A meeting of the Board of Trustees of the City of Atlanta General Employees’ Pension Fund was held on April 2, 2014 in City Hall, Committee Room 1, and Atlanta, GA.

**TRUSTEES PRESENT:**

Douglas Strachan
Gregory Nash
Aretha Sumbry-Powers
Yvonne Cowser Yancy

Jim Beard
Angela Green
Jason Esteves

**TRUSTEES ABSENT:**

Michael Bond and Gina Pagnotta-Murphy

**OTHERS:**

Richard Larimer, GEMGroup; Kristen Denius and Gerard Grant, City Law Department; Ray Adams, Office of Retirement Services; Monique Etheridge of Wells Fargo Bank, Robert Stanley of Atlanta Public Schools, Nathan Lewis of Security Capital, Gwelda Swilley-Burke and Jay Kloepfer of Callan Associates, and Derek Batts of Morgan Stanley.

Mr. Strachan called the meeting to order at 9:40 A.M. There was not a quorum initially, but was reached by 10:00 AM with the arrival of several board members.

Mr. Strachan reminded the board that the minutes of board meetings were critical to being able to respond to the media and lawyers under Georgia Open Records Act requests and asked that board members observe the practice of being recognized by the Chair before speaking and to make every effort to speak one at a time in order to make the meeting recordings as clear and understandable as possible.

Mr. Nash asked if Mr. Esteves, attending his first meeting, had been sworn in by the City Clerk to his position on the General Employees’ Pension Plan board. It was determined that he had not and Mr. Strachan excused himself to make arrangements for Mr. Esteves to be seated.

**ADOPTION OF AGENDA:**

**MOTION:** A motion was made and seconded to adopt the Agenda, with the addition of an item under New Business to authorize a 5% allocation to Alternative investments. The motion passed.
APPROVAL OF MINUTES:

Minutes from March 5, 2014 Board meeting were provided in the meeting packages in advance.

MOTION: A motion was made and seconded to approve the minutes of the March 5, 2014 board 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. 1-4 as listed on the attached spreadsheet dated April 5, 2014. The motion passed.

DISABILITY PENSION APPLICATIONS

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

Mr. Larimer pointed out that the redacted copies of the disability applications were omitted from the meeting package due to clerical oversight and will be furnished separately. Both applications are recommended for approval.

MOTION: A motion was made and second to approve the disability applications Nos. 1 & 2 as listed on the attached spreadsheet dated April 5, 2014. 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 - 3 on the attached spreadsheet dated April 5, 2014. The motion passed.

Dr. Nash noted the addition of a designation of City or APS be added to the Application spreadsheet, as he had requested.

APPROVAL OF CHECK REGISTER AND INVOICES:

The Check Register dated April 5, 2014 was presented for review and approval.

MOTION: A motion was made and seconded to approve 5 items: #53016 - #553020 on the Check Register dated April 5, 2014 totaling $74,390.25. The motion passed.
REVIEWS OF DECEMBER 2013 FINANCIALS:

The financials for the period ending February, 2014 were presented and reviewed.

MOTION: A motion was made and seconded to accept receipt of the February 28, 2014 financial statements as presented. The motion passed.

LAW DEPARTMENT:

Georgia Open Records Act Request for Documents - Greenberg Traurig - Ms. Denius updated the board on the most recent request from Greenberg Traurig under the GA Open Records Act in connection with the Gray & Company matter. Ms. Denius inquired and was told it was an effort to close out their files and make sure they had all appropriate documents. The request has been fulfilled.

Mr. Larimer called the board’s attention to a draft invoice for Greenberg & Traurig for $500 to cover the costs of the copying and production of documents. If approved by the board, the invoice would be presented to Greenberg Traurig and once paid to the Fund, GEMGroup would submit an invoice to be reimbursed for the costs incurred. The board approved the invoice, with a suggestion that it include an itemization of the time and cost.

ACTUARY REPORT

No Report this month.

