

CITY OF ATLANTA DEFINED BENEFIT
PENSION INVESTMENT BOARD MEETING

July 21, 2021

Webex Teleconference

10:00 A.M – 12:00 P.M.

Board Members Present

Frank Sims
Natalyn Archibong
Mohamed Balla
Alfred Berry, Jr.
Lisa Bracken
Reggie Grant
Brent Hullender
Quentin Hutchins
Jon Keen
Rick “Bud” Light
Jeffrey Norman

Chairman
Councilmember, City of Atlanta
CFO, City of Atlanta
General, City of Atlanta
APS, City of Atlanta
Appointee, City of Atlanta
Fire, City of Atlanta
APS, City of Atlanta
Chief Operating Officer, City of Atlanta
Police, City of Atlanta
HR Commissioner, City of Atlanta

Others Present

Mary Shah
Lori Pocock
Carl Christie
Youlanda Carr
Tiffany Jones
Karen Sutton
Ray Adams
Amanda Rouser
Rosie Woods
Quentin Hutchins
Doug Strachan
Ed Emerson
Jeanette Cooper
Ben Kirkland
Kweku Obed
Adam Persiani
Derek Batts
Joseph McLane
Stephanie Roberts
Richard Trunley
Gar Chung
Craig Frankel

Strategic Benefits Advisors
Strategic Benefits Advisors
City of Atlanta, Legal
City of Atlanta, Finance
City of Atlanta, Finance
City of Atlanta, Finance
City of Atlanta, Pension Administration
City of Atlanta, Pension Administration
City of Atlanta, Pension Administration
General, City of Atlanta
General, City of Atlanta
Morris, Manning & Martin
Segal
Segal
Marquette Associates
Pharos Funds
Union Heritage

Garcia Hamilton

Financial News
Gaslowitz Frankel LLC

I. CALL TO ORDER

Chairman Sims called the Webex teleconference meeting to order at 10:04 a.m. Chairman Sims noted that a quorum was present for the meeting and it was noted Investment Managers were in attendance.

II. ADOPTION OF AGENDA

Chairman Sims asked if there were any changes to the agenda.

A motion was made by Mr. Berry to approve the Agenda as presented. The motion was seconded by Mr. Grant. The motion unanimously carried and the Agenda was approved.

III. PUBLIC COMMENT

Chairman Sims asked if there were any public comments and there were none.

IV. APPROVAL OF PREVIOUS MEETING MINUTES

The Board reviewed the Minutes of the June 23, 2021 meeting, which were distributed in advance and reviewed by the Fund Professionals as customary.

Following review of the June 23, 2021 minutes, a motion was made by Mr. Grant to approve the Minutes as written. The motion was seconded by Mr. Berry. The motion unanimously carried and the Minutes were approved.

V. ATTORNEY'S REPORT

Mr. Emerson provided an update that all five (5) of the security litigation firms approved for security monitoring have sent engagement letters for execution and provided direction letters to send Northern Trust once they are signed by Chairman Sims. City Hall is scheduled to be open either August 8th or 9th for public meetings and once a final decision is made it will be communicated to the Investment Board.

VI. INVESTMENT CONSULTANT REPORT – *Marquette Associates*

Mr. Obed walked through the market environment and performance for the three plans. He focused on plan performance since this was the end of the fiscal year.

Performance Overview - General Employees' Pension Plan

Mr. Obed provided the Committee with the following current preliminary market values (MTD – Month to Date; FYTD – Fiscal Year to Date; YTD – Year to Date) as of June 30, 2021. The plan was up FYTD 31.1% compared to the 30.6% benchmark.

MTD Performance (as of 6/30/2021)

Total Fund Composite: 0.8%
 Total Fund Policy Benchmark: 1.2%

FYTD Performance (as of 6/30/2021)

Total Fund Composite: 31.1%
 Total Fund Policy Benchmark: 30.6%

YTD Performance (as of 6/30/2021)

Total Fund Composite: 9.0%
 Total Fund Policy Benchmark: 9.7%

On the dashboard below we see Intercontinental performing nicely.

COA General Employees' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Intercontinental U.S. Real Estate	+6.6%	+5.7%	Real Estate
Legato	+19.8%	+9.0%	U.S. Equity
Artisan Partners	+15.2%	+8.8%	International Equity

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Union Heritage LCC	+8.3%	+15.3%	U.S. Equity
Channing Capital	+16.6%	+26.7%	U.S. Equity
Hardman Johnston	+3.7%	+9.2%	International Equity

Looking at the Excess Performance chart, there are no recommendations at the present time to make any changes.

