

**CITY OF ATLANTA DEFINED BENEFIT
PENSION INVESTMENT BOARD MEETING**

October 16, 2019

Committee Room 1 – City Hall

10:00 A.M. – 12:00 P.M.

BOARD MEMBERS PRESENT

FRANK SIMS

Chairman

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

ALFRED BERRY, JR.

General, City of Atlanta

RICK ‘BUD’ LIGHT

Police, City of Atlanta

Board Members not present: Derek ‘Brent’ Hullender, Marci Overstreet, Joyce Shepard, Roosevelt Council and Howard Shook.

OTHERS PRESENT

As acknowledged on the City of Atlanta Pension Investment Board Trustee Meeting Sign In Sheet for October 16, 2019.

I. CALL TO ORDER

Chairman Mr. Frank Sims called the meeting to order at 10:12 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 Mr. Berry to approve the Agenda as presented and the motion was seconded by Mr. Hutchins. The motion unanimously carried with unanimous decision and the Agenda was approved.

III. PUBLIC COMMENT

Mr. Tony Gelderman of Bernstein, Litowitz Berger & Grossman (BLB&G) presented the Board with context from a prior approved agreement on behalf of the General Employees’ Pension Plan for Security Litigation Monitoring Services. Mr. Gelderman stated that the approval was granted in June 2017 and to date, a signed authorized copy had not yet been received. Mr. Amis stated that this action was approved prior to the City Ordinance that created the Pension Investment Board and it had fallen off the agenda since. Mr. Amis went on to note that Ms. Denius was tasked with gathering all contracts

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for service providers in the past and determinations on next step responses would be revisited. As well, the Board requested that Ms. Harris provide Fund Counsel with copies of all contracts for such purpose.

Website Updates

Question: Mr. Berry – Will the website have a calculator?

Answer: Ms. Harris – Yes it does and will. Enhancements are conditional on completing the initial stages of the special project implementation. The first stage in progress as communicated will be to create a central landing pad for each of the respective plan(s) to have the public information from Board Meetings displayed. Timing for next step releases will be communicated for all parties of interest.

Question: Mr. Berry – Who will be the Webmaster

Answer: Ms. Harris – Zenith American Solutions

Question: Who will be making updates to the website?

Answer: Ms. Harris – Zenith American Solutions. I have access and can/will be making live updates as warranted.

IV. APPROVAL OF PREVIOUS MEETING MINUTES

The Trustees reviewed the Minutes of the September 30, 2019 Board meeting, which were distributed in advance.

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

V. ATTORNEY'S REPORT

Securities Monitoring and Litigation Policy

Mr. Emerson informed the Board that the Securities Monitoring and Litigation Policy was ready for approval. Mr. Emerson pointed out the following updates and/or new content for the Board's attention:

Active Participation in Cases

A litigation threshold of \$500,000 has been recommended in the policy.

Board Procedure to Approve Litigation as agreed upon Mr. Sims (Board Chairman) will act to approve on behalf of the Board or he will delegate such action response.

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Additional factors were added to the Appendix to address fiduciary concerns, headline risk and international litigation.

Following discussion, a *motion was made by Mr. Berry to approve City of Atlanta Defined Benefit Pension Plan Investment Board Securities Monitoring and Litigation Policy as presented. This motion was seconded by Mr. Grant and the motion passed with unanimous decision.*

Pension Administrative Committee Bylaws

Mr. Emerson advised the Board that he was reviewing the final draft Bylaws with all of the respective Pension Committees. It was agreed that this item would remain on the Agenda as Old Business so that a formal approval could be given by the Board at the next scheduled meeting.

Pension Overpayments

Mr. Christie informed the Board that he would be meeting with Mr. Berry to review the Executive Summary of Pension Overpayments for the General Employees' Pension Plan after this meeting. Mr. Christie extended an invitation for anyone wanting to participate in this discussion.

GASB67

Ms. Jeanette Cooper of Segal Actuarial informed the Board that the GASB67 Reports were being provided for informational purposes only. In addition, Ms. Cooper noted that the March thru May report for GASB68 would be provided at a later date. The Board requested Ms. Harris coordinate with Ms. Cooper in order provide them with electronic copies of the GASB67 for their reference.

