

CITY OF ATLANTA DEFINED BENEFIT  
PENSION INVESTMENT BOARD MEETING

September 30, 2019

Committee Room 2 – City Hall

3:00 P.M. – 5:00 P.M.

---

**BOARD MEMBERS PRESENT**

**FRANK SIMS**

**Chairman**

**ROOSEVELT COUNCIL**

**CFO, City of Atlanta**

**JOSHUA WILLIAMS**

**Vice Chairman, COO, City of Atlanta**

**JEFFREY NORMAN**

**HR Commissioner, City of Atlanta**

**REGGIE GRANT**

**Appointee, City of Atlanta**

**NATALYN ARCHIBONG**

**Councilmember, City of Atlanta**

**J.P. MATZIGKEIT**

**Councilmember, City of Atlanta**

**LISA BRACKEN**

**CFO, APS City of Atlanta**

**QUENTIN HUTCHINS**

**APS, City of Atlanta**

**DEREK ‘BRENT’ HULLENDER**

**Fire, City of Atlanta**

**ALFRED BERRY, JR.**

**General, City of Atlanta**

**RICK ‘BUD’ LIGHT**

**Police, City of Atlanta**

Board Members not present: Marci Overstreet, Joyce Shepard and Howard Shook.

**OTHERS PRESENT**

As acknowledged on the City of Atlanta Pension Investment Board Trustee Meeting Sign In Sheet for September 30, 2019.

**I. CALL TO ORDER**

Chairman Mr. Frank Sims called the meeting to order at 3:10 p.m. in Committee Room 2 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 Mr. Matzigkeit to approve the Agenda as presented and the motion was seconded by Mr. Hullender. The motion unanimously carried with unanimous decision and the Agenda was approved.*

**III. PUBLIC COMMENT**

There were no public comments for today’s meeting.

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

**IV. APPROVAL OF PREVIOUS MEETING MINUTES**

The Trustees reviewed the Minutes of the August 21, 2019 Board meeting, which were distributed in advance.

*A motion was made by Mr. Matzigkeit to approve the Minutes as presented. This motion was seconded by Mr. Council. The motion unanimously carried and the Minutes were approved.*

**V. ATTORNEY'S REPORT**

**Fiduciary Education Policy**

Mr. Emerson informed the Board that, as a follow up to the July 2019 Board Meeting, he has distributed copies of the Fiduciary Education Policy, which provides guidelines and standards for members to receive appropriate training and education to help fulfill their obligations under Georgia law.

Mr. Emerson also provided the following highlights from this policy:

*“A new Board member appointed or elected after the effective date of this Policy and who has not previously served as a public retirement system trustee (a “**New Trustee**”) must complete a minimum of 8 hours of education within the first 12 months of appointment or election to the Board.”*

*“A Board member who has either already been serving on the Board as of the effective date of this Policy, or who has at least one year of experience as a public retirement system trustee (in either case, a “**Continuing Trustee**”), must complete a minimum of 12 hours of education every two years”*

Mr. Berry inquired on attendance records for his participation at the educational sessions conducted by Segal Actuarial earlier this year. As previously acknowledged Ms. Harris reminded the Board that Zenith as TPA is not required to attend the Actuarial educational training sessions and as such records of attendance should be provided to Zenith for proper recordkeeping purposes.

It was agreed that Zenith would maintain records of trustee education inclusive of conferences, seminars or sponsored education inclusive of online sessions as consistent with the policy which states “*Board members shall provide records of their training and education to the third party administrator for the Board.*”

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

As well, since Zenith is not required to attend educational training sessions on behalf of the Board, it was agreed that in the event that an educational session was to be conducted by any entity associated with the Board, Zenith would assist that professional provider with any sign-in sheets for recordkeeping purposes in lieu of registrations directly completed by Zenith.

Following this discussion, a *motion was made by Mr. Hullender to approve the Fiduciary Education Policy as presented. This motion was seconded by Mr. Norman and the motion passed with unanimous decision.*

**Securities Monitoring and Litigation Policy**

Mr. Emerson informed the Board that he had distributed a draft copy of the Securities Monitoring and Litigation Policy for their review. As well, Mr. Emerson noted that he had provided Mr. Christie with a copy for City Law Department input and will provide to the applicable securities monitoring firms for input. Mr. Emerson stated that it was his desire to have the policy vetting for approval at the October Board Meeting.