COA General Employees' – Manager Excess Performance

	Benchmark	Ending June 30, 2021	
		3 Mo Perf vs Benchmark	6 Mo Perf vs Benchmark
Total Fund Composite	Total Fund Policy Benchmark	-0.5%	-0.7%
Fixed Income Composite	BBgBanc US Aggregate TR	0.0%	-0.2%
Mesirow	BBgBanc US Aggregate TR	0.3%	-0.1%
Oercia Hamilton	BBgBanc US Aggregate TR	-0.6%	-0.5%
State Street U.S. Aggregate Bond Index SL Fund	BBgBanc US Aggregate TR	0.0%	0.0%
U.S. Equity Composite	Russell 3000	-2.4%	-1.0%
Large Cap Composite	S&P 500	-0.5%	-2.7%
Union Heritage Large Cap Core	S&P 500	-1.3%	-7.0%
Blackrock S&P 500 Equity Index Fund	S&P 500	0.0%	-0.1%
Mid Cap Composite	S&P 400 MidCap	0.0%	0.0%
BlackRock MidCap Equity Index	S&P 400 MidCap	0.0%	0.0%
Small Cap Composite	Russell 2000	-2.5%	-0.9%
Channing Capital Management	Russell 2000 Value	-3.1%	-10.1%
Earnest Partners SCC	Russell 2000	-3.8%	-2.4%
Lagato	Russell 2000 Growth	1.2%	10.8%
Essex	Russell 2000 Growth	3.6%	24.2%
Bridge City	Russell 2000 Growth	-0.7%	8.4%
Lebenthal Lisanti	Russell 2000 Growth	1.0%	2.1%
Nicholas	Russell 2000	-	-
International Equity Composite	MSCI EAFE	1.0%	0.5%
Artisan Partners International Value Fund (APHIX)	MSCI EAFE	1.1%	6.4%
Hardman Johnson	MSCI ACWI ex USA	2.3%	5.5%
Emerging Markets Equity Composite	MSCI Emerging Markets	-0.2%	0.1%
Earnest Partners EM	MSCI Emerging Markets	-0.2%	0.1%
Global Equity Composite	MSCI ACWI	-2.0%	-4.5%
Global Tactical ETF	Global Benchmark	-0.1%	-1.7%
BlackRock MSCI ACWI Min Volatility Index	MSCI ACWI Minimum Volatility Index	0.1%	0.2%
Real Estate Composite	NFI	-1.1%	-1.4%
Intercontinental U.S. Real Estate	NFI	0.5%	0.9%
JP Morgan U.S. Real Estate	NFI	-3.7%	-5.2%

Performance Overview – Police Officers' Pension Plan

Mr. Obed provided the Committee with the following current preliminary market values (MTD – Month to Date; FYTD – Fiscal Year to Date; YTD – Year to Date) as of June 30, 2021. The plan had a good month and was up FYTD 33.1% compared to the 33.0% benchmark.

MTD Performance (as of 6/30/2021)

Total Fund Composite: 1.0%
Total Fund Policy Benchmark: 1.2%

FYTD Performance (as of 6/30/2021)

Total Fund Composite: 33.1%
Total Fund Policy Benchmark: 33.0%

YTD Performance (as of 6/30/2021)

Total Fund Composite: 9.8%
Total Fund Policy Benchmark: 10.2%

Looking at the dashboard below, action is being taken with the replacement of LMCG in the portfolio.

COA Police Officers' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Macquarie SCC	+18.2%	+17.5%	U.S. Equity
Artisan Partners	+15.2%	+8.8%	International Equity

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
LMCG Investments SCG	-0.1%	+9.0%	U.S. Equity
Hardman Johnston	+3.7%	+9.2%	International Equity

Performance Overview – Fire Fighters' Pension Plan

Mr. Obed provided the Committee with the following current preliminary market values (MTD – Month to Date; FYTD – Fiscal Year to Date; YTD – Year to Date) as of June 30, 2021. The plan had a good month and was up FYTD 32.9% compared to the 32.9% benchmark.

MTD Performance (as of 6/30/2021)

Total Fund Composite: 1.1%
Total Fund Policy Benchmark: 0.8%

FYTD Performance (as of 6/30/2021)

Total Fund Composite: 32.9%
Total Fund Policy Benchmark: 32.9%

YTD Performance (as of 6/30/2021)

Total Fund Composite: 9.6%
Total Fund Policy Benchmark: 10.3%

Looking at the dashboard below, action is being taken with the replacement of LMCG in the portfolio.

