

CITY OF ATLANTA DEFINED BENEFIT
PENSION INVESTMENT BOARD MEETING

January 19, 2022

Webex Teleconference

10:00 A.M – 12:00 P.M.

Board Members Present

Frank Sims

Mohamed Balla

Alfred Berry, Jr.

Lisa Bracken

Marci Collier-Overstreet

Reggie Grant

Brent Hullender

Quentin Hutchins

Rick “Bud” Light

Jeffrey Norman

Chairman

CFO, City of Atlanta

General, City of Atlanta

Atlanta Public Schools

Councilmember, City of Atlanta

General, City of Atlanta

Fire, City of Atlanta

Atlanta Public Schools

Police, City of Atlanta

HR Commissioner, City of Atlanta

Others Present

Mary Shah

Stephanie Atli

Lori Pocock

Eric Dec

Mu’min Islam

Youlanda Carr

Pamela Goins

Fumnanya Johnson

Tiffany Jones

Delisha Robinson

Karen Sutton

Beryl Taylor

Amanda Rouser

Rosie Woods

Chelsea Deppert

Ed Emerson

Jeanette Cooper

Ben Kirkland

Kweku Obed

Jeannie Chen

Jamie Helms

Elaine Abrams

Karen Mitchell

Adam Persiani

Derek Batts

Stephanie Roberts

Joseph McLane

William Roach

Christopher Logan

Amanda Noble

Strategic Benefits Advisors

Strategic Benefits Advisors

Strategic Benefits Advisors

City of Atlanta, Legal

City of Atlanta, Legal

City of Atlanta, Finance

City of Atlanta, Finance

City of Atlanta, Finance

City of Atlanta, Finance

City of Atlanta, Finance

City of Atlanta, Finance

City of Atlanta, Finance

City of Atlanta, Pension Administration

City of Atlanta, Pension Administration

Morris, Manning & Martin

Morris, Manning & Martin

Segal

Segal

Marquette Associates

Deloitte

Deloitte

KPMG

KPMG

Pharos Funds

Union Heritage

Garcia Hamilton

I. CALL TO ORDER

Chairman Sims called the Webex teleconference meeting to order at 10:02 a.m. Chairman Sims noted that a quorum was present for the meeting and it was noted that 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. Light to approve the Agenda as presented. The motion was seconded by Mr. Hullender. The motion unanimously carried and the Agenda was approved.

III. PUBLIC COMMENT

Christopher Logan of the Police Pension Plan spoke of his appeal to request retroactive pension pay to May 16, 2020, which is the day after his last day worked. He presented a detailed timeline of his disability pension application process, which was initiated while Zenith was the plan administrator and continued on after SBA took over administration.

IV. APPROVAL OF PREVIOUS MEETING MINUTES

The Board reviewed the Minutes of the December 22, 2021 regularly scheduled meeting which were distributed in advance and reviewed by the Fund Professionals as customary.

Following review of the December 22, 2021 minutes, a motion was made by Mr. Berry to approve the Minutes as written. The motion was seconded by Mr. Light. The motion unanimously carried and the Minutes were approved.

V. ATTORNEY'S REPORT

Mr. Emerson reminded all Board members of their continuing education requirements under Georgia law. Since all members of the board are considered established trustees, everyone must complete 12 hours of education every 26 months. The education can be in many different areas of retirement administration, funding and investments. Trustees can provide documentation of classes and Legal can review to ensure the education meets the requirements. An easy way to obtain the educational requirement is to attend the upcoming GAPPT conference at Jekyll Island March 21 – 24, 2022. Board members were asked to contact SBA if they would like to sign up.

VI. INVESTMENT CONSULTANT REPORT – *Marquette Associates*

Mr. Obed walked through the market environment and performance for the three plans. He noted that the economy is dealing with the Omicron variant at the present time. Marquette is also looking at the Fed, and closely watching policy around interest rates. Inflation has been discussed over the past year and it is expected to continue in 2022. There is expected to be impact on major segments of the market.

