & Company recommended Globalt and their innovateETF program based on excellent track record, the use of a pure ETF-based strategy that allows greater flexibility and nimbleness, their excellent upside capture and downside protection ratios and their local presence and long-standing relationship with the GEPP.

Mr. Strachan asked why the use of EFT's was a preferred tool when other public funds that he was familiar with use them only sparingly for short-term cash. Mr. Gray responded that ETF's are better in this type of strategy because their ease in making rapid tactical shifts among asset classes, including intra-day trading. Mr. Strachan also asked about net of fee comparisons among the candidates that appeared to show that Globalt's strategy did not have the best performance. Mr. Gray explained that several of the candidates used individual stocks in their portfolios which made equal comparisons difficult and that the other advantages of the ETF strategy outweighed the minor performance differences.

Finally, Mr. Strachan asked why Globalt was being recommended for this mandate when they had just been terminated on a large cap account. Mr. Gray stated that larger firms have multiple products and strategies – sometimes numbering in the hundreds – and it is not uncommon for the performance to vary among products.

Mr. Watson inquired if there were any minority-owned firms providing products in this category. Mr. Gray said he was unaware of others – except his own Gray & Company ETF Flex Cap Strategy – but that Globalt was owned by Synovis, a unit of SunTrust Bank, and the president of Synovis is African-American. Mr. Watson asked Mr. Gray to distinguish between two Globalt products shown in the presentation: Growth and Balanced. Mr. Gray explained that these were two versions of the same strategy and at the discretion of the manager the portfolio or portions thereof could be moved between the two approaches, depending on market conditions.

In response to a question, Mr. Gray stated that City of Atlanta Police and Fire plans use an EFT Tactical Asset allocation strategy offered by Gray & Company. He explained that the Police and Fire boards were offered both the Gray and Globalt products and they chose Gray & Company's ETF Flex Cap program.

Mr. Berry inquired about the propriety of Gray & Company, in their role as an investment consultant and a plan fiduciary to Police and Fire boards, of also provided an investment management product. Ms. Denius and other board members stated the issue had been vetted and was permissible with appropriate disclosure.

MOTION: A motion was made and seconded to accept the recommendation of Gray & Company to hire Globalt Investments and their Globalt innovatETF strategy for a 5% allocation of the portfolio. The motion passed.

LARGE CAP INDEX RECOMMENDATIONS – Certium Asset Management

Mr. Gray presented a comparative evaluation of candidates for an equal-weighted, large cap index manager. Certium, LS Investment Advisors and Rhumbline Advisors were considered. Mr. Gray stated that the two key factors in evaluating index managers were tracking error and fees and each of the three managers were qualified based on these factors. Gray & Company recommended Certium because of the local presence, being owned by RidgeWorth and SunTrust.

Mr. Berry questioned the focus on firms owned by the same entities pointing out that Ceredex has a similar affiliation.

Mr. Beard asked if asset size was a meaningful advantage of one manager versus another. Mr. Gray thought that it was not and, perhaps adding a small amount of additional work to monitor, was not an important criterion; any of the three managers could do the job.

A brief discussion ensued on the merits of a local firm compared to other decision criteria. Ms. Yancy commented that the City and the General Employees' Pension Fund are highly supportive of the community in many ways and the local presence of an investment management firm was of only a minor importance to her.

MOTION: A motion was made and seconded to hire Rhumbline Advisors for an equal-weighted, large cap index mandate for a 6.25% allocation, an approximate amount of \$63 million. The motion passed.

Ms. Green commented that the board should remember to support minority firms in both investment managers and securities brokers. Mr. Beard offered to work with Mr. Gray to maximize the Fund's business with minority firms.

MOTION: A motion was made and seconded to have Gray & Company prepare a report for the January meeting detailing the Fund's support of minority securities trading firms. The motion passed.

INTERMEDIATE FIXED INCOME

Mr. Gray introduced four candidate firms to manage a passive, low-cost index portfolio measured against the Barclay's intermediate Govt/Credit benchmark: BlackRock, Northern Trust, State Street and Vanguard. Mr. Gray commented that fixed income manager fees were quite competitive in the current environment and that the fees for four candidates were comparable. The comparative performance was presented in detail on pages 8-11 of the presentation binder.

Mr. Strachan asked why Vanguard showed a significantly higher excess return compared to the others. Mr. Gray called attention to a footnote that disclosed that Vanguard had decided to change the benchmark against which it was measured. Also, their approach was described as being a bit more "high-octane" than the others and the strategy had worked; he also pointed out that the Standard Deviation was higher, a measure of the additional risk inherent in Vanguard product.

Ms. Green asked if Atlanta Capital had been informed of the board's consideration to terminate.

Mr. Gray responded affirmatively.

After further discussion concerning the relative volatility, and the merits a "higher-octane" approach and the transaction costs in making a change,

MOTION: A motion was made and seconded to terminate Atlanta Capital as a fixed income manager. The motion passed. Ms. Green voted No; Dr. Nash abstained.