With no additional comments, the Attorney's Report was accepted as informational.

VI. INVESTMENT CONSULTANT REPORT – Marquette Associates

Mr. Kweku Obed and Ms. Samantha Grant presented to the Board on behalf of Marquette Associates. Mr. Obed opened his presentation by informing the Board that the Investment Symposium was a successful event and for those that could not attend in person there was an Investing 101 Video Series available on YouTube for their reference.

Mr. Obed provided the following U.S. economy overview from the September 2019 Executive Summary and noted that the Atlanta Fed's GDPNow metric is anticipating 1.8% growth in 3rd quarter GDP. Mr. Obed stated that exports and imports with China

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have fallen more than 10% YTD, while aggregate trade remains flat as other countries such as Mexico and Vietnam have benefited from the trade war and volatility around politics / impeachment. Mr. Obed stated and the long/short term factors are being consciously examined as talks of an economic slowdown are on the horizon.

Fixed Income

Mr. Obed informed the Board overall all three plans have healthy allocations to fixed income while the yield curve steepened in the month of September as the year to date Broad Market Indices reported a 8.5% return.

U.S. Equity

Mr. Obed reported that although there were negative returns seen across the board in August, the returns for September were all very strong and positive. As well, Mr. Obed reported that the year to date performances across all U.S. equity markets were in the double digits ranging from 12.8% to 25.2% (Russell 200 Value and Russel MidCap Growth respectively).

Non-U.S. Equity

Mr. Obed reported that similar to the U.S. equity space September returns had also been positive across the board. As well, Mr. Obed reported that the year to date the Non-U.S. equity markets were in the performing in double digits for 5 out of the 8 indices. The MSCI EAFE Local showed the strongest year to date performance at 15.7%.

Performance Overview – General Employees’ Pension Plan

Ms. Obed noted a slight outperformance in the current month 1.5% vs. 1.3% , 3 month 1.0% vs, 0.5% and year to date 15.0% vs. 14.8% where a Bull Equity Market prevailed on a net basis overall. Mr. Obed informed the Board that this was an annualized value as of September 30, 2019 for each mark in time reported vs. a calendar year for review.

Mr. Obed reported the following highlights while noting the September 30, 2019 Market Value of \$1,496.8M.

- U.S. Large-Cap, U.S. Small-Cap, International Equity, Emerging Markets Equity and Real Estate composites added value to the Plan
- Fixed Income, Global Fixed Income, U.S Mid-Cap and Global Equity composites detracted from the benchmark

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COA General Employees' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Morgan Stanley LCC	+23.1%	+20.6%	U.S. Equity
Channing Capital	+15.9%	+12.8%	U.S. Equity
Earnest Partners SCC	+21.8%	+14.2%	U.S. Equity
Hardman Johnston	+17.4%	+11.6%	International Equity
Earnest Partners EM	+10.7%	+5.9%	Emerging Markets Equity

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Garcia Hamilton	+7.1%	+8.5%	U.S. Fixed Income
Colchester Global	+5.4%	+6.3%	Global Fixed Income
MacKay Shields MCC	+16.9%	+21.9%	U.S. Equity

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

- *Top Performers* – Each had a pro-cyclical tilt to consumer discretionary and technology base.
- *Garcia Hamilton* – As interest rates come down they are not positioned to take advantage of the performance based on their short duration strategy.
- *MacKay Shields MMC* - Non-U.S. exposure acted as a risk related detractor.
- *Colchester Global* – Poor stock selection with an overweight to health care.

As a reminder when reviewing the Asset Allocation vs. Target Allocation, Ms. Grant pointed out that this is a snapshot taken at the end of the month where cash is held to pay benefit and operating expenses. This however did not skew the as all allocations remained in line with the investment policy, stated Ms. Grant.

Performance Overview – Police Officers' Pension Plan

Mr. Obed reported the following highlights while noting the September 30, 2019 Market Value of \$1,150.9M.

