

CITY OF ATLANTA DEFINED BENEFIT  
PENSION INVESTMENT BOARD MEETING  
FEBRUARY 19, 2020  
Committee Room 1 – City Hall  
10:00 A.M. – 12:00 P.M.

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**BOARD MEMBERS PRESENT**

<b>FRANK SIMS</b>	<b>Chairman</b>
<b>JEFFREY NORMAN</b>	<b>HR Commissioner, City of Atlanta</b>
<b>JOSHUA WILLIAMS</b>	<b>Vice Chairman - COO, City of Atlanta</b>
<b>REGGIE GRANT</b>	<b>Appointee, City of Atlanta</b>
<b>NATALYN ARCHIBONG</b>	<b>Councilmember, City of Atlanta</b>
<b>MARCI COLLIER OVERSTREET</b>	<b>Councilmember, City of Atlanta</b>
<b>LISA BRACKEN</b>	<b>CFO, APS City of Atlanta</b>
<b>QUENTIN HUTCHINS</b>	<b>APS, City of Atlanta</b>
<b>BRENT HULLENDER</b>	<b>Fire, City of Atlanta</b>
<b>ALFRED BERRY, JR.</b>	<b>General, City of Atlanta</b>
<b>RICK ‘BUD’ LIGHT</b>	<b>Police, City of Atlanta</b>

Board Members not present: Joyce Sheppard, Howard Shook, JP Matzigkeit, and Roosevelt Council

**OTHERS PRESENT**

As acknowledged on the City of Atlanta Pension Investment Board Trustee Meeting Sign In Sheet for February 19, 2020.

**I. CALL TO ORDER**

Chairman Mr. Frank Sims called the meeting to order at 10:14 a.m. in Committee Room 1 at City Hall in Atlanta, Georgia. Chairman Sims indicated that a quorum was present for the meeting.

**II. ADOPTION OF THE AGENDA**

*A motion was made by Ms. Overstreet to approve the Agenda as presented and the motion was seconded by Mr. Hutchins. The motion unanimously carried and the Agenda was approved as noted.*

**III. PUBLIC COMMENT**

There were no public comments.

**IV. APPROVAL OF PREVIOUS MEETING MINUTES**

The Trustees reviewed the Minutes of the January 22, 2020 Board meeting, which were distributed in advance and reviewed by the Fund Professionals as customary.

*A motion was made by Ms. Overstreet to approve the Minutes as presented. This motion was seconded by Mr. Hutchins. The motion was unanimously carried and the January 22, 2020 Minutes were approved.*

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**V. ATTORNEY'S REPORT**

**RFI (Request for Information) – Pension Audit Services**

Mr. Emerson informed the Board that the RFI for Pension Audit Services had been completed and there were four bids received. Mr. Emerson advised the Board that each of the bids were comparable in nature. Mr. Emerson suggested a sub-committee gather to review the proposals and stated that it would be a good idea for a representative from each of the respective pension plans participate in addition to Mr. Amis on behalf of the City Pension Department. The following volunteers and/or suggested participants were acknowledged, Mr. Hullender (Fire), Mr. Berry (General), Mr. Amis (City Pension) and Ms. Carr (Finance). Next step functions would be forth coming as additional resources were determined.

**RFI (Request for Information) – Security Litigation Monitoring Services**

Mr. Emerson advised the Board that there is an option to solicit an RFI for Security Litigation Monitoring Services for all Plans. Mr. Emerson noted that, at the present, there were no firms that handle this function on a consolidated for all Plans and it would be prudent to seek such service provider arrangements. Mr. Emerson stated that he would be willing to solicit responses and engage firms on behalf of the Board for the RFI process. Mr. Emerson also informed the Board that it was best practices to have 3-5 firms monitor the Plans.