The following questions with answers were provided:

**Question:** Is there a threshold for litigation

**Answer:** *Suggestion \$500K as a previous rule of thumb for the Fire Fighter and Police Officer's actions.*

**Question:** Is reputation risk considered for pursuing litigation action

**Answer:** *See Appendix A - entitled 'Considerations Relevant to Deciding Whether to Pursue Separate Litigation or Lead or Co-Lead Plaintiff Status. Item #10. Potential exposure to counterclaims/court costs, and willingness of litigation counsel to indemnify the Board against such exposure.'*

The Board requested this item be added to the Agenda under Old Business.

Following this review, at 3:20pm a *motion was made by Mr. Hullender to exit the meeting to enter into Executive Session to discuss matters of potential litigation.* Mr. Sims asked if this matter could be tabled until the end of the Board Meeting so that the audience members would not have to wait for the continuation of business before adjournment. This was the agreed upon approach. *Mr. Hullender rescinded his motion until the completion of normal business on the Agenda.*

This information concluded the Attorney's Report which was accepted as informational.

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

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

Mr. Kweku Obed and Ms. Samantha Grant presented to the Board on behalf of Marquette Associates.

Mr. Obed provided the following U.S. economy overview for August 31, 2019:

- GDP grew better than expected 2.0% in the 2Q, 3Q is expected to be around 1.5%
- The unemployment rate remained at 3.7% with 130K new jobs added in August.
- CPI increased 1.8% over the trailing 12 months with core CPI consistent at 2.2%
- The U.S. increased the existing tariffs on China by 5%, while China retaliated with new tariffs and proposed increases.
- Fed cut rates leading to a source of volatility in the market.

*Fixed Income*

Mr. Obed informed the Board that as rates were going down there was an added value to the Fixed Income asset class. As well there was a fight-to-quality and reach-for-yield where yield curves invert as tariff wars escalate, Mr. Obed reported. With this Mr. Obed pointed out that a 9.1% year to date return in the Blm BC Aggregate was not typical. In addition, Mr. Obed reported on the double digit performances for the quarter as well as the year to date values of the Blm BC Long Gov and Blm BC U.S. Long Credit holdings 12.0%/22.6% and 11.4% and 23.7% respectively by fund and classification. Mr. Obed reported that the yield curve was still not fully inverted as this was an indicator of market sentiment. Mr. Obed went on to point out that this is however not where the market was during the financial crisis but this is a fact that must be considered for this discussion.

*U.S. Equity*

In the Broad Market Indices, it was acknowledged that there was a -2.0% return for the month while year to date the same indices reported an 18.0% return. Mr. Obed also noted that Growth continued to outperform Value as interest rates decreased resulting in a tailwind for certain U.S. Equity selections. Mr. Obed informed the Board that the bull market has been strong but increasingly wild. To this Mr. Obed noted that market corrections are temporary movements having little impact over the long-term. To this point, Mr. Obed reported that during the Financial Crisis (2007-2009) there was a cumulative post-correction return of 439% seen when the correction return was -55% for the same period.

*Non-U.S. Equity*

Mr. Obed reported that the U.S. Equity Market experienced negative returns across the board for the month ranging from -1.6% to 5.0% by fund. Similar to the U.S. Equity

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

Market volatility seen in the month did not equate to the year to date positive overall performance.

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

Ms. Grant advised the Board that the fund performed in line with the benchmark and provided the following highlights noting the August 31, 2019 Market Value of \$1,480.6M.

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

<b>Top Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Channing Capital	+12.1%	+7.3%	U.S. Equity
Earnest Partners SCC	+15.8%	+11.8%	U.S. Equity
Harman Johnston	+15.1%	+8.8%	International Equity
Earnest Partners EM	+8.8%	+3.9%	Emerging Markets Equity

<b>Bottom Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Garcia Hamilton	+7.6%	+9.1%	U.S. Fixed Income
Colchester Global	+6.0%	+7.7%	Global Fixed Income
MacKay Shields MCC	+14.1%	+19.6%	U.S. Equity

Ms. Grant provided the following context on the highlights provided:

- *Channing Capital* – Fee reduction due October 1, 2019 15 bp at the first and second tier
- *Earnest Partners SCC* – Provided protection during the volatile month
- *Garcia Hamilton* – Short duration positing strategy has been costly when interest rates are down
- *MacKay Shields MMC* - Stock selection in consumer goods detracted from performance

In response to bottom performers, Ms. Grant stated that manager recommendations would be provided next month as part of the formal asset allocation review/approval process.