Mr. Gray recommended splitting the allocation equally between Vanguard and Northern Trust. After Mr. Beard commented that in the current difficult environment in the capital markets, he would be more comfortable sticking with a more conservative, low-volatility approach as used by Northern Trust or BlackRock.

MOTION: A motion was made and seconded to hire Northern Trust and the Northern Trust Intm Govt/Credit Index Fund for the entire allocation currently being managed by Atlanta Capital. The motion passed unanimously.

ALTERNATIVE INVESTMENTS – PRIVATE EQUITY - LOOP CAPITAL

Kourtney Ratliff and Darrell Williams of Loop Capital Investment Management/JP Morgan presented their Emerging Manager Fund LP. They described the structure of the Fund, their organizational team and their investment approach. The target size is within the range of \$500 - \$700 million. Their definition of emerging managers includes minority-owned and who are seeking a first, second or third capital raise. Loop Capital controls the investments as General Partner. The base fees are 69 bps, plus 5% on primary partnership investments; 10% of secondary partnership investment and 20% of direct investments. The performance fees are paid to Loop only after the investor has reached a target return of 8%. The stated goal is return the S&P 500 Index + 300 bps; the expectation is to hit the S&P 500 Index + 800 bps. After further discussion,

MOTION: A motion was made and seconded to hire Loop Capital/JP Morgan and their Emerging Manager Fund LP for a \$10 million allocation. The motion passed unanimously.

SMALL CAP MANAGER RECOMMENDATION – CHANNING CAPITAL SCV

Rodney Herenton and Richard Turnley of Channing Capital Management presented their Small Cap Value portfolio. Mr. Turnley described Channing as a local firm, African-American employee-owned and dedicated strictly to managing money in the Small Cap segment. The firm seeks to add value and alpha through superior stock picking. The composite performance numbers presented on page 31 of their presentation suggests they have been able to accomplish that goal, beating the benchmark Russell 2000 Value Index over the 2006 -2012 period by 250 bps, net of fees.

Mr. Beard asked about the number of apparel industry companies in the portfolio and if this was a particular focus of Channing. Mr. Turnley acknowledged several apparel companies among the holdings but stated these were judged to be quality investments on their merits and that apparel was not a specific focus of the firm.

MOTION: A motion was made and seconded to accept the recommendation of Gray & Company to hire Channing Capital Investments and their Small Cap Value portfolio for a \$20 million allocation. The motion passed. Mr. Berry and Ms. Green abstained.

ASSET ALLOCATION RECOMMENDATIONS – GRAY & COMPANY

Mr. Gray summarized the Table in the presentation book outlining their asset allocation recommendations noting that the Alternative category at 5% would not be funded immediately, the Mid Cap allocation being reduced from 20% to 10% and the Small Cap allocation being increased from 15% to 17%. Mr. Berry asked what the Overlay allocation was and Mr. Gray explained it was the portfolio that had just been awarded to the Globalt Tactical Asset Allocation product.

Ms. Green posed a series of questions relating to the benchmark for the Tactical Allocation product, was it a large cap portfolio, why the Mid Cap reduction, which managers were on probation, were there any local firms that could provide an index fund and how many minority managers were among the GEPP group of investment managers. She requested a written response from Gray & Company.

MOTION: A motion was made and seconded to accept Gray & Company's asset allocation and re-balancing recommendations as shown in the Pre-cash Raise Account Balances – GEPP Market Value Table dated November 16, 2012, subject to the specific names of managers being changed to reflect actions taken by the board during the meeting. The motion passed. Mr. Berry and Ms. Green abstained.

Mr. Berry and Ms. Green asked about the Gray Co Core Alts II, if it was a Gray & Company sponsored investment vehicle and if so, did Mr. Gray tell the board of the ownership at the November 7, 2012 board meeting as neither of them remembered that as being part of the discussion. Mr. Gray responded that he thought he had. Mr. Larimer was asked to furnish the draft of minutes as soon as available to the board for review.

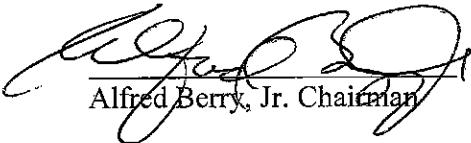
Ms. Yancy suggested that Mr. Denius review the minutes, the plan documents and the Investment Policy statement and provide the board with her legal evaluation of the fiduciary issues, if any, compliance with the Fund's fiduciary policies and whether or not adequate disclosure had been provided.

Ms. Yancy further asked if the investment had been funded or would likely be funded prior to the next meeting so that the issue could be revisited. Mr. Gray stated that investment had not been funded but it was likely that a capital call would be made within the next 2-3 weeks. He also pointed out that the commitment had been signed by the board chair and was now a legally binding obligation to fund if called upon.

Ms. Denius will prepare her evaluation and recommendation prior to the next board meeting.

There being no further business to discuss, the meeting was adjourned at 12:20 p.m.

Respectfully submitted:



Alfred Berry, Jr. Chairman

Jim Beard, CFO & Secretary