Following this discussion, *a motion was made by Mr. Hullender to allow Morris, Manning & Martin to issue an RFI for Security Litigation Monitoring Services for all Plans. This motion was seconded by Mr. Grant and the motion carried with unanimous decision.*

Following this motion, Mr. Berry revisited with the Board the matter of an agreement with Bernstein Litowitz Berger Grossman acting on behalf of the General Employees' Pension Plan under the direction of the prior Board. Mr. Berry reminded the Board that this agreement had not been signed prior to the previous General Board being disbanded. The Board agreed to allow Bernstein Litowitz Berger Grossman to participate in the forthcoming RFI request as discussed.

Following this discussion, *a motion was made by Mr. Berry to approve the engagement with Bernstein Litowitz Berger Grossman now with the RFI pending. This motion was seconded by Mr. Hullender and the motion passed with unanimous decision.*

Mr. Berry asked Mr. Christie if the Legislation with Mr. Shook had been addressed. Mr. Christie stated that had not and Ms. Denius would be engaged.

With no additional questions or matters of discussion, the Attorney's Report was completed and accepted as informational.

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**VI. INVESTMENT CONSULTANT REPORT – Marquette Associates**

Mr. Obed provided the following U.S. economy overview from the January 2020 Executive Summary. Mr. Obed noted in the 4Q19 GDP grew 2.1% which was driven mainly by consumption and increase in net exports. The unemployment rate for January ticked up slightly to 3.6% with 225K new jobs added vs. 165K expected. As well, CPI increased 2.3% in 2019 with core CPI also growing 2.3%. Mr. Obed informed the Board that President Trump had been acquitted of impeachment charges by the Senate. Overall Mr. Obed noted that the U.S. Economy was in positive territory yet slightly below what was expected. Initially Mr. Obed noted that based on the shape of the yield curve, the NY Fed was predicting a 25% chance of recession within the next 12 months. However, the revised projections for recession was still probable upward of 30% and trending in the right direction noting that recession odds have dropped.

*Fixed Income*

Mr. Obed informed the Board that the Coronavirus had sent the market into a risk-off environment as January was a rollercoaster month. China trade had been resolved so this was not an impact to this factor in which flatten yield curves had been experienced. Despite this fact, Mr. Obed stated that Fixed Income had held up well overall. The short end inversion stuck back as concerns over the Coronavirus sent the 0-5 year range back to inversion as previous inversions had the ‘full’ inversion between 2yr and 30yr marks. Mr. Obed reminded the Board that there had been 3 rate cuts made during 2019 to highlight this fact as January – 10-year yield had declined as the pandemic become a global health emergency. Mr. Obed pointed out that this had a significant impact in the Fixed Income space of the market.

*U.S. Equity*

Mr. Obed informed the Board that there were muted returns in the U.S. Equity space for the start of the 2020 year. The returns were disappointing as some of the 2019 headwind had been lost however; a rebound had been experienced through Friday. The Russell 3000 was at -0.1% and had been up 5% the previous Friday. Mr. Obed stated that Growth had continued to outperform Value. To this, Mr. Obed pointed out the Russell 100 Value performed at -2.2% while the Russell 1000 Growth performed at 2.2%. Mr. Obed advised the Board of the following takeaways in the U.S. Equity portion of the portfolio:

- Large & mid-cap indices continue to trade near all-time highs; small-cap well below prior 2018 peak
- Valuations remain elevated, most notably among large-growth and mid-growth
- Earnings growth needed to support equity valuations

*Non-U.S. Equity*

Mr. Obed informed the Board that the Non-U.S. Equity pull had been experienced in January after a strong 2019. To this, Mr. Obed noted that volatility was seen in both the up and downside of performance. To highlight this fact, Mr. Obed pointed out that MSCI EM had performed at -4.7% for January and it was back up to 4.6% yesterday. As well, MSCI EAFE Small Cap performed at -2.9% and 2.3% respectively for the same period of metric. Mr. Obed noted that Central Banks across the globe

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had cut rates in an accommodative monetarily policy state. Growth has continued to expand while bidding up demand in a low interest rate environment.

***Performance Overview – General Employees’ Pension Plan***

Mr. Obed informed the Trustees that the market value as of January 31, 2020 was \$1,570,758,409 while performance had been slightly flat to negative compared to the benchmark for the month, 3 month and year to date /fiscal year to date metrics.

