A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on June 7, 2017 in City Hall, Committee Room 2, Atlanta GA.

TRUSTEES PRESENT:

Douglas Strachan
Angela Green
Gina Pagnotta-Murphy
Jason Esteves

Jim Beard
Aretha Sumbry-Powers
Dr. Gregory Nash
Yvonne Cowser Yancy

Not present: Michael Bond

OTHERS:

Rick Larimer, GEMGroup; Ray Adams, Office of Retirement Services, Kristen Denius, and Desmond Dorsey of City Law Department; Gene Kirschbaum, Lora Burton and Karen Sutton, City Finance; Peter Chan of Morgan Lewis; Gwelda Swilley-Burke of Callan Associates, Marsha Petzel of Wells Fargo, Jeanette Cooper and Jody Martin of Segal, Bill Roach of Globalt, Derek Batts of Morgan Stanley and Richard Turnley Channing Capital and Jerry Hill of Atlanta Public Schools.

Mr. Strachan called the meeting to order at 9:45 AM.

ADOPTION OF AGENDA:

A revised Agenda was distributed with the addition of consideration of another securities monitoring firm. And Mr. Strachan asked that the introduction of Marsha Petzel of Wells Fargo as the new custody relationship manager and are review of Cornerstone Fee Schedule adjustment be added to the Agenda.

MOTION: A motion was made and seconded to adopt the Agenda as revised. The motion passed.

PUBLIC COMMENT:

None

APPROVAL OF MINUTES:

Minutes from the May 3, 2017 board meeting were distributed in advance in the meeting package and reviewed again at the meeting.
MOTION: A motion was made and seconded to approve the May 3, 2017 meeting minutes 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 service pension applications Nos. 1-13 as listed on the attached spreadsheet dated June 7, 2017. The motion passed.

**DISABILITY PENSION APPLICATIONS**

A Disability Pension application on the attached spreadsheet was presented to the board with a recommendation to Deny; one doctor opined that the applicant was totally and permanently disabled, the board’s doctor did not.

MOTION: A motion was made and seconded to deny the Disability application as presented on the attached spreadsheet dated June 7, 2017. The motion passed.

The applicant has the opportunity to appeal.

Mr. Larimer commented that the list of board approved doctors has dwindled and needs to be expanded to include not only more general physicians but specialists as well. A potential obstacle to recruiting additional doctors is the fee paid by the board is $600 and has not been raised in many years. Ms. Yancey offered to have Louis Amis assist by making a recommendation on a fee increase and in putting together a list of doctors for the board to approve.

**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 Beneficiary applications Nos. 1-7 on the attached spreadsheet dated June 7, 2017. The motion passed.

**APPROVAL OF CHECK REGISTER AND INVOICES:**

Mr. Larimer reviewed the Check Register dated June 7, 2017 commenting only that the invoices for the City of Atlanta reimbursement of allocated costs which had been approved at the May meeting did not have checks associated with them because the amounts had previously been wired.

The invoices were reviewed and approved by City Finance staff prior to the meeting.

MOTION: A motion was made and seconded to approve 9 items - #65800 - #65806, plus two wire transfers totaling $927,168.46. The motion passed.
REVIEW OF FINANCIALS:

The financials for the period ending April 2017 were reviewed by the board.

MOTION: A motion was made and seconded to acknowledge receipt of the April 2017 unaudited financials for further review by City Finance Department. The motion passed.

NEW BUSINESS:

Securities Monitoring Firm – Tony Gelderman of Bernstein, Litowitz Berger & Grossman (BLB&G) presented his firm’s capabilities to provide securities monitoring services to the General Pension fund. BLB&G is one of the largest monitoring firms in the country providing a complete range of securities oversight services. Mr. Gelderman stated that BLB&G represents more large public and private pension funds than any other firm, has the lowest case dismissal rate, has higher recovery rates, have recovered more money for clients, and their average class action settlement is five times higher than the industry average.

Mr. Strachan asked if BLB&G would be willing to limit their upside dollar amount in the event of a large settlement. Mr. Gelderman said his firm would consider such a request. Mr. Strachan also suggested that BLB&G might consider providing a small stipend to the General fund for the right to have access to the portfolio to provide their services, as a form of compensation for the opportunities that might result. Other board members expressed concerns about this approach in that it may create an uneven playing field among the group of securities monitoring firms. After a brief discussion, Mr. Strachan withdrew the suggestion.

MOTION: A motion was made and seconded to enter into a securities monitoring agreement with BLB&G on the same terms as the firms who are currently providing monitoring services. The motion passed.

Cornerstone Capital Management – A summary of the fee adjustment was not available for discussion, requiring this item to be deferred to the next meeting.

Wells Fargo Relationship Manager for Custody Services - Marsha Petzel introduced herself as the new Relationship Officer for Custody Services being provided by Wells Fargo to the General Pension fund, replacing Monique Etheridge. The board welcomed Ms. Petzel to her new position.