INVESTMENT CONSULTANT REPORT

Flash Performance Report - February 2014 - Gwelda Swilley-Burke reviewed the Flash Performance Report for the period ending February 2014. The equity markets rebounded in February from a downturn in January and the overall portfolio showed a gain for the month of $44.3 million or 3.7%, 30 basis points (bps) over the Policy Index. Every segment showed a positive return for the month of February with the Small Cap Domestic Equity sector posting a 5.2% gain in the month.

Following up on a request from last month’s meeting, Mr. Larimer reported that a review of prior meeting minutes shows that the board had not formally adopted a portfolio allocation to Alternative investments. Hence, the Investment Policy Statement was not revised to include an allocation to Alternatives. The minutes do reflect that the two specific investments in the Alternative space – Gray Co Core Alts II and Global Tactical Overlay portfolio – were specifically approved by motion. Mr. Strachan asked that an allocation to Alternatives be added as an agenda item under New Business.

Asset Allocation Discussion - Ms. Swilley-Burke introduced Jay Kloepfer to make a presentation on the asset allocation process that Callan is working through which will form the basis of their recommendations at the May meeting. He began by reviewing the current Target Asset Allocation as approved at an Investment Subcommittee meeting in 2012 showing 50% to Domestic Equity, 10% International, 25% Fixed Income, 5% Private Equity (Alternatives) and 10% Tactical Overlay of which 5% is funded (Global portfolio). There is no allocation to Cash.

Mr. Kloepfer had discussed the Plan’s funding status, liability structure and cash flow needs to pay benefits to support their analysis of an appropriate asset allocation study. The goal is to achieve an
optimal allocation that meets the Plan’s needs and is based on various factors including capital market expectations, cash flow considerations and liquidity needs, risk tolerance and time horizon. For example, he pointed out that Plan’s net cash outflow last year was approximately 5% of total assets; as a rule of thumb, net outflows above 5% would signal a need to be cautious about investments in illiquid assets so as not to impair the liquidity necessary to pay benefits.

Mr. Kloepfer summarized the long-term historical returns to several asset classes as being the basis for structuring the portfolio. However, the primary focus is on expectations for these returns over the intermediate and longer term future periods and how these returns will serve to meet the long term expected return assumption upon which the actuarial valuation is based. On page 11 of the presentation, the projected 10-year mean return is 6.9% compared to the Plan’s expected return assumption of 7.5%. Several things may serve to close this gap. Inflation assumptions differ: the Plan uses a 3% inflation factor whereas Callan believes a 2.25% estimate, reducing the gap by 75 bps. The hope is that active managers will deliver above index returns, net of fees, also contributing to bridging the gap over time. Overall, Callan’s assessment at this point is that the Plan’s goals are reasonably attainable over a full market cycle and specific recommendations will be forthcoming at the May meeting.

Mr. Beard inquired as to Mr. Kloepfer opinion on the appropriate duration in the fixed income space. Mr. Kloepfer believes there is still a place for fixed income in the portfolio and would not recommend timing the swings between rising and falling interest rates he thinks that the return premium over Treasuries has perhaps already fallen below the point that makes these higher yield investments unjustified.

Mr. Beard questioned which strategies would best increase the probability of hitting the target 7.5% return. Mr. Kloepfer was comfortable with a 5% allocation to Alternatives and would stick with it. He also suggested that if keeping an overlay strategy a second manager would be advisable.

Mr. Kloepfer stated that the recent performance of the GEPP portfolio has been terrific, ranking in the top 10% of the Callan large plan peer group. However, this is attributable to an overweight allocation to Domestic equity, particularly Small Cap, that has done exceptionally well recently while International and Emerging markets have not. The concentrations by asset class that currently exists in the portfolio translate into higher than normal risk (standard deviation) and are probably not sustainable.

Other questions were raised concerning the overweight to Small Cap and 10% allocation to Global Tactical strategies. Ms. Green suggested that further discussion on specific asset allocation issues should await receipt of Callan’s recommendations at the next meeting. Fellow board members agreed.

Ms. Swilley-Burke and Mr. Kloepfer promised to deliver Callan’s overall asset allocation recommendations at the May meeting.