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

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

Ms. Grant advised the Board that the fund performed in line with the benchmark and provided the following highlights noting the August 31, 2019 Market Value of \$1,142.7M.

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

<b>Top Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Macquarie SCC	+14.2%	+11.8%	U.S. Equity
Harman Johnston	+15.3%	+8.8%	International Equity
Intercontinental U.S. RE	+3.0%	+2.0%	Real Estate

<b>Bottom Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Garcia Hamilton	+5.8%	+6.8%	Fixed Income
Colchester	+6.1%	+7.7%	Fixed Income
Consequent FlexCap	+12.3%	+13.8%	U.S. Equity
Consequent MidCap MoM	+17.1%	+19.6%	U.S. Equity

Ms. Grant provided the following context on the highlights provided:

- *Macquarie SCC* – Growth tilt manager has outpaced Value year to date
- *Intercontinental U.S. Real Estate* – Expected returns for asset class with full year performance anticipated in the 5-7% range
- *Consequent* – Transitioning out of manager strategy as approved

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

Ms. Grant advised the Board that the fund performed in line with or slightly ahead of the benchmark and provided the following highlights noting a Market Value of \$727.1M.

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

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

<b>Top Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Ativo Capital	+10.5%	+8.8%	International Equity
Hardman Johnston	+15.0%	+9.7%	International Equity
Intercontinental U.S RE	+3.3%	2.0%	Real Estate

<b>Bottom Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Garcia Hamilton	+7.6%	+9.1%	Fixed Income
Colchester	+6.1%	+7.7%	Fixed Income
LMCG Investments	+15.1%	+16.3%	U.S. Equity

Ms. Grant provided the following context on the highlights provided:

- *Garcia Hamilton* and *Colchester* – Bottom performers for August but were top performers for July 2019. Growth style in a risk of market is active acting as a detractor
- *LMCG* – Expected no alarm, should be a top performer in September due to style

**Asset Allocation Study**

Mr. Obed informed that Board that he would be reviewing the basic parameters for the Asset Allocation Study and the overall goal is for them to vote on and approve the appropriate mix. Mr. Obed stated that in each instance the Georgia State 25% fixed income constraint was considered as a factor for the recommended mix. As a condition of this requirement, Mr. Obed advised the Board that the other asset classes must make up in performance to achieve the base actuarial rate of assumption for investments. In addition, Mr. Obed went on to provide the summary of portfolio characteristics by mix inclusive of the probabilities of exceeding the target rate of return(s). Mr. Obed provided the Board with the following overview noting the recommended Portfolio options for each Plan as highlighted:

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

General Employees'			Fire Fighters'		Police Officers'	
Asset Class	Portfolio D	Portfolio E	Asset Class	Portfolio E	Asset Class	Portfolio E
Broad Fixed Income	25.0%	25.0%	Broad Fixed Income	25.0%	Broad Fixed Income	25.0%
Global Aggregate	0.0%	0.0%	Global Aggregate	0.0%	Global Aggregate	0.0%
Total Fixed Income	25.0%	25.0%	Total Fixed Income	25.0%	91 Day T-Bills	0.0%
US Large-Cap Core	18.0%	18.0%	Broad U.S. Equity (All Cap Core)	0.0%	Total Fixed Income	25.0%
US Mid-Cap Core	12.0%	12.0%	US Large-Cap Core	19.0%	Broad U.S. Equity (All Cap Core)	0.0%
US Small-Cap Core	11.0%	12.0%	US Mid-Cap Core	12.0%	US Large-Cap Core	19.0%
Total U.S. Equity	41.0%	42.0%	US Small-Cap Core	12.0%	US Mid-Cap Core	12.0%
Developed Large-Cap	14.0%	13.0%	Total U.S. Equity	43.0%	US Small-Cap Core	11.0%
Non-US Small-Cap	6.0%	7.0%	Developed Large-Cap	15.0%	Total U.S. Equity	42.0%
Emerging Market	9.0%	8.0%	Non-US Small-Cap	4.0%	Developed Large-Cap	14.0%
Total Non-U.S. Equity	29.0%	28.0%	Emerging Market	8.0%	Non-US Small-Cap	5.0%
Hedge Fund - Global Macro	0.0%	0.0%	Total Non-U.S. Equity	27.0%	Emerging Market	9.0%
Total Hedge Funds	0.0%	0.0%	Real Estate - Core	1.0%	Total Non-U.S. Equity	28.0%
Real Estate - Core	3.0%	3.0%	Total Real Assets	1.0%	Real Estate - Core	2.5%
Total Real Assets	3.0%	3.0%	Private Equity - Fund of Funds	4.0%	Total Real Assets	2.5%
Private Equity - Fund of Funds	2.0%	2.0%	Total Illiquid Assets	4.0%	Private Equity - Fund of Funds	2.5%
Total Illiquid Assets	2.0%	2.0%			Total Illiquid Assets	2.5%

