

CITY OF ATLANTA DEFINED BENEFIT  
PENSION INVESTMENT BOARD MEETING

August 17, 2022

Atlanta City Hall Committee Room 1

10:00 A.M – 12:00 P.M.

**Board Members Present**

Frank Sims  
Alfred Berry, Jr.  
Lisa Bracken  
Brent Hullender  
Quentin Hutchins  
Rick “Bud” Light  
Mohamed Balla  
Jeffrey Norman  
Antonio Lewis  
Jason Winston

Chairman  
General, City of Atlanta  
Atlanta Public Schools  
Fire, City of Atlanta  
Atlanta Public Schools  
Police, City of Atlanta  
CFO, City of Atlanta  
HR Director, City of Atlanta  
City Council, City of Atlanta  
City Council, City of Atlanta

**Others Present**

Mary Shah  
Lori Pocock  
Eric Dec  
Youlanda Carr  
Pamela Goins  
Delisha Robinson  
Beryl Taylor  
Pamela Goins  
Rosie Woods  
Shanteria Starr  
Chelsea Deppert  
Ed Emerson  
Kweku Obed  
Jeanette Cooper  
Derek Batts  
Benjamin Hymes  
Stephanie Roberts

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, Finance  
City of Atlanta, Finance  
City of Atlanta, Pension Administration  
City of Atlanta, Human Resources  
Morris, Manning & Martin  
Morris, Manning & Martin  
Marquette Associates  
Segal  
Union Heritage  
Legato  
Garcia Hamilton

**I. CALL TO ORDER**

Chairman Sims called the meeting to order at 10:14 a.m. Chairman Sims noted that a quorum was present for the meeting and the meeting was being held both in-person and via Webex Teleconference. It was also noted that Investment Managers were in attendance.

**II. ADOPTION OF AGENDA**

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

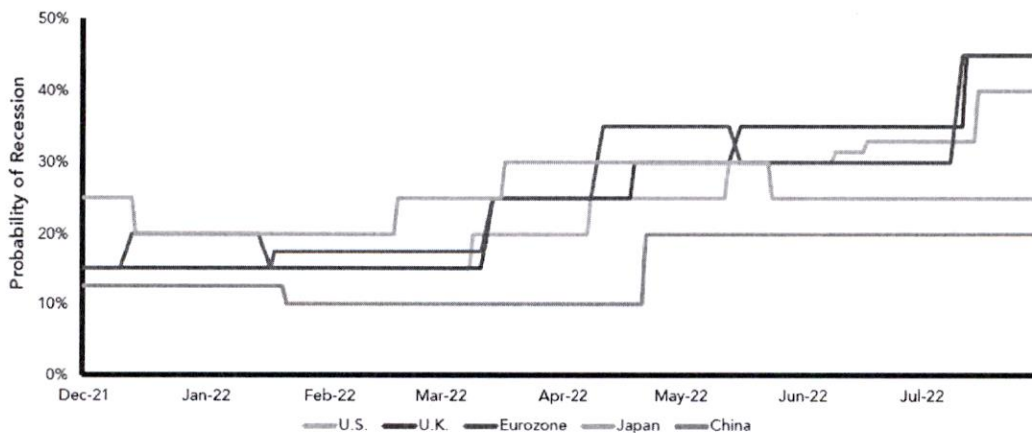
## Macro themes

- Risk assets continued to push higher off mid-June lows, with most of the bad news, for now, priced in to washed-out markets.
- July CPI, released in August, of +8.5% year-over-year decelerated from June's +9.1% and came in below expectations of 8.7%. Prices were flat month-over-month, helped by lower gasoline prices and airline fares.
- The futures market is pricing in a September rate increase between 50bps and 75bps, with probabilities dependent on the latest economic release. Strong jobs data supports a larger hike, with more work to be done to cool economic activity, but CPI off peaks is a step in the right direction and may indicate higher rates are having the intended effect.
- While there is no one official definition of recession, many consider the U.S. to be in a "technical recession" following two quarters of negative GDP growth. The first half decline was driven by investment and net exports, as opposed to consumer spending – which comprises 70% of GDP, and the strong labor market leaves the state of the economy up for debate.

Mr. Obed also noted the Fed has said that rising inflation is more of a concern than going into a recession. One thought is we are already in a recession, while another says we are not in a recession due to employment numbers. The Fed has getting inflation under control as its number 1 objective.