COA Firefighters' Manager Contribution – YTD Performance

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
LMCG Investments SCG	-0.1%	+9.0%	U.S. Equity
Ativo Capital	+8.0%	+9.2%	International Equity
Hardman Johnston	+3.7%	+9.2%	International Equity

Mr. Berry asked if there were concerns about inflation and Mr. Obed noted that the Fed has said that the inflation currently being seen is expected to be transitory due to supply chain issues.

VII. NEW BUSINESS

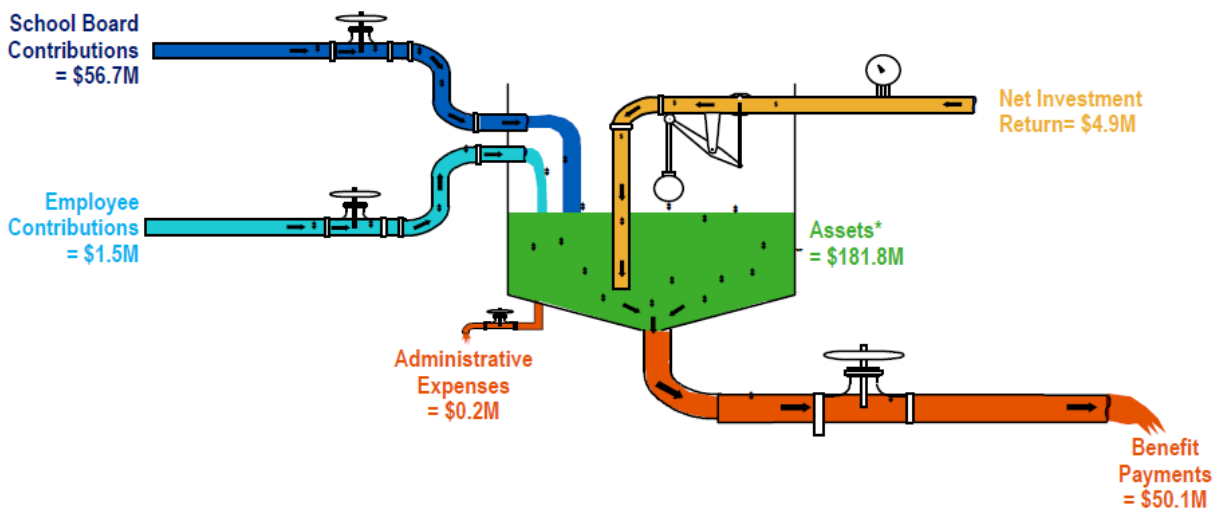
Presentation of Valuation Results for Board of Education - Segal

Ms. Cooper introduced a new Segal team member, Ben Kirkland. Mr. Kirkland began the presentation of valuation results for the Board of Education.

Cash flows and investments saw approximately a \$13 million increase in assets for the year.

2019-2020 Cash Flows

The chart below shows the audited cash flows of the City's Plan for the period July 1, 2019 through June 30, 2020.



Cash flows and net investment return of 2.8% for the period July 1, 2019 to June 30, 2020 increased the Market Value of Assets from \$169.0M to \$181.8M

* Market Value of Assets (MVA); Actuarial Value of Assets as of July 1, 2020 is \$186.7M (102.7% of MVA).

The plan population remained stable, with service and pay being consistent year over year.

Data Summary

As of July 1	2020	2019	Change
Active Members			
Number	770	758	+1.6%
Total Pay	\$21.0M	\$21.0M	+0.2%
Average Pay	\$27,285	\$27,663	-1.4%
Average Age	49.7	49.6	+0.1 years
Average Service	9.7	10.1	-0.4 years
Annuitants (Retirees and Beneficiaries)			
Number	1,801	1,866	-3.5%
Average Monthly Payment	\$2,276	\$2,245	+1.4%
Inactive Participants			
Number of Vested Terminated Participants	34	35	-2.9%
Number of Inactive Participants due a Refund	191	164	+16.5%

Assumption changes were made based on a 5-year experience study.