Following this review, Mr. Sims requested each of the Trustees take the time to review the study. Mr. Sims also advised the Board that there was a subcommittee that met prior to the meeting to take a deep dive in the portfolio as context for the review process with Marquette.

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

With no additional questions or discussion, this concluded the Investment Manager's Report which was accepted as informational.

**VII. NEW BUSINESS**

There was no New Business for discussion.

**VIII. OLD BUSINESS**

**Cypher & Cypher – 3<sup>rd</sup> Party Audit**

Mr. Council addressed the Board and advised them that the City has been engaged in a review of the data provided by Cypher & Cypher. Mr. Council noted that Cypher & Cypher was involved due to the response from the KPMG Audit surrounding material findings in which they suggested to engage an outside 3<sup>rd</sup> Party Auditor. Mr. Council reminded the Board that there was a review of data from the following categories from the Cypher & Cypher report:

- A. Ages of the recipient (very old/very young)*
- B. Ratio of COLA's to Original Pension Award (relative value)*
- C. Same person receiving more than one check (address of record)*

Mr. Council informed the Board that as a result of the data review and subsequent findings presented to KPMG, they seem satisfied at this point with the responses provided. In addition, Mr. Council stated that there was no decision to move forward with continued services from Cypher & Cypher and that the City should consider looking for other 3<sup>rd</sup> party audit firms.

Following discussion, a *motion was made by Mr. Hullender to issue an RFI for a qualified and suitable 3<sup>rd</sup> Party Audit Firm. This motion was seconded by Mr. Light and the motion passed with unanimous decision.*

**Oracle Patch Update**

Mr. Amis informed the Board that this matter was resolved.

**Trustee Conferences (NCPERS, GAPPT and IFEBP)**

Ms. Harris reminded the Board that there are upcoming conferences that should they still be interested in attending they should let her know so that the appropriate arrangements could be made as late registration fees are not applicable for the IFEBP and NCPERS that are being held in October.

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

**Authorized Signer List (Documentation)**

Ms. Harris informed the Board that approval was provided to change the list of authorized signers for new financial documentation and needed to be executed to account for this fact. Ms. Harris stated that signatures would be needed from each individual per financial institution as warranted.

**Website Committee**

Mr. Hullender presented to the Board with the following highlights from the September 11, 2019 Website Committee Meeting that was held at Zenith.

**Main Page Landing Menu:**

- Fire Fighters' Pension Plan
- Police Officers' Plan
- General Employees' Pension Plan
- Pension Investment Board

**Each Plan Menu will include:**

- Minutes
- Valuations
- Financial Reports
- Audits
- Agenda's
- Bylaws

As well the City of Atlanta Pension Investment Board would be the owner of the domain names as we decide on the version for the launch.

**IX. QUESTIONS AND COMMENTS FROM AUDIENCE**

There were no questions and comments from the audience.

**X. DATE OF NEXT MEETING**

Ms. Harris noted that she would work with Mr. Amis in order to determine if an alternate meeting date can be found for October 2019.

**City of Atlanta Pension Investment Board  
Board Meeting Minutes  
September 30, 2019**

**XI. ADJOURNMENT**

There being no further business to be brought before the Board at this time, *at 4:06 p.m. Chairman Sims called for adjournment as previously acknowledged in order to enter into Executive Session.*

At 4:07p.m. Mr. Hullender made a *motion to enter into Executive Session to discuss matters of potential litigation. This motion was seconded by Mr. Light.*

At 4:22p.m. Mr. Hullender made a *motion to exit Executive Session to continue with the normal business. This motion was seconded by Mr. Hutchins.*

*A motion was made by Mr. Hullender to accept the mediation settlement for the Advisory Board Securities Litigation as discussed. This motion was seconded by Mr. Matzigkeit and the motion passed with unanimous decision.*