

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

March 1, 2017

A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on March 1, 2017 in City Hall, Committee Room 2, Atlanta GA.

TRUSTEES PRESENT:

Douglas Strachan
Angela Green
Gina Pagnotta-Murphy

Yvonne Cowser Yancy
Aretha Sumbry-Powers
Dr. Gregory Nash

Not present: Michael Bond, Jason Esteves, and Jim Beard

OTHERS:

Rick Larimer, GEMGroup; Tracie Gay, Office of Retirement Services, Kristen Denius and Desmond Dorsey of City Law Department; Lora Burton and Karen Sutton, City Finance; Peter Chan and Jane Dudzinski of Morgan Lewis; Gwelda Swilley-Burke of Callan Associates, Laurel Hill of Wells Fargo, and Jeanette Cooper of Segal, Bill Roach of Globalt, and Derek Batts of Morgan Stanley, Victor Hymes and Adam Lawlor, Legato Capital Management,

Mr. Strachan called the meeting to order at 9:35 AM.

ADOPTION OF AGENDA:

MOTION: A motion was made and seconded to adopt the agenda with the addition of the portfolio review by Legato Capital Management. The motion passed.

APPROVAL OF MINUTES:

Minutes from the February 1, 2017 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 February 1, 2017 meeting, as amended. 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. 1-13 as listed on the attached spreadsheet dated March 1, 2017. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension application on the attached spreadsheet was presented to the Board for approval.

MOTION: A motion was made and seconded to approve the disability pension application as listed on the attached spreadsheet dated March 1, 2017. The motion passed.

Dr. Nash commented that the name of one of the approving doctors was not legible. His approval of the disability application was conditioned upon receiving verification of the doctor's name. Subsequent to the meeting, Mr. Larimer provided the name of the doctor, satisfying the conditional approval.

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- 6 on the attached spreadsheet dated March 1, 2017. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

Mr. Larimer reviewed a revised Check Register dated March 1, 2017 which he distributed at the meeting. All the invoices had been reviewed and approved by City Finance.

MOTION: A motion was made and seconded to approve 11 items - #64768 – 64778 totaling \$317,317.13. The motion passed.

REVIEW OF FINANCIALS:

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

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

Ms. Sutton noted to the board that a reconciliation of the Trial Balances on the unaudited financial statements prepared by GEMGroup for December 2016 was underway to clear up variances, particularly in the investment asset accounts at Wells Fargo and the assets values being reflected the GEMGroup statements. The Board asked for that reconciliation to be reviewed at the next board meeting.

NEW BUSINESS:

Cornerstone – Amendment for Fee Reimbursement - Cornerstone Capital Management had proposed a retroactive Fee Adjustment that resulted in a \$58,998 reimbursement to the Plan. The board approved this reimbursement at the February meeting. The proposed amendment to their agreement to reflect the new Fee Schedule was deferred in favor of having Cornerstone Capital Management sign the Plan's new form of Investment Management Agreement (IMA). The current IMA will be provided to Cornerstone.

ACTUARY REPORT:

At the request of the board, Ms. Cooper briefly summarized the conclusions in Segal's memorandum dated January 27, 2017 which were presented at the February meeting:

Extending Beneficiary Benefits to Children Up to Age 26 - The incremental cost for the General employees would equate to a .03% increase in employee contributions; for the Board of Education employees it would be .09%. This assumes no additional contribution by the City or APS.

Extending Survivor Benefits for Disabled Children for Lifetime – The results of this analysis yielded a .44% increase in employee contribution for General employees and a .81% increase for APS employees. Again, there is no assumed added cost to the employer.

Ms. Yancy commented that the board may want to consider offering these change in benefits as an option instead of applying to all participants. She also mentioned that the idea would need to be presented to Police and Fire Plans to determine their interest before any discussion with Council. Ms. Cooper pointed out that the "opt-in or opt-out" format would raise the cost to those participants that chose to opt-in.

OLD BUSINESS:

Separate Email Accounts for Board Members – Mr. Strachan updated the board on this initiative to create separate email accounts for board members to use when conducting pension board related business. Email accounts have been established through GoDaddy, all with the @atlgepf.com suffix. He will send the email addresses to Mr. Larimer and asked that they be sent to all fund professionals and vendors to use in connection with Fund business.

INVESTMENT CONSULTANT REPORT – CALLAN:

Legato Capital Management – Victor Hymes and Adam Lawlor, of Legato Capital presented a Due Diligence review of their Small Cap Growth portfolio, a manager of manager format. Mr. Hyme introduced the firm and its overall objective to identify exceptional entrepreneurial managers in the Small Cap arena and create combinations that complement one another. The firm is a certified MBE with \$1.5 billion in assets under management.