ACTUARY REPORT:

Experience Studies – City and Atlantic Public Schools (APS) – Jeanette Cooper and Jody Martin reviewed the completed Experience Study reports for the City and APS. For the City, Ms. Cooper highlighted the changes in assumptions from the last Experience Study done for the 5-year period 2003-2001, based on a close look at the demographic and economic data over the past five years. Some highlights:

- Turnover based on service instead of age and service;
- Increased retirement rates for participants with 30 or more years of service;
- Decreased retirement rates for participants with less than 30 years of service;
- Decreased disability rates.
- Rate of refunds changed to 75% from 50%;
- Inflation changed to 2.5% from 2.75%;
Use Generational mortality projections.
Investment Return Assumption: either maintain current 7.5% or lower to 7.25%;
Decrease COLA assumption to 2.25% - 2.5% for pre-November 2011 hires; maintain 1% COLA for hires after October 31, 2011.

Depending on Trustees’ final decisions on these and other recommendations, Ms. Cooper reviewed the impact of the changes on Recommended Contribution (RC) and the projected Funded Ratio (FR). The current RC would be $51.9 million without any changes and could be increased to as much as $52.7 million or lowered to $51.4 million. The FR, currently at 60.4% could be lowered to 60.2% or increased to a high of 63.5%. Final decisions will be made at the next meeting prior to finalizing the Report.

Jody Martin reviewed highlighted the change in assumptions in the Atlanta Public School (APS) plan, which were somewhat different than for the City due to the different demographics of the plan populations.

- Turnover still based on age;
- Increased retirement rates for participants with 30+ years of service;
- Decreased retirement rates for participants with less than 30 years;
- Decreased disability rates;
- Economic and investment return assumptions the same as the City plan.

Because the APS Board adopted in 2014 a funding policy to increase annual contributions by 3%, the RC is constant at $51.5 million. The impact of other assumption changes would cause the FR to range between the current 21.5% to a high of 23.0%.

OLD BUSINESS:

Extending Survivor Benefits to Age 26 & to Disabled Children for Life – This item was again deferred to a future meeting.

INVESTMENT CONSULTANT REPORT – CALLAN:

Q1 Performance Report – March 2017 – Ms. Swilley-Burke reviewed the overall fund performance for the first quarter, noting that the asset allocation was in line with target. Overall performance, net of fees, for the quarter was 5.24% vs. 4.63% for the Policy Index; returns for the last year was 12.10%, 20 bps behind the Index, and for the 3-year period 6.41% or 40 bps under the Index. The comparison to other public pension funds is favorable, ranking in the top quartile in each of the 3-, 5-, and 10- periods.

The large US equity segment performed above the benchmark for the quarter, driven by +125 bps outperformance by Morgan Stanley. Earnest Partners Small Cap Core also delivered solid performance above the benchmark for the quarter.

Cornerstone Mid Cap Equity strategy underperformed by 8 bps, net of fees, in the quarter, and the rolling 3-years quarterly returns triggered designation as a Watch List manager.

MOTION: A motion was made and seconded to place the Cornerstone Mid Cap Equity portfolio on the Watch List. The motion passed. Mr. Larimer will notify Cornerstone in writing.
Legato as a Fund of Funds manager has replaced all but one of the four managers initially in the portfolio from the time they were hired; they have four more quarters to develop and deliver on their own manager selections. Fixed income performance remained steady and solid.

Alternative managers in Real Estate – Intercontinental and JP Morgan – outperformed their index for recent periods: Intercontinental with 11.76% vs. 7.27% for the past year, and JP Morgan with 5.33% vs. 3.30% for the past six months. GrayCo Alt II lagged its benchmark but commentary suggested it was still early for this type of investment. This prompted questions from the board as to how long the “J-curve”, the characteristic return pattern for these investment vehicles, could be expected to turn upward. Ms. Yancy suggested that Consequent, now the manager of the GrayCo products, should be invited to report on their portfolio on a regular quarterly basis.

Monthly Flash Performance Report – April 2017 – Ms. Burke briefly updated the board on the April Flash Performance Report. Asset allocation remains within the prescribed targets and the Fund added $14 million in market value.

Colchester Global Investors – Portfolio Review – Mamak Shahbazi, Director of Colchester reviewed their Global Fixed Income portfolio. She described Colchester’s approach as a value-oriented bond investor, managing global fixed income securities in a variety of styles. The mandate for the General Pension fund is sovereign global bonds. A key component of the Colchester management strategy is to make bond investment decisions independently, based on creditworthiness and security, from currency hedging decisions.

Total return on the portfolio since inception date of September 2015 is 7.52% compared to the Citibank WGBI Index of 4.01%, an outperformance against benchmark of 3.51%.
Ms. Shahbazi addressed the recent memorandum to the board clarifying a provision of the IPS that allows the portfolio to hold a below investment grade securities if such securities were downgraded to below investment grade subsequent to initial purchase and to purchase additional units, if necessary, to balance out the portfolio. Ms. Swilley-Burke recommended acceptance by the board of this change in policy as being reasonable and necessary given that the Colchester Global bond product is a co-mingled vehicle. The board concurred.

LAW REPORT:

City Law Department – Ms. Denius reported that she had received a favorable Determination Letter from the IRS for the General Employees’ Pension fund.

Work on the re-write of the Summary Plan Description (SPD) continues and a draft should be ready for review for the next meeting.

Morgan Lewis – No Report

A recommendation was made to go into Executive Session.

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 – 11:50 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:

[Signatures]

Douglas I. Strachan, Chair

Jim Beard, CFO & Secretary

Aretha Sumbay-Powers, Vice Chair