Mr. Obed reviewed in detail the YTD Performance of Top and Bottom performing managers:

**COA General Employees’ Manager Contribution – YTD Performance**

<b>Top Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Morgan Stanley LCC	+0.8%	+0.0%	U.S. Equity
Channing Capital	-4.2%	-5.4%	U.S. Equity
Earnest Partners SCC	-2.3%	-3.2%	U.S. Equity

<b>Bottom Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Garcia Hamilton	+1.7%	+1.9%	Fixed Income
Legato	-1.6%	-1.1%	U.S. Equity
Hardman Johnston	-3.1%	-2.7%	International Equity
Earnest Partners EM	-6.4%	-4.7%	Emerging Markets Equity

Mr. Obed noted that Morgan Stanley (Large Cap) had a Core Tech tilt allowing for the outperformance seen. As well, Earnest Partners had an overweight to China, which resulted in their underperformance. The Asset Allocation was in alignment with the Policy and any excess was a temporary holding place for cash as needed to fund benefit and operating expenses.

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***Performance Overview – Police Officers’ Pension Plan***

Mr. Obed informed the Trustees that the market value as of January 31, 2020 was \$1,204,197,712 while performance had been slightly outperformance compared to the benchmark for the month, year to date and 3-month periods.

Mr. Obed reviewed in detail the YTD Performance of Top and Bottom performing managers noting that no surprises had been seen:

**COA Police Officers’ Manager Contribution – YTD Performance**

<b>Top Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Macquarie SCC	-1.9%	-3.2%	U.S. Equity
LMCG Investments	+0.7%	-1.1%	U.S. Equity

  

<b>Bottom Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Garcia Hamilton	+1.2%	+1.4%	Fixed Income
Artisan International	-2.6%	-2.1%	International Equity
Hardman Johnston	-3.1%	-2.7%	International Equity

Mr. Obed noted that LMCG outperformed the benchmark due to the relative performance found in a Growth Stock Value Tilt strategy. As well, Artisan International underperformed however using a long-term strategy their performance had been consistent as a Value Manager. The Asset Allocation was in alignment with the Policy and any excess seen in International Equity as a temporary holding place for cash as needed to fund benefit and operating expenses. In addition, rebalancing was underway as approved with the new Asset Allocation Study as an additional method of correcting the targets.

***Performance Overview – Fire Fighters’ Pension Plan***

Mr. Obed informed the Trustees that the market value as of January 31, 2020 was \$752,752,778 while performance had been in line with the other Plans.

Mr. Obed reviewed in detail the YTD Performance of Top and Bottom performing managers noting that no surprises had been seen:

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**COA Firefighters' Manager Contribution – YTD Performance**

<b>Top Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
LMCG Investments	+0.7%	-1.1%	U.S. Equity

<b>Bottom Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Garcia Hamilton	+1.7%	+1.9%	Fixed Income
Hardman Johnston	-3.1%	-2.1%	International Equity

With no additional questions, comments or discussion the Investment Consultant's Report was accepted as informational.

**VII. ACTUARY'S REPORT**

**Joint and Survivor Factors – Segal Actuarial**

Ms. Cooper informed the Board that she had provided them with a Memorandum regarding the Actuarial Equivalence Examples for Employees Hired On or After September 1, 2011 (Hybrid). Ms. Cooper went over examples showing the impact on \$1,000 life annuity benefit converted to a 75% joint and survivor benefit for several participant and spouse age combinations under the following sets of assumptions noting that these had been reviewed by Mr. Amis as requested:

Assumption Set 1 – recommended assumption for benefits commencing in 2020 – 5.65% interest and 2020 Lump Sum Unisex Table (Similar to COLA timing and rates)

Assumption Set 2 – same as Assumption Set 1 except use the interest and mortality that would have been effective in 2015 – 6.88% interest and 2015 Lump Sum Unisex Table (Higher Interest Rate)

Assumption Set 3 – 5.65% interest and the Pub-2010 Public Safety Amount-Weighted Healthy Annuitant Mortality Table weighted 50% for male rates and 50% for female rates (Job Risk baked in)