Currently four managers in the portfolio: Bridge Capital, LMCG, Lebenthal Lisanti and Redwood. Mr. Hymes acknowledged that the past year has been a difficult one with the portfolio delivering 2.99%, net of fees, versus the Russell 2000 Growth Index of 11.32%. In the current market environment, he stated that over 80% of active managers failed to match their benchmark. The performance was particularly dragged down over the past year by LMCG's -4.63% compared to 11.32% for the benchmark. LMCG will be terminated and replaced with another manager within the next 90 days. Overall performance against the benchmark since inception in March 2015 has also lagged. Legato takes the long view and

is confident the portfolio will rebound. The strategy is to be style neutral to the benchmark with each manager evaluated on an internal metric that Mr. Hymes referred to as a Conviction Score.

Ms. Swilley-Burke asked how often each manager was scored and what period of low scores would cause a trigger to change. According to Mr. Hymes, each manager is scored quarterly and the trigger period varies depending on a number of factors.

Mr. Strachan commented that the board will be watching the performance closely in coming quarters for expected improvement.

Quarterly Performance Report – December 2016 – Ms. Swilley-Burke reviewed the quarterly performance report for the period ending December 2016. Market environment highlights were GDP at 1.9%, down from a strong 3.5% in Q3 of 2016, the Fed raised its target rate range to 50 – 75 bps, inflation was benign and the unemployment rate hit a 9-year low of 4.6%.

Asset allocation compared to target was in compliance with Policy. Overall portfolio performance for the quarter was .99%, net, vs. benchmark of 1.07%; the one-year numbers were 8.33% and 8.91%, respectively.

The Flash Report for January showed the portfolio increased by \$24.1 million in market value for the month; the one-month return was 2.06%, net, compared to the Policy index of 1.71.%.

Ms. Swilley-Burke reviewed and commented on the individual managers. Of note, Morgan Stanley Large Cap Core underperformed for the most recent quarter 0.67% and 3.27% for the year. Mr. Strachan asked why Morgan Stanley should not be placed on the WatchList. Ms. Swilley-Burke explained that the WatchList policy defines underperformance based on rolling 3-year periods and at least two consecutive quarterly underperformance; Morgan Stanley had not met that criteria. Mr. Strachan asked that Ms. Swilley-Burke write up an explanation of the WatchList policy as it relates to Morgan Stanley and share it with the Trustees. Subsequent to the meeting, Ms. Swilley-Burke provided the response by email to board members.

In the Fixed Income sector, Mesirow – on WatchList – outperformed the Bloomberg Agg Index in the most recent quarter and appears to be improving. Colchester Global Fixed Income again beat its benchmark for the quarter by 90 bps and was ahead by 220 bps for the year.

LAW REPORT:

City Law Department – No Report

Morgan Lewis – A final draft of By Laws was presented and reviewed again with changes that were added to clarify the definition of an excused absence and acceptable means of notification to the board chair.

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

Mr. Strachan asked inquired about the status of payment from the Bridgepoint securities litigation settlement. Ms. Denius suggested an email from him to Rudman & Dowd would be the best means to get an update.

PUBLIC COMMENT:

Ms. Deborah Reid, retiree addressed the board to register a complaint concerning a letter she had received from GEMGroup informing her that, due to an oversight, her disability pension had not been converted to a normal benefit at age 60 as required by the Plan. The conversion calculation reduced the monthly benefit by \$70.64 and was supposed to have been done effective September 30, 2015; the result

was an overpayment to Ms. Reid of \$1,276.03. The letter further asked Ms. Reid to reimburse the Plan by check in the amount of the overpayment. Ms. Reid said that she had not received prior notice of the adjustment in her benefit in September 2015 and that she is person of modest means and was not able to repay the Plan. Her monthly benefit amount has been corrected going forward. (Subsequent to the meeting, Mr. Larimer confirmed that, consistent with standard procedure, a prior notification letter had been mailed to Ms. Reid, but that GEMGroup pension department staff had failed to enter the adjustment to her monthly benefit amount at that time).

After discussion, the board decided that requiring Ms. Reid to reimburse the Plan was not appropriate since the error was no fault of her own and would cause financial hardship. The board further decided that since the overpayment was the result of an administrative error by GEMGroup, that GEMGroup should reimburse the Plan for the overpayment of \$1,276.03. Mr. Larimer agreed to discuss the proposed surcharge with GEMGroup management and report back to the board at the next meeting.

MOTION: A motion was made and seconded to go into Executive Session for the purpose of discussing a matter of possible litigation. The motion passed.

{Executive Session begins – 11:40 AM and ends at 12:10 PM}

There being no further business before the board, the meeting was adjourned at 12:15 p.m.

Respectfully submitted:



Douglas I. Strachan, Chair



Jim Beard, CFO & Secretary