

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

September 6, 2017

A meeting of the Board of Trustees of the City of Atlanta General Employees' Pension Fund was held on September 6, 2017 in City Hall, Committee Room 2, Atlanta GA.

TRUSTEES PRESENT:

Douglas Strachan
Angela Green
Gina Pagnotta-Murphy

Aretha Sumbry-Powers
Dr. Gregory Nash

Not present: Michael Bond, Yvonne Cowser Yancy, Jim Beard, Jason Esteves

OTHERS:

Rick Larimer, Zenith-American; Kristen Denius, and Carl Christie of City Law Department; Lora Burton, City Finance; Jerry Hill, Atlanta Public Schools, Peter Chan of Morgan Lewis; Brian Smith and Bill Emmett of Callan Associates, Laura Hill and Marsha Petzel of Wells Fargo, Jeanette Cooper of Segal, Bill Roach of Globalt, Richard Turley of Channing Capital 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:

None

APPROVAL OF MINUTES:

Minutes from the August 2, 2017 board meeting were distributed in advance in the meeting package and reviewed again at the meeting.

Ms. Green requested that comments she made at the July 12 meeting be further clarified to include that the invitation to attend a governance conference had come from the Robbins, Geller law firm and that it had it had been forwarded to her by Dr. Gregory Nash. She had not received it directly. Mr. Larimer agreed to make the edits.

MOTION: A motion was made and seconded to approve the August 2, 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. 1-28 as listed on the attached spreadsheet dated September 6, 2017. The motion passed.

DISABILITY PENSION APPLICATIONS

The Disability Pension application on the attached spreadsheet was presented to the board with a recommendation to approve.

MOTION: A motion was made and seconded to approve the disability application as presented on the attached spreadsheet dated September 6, 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 September 6, 2017. The motion passed.

APPROVAL OF CHECK REGISTER AND INVOICES:

Mr. Larimer reviewed the Check Register dated September 6, 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 13 items - #66773 - #66786 totaling \$357,996.07. The motion passed.

REVIEW OF FINANCIALS:

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

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

NEW BUSINESS:

Additional Board-Approved Doctors for Disability Exams – Mr. Larimer commented that Mr. Louis Amis had been out and Ms. Yancy not able to attend this item will need to be deferred to a future meeting.

Rapid Retirement Program – Mr. Larimer reported that new forms being created to support the Rapid Retirement program were being reviewed and a revision to the payroll file transmission had been sent to City Payroll for IT development work. The target implementation date is November.

ACTUARY REPORT:

At the August meeting Mr. Esteves asked that a decision on the APS portion of the Actuary Report be deferred until the APS Chief Financial Officer had a chance to review. Mr. Esteves reported that review had now been done and stated that APS was in agreement with the City plan acceptance.

MOTION: A motion was made to accept the recommendations in Column D in the Summary Table of Segal's Report for the APS Plan, (the same as the City portion of the Plan) in concurrence with CFO Beard's recommendation. The motion passed.

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:

Bill Emmett presented the second quarter performance review for the period ending June 30, 2017, highlighting the broad category returns in both equities and fixed income. Of note were returns to large cap domestic at 9.3%, non-US developed markets at 13.8% and non-US emerging markets at 18.4%. Fixed income segment returns were also all positive with high yield performing the best at 4.9%. The Callan Periodic Table illustrated the benefits of diversification across asset classes with emerging markets delivering 25.5% YTD return, small cap at 5.8% and US fixed income at 2.7%, as examples. Asset allocation is within Plan targets.

The portfolio exceeded the Policy Index by 27 bps for the quarter, ranking in the top 12% of public funds, and beat the Policy Index by 38 bps in the trailing one-year placing it in the top quartile among peers. Attribution analysis shows contributions from International equity and Large Cap were particularly positive both in the recent quarter and over the past year. Overall return, net of fees, was 3.44% for the quarter and 13.98% for the past year. Compared to the actuarial return assumption for the Plan of 7.25%, portfolio returns, net of fees, for the 1-, 3, and 5-year periods compare favorably at 13.98%, 6.32% and 10.78%, respectively.