For each of the Assumption Sets Ms. Cooper provided examples based on the following conditions:

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- Participant Age 62 with a Spouse Age 65
- Participant Age 59 with a Spouse Age 54
- Participant Age 55 with a Spouse Age 60
- Participant Age 47 with a Spouse Age 44

Within each subset, Ms. Cooper reviewed the Retirement Benefit Payable as a Life Annuity, 75% J&S Factor, Retirement Benefit Payable as a 75% J&S Benefit while the Participant is Alive and Amount Payable to Spouse following Death of Participant

Following this review and customary discussion, a *motion was made by Mr. Berry to approve Assumption Set 1 across all Plans. This motion was seconded by Mr. Hullender and the motion passed with unanimous decision.*

**Experience Study – Actuarial Recommendations – Segal Actuarial**

Ms. Cooper informed the Board that the purpose of the Experience Study was to compare the Valuation Assumptions vs. the Experience in the Plans. Ms. Cooper noted that within her handout Segal Actuarial had described the methodology, timing and fees for completing a five-year experience study. Ms. Cooper pointed out that the last in-depth experience study analysis for the Firefighters’ and Police Officers’ Plans were conducted in 2012 and 2013 respectively while the period for this analysis was January 1, 2003 through June 30, 2011. As well, Ms. Cooper noted that the last in-depth experience study analysis for the General Employees’ and Board of Education Employees’ was conducted during 2017 for the period of July 1, 2011 through June 30, 2016. As a result, Ms. Cooper stated that she recommended an experience analysis be conducted after the July 1, 2019 valuations were completed.

Scope of Services includes a review of demographic assumptions, economic assumptions and actuarial methods. The demographic assumptions include: Disability, Mortality, Retirement and Turnover (\*other conditions). The economic assumptions determined with the assistance of Marquette Associates would include: Discount rate/Investment Return, Inflation, Cost-of-living adjustment, Merit salary increase, and Administrative expenses. The Actuarial methods include: Funding Methods, Asset Valuation Methods, Amortization of Unfunded and Timing Adjustment.

Ms. Cooper advised the Board that Segal Actuarial is proposing the five-year experience study for each of the Plans for \$30,000 or \$120,000 for the combined Plans. Within the scope of this fee, Ms. Cooper stated that preparation of detailed PowerPoint presentations for the Fire, Police and General Plans would be done. This would include the impact of the proposed assumptions, funded ratios and recommended contributions. As well, Ms. Cooper noted that the same would be done for the Board of Education Plan with the 3% fixed annual contribution impact remaining over the amortization period. Ms. Cooper stated that Segal would be in attendance at the regularly scheduled Board Meetings to present the study and up to two additional nonscheduled meetings as requested. Ms. Cooper informed the Board that this fee did not include analysis of alternative assumptions not proposed in the study, multi-year actuarial projects or impact on GASB 68 expense or GASB 67 disclosures. Ms. Cooper stated that if approved the plan would be to complete the study by December 2020.

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Ms. Cooper noted that as a best practice for Southern Actuarial to review the study. To this, the Board was informed that any additional fees may come from this part of the process and Mr. Carr would need to be engaged to discuss. Mr. Berry asked Mr. Williams if any of the fees would be covered by the City of Atlanta and to respond, Mr. Williams stated that he would review this. Mr. Amis also stated that this was reviewed on the Finance Exec level and it was suggested to be done every 3-5 years as an industry standard. Mr. Amis also informed the Board that Deloitte would be presenting at the March meeting to go over their audit findings.

Following this review and discussion, a *motion was made by Mr. Hullender to engage Segal Actuarial to complete Experience Study for all Plans. This motion was seconded by Mr. Berry and the motion passed with unanimous decision.*

In closing, Mr. Sims gave words of thanks and appreciation to Ms. Cooper for consistently providing good and helpful information to the Board.

With no additional questions, comments or discussion the Actuary's Report was accepted as informational.