U.S. economy overview

- Omicron to peak in mid-to late-January, consistent with its pattern in other countries
- Fed expected to complete its taper by end of March, removing significant stimulus from the economy
- Inflation will persist through 2022, but expected to moderate in second half of the year
- Fed is currently projected to hike three times in 2022, with first hike expected in March; inflation and growth will impact the timing and magnitude of hikes
- Labor market shortages continue to push wages higher as participation rate is still below pre-pandemic levels
- Pent up-demand and savings from pandemic should fuel strong growth, particularly in the second half of the year
- Supply chain pressures should ease as consumption drifts back towards more services rather than goods

Omicron and inflation are factors that weighed heavily on the Fixed Income market. The Agg Index saw a -1.54% return in 2021, largely driven by interest rate hikes at the beginning of the year. We expect to see continued challenges in 2022.

Fixed income: Rates expected to rise as Fed tapers and hikes

Elevated inflation and strong rebound from COVID will likely drive rates higher, but spreads expected to remain tight

		1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Broad Market Indices	Blm Aggregate	-0.26	0.01	-1.54	-1.54	4.79	3.57	2.90
Intermediate Indices	Blm Int. Gov./Credit	-0.13	-0.57	-1.44	-1.44	3.86	2.91	2.38
Government Only Indices	Blm Long Gov.	-1.42	3.05	-4.57	-4.57	8.78	6.53	4.53
	Blm Int. Gov.	-0.26	-0.58	-1.69	-1.69	3.02	2.32	1.68
	Blm 1-3 Year Gov.	-0.21	-0.58	-0.60	-0.60	2.03	1.62	1.10
	Blm U.S. TIPS	0.32	2.36	5.96	5.96	8.44	5.34	3.09
Credit Indices	Blm U.S. Long Credit	-0.37	1.52	-1.18	-1.18	11.37	7.64	6.42
	Blm High Yield	1.87	0.71	5.28	5.28	8.83	6.30	6.83
	CS Leveraged Loan Index	0.63	0.71	5.40	5.40	5.43	4.32	4.83
Securitized Bond Indices	Blm MBS	-0.09	-0.37	-1.04	-1.04	3.01	2.50	2.28
	Blm ABS	-0.16	-0.57	-0.34	-0.34	2.87	2.39	2.04
	Blm CMBS	-0.16	-0.64	-1.16	-1.16	4.98	3.80	3.68
Non-U.S. Indices	Blm Global Aggregate Hedged	-0.41	0.04	-1.39	-1.39	4.06	3.39	3.49
	JPM EMBI Global Diversified	1.40	-0.44	-1.80	-1.80	5.94	4.65	5.28
	JPM GBI-EM Global Diversified	1.56	-2.53	-8.75	-8.75	2.07	2.82	0.74
Municipal Indices	Blm Municipal 5 Year	0.13	0.04	0.34	0.34	3.34	2.97	2.38
	Blm HY Municipal	0.26	1.16	7.77	7.77	7.75	7.53	6.72

Note: The local currency GBI index is hedged and denominated in U.S. dollars. Sources: Bloomberg, Credit Suisse, JPMorgan, as of December 31, 2021

The US Equity markets have shrugged off concerns of COVID, inflation and Fed rate changes. There was some volatility, but there were also a lot of double digit returns.

U.S. stocks end 2021 on high note after strong December

U.S. equity markets performed extremely well in 2021, as the S&P 500 finished the period up 28.7%; mid- and small-cap core indices also posted double-digit returns during the year after a robust fourth quarter

