

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

August 2, 2017

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

TRUSTEES PRESENT:

Douglas Strachan
Angela Green
Gina Pagnotta-Murphy
Jason Esteves

Aretha Sumbry-Powers
Dr. Gregory Nash
Jim Beard

Not present: Michael Bond and Yvonne Cowser Yancy

OTHERS:

Rick Larimer, GEMGroup; Ray Adams, Office of Retirement Services, Kristen Denius, and Carl Christie of City Law Department; Karen Sutton and Lora Burton, City Finance; Jerry Hill, Atlanta Public Schools, Peter Chan of Morgan Lewis; Elizabeth Hood, Brian Smith and Bill Emmett of Callan Associates, Laura Hill and Marsha Petzel of Wells Fargo, Jeanette Cooper of Segal, Bill Roach of Globalt, and Derek Batts of Morgan Stanley.

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

ADOPTION OF AGENDA:

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

PUBLIC COMMENT:

Mr. Larimer announced that, effective September 1, 2017, GEMGroup will be re-branded as Zenith American Solutions and will operate under the common Zenith American Solutions name going forward. GEMGroup became affiliated with Zenith American in 2010 but continued doing business under the GEMGroup name. This name change simply clarifies the relationship between the two entities and creates a more consistent and clearer image in the market. He explained that over time clients and participants will benefit from access to Zenith American's considerable resources, the largest independent third-party administration firm in the country.

APPROVAL OF MINUTES:

Minutes from the July 12, 2017 board meeting were distributed in advance in the meeting package and reviewed again at the meeting.

Ms. Green made two requests for clarifications of comments she made at the July 12 meeting. Under the section regarding the Rapid Retirement Program, she had expressed concern that a “provisional” first pension check that appeared to be part of the proposed program would cause confusion among retirees when they received their initial check and it was different – even slightly – from their application calculation. Ms. Green also asked that the reference on page 5 that she and other board members had received an invitation to attend a governance conference sponsored by Robbins, Geller, Rudman & Dowd LLC, one of the securities litigation firms for the GEPP, be changed to reflect the fact that she had not received the invitation but had only heard about it from Dr. Gregory Nash who had received an invitation. Ms. Pagnotta-Murphy also requested a clarification that she had asked that Ms. Yancy address the reason that the Vacation check for retiring participants could not be included with their final regular pay. Mr. Larimer agreed to make the edits.

MOTION: A motion was made and seconded to approve the July 12, 2017 meeting minutes 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 service pension applications Nos. 1-12 as listed on the attached spreadsheet dated August 2, 2017. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension applications on the attached spreadsheet were presented to the board with a recommendation to deny #1 and to approve #2.

MOTION: A motion was made and seconded to Deny disability application #1 and to approve disability application #2 as presented on the attached spreadsheet dated August 2, 2017. The motion passed.

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 August 2, 2017. The motion passed.

Gina Pagnotta-Murphy mentioned a need to educate beneficiaries on the process to apply for a beneficiary pension when there is a death. One suggestion was made to hold an educational forum meeting. After further discussion, there was a consensus that a mailing to retirees may be the best way

to communicate this topic. It could be included in with a routine mailing to avoid additional cost to the plan. Mr. Larimer will draft an outline of the procedures for the board to review at the next meeting.

APPROVAL OF CHECK REGISTER AND INVOICES:

Mr. Larimer reviewed the Check Register dated August 2, 2017.

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

MOTION: A motion was made and seconded to approve 11 items - #66416 - #66426 totaling \$602,861.11. The motion passed.

REVIEW OF FINANCIALS:

The financials for the period ending June 2017 were presented and reviewed by the board.

MOTION: A motion was made and seconded to accept the June 2017 unaudited financials for further review by City Finance Department. The motion passed.

Mr. Strachan commented that the City Finance department periodically reviews the unaudited GEMGroup financials with the board; he asked Ms. Burton to check on the next scheduled review date and report back to the board at the next meeting with that date.

NEW BUSINESS:

Additional Board-Approved Doctors for Disability Exams – Mr. Larimer commented that the list of board approved doctors has dwindled and needs to be expanded to include an additional general physician and a few specialists as well. Louis Amis is still working putting together a list of doctors for the board to approve and a review of the standard fee.

Rapid Retirement Program – The Board had been awaiting further comment or clarification from Ms. Yancy, who offered such comments in support of the program via email on August 2, 2017, the morning of the board meeting.

COLA Adjustments – Retroactive Corrections for City Retirees – Mr. Larimer distributed a list of 30 City retirees who were entitled to receive annual COLA adjustments but, due to errors in their initial pension set-up during the 1998-2008 time period, they had not been receiving these increases and had not notified the Fund Office. A group of APS retirees with similar issues were identified earlier this year and in May 2017 and the board approved the reimbursement calculation methodology and reimbursements to the affected retirees. GEMGroup followed the same process for the City group, resulting in total reimbursement to the affected group, including interest, of \$1,007,796.93. Mr. Strachan pointed out that this was not a “loss” to the plan because these are benefits that should have been paid out over time to retirees that were entitled to them, and that interest had been earned on the funds while yet distributed.

MOTION: A motion was made to authorize the payment of retroactive corrective COLA payments to the affected retirees based on the list presented and the methodology as described. The motion passed.

Cash Raise Authorization – Mr. Larimer discussed the Cash Projection for the next 90 days showing a shortfall after paying benefits and expenses over and above contributions of approximately \$18 million.

With the additional \$1 million in COLA retro payments and the need to build in a prudent cushion, Mr. Larimer recommended raising \$22 million in cash. Callan provided a memorandum identifying the managers that would be asked to liquidate portions of their portfolios and the resulting re-balancing matrix that would maintain the Fund's target asset allocation.