## Rising recession fears

**Recession odds have increased throughout the year, though probabilities less than 50% indicate it is not yet the consensus expectation**



Mr. Obed stated that the Fixed Income class had a really good July and was up 2.4%. Some of the positive returns were due to market projections of rates decreasing in 2023.

## U.S. stocks bounce back in July after a dismal start to year

Each major U.S. equity market benchmark posted strong returns in July after a significant correction in the first several months of the year; growth indices outpaced their value-oriented peers across the market capitalization spectrum during the month

		MTD (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
<b>Broad Market Indices</b>	Dow Jones	6.8	6.8	-8.6	-4.1	9.2	10.9	12.3
	Wilshire 5000	9.5	9.5	-13.3	-6.6	13.0	12.5	13.6
	Russell 3000	9.4	9.4	-13.7	-7.4	12.6	12.2	13.5
<b>Large-Cap Market Indices</b>	S&P 500	9.2	9.2	-12.6	-4.6	13.4	12.8	13.8
	Russell 1000	9.3	9.3	-13.6	-6.9	12.9	12.6	13.7
	Russell 1000 Value	6.6	6.6	-7.1	-1.4	8.9	8.3	11.1
	Russell 1000 Growth	12.0	12.0	-19.4	-11.9	16.1	16.3	16.0
<b>Mid-Cap Market Indices</b>	Russell Mid-Cap	9.9	9.9	-13.8	-9.8	9.5	9.7	12.3
	Russell Mid-Cap Value	8.6	8.6	-9.0	-2.9	9.4	7.8	11.5
	Russell Mid-Cap Growth	12.2	12.2	-22.6	-21.8	7.5	11.1	12.8
<b>Small-Cap Market Indices</b>	Russell 2000	10.4	10.4	-15.4	-14.3	7.5	7.1	10.6
	Russell 2000 Value	9.7	9.7	-9.3	-4.8	9.4	6.7	10.2
	Russell 2000 Growth	11.2	11.2	-21.6	-23.2	4.7	6.9	10.7

Source: Morningstar Direct as of July 31, 2022

Mr. Obed noted that non-US stocks have also rebounded. While they are still down YTD, they had good returns in July. There is a currency exchange effect where returns reported in local currency are higher than returns reported in U.S. dollars due to exchange rates.

## Global equity indices bounce back in July

Rally driven by resilient corporate profits and optimism around a slower and short rate hike cycle for the FED

		MTD (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
<b>Global Equity Market Indices</b>	MSCI ACWI	7.0	-2.0	-7.8	-10.5	8.5	7.9	9.3
	MSCI ACWI ex. U.S.	3.4	-5.5	-10.6	-15.3	2.9	2.4	5.0
<b>Developed Markets Indices</b>	MSCI EAFE	5.0	-4.8	-9.7	-14.3	3.2	2.6	5.8
	MSCI EAFE Local	5.2	-1.5	-1.0	-2.1	5.9	5.2	8.7
<b>Emerging Markets Indices</b>	MSCI Emerging Markets	-0.2	-6.9	-13.7	-20.1	0.9	1.0	2.8
	MSCI EM Local	0.1	-4.4	-9.9	-14.9	3.6	3.4	5.8
<b>Small-Cap Market Indices</b>	MSCI EAFE Small-Cap	6.6	-5.1	-12.3	-20.3	3.5	2.3	7.8
	MSCI EM Small-Cap	2.8	-8.1	-11.8	-17.4	7.3	3.3	4.6
<b>Frontier Markets Index</b>	MSCI Frontier	1.2	-4.2	-12.8	-16.0	0.1	1.5	5.1

Mr. Obed reported that real estate has continued to hold up well in this environment.



## COA General Employees' Manager Contribution – YTD Performance

<b>Top Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Earnest Partners EM	-10.2%	-17.8%	Emerging Markets Equity
Artisan	-9.9%	-15.6%	International Equity
Earnest Partners SCC	-10.0%	-15.4%	U.S. Equity

<b>Bottom Performers</b>	<b>Absolute Performance</b>	<b>Benchmark Performance</b>	<b>Strategy</b>
Brown Capital SC	-28.9%	-18.5%	International Equity
Hardman Johnston	-23.3%	-15.6%	International Equity
Channing SCV	-11.5%	-9.3%	U.S. Equity

### Performance Overview – Police Officers' Pension Plan

Mr. Obed provided the Board with the following current preliminary market values (MTD – Month to Date; FYTD – Fiscal Year to Date; YTD – Year to Date) as of July 31, 2022. The Police Officers' Plan had similar results compared to the General Plan, up 5.5% for the month of July.