- U.S. Large-Cap, U.S. Small-Cap, International Equity, Emerging Markets Equity and Real Estate composites added value to the Plan
- Fixed Income, Global Fixed Income, U.S Mid-Cap and Global Equity composites detracted from the benchmark

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COA Police Officers' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Macquarie SCC	+17.4%	+14.2%	U.S. Equity
Hardman Johnston	+17.6%	+11.6%	International Equity
Intercontinental U.S. RE	+5.8%	+3.2%	Real Estate

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Garcia Hamilton	+5.5%	+6.4%	Fixed Income
Colchester	+5.4%	+6.3%	Fixed Income
Consequent MidCap MoM	+17.0%	+21.9%	U.S. Equity
LMCG Investments	+11.4%	+15.3%	U.S. Equity

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

- *Macquarie SCC* – Small Cap Core fund taking advantage of performance in Health and Technology.
- *Hardman Johnston* – Industrial and Technology funds added value overall
- *Intercontinental U.S. Real Estate* – Added value income as real estate does not have a depreciation base
- *Consequent MidCap MoM* – Phasing out of portfolio as approved
- *LMCG Investments* – Poor stock selection in Health as a detractor in defensive stock.

As Ms. Grant reviewed the Asset Allocation vs. Target Allocation, she pointed out as the plan looked to raise cash for benefit and operating expenses the international equity composite would be a funding source.

Performance Overview – Fire Fighters' Pension Plan

Mr. Obed reported the following highlights while noting the September 30, 2019 Market Value of \$720.6M.

- U.S. Large-Cap and International Equity composites added value to the Plan
- Fixed Income and U.S. Small-Cap composites detracted from the benchmark
- U.S. Mid-Cap composite matched the benchmark

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- Fixed Income, Global Fixed Income, U.S Mid-Cap and Global Equity composites detracted from the benchmark

COA Firefighters' Manager Contribution – YTD Performance

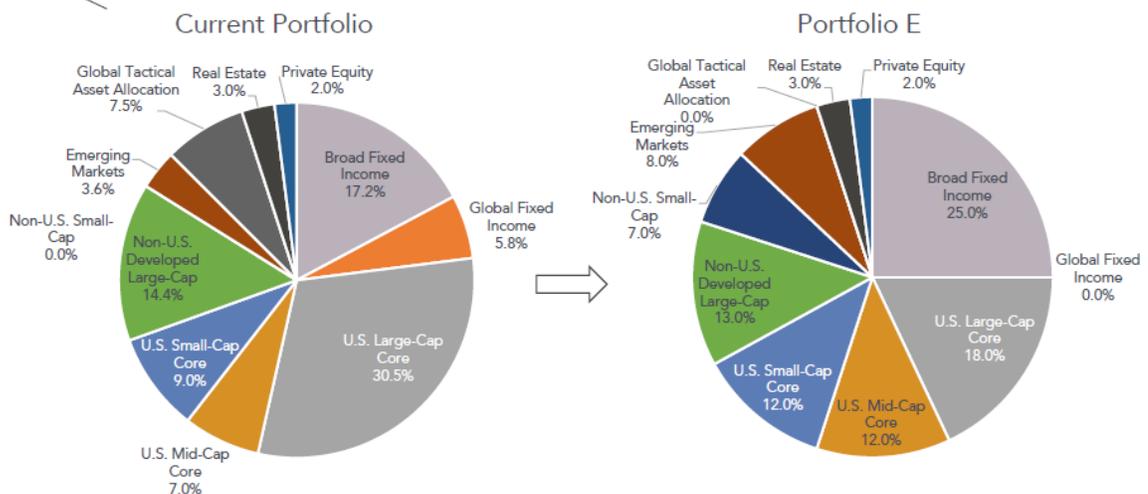
Top Performers	Absolute Performance	Benchmark Performance	Strategy
Ativo Capital	+12.5%	+11.6%	International Equity
Hardman Johnston	+17.3%	+12.8%	International Equity
Intercontinental U.S RE	+5.4%	+3.1%	Real Estate

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Garcia Hamilton	+7.1%	+8.5%	Fixed Income
Colchester	+5.5%	+6.3%	Fixed Income
LMCG Investments	+11.4%	+15.3%	U.S. Equity

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

- *Ativo* – Quantitative style benefits from market trends.