	Month (%)	3-Month (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Broad Market Indices							
Dow Jones	5.5	7.9	20.9	20.9	18.5	15.5	14.2
Wilshire 5000	3.9	9.6	26.7	26.7	26.1	18.1	16.4
Russell 3000	3.9	9.3	25.7	25.7	25.8	18.0	16.3
Large-Cap Market Indices							
S&P 500	4.5	11.0	28.7	28.7	26.1	18.5	16.6
Russell 1000	4.1	9.8	26.5	26.5	26.2	18.4	16.5
Russell 1000 Value	6.3	7.8	25.2	25.2	17.6	11.2	13.0
Russell 1000 Growth	2.1	11.6	27.6	27.6	34.1	25.3	19.8
Mid-Cap Market Indices							
Russell Mid-Cap	4.1	6.4	22.6	22.6	23.3	15.1	14.9
Russell Mid-Cap Value	6.3	8.5	28.3	28.3	19.6	11.2	13.4
Russell Mid-Cap Growth	0.4	2.8	12.7	12.7	27.5	19.8	16.6
Small-Cap Market Indices							
Russell 2000	2.2	2.1	14.8	14.8	20.0	12.0	13.2
Russell 2000 Value	4.1	4.4	28.3	28.3	18.0	9.1	12.0
Russell 2000 Growth	0.4	0.0	2.8	2.8	21.2	14.5	14.1

Source: Morningstar Direct as of December 31, 2021

Mr. Obed pointed out that the international market saw a decent year in 2021. Fourth quarter returns were in high single digits, although there were some negative returns in emerging markets.

A positive 2021 for global equities, except EM

Developed markets outperform EM as China faced a challenging year, losing 21.7%

	Month (%)	3-Month (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
MSCI ACWI	4.0	6.7	18.5	18.5	20.4	14.4	11.9
MSCI ACWI ex. U.S.	4.1	1.8	7.8	7.8	13.2	9.6	7.3
MSCI EAFE	5.1	2.7	11.3	11.3	13.5	9.5	8.0
MSCI EAFE Local	4.3	3.9	18.7	18.7	13.4	8.4	10.1
MSCI Emerging Markets	1.9	-1.3	-2.5	-2.5	10.9	9.9	5.5
MSCI EM Local	1.5	-0.9	-0.2	-0.2	12	10.5	8.0
MSCI EAFE Small-Cap	4.4	0.1	10.1	10.1	15.6	11.0	10.8
MSCI EM Small-Cap	4.2	1.3	18.8	18.8	16.5	11.5	7.4
MSCI Frontier	1.5	0.7	19.7	19.7	12.7	9.6	7.3

Performance Overview - General Employees' Pension Plan

Mr. Obed stated that the General plan reflected strong performance in 2021. The plan has good year to date returns in the double digits. He 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 December 31, 2021.

MTD Performance (as of 12/31/2021)

Total Fund Composite: 3.2%
 Total Fund Policy Benchmark: 2.8%

FYTD Performance (as of 12/31/2021)

Total Fund Composite: 4.2%
 Total Fund Policy Benchmark: 3.2%

YTD Performance (as of 12/31/2021)

Total Fund Composite: 13.8%
 Total Fund Policy Benchmark: 13.3%

Mr. Obed noted that the strong performers for the month were Legato, Earnest Partners and Artisan. Even two of the lowest performers, Union Heritage and Channing Capital, had returns over 19% for the year, they were just low compared to the benchmark.

COA General Employees' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Legato	+20.1%	+2.8%	U.S. Equity
Earnest Partners SCC	+21.7%	+14.8%	U.S. Equity
Artisan Partners	+17.0%	+11.3%	International Equity

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Union Heritage LCC	+19.7%	+28.7%	U.S. Equity
Channing Capital	+19.5%	+28.3%	U.S. Equity
Hardman Johnston	+1.3%	+7.8%	International Equity

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 December 31, 2021. The plan had similar results compared to the General plan.

MTD Performance (as of 12/31/2021)

Total Fund Composite: 3.1%
 Total Fund Policy Benchmark: 3.0%

FYTD Performance (as of 12/31/2021)

Total Fund Composite: 3.6%
 Total Fund Policy Benchmark: 3.1%

YTD Performance (as of 12/31/2021)

Total Fund Composite: 13.8%
 Total Fund Policy Benchmark: 13.6%

Mr. Obed noted the top performers are from the equity portion of the portfolio. The bottom performers are more a statement of the asset class rather than the manager.