MOTION: A motion was made and seconded to approve the Cash Raise of \$22 million as recommended. The motion passed.

ACTUARY REPORT:

Experience Studies – City and Atlantic Public Schools (APS) – Update – Jeanette Cooper provided a recap of the Experience studies dated July 6, 2017 for Mr. Beard's benefit because he had missed the last meeting. The Cap Analysis monitors the annual cost to the City of the defined benefit pension to ensure that plan cost does not exceed 35% of payroll. She reviewed the significant changes in demographic assumptions that underlie the projections; the changes were based on an evaluation of the actual Plan experience over the past five years. Highlighted changes included mortality assumptions, retirement dates for certain age categories, and rates of refunds. Economic factors reviewed included inflation, investment return assumptions and salary scale adjustments. After several questions from the board,

MOTION: A motion was made to accept the recommendations in Column D for the City Plan in the Summary Table in concurrence with CFO Beard's recommendation. The motion passed.

Mr. Esteves asked that a decision on the APS portion be deferred until the APS Chief Financial Officer could review.

Plan Summary for APS – Illustration – Ms. Cooper distributed to the board an illustrated summary piece for APS, similar the one completed last month for the City portion of the Plan that provides an easy-to-follow depiction of the 2016 Actuarial Valuation Report. The Board thanked Ms. Cooper for Segal's effort to produce the piece.

OLD BUSINESS:

Extending Survivor Benefits to Age 26 & to Disabled Children for Life – This item was again deferred to a future meeting until Ms. Yancy can be present.

INVESTMENT CONSULTANT REPORT – CALLAN:

Organizational Changes at Callan: Elizabeth Hood, the Manager of Callan's Atlanta office introduced her colleagues, Brian Smith and Bill Emmitt, as the new relationship managers for the General Employees' Pension. Ms. Hood explained that Gwelda Swilley-Burke had decided to leave the Callan and the consulting business to pursue other interests. Ms. Hood expressed Callan's deep commitment to continuing the high level of service and professionalism that had been delivered by Gwelda and Dana Brown who had also recently departed Callan.

Ms. Pagnotta-Murphy asked when did they know about Gwelda's departure and did they try to retain her. Ms. Hood responded that Gwelda gave her notice just last week and Callan had tried to retain her. Ms. Pagnotta-Murphy also made clear the board's perspective on diversity – both color and gender - and expressed her disappointment in losing that aspect that Gwelda brought to the Board.

Mr. Strachan expressed concern over the short time that Callan has had to come up to speed on the background of the many issues facing the board, with which Gwelda was familiar, wherein Callan representatives opined that they had studied all of the GEPF minutes posted online since late 2010, and said that they felt that they were intimately aware of historical and current issues before the Board. Ms. Green also commented that her expectations were high with respect to the level of communication and even-handed treatment that Gwelda brought to working with the Board. Dr. Nash commented that he felt Brian and Bill would start with a "clean slate" in his mind, and he encouraged them to meet and exceed the high standards that Gwelda has set.

Bill Emmitt and Brian Smith also responded that they and all the resources of Callan will be committed to continuing high quality service to the Board. They briefly reviewed the work calendar of projects of review and analysis for the balance of 2017.

Flash Performance Report – June 2017 – Brian Smith reviewed the monthly fund performance for the period ending June 2017, noting that the asset allocation shown on page 2 was in line with Policy targets and the total market value had increased approximately \$5 million in the month or 60 bps, slightly under (5 bps) of the Policy Index for the month. International equities as a group enjoyed a strong year at 24% over the past 12 months. Globalt also outperformed its benchmark for the prior 3-months and year.

Mr. Smith promised to review in depth the two managers – Globalt and Mesirow – on the Watch List in the coming months.

Portfolio Review – Artisan Partners – Aaron Roberts – Mr. Roberts introduced himself and thanked the board for the long term relationship. He described Artisan's strategy of finding undervalued, quality companies whose value will rise over time, following a fundamental analysis to select investment opportunities. The portfolio has performed well, beating the MSCI Index by over 400 bps in the 3 and 5 year time periods and by 100 bps over the past year.

LAW REPORT:

City Law Department – Ms. Denius reported that she was still working with Ray Adams and the Office of Retirement Services to complete the update of the Summary Plan Description (SPD). It is taking more time than originally anticipated, particularly having to integrate the terms of the Hybrid Plan option and trying to make sure the language is clear, concise and usable to all participants. Mr. Strachan requested her best estimate relative to a completion date, wherein Ms. Denius offered an outside date of November for completion.

Morgan Lewis – Mr. Chan reported that the Client Data Sharing Authorization with GEMGroup in order to support the agreement with Life Status 360 / Small World had been reviewed and edited by Morgan Lewis data security practice specialist. GEMGroup will provide the death search and reporting service to the General pension at no charge as part of its overall administration agreement. GEMGroup agreed with the edits and the document was signed by Mr. Strachan.

A recommendation was made to go into Executive Session.

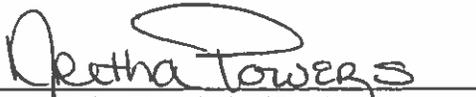
MOTION: A motion was made and seconded to go into Executive Session for the purpose of discussing a matter of possible litigation. The motion passed.

{Executive Session begins – 11:15 AM and ends at 12:10 PM}

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

Respectfully submitted:


Douglas I. Strachan, Chair


Jim Beard, CFO & Secretary
ARETHA SUMBRY-POWERS, VICE CHAIR