#### **MTD Performance (as of 7/31/2022)**

Total Fund Composite: 5.5%  
Total Fund Policy Benchmark: 5.5%

#### **FYTD Performance (as of 7/31/2022)**

Total Fund Composite: 5.5%  
Total Fund Policy Benchmark: 5.5%

#### **YTD Performance (as of 7/31/2022)**

Total Fund Composite: -11.9%  
Total Fund Policy Benchmark: -11.4%

Mr. Obed looked at the top and bottom performers in the Police Officers' Plan and noted the similar trend to the General Plan. The bottom performers – Brown, Driehaus and Hardman Johnston – are all growth leaning while the top performers are all value leaning managers.

## COA Firefighters' Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Earnest SCC	-10.1%	-15.4%	U.S. Equity
Garcia Hamilton	-5.8%	-8.2%	Fixed Income

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Brown SC	-28.9%	-18.5%	International Equity
Driehaus SCG	-30.6%	-21.6%	U.S. Equity

Mr. Light asked about his concern of the amount of the portfolio in BlackRock funds – approximately 33% - and the potential for something major to happen with that manager. Mr. Obed noted that the portfolio exposure with BlackRock funds were index funds. These are passively managed so the bigger the manager, the more security institutional managers feel. This does eliminate some of the risk. He also noted BlackRock is “too big to fail” and policies are put in place so failure doesn’t happen. Mr. Lewis noted that he likes BlackRock as a company, especially their stance on climate change.

## **VII. NEW BUSINESS**

### **Actuary Follow-up Items – Segal**

Ms. Cooper stated she had printed copies of the School Board 2021 valuation report and summary for distribution. The printed reports match the results presented last month.

Ms. Cooper also presented a proposal for Segal to perform an updated Cap Study for the 3 pension plans. The last study was done in 2018 and based on the 2016 valuation. The new study would be based on the 2021 valuation assumptions and methods which have been recently updated. From 2012 through 2017, Segal charged \$30,000, \$10,000 per Plan. Segal is proposing a slight increase to \$33,000 to complete an updated Cap Study, which would be \$11,000 per plan. If the work is approved, Segal would present results in November / December this year.

**Following discussion of the Segal proposal, a motion was made by Mr. Hullender to approve the Cap Study for a fixed fee of \$33,000. The motion was seconded by Mr. Berry. The motion unanimously carried and the Cap Study was approved.**

Ms. Cooper noted that the Segal regular contract has been sent to the City for review. Segal’s legal department has reviewed the contract and opined that only the Statement of Work needed updates and fees needed to be negotiated. One thing to be reviewed is that the current Statement of Work (SOW) states that Segal will review the COLA calculation prepared by Chuck Carr, but Segal has never had changes, so this could possibly be removed. Mr. Berry asked if this was a year to year contract and Ms. Cooper replied that the contract was last updated in February, 2019. She added that the front part of the contract is standard

systems can be fully up in 48 hours. SBA has partnered with SpearTip to act as the Virtual Chief Information Security Officer (VCISO). There are monthly risk council meetings that review logs and make sure any issues are promptly addressed. SBA undergoes an annual SOC I audit and is nearing completion of a SOC II Type I audit that is focusing on security and internal processes.

### **VIII. OLD BUSINESS**

There was no old business to discuss.

### **IX. QUESTIONS AND COMMENTS FROM AUDIENCE**

There were no questions from the audience.

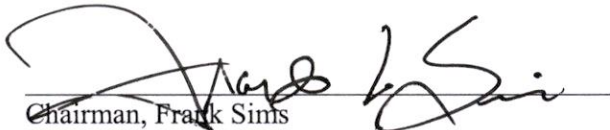
### **X. DATE OF NEXT MEETING**

The next Board meeting will be held on September 22, 2022. The meeting will be in person at Atlanta City Hall in Committee Room 1.

### **XI. 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 October 19, 2022