COA Police Officers' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Macquarie SCC	+23.8%	+14.8%	U.S. Equity
Intercontinental	+23.5%	+12.4%	U.S. Core Real Estate
Artisan Partners	+17.0%	+11.3%	International Equity

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Mesirow	-1.9%	-1.5%	Fixed Income
Hardman Johnston	+1.3%	+7.8%	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 December 31, 2021. He noted that YTD performance was slightly behind the benchmark due to one of the small cap managers that was terminated by the plan in 2021.

MTD Performance (as of 12/31/2021)

Total Fund Composite: 3.0%
 Total Fund Policy Benchmark: 2.5%

FYTD Performance (as of 12/31/2021)

Total Fund Composite: 3.3%
 Total Fund Policy Benchmark: 3.3%

YTD Performance (as of 12/31/2021)

Total Fund Composite: 13.4%
 Total Fund Policy Benchmark: 14.0%

Mr. Obed noted that the top performer was Ativo which has international focus. The bottom managers are both Fixed Income managers.

COA Firefighters' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Ativo	+13.2%	+7.8%	International Equity
Intercontinental	+23.5%	+12.4%	U.S. Core Real Estate

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Garcia Hamilton	-2.3%	-1.5%	Fixed Income
Hardman Johnston	+1.3%	+7.8%	International Equity

Ms. Collier-Overstreet asked how the talk about the change in interest rates would impact performance. Mr. Obed responded that the portfolio is heavy on equities, which should hold up well under modest hikes in interest rates. More tricky is inflation, which has been going up faster than originally thought. Fixed Income funds will be most pressured by rising rates. This supports why there is diversification in the portfolio. Mr. Obed added that Marquette will continue to monitor returns closely throughout the year. Mr. Light expressed concern that the inflation numbers are higher than actually reported because the core CPI is not capturing energy and food prices. Mr. Obed agreed that some pressures on the economy aren't captured by traditional measures. The best strategy is to look at the portfolio on a month by month basis and watch both the Fed and election results.

Mr. Norman joined the meeting at 10:30 a.m. and Mr. Balla joined at 10:45 a.m.

VII. AUDITOR REPORT - KPMG

Karen Mitchell and Elaine Abrams from KPMG reported audit findings for the fiscal year ending June 30, 2021. Material weaknesses were noted around plan census data and pension plan benefit payments where weaknesses communicated in the previous audit had not yet been remediated. No acts of fraud had been noted and overall there were no significant matters to report to the Board. The IT material weakness from the previous audit was remediated and corrected. There were still errors found during the audit, but to a lower degree, in census data and distributions. Management has taken steps to improve processes, but there are still material issues with regards to internal controls. The signed accounting estimates are similar to prior years and inputs from the plan actuaries were reasonable.

Mr. Berry asked if HR is addressing the data issues and Mr. Balla indicated that his team has been working with HR to coordinate a process in which the pension data has been scrubbed and cleaned. Mr. Balla noted that a lot of work has been done by SBA to clean up data, which will mitigate findings going forward. He also stated that the Deloitte project will improve the data even more. The Board discussed the efforts to get Deloitte access to the City data as well as the oversight needed to ensure project progress was being made.

Ms. Collier-Overstreet stated it was mentioned during the presentation that some errors were repeated but they were considered fine by management. She asked which management members decided the controls were fine. Ms. Mitchell clarified that the controls were not reported as fine, but that the dollar amount of the error in relation to the financial statements as a whole was not material and there was a control deficiency.

VIII. NEW BUSINESS

Special Election for Police and General Active Representatives

Ms. Shah stated that approval of the list of candidates for the special election was needed today since the slate was finalized yesterday. Mr. Norman added that the same process was followed as for the last election to solicit nominations, but that hard copy flyers were put in field offices for employees who do not regularly look at their City email. He noted that subsequently two nominations were received electronically and one was dropped in person at City Hall.

Ms. Shah noted that biographies for the candidates would be sent at the end of this week via email. The actual election will be held February 14 – 18, 2022 and results will be presented to this Board on February 23, 2022 for approval.

A motion was made by Mr. Berry to approve the slate of candidates for the General and Police special election. The motion was seconded by Mr. Light. The motion unanimously carried and the candidates were approved.