**VIII. NEW BUSINESS**

**Gray & Co – NT Account Closures**

Ms. Harris informed the Board that during the while reviewing the Unaudited Financials for Fire and Police Committee Meetings it had been determined that there were some residual assets in the terminated manager accounts for Gray & Co. Ms. Harris noted that the documents required for Northern Trust to close these accounts and transfer those assets into the Plan were prepared for signature. In the absence of CFO Council, it was agreed that Vice Chairman Williams would provide the necessary signature execution.

**IFEBP Conference**

Ms. Harris informed the Board that an email had been sent to them in order to provide them with details on the IFEBP Conference to be held in Honolulu, Hawaii from November 14-18, 2020. Ms. Harris requested that anyone interested in attending reach out to her so that their registrations could be processed. Ms. Harris advised the Board to act promptly as hotel reservations are filling up fast.

**IX. OLD BUSINESS**

**Bernstein Litowitz Berger Grossman**

This matter was addressed during the Attorney's Report.

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**RAGE Electronic Transfer – Morgan Stanley**

Ms. Harris informed the Board that she had received a request from Mr. Derek Batts of Morgan Stanley regarding the electronic transfer of information. The basis for this request was for the vendor to upload data directly to the Morgan Stanley performance accounting system. Ms. Harris stated that this request was reviewed by Mr. Emerson and Mr. Emerson confirmed that this was a typical request that he had no concerns with. Similar to the Gray & Co matter, in the absence of CFO Council, it was agreed that Vice Chairman Williams would provide the necessary signature execution.

*A motion was made by Mr. Berry to approve the RAGE Electronic Transfer. This motion was seconded by Mr. Williams and the motion passed with unanimous decision.*

**Fiduciary Liability Policy**

Ms. Harris informed the Board that she had been working on the Fiduciary Liability Policy Applications and most recent information was requested to clarify the premiums paid in the past compared to the quote that was recently received. In addition, Ms. Harris advised the Board that she had sent an email last week providing them with details on the quote and action/response from the broker Hudson Insurance Company. Mr. Christie also addressed the Board with his regarding his recent experience with the Firefighters' Policy relative to the premium and coverage lines presented. Mr. Christie noted that any policy would be extended across all three plans for cost effectiveness and efficiency of reporting.

**2020 Calendar**

Ms. Harris informed the Board that on page 13 of the meeting packet was a copy of the 2020 calendar for all meetings to be held. It was noted that there were 3 months in which a conflict with the 3<sup>rd</sup> Wednesday in accordance with City Council for April, September and December. Ms. Harris noted that on those months the normal meeting would be moved to the 4<sup>th</sup> Wednesday of the Month. In addition, Ms. Harris stated that the meeting locations were pending confirmation by City Hall and monthly meeting invites would be sent to account for Trustee attendance requests. The Board noted that the December meeting would be a conflict and Ms. Harris stated that she would work with them in order to accommodate their request for an alternate date.

**Committee De-Brief Reports**

Ms. Harris informed the Board that she had emailed and provided to them copies of the most recent Defined Benefit Committee De-Brief Reports for their continued information. Ms. Harris reviewed the logic and content for their reference noting that action items would remain on the report until they have been completed through closure. Ms. Harris used the General Plan report as the example pointing out the context relative to the Fiduciary Liability Policy. Basic question and answers were given and discussed. Ms. Harris stated that she would continue to provide these reports to the Board for their continued reference and information.

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**X. QUESTIONS AND COMMENTS FROM AUDIENCE**

There were no questions and comments from the audience.

**XI. DATE OF NEXT MEETING**

The next Investment Board meeting is scheduled for March 18, 2020. Ms. Harris noted that as customary she would work with Mr. Amis to confirm the meeting location.

**XII. ADJOURNMENT**

There being no further business to be brought before the Board at this time at 11:18a.m. a ***Chairman Sims called for adjournment.***

*Respectfully Submitted,*

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Chairman, Frank Sims

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Vice Chairman, Joshua Williams

These Minutes were adopted on \_\_\_\_\_, 2020