General Employees' Pension Plan – Asset Allocation Considerations



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Mr. Obed informed that Board that the recommendation for Portfolio E would meet the target performance for the average annualized 10yr return of 7.25% while the average annualized 10yr risk was charting ta 13.28% vs. the current portfolio depicted as 6.76% and 11.80% respectively. Mr. Obed pointed out an increase in Broad Fixed Income and a decrease in U.S. Large Cap Core while Global Fixed Income was removed from the allocation. Mr. Obed advised the Board that a percentage of the portfolio would be assigned the Globalt Investments under the lead of Bill Roach. Mr. Obed stated that Globalt Investments will remain in the mix while staying in alignment with the investment strategy of the General Employees' Pension Plan using proprietary long term opportunistic approach. In addition, Mr. Obed confirmed that Globalt Investments had negotiated a \$57,000 fee savings agreement with the Plan. As well, Mr. Obed reported that this positon would be relegated to the General Employees' Pension Plan to determine added value to the portfolio before any additional allocation would be considered for the Fire and Police Plans in the future.

After a robust discussion the following highlights and/or comments were posed:

- Show what percentages of changes with incremental fee or cost savings renegotiated by manger
- Show which managers are legacy to the Plan
- Add justification for changes recommended to the Board and why the change is proposed
- Add information on managers relevant to the MWBE conditions for changes proposed
- Identify passive vs. active manager styles for any change to show how stock selection is key for streamlining portfolio
- Possible Legislative change to the Georgia Fixed Income mandate to capture added asset class value in the Alternative Investment Space
- The GAPPT was on task with similar Legislative agenda changes to the Georgia mandate
- Provide an Asset Allocation Study that removed the Georgia mandated restrictions to Fixed Income investments
- Cash flow needs of the Plan effect the overall rank in the InvMetrics Public DB >\$1B Net (2018 #86 more volatile year and 2017 6# equity tilt with not much volatility) as a peer group comparison

Following this review, Mr. Sims requested each of the Trustees take the time to review the study as time permitted only the General Employees' Pension Plan was discussed. As such, Mr. Sims stated that this matter would remain on the Agenda for additional discussion and review were required.

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

VII. NEW BUSINESS

Ms. Marsha Petzel of Wells Fargo Institutional Retirement & Trust addressed the Board in regards to a Citibank Security Lending Agreement that was signed with the City of Atlanta on behalf of the General Employees' Pension Plan. Ms. Petzel noted that there had been some program changes made that affected the parameters of this agreement. As well, with the recommendations to the Asset Allocation Study additional context on those parameter changes would exist. Ms. Petzel noted that in accordance with Section 15 of this contract there is an allowance for a 15-day Notice to close the agreement in effect. Ms. Petzel stated that there was not a replacement option for the in effect at the moment and she could be revisit vendors with Marquette as warranted at a later date since this program is not offered by Wells Fargo. In addition, Ms. Petzel stated that neither Fire nor Police had any such agreement in place for Security Lending. The Board agreed that in the absence of CFO Council this matter would be tabled for discussion to receive his opinion and recommendation for next step response. Mr. Williams indicated that he too would assist with the review in coordination with the Treasury Group at the City of Atlanta.

VIII. OLD BUSINESS

There was no Old Business to discuss.

IX. QUESTIONS AND COMMENTS FROM AUDIENCE

There were no questions and comments from the audience.

X. DATE OF NEXT MEETING

Ms. Harris advised the Board that she has vacation scheduled for the same time frame of the regularly scheduled November 20, 2019 Investment Board Meeting. Ms. Harris indicated that she would attempt to utilize resources at Zenith to facilitate in her absence as well; the quorum status would still need to be confirmed as customary. Ms. Harris also agreed to facilitate the meeting prior to or after her vacation. Ms. Harris stated that she would continue to coordinate this expectation with Mr. Amis as she worked on determining if a resource for her absence could be determined.

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XI. ADJOURNMENT

There being no further business to be brought before the Board at this time at 12:13p.m. a *motion was made by Mr. Berry to call for adjournment. This motion was seconded by Mr. Williams and the motion passed with unanimous decision and the meeting was adjourned.*