Mr. Emmett briefly reviewed July's returns which continued to be positive at 1.57% while slightly under the Policy Index of 1.85%. Total assets were \$1,367,629, 571.

Mr. Strachan asked that Callan prepare an analysis of what the return on the overall portfolio would have been had the entire investment in GrayCo Core Alts II had 1) returned the actuarial assumed return of 7.25% ; and, 2) returned the S&P 500 Index return over the same time period. His objective is to quantify the impact of the GrayCo Core Alts II investment relative to the other options that the board

had at the time the investment was made. Callan will prepare this analysis and communicate the results to the board within a week.

GrayCo Alt II Monitoring Report – Jay Nayak - Brian Smith and Jay Nayak, real estate segment specialist at Callan, provided an updated status report on the GrayCo Core Alts II portfolio. Callan had reviewed all the GEPP minutes from 2012 to present and included excerpts in the presentation book, met with Messrs. Zeco, Theccanat and Robinson and provided a request list of items they would like to obtain from GrayCo, including organization materials on the LP's advisory board and legal structure charts, specifics on the management fee waiver with Parkview and the outcome of the US Community Lending investigation and the 5 Stone Green Capital. Callan will provide an update on a monthly basis.

For purposes of the discussion, Mr. Nayak separated the GrayCo partnership assets into four categories: hedge funds comprised of partial holdings in five funds, private equity with holdings in five funds and one direct investment (Parkview), Real Estate, and "Special Opportunities". The hedge fund investments of approximately \$21 million were characterized as being with fairly recognized hedge fund names and performing reasonably well with a 7.5% IRR and a 1.2 X multiplier. The private equity investments totaling \$51.9 million is comprised of four funds and one direct investment (Parkview). The funds are performing reasonably well with a 6.8% IRR and a 1.12 X multiplier. Parkview, however, is the largest investment at \$27 million and appears to be inconsistent with the overall investment strategy and approach. This investment, along with the real estate and US Community lending will be a particular focus of Callan going forward.

Ms. Green specifically wanted to know the impact on the GEPP portfolio of the total loss of \$3 million in the US Community Lending investment and the possible outcome of the GrayCo partnership not reaching the \$100 million capital threshold as required by Georgia law.

Trustees also discussed preferred formats for presentation and reports going forward to help the board focus on those investments that are the most problematic.

Portfolio Review – Johnston Asset Management – Jim Pantone and Richard Keenan Messrs. Pantone and Keenan gave an overview of the firm and its philosophy. Founded in 1985 Johnston currently manages approximately \$5 billion in assets, \$4 billion of which is international equities only. The philosophy relies on bottom-up, growth-oriented analysis with a value bias on the buying decisions. This approach produces a focused, concentrated portfolio of 25 names with high conviction. Turnover is relatively low.

Performance over all relevant periods has been excellent. Year-to-date through July 31st, the International Equity Group Trust has earned 25.85% net of fees compared to the MSCI EAFE net of 17.09% and the MSCI ACWI ex US benchmark of 18.30%. Since inception (10/1/2010) the portfolio has outperformed the MSCI EAFE & ACWI indices by 187 and 302 bps, respectively.

Mr. Pantone discussed some of the specific names that were contributors and detractors to the performance and the rationale behind each of these decisions and the ongoing strategy.

The board thanked Johnston for the presentation and the quality performance on behalf of the GEPP.

LAW REPORT:

City Law Department – Mr. Christie reported that the Legal Department 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 but still hoped to have a completed draft for review by November.

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.

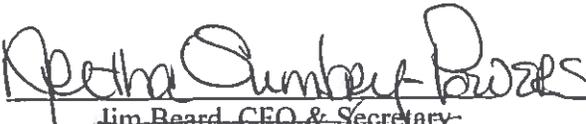
{Executive Session begins – 11:20 AM and ends at 11:45 AM}

There being no further business before the board, the meeting was adjourned at 11:50 AM.

Respectfully submitted:



Douglas I. Strachan, Chair



~~Jim Beard, CFO & Secretary~~
ARETHA CUMBRY POWERS