OLD BUSINESS:

Securities Monitoring Update – Ms. Denius reported that the General Employees’ Pension Plan has been named lead plaintiff and the litigation is progressing in the Bridgepoint matter. The defendant’s attorney has requested a copy of all email communication from board members relating to Bridgepoint. Ms. Denius commented that it would be highly unusual for the board to have been privy to this level of detail with respect to an investment decision on a specific security, but she would appreciate a response by Friday, April 11th from board members stating that they have no emails on the subject.

Fiduciary Liability Insurance – Mr. Larimer reported that the Fiduciary Liability Insurance Policy was now in place and coverage has been activated. Mr. Beard asked that a copy of the policy be placed in the meeting books for the next meeting.
Beneficiary Update Project Mailing – Mr. Larimer reported a 37% response rate to a first mailing to 1486 City and APS retirees who had elected a Joint & Survivor type of pension benefit at the time of retirement but who have no beneficiary listed on the system. This is an important data point for preparing accurate actuarial valuations. A follow up mailing will be done next month.

Pension Calculator for Website – Since last month’s meeting, Mr. Strachan learned that a Pension Calculator already exists on the City’s Website under the Human Resources tab. It is comprehensive, works well and is used by many participants. The consensus of the board was to move the existing Pension Calculator from the City’s site to the specific Pension Website for easier access. Mr. Strachan also suggested an initiative to upgrade and enhance the Pension fund Website and asked the board members to logon to the site and give feedback and suggestions from a user viewpoint as to how it could be improved.

NEW BUSINESS:

Allocation to Alternatives - After a brief discussion and based on the presentation earlier in the meeting by Callan Associates:

MOTION: A motion was made and seconded to authorize a 5% allocation to the Alternative asset class. The motion passed. Ms. Green abstained.

Mr. Nash raised for discussion the statement in the Sunday Atlanta Journal Constitution article on the Gray & Company matter that GlassRatner had concluded that Gray & Company had disclosed to the board the relationship between Gray & Company and Core Alts II, LLC. Mr. Nash said it made him feel as if the board had paid GlassRatner $30,000 for nothing because the whole point of the board’s contention was that Mr. Gray had not adequately disclosed the relationship. Ms. Green added that she had not received the information she had asked for, specifically the detail of all underlying investments made by the 10 -12 partnerships in which the GrayCo Core Alts II LLC has invested. She also requested a copy of Glass Ratner’s investigatory notes and work papers relating to the GrayCo Core Alts II assignment. Mr. Strachan suggested that he would follow up with GlassRatner to question their quoted statement in the AJC article and the potential for additional work to uncover the underlying investment detail.

Public Relations Resource for Board – Media Communication – Mr. Strachan raised for discussion getting an assigned resource for public relations and communication with the media on topics affecting the board to ensure that the views of the board members are presented as accurately as possible. Several board members commented that they had been contacted for interviews and quotes on various subjects and often times felt uncomfortable speaking on behalf of the full board on subjects on which they were not expert. The resource could be within the City, such as the Public Relations officer in the Mayor’s office, or a third-party firm under a retainer agreement. The board agreed to further discuss this idea at next month’s meeting. Ms. Green suggested that the board engage a court reporter/stenographer to attend the meetings to provide a literal transcript of the meeting proceedings. Questions were raised whether a verbatim transcript was needed since it would be in addition to the current minutes prepared each month and the audio recordings, all of which are part of the public record. Several board members thought there may be some value in verbatim transcripts and it was requested that the costs and process to engage a court reporter be explored. Ms. Green again made the suggestion that the board should have its own outside counsel.
At Mr. Strachan's suggestion, Mr. Esteves introduced himself with a short biography. Mr. Strachan stated that Mr. Esteves has an appointment within two weeks to take the oath and be sworn in as a Pension board member.

There being no further business to discuss, the meeting was adjourned at 12:30 p.m.

The next meeting will be held on Wednesday, May 7, 2014 in Conference Room 1, City Hall.

Respectfully submitted:

Douglas I. Strachan, Chair

Jim Beard, CFO & Secretary