Update on Deloitte Project

Mr. Helms updated the Board on the data project currently in progress and noted that KPMG input for the last five years around the quality of the census data was a key driver for the project. Ms. Chen continued the update, noting that Deloitte has received data from SBA that includes the data received from Zenith. Deloitte is working to get copies of the scanned participant files from SBA. The next step is access to the City data, which should happen by the end of this week. Tools and templates that were developed in the pilot project will be reused. A full database of service and pay information will be built and, at the end of the project, the database will be sent both to SBA and the City. Ms. Chen noted that they are currently in month 3 of a 16-month project. The project is slightly delayed due to lack of access to City data, but it is still on track to complete in 16 months.

IX. OLD BUSINESS

2022 Meeting Dates

Ms. Shah stated that the November meeting date would be Friday, 11/18/2022 at 10:00 a.m. due to conflicts with City Council meetings and Thanksgiving. Ms. Atli will work with the City to use Meeting Room 2.

Reporting of Continuing Education Credits

Ms. Shah stated that SBA has not yet received responses from everyone with reports of their continuing education credits. Chairman Sims asked Ms. Pocock to repeat the email request one more time to those who have not yet responded. Ms. Shah asked any Board members to contact SBA if they would like to attend the March GAPPT conference at Jekyll Island.

X. APPEALS

Appeal for Christopher Logan

Mr. Dec presented information on the appeal from Christopher Logan. Mr. Logan is requesting his benefit effective date be changed from November 9, 2021, as approved by the Police Pension Committee, to May 16, 2020. Mr. Logan requested an early retirement estimate on June 4, 2021 and the assumption was made that he would apply immediately, although a timeframe for application was not explicitly stated in the estimate. The actual pension application was received on November 9, 2021. If the retirement is backdated to May 2020, the retroactive payment would be approximately \$18,000 (\$1,000 per month). Chairman Sims asked if his initial application was for disability and Mr. Dec replied yes, but that application was denied in April 2021. Mr. Logan then requested options for his next possible actions and requested an estimate for early retirement, which was sent on June 4, 2021. Ms. Shah added that in September 2021 Mr. Logan also requested a lump sum estimate for return of his contributions, so it was not clear to SBA that he wanted early retirement.

Appeal for Christian Bain

Mr. Dec presented information on the appeal from Christian Bain. Mr. Bain is the son of Jason Bain who died in January 2021. Jason Bain had a minor child age 16 and Christian age 21. Christian was not a full-time student the semester before or during the month of Jason's death, but has since enrolled as a full-time student during the fall 2021 semester. Mr. Bain is asking for an exception to the eligibility requirements that children over the age of 18 must be a full-time student at the time of death to receive benefits. Chairman Sims asked if the overall dollar amount would change, or if the same benefit would be split three ways instead of two (there is also a surviving spouse), and Ms. Shah verified the total benefit paid remains the same.

A motion was made by Mr. Hullender to enter Executive Session to discuss the above appeals. The motion was seconded by Mr. Berry. The motion unanimously carried and the Board entered Executive Session.

Mr. Balla left the meeting at 12:00 p.m.

A motion was made by Mr. Berry to exit Executive Session. The motion was seconded by Mr. Hullender. The motion unanimously carried and the Board exited Executive Session.

A motion was made by Mr. Hullender to uphold the decision of the Police Pension Committee for Christopher Logan. The motion was seconded by Mr. Berry. The motion unanimously carried and the Board upheld the Police Pension Committee's prior decision.

A motion was made by Mr. Hullender to uphold the decision of the Police Pension Committee for Christian Bain. The motion was seconded by Mr. Berry. The motion unanimously carried and the Board upheld the Police Pension Committee's prior decision.

XI. QUESTIONS AND COMMENTS FROM AUDIENCE

There were no questions from the audience.

XII. DATE OF NEXT MEETING

The next Board meeting will be held on February 23, 2022.

XIII. ADJOURNMENT

There being no further business to be brought before the Board at this time at 12:21 p.m. Chairman Sims called for adjournment.

Respectfully Submitted,

Chairman, Frank Sims

These minutes were adopted on _____, 2022