Summary of Assumption Changes

Assumption/Method	Current Assumption/Method	Proposed Assumption/Method
Healthy Retiree & Beneficiary of Living Retiree Mortality	Approximate sex-distinct RP-2006 Blue Collar Healthy Annuitant Mortality Table, with rates increased 25%	Sex-distinct Pri-2012 Blue Collar Healthy Retiree Amount-weighted Mortality Table, with rates increased 6%
Contingent Beneficiary Mortality	No separate assumption, used healthy retiree and dependent spouse mortality	Sex-distinct Pri-2012 Blue Collar Healthy Contingent Survivor Amount-weighted Mortality Table, with rates increased 6%
Disabled Life Mortality	Approximate sex-distinct RP-2006 Disabled Retiree Mortality Table, with rates increased 25%	Sex-distinct Pri-2012 Disabled Retiree Amount-weighted Mortality Table, with rates increased 6%
Pre-Retirement Mortality	Approximate sex-distinct RP-2006 Blue Collar Employee Mortality Table, with rates increased 25%	Sex-distinct Pri-2012 Blue Collar Employee Amount-weighted Mortality Table, with rates increased 6%
Mortality Improvement	Projected generationally with sex-distinct improvement rates under the 2016 OASDI Trustees Report used for the intermediate alternative	Projected generationally with sex-distinct improvement rates under the Society of Actuaries MP-2020 scale
Investment Return	7.25% per annum	7.00% per annum
Salary Scale	Age-based unisex salary scale grading down from 14.75% for participants under age 25 to an ultimate rate of 3.00% at age 65	Age-based unisex salary scale grading down from 8.00% for participants under age 25 to an ultimate rate of 3.00% at age 60

Ms. Cooper continued the presentation with highlighting the employer contribution change increase to \$60.2 million for July 1 2021 to June 30, 2022. The increase is to continue to pay off the unfunded liability which is expected to be paid off in FY 2028.

Pension Plan Highlights

- The funding policy adopted on June 2, 2014 increases the FY'14 contribution 3% per year until the plan is fully funded.
 - Under this policy, the recommended or actuarially determined contribution (ADC) for the period July 1, 2021 to June 30, 2022 (FY'21) is \$60.2 million.
 - The effective amortization period decreased 0.7 years from 7.6 last year to 6.9 this year.
 - Thus, we expect assets to exceed liabilities in about 6.9 years during FY'28*.
 - If the School Board contributes \$60.2 million annually (instead of increasing 3% above the prior year's contribution), the effective amortization period would be about 7.7 years.
- The rate of return on a market value basis was 2.8% for the year ended June 30, 2020.
 - The investment rate of return on an actuarial ("smoothed") basis was 6.3% primarily as a result of recognizing a portion of the 2016, 2019 and 2020 market losses, partially offset by recognizing a portion of the 2017 and 2018 market gains.
 - Since the actuarial rate of return was less than the valuation's assumed annual rate of return of 7.25%, there was an investment loss of about \$1.6 million.
 - The smoothed actuarial value of assets is 102.7% of the market value of assets as of the valuation date. Thus, there are about \$4.9 million in deferred losses that will be recognized over the next 4 years.

Valuation based on data and assets as of June 30, 2020

* Assumes long-term actuarial rate of return (i.e., discount rate) used to determine liability remains 7.00% and all other experience matches the actuarial assumptions.



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Potential Approach for Collecting Overpayments

Mr. Frankel of Gaslowitz Frankel LLC introduced himself and his firm as an estate litigation firm that could assist the City with collecting overpayments from the estate of deceased participants. His firm would be willing to take one estate as a test case to see if funds are available and if they could be collected. Although this is normally done on a billable hourly basis, the firm would work on a 1/3 contingency basis for these collections. Mr. Frankel said that there is a statute of limitations in collecting payments.

Mr. Berry requested that additional firms present their approach for collections to the Board so an informed decision could be made. Chairman Sims indicated that there would be a sub-committee created to review other firms. Chairman Sims also asked SBA to present the steps they are taking to mitigate overpayments from happening in the future and address the root cause of the overpayment problems.

Scheduling September Meeting (Currently 9/22/2021)

Ms. Shah brought up the meeting date for the September meeting which is currently scheduled for 9/22/2021. This is a date where three (3) board members will be attending a conference. She will send out an email to all board members with proposed alternate meeting dates.

Scheduling Meeting to Discuss Appeals

Chairman Sims asked Ms. Shah to follow up prior to the next Investment Board meeting to schedule a meeting to discuss appeals that have been brought to the Board.

VIII. OLD BUSINESS

There was no old business to discuss.

IX. QUESTIONS AND COMMENTS FROM AUDIENCE

It was noted there were no questions or comments from the audience.

X. DATE OF NEXT MEETING

The next Board meeting will be held on August 18, 2021.

XI. ADJOURNMENT

There being no further business to be brought before the Board at this time at 11:23 a.m. Chairman Sims called for adjournment.

Respectfully Submitted,

Chairman, Frank Sims

These minutes were adopted on _____, 2021