

**CITY OF ATLANTA PENSION INVESTMENT BOARD
SPECIAL CALLED MEETING**

November 29, 2018
City Council Chambers – City Hall
10:00 A.M. – 12:00 P.M.

BOARD MEMBERS PRESENT

FRANK SIMS	Chairman
ROOSEVELT COUNCIL	CFO, City of Atlanta
MARIAN Y. WOODS	HR Commissioner, City of Atlanta
MARCI COLLIER OVERSTREET	City Councilmember
NATALYN ARCHIBONG	City Councilmember
JOYCE SHEPERD	City Councilmember
HOWARD SHOOK	City Councilmember
REGGIE GRANT	Appointee, City of Atlanta
LISA BRACKEN	APS, City of Atlanta
RICHARD LIGHT	Police, City of Atlanta
DEREK BRENT HULLENDER	Fire, City of Atlanta
QUENTIN HUTCHINS	APS, City of Atlanta
ALFRED BERRY, JR.	General, City of Atlanta

Board Members not present: Richard Cox, and J.P Matzigkeit

OTHERS PRESENT

As acknowledged on the City of Atlanta Pension Investment Board Trustee Meeting Sign In Sheet for November 29, 2018.

I. CALL TO ORDER

Chairman Mr. Frank Sims called the meeting to order at 10:20 a.m. in City Council Chambers at City Hall in Atlanta, Georgia. Chairman Sims indicated that a quorum was present for the meeting.

II. ADOPTION OF THE AGENDA

The Agenda was accepted as presented with no changes or modifications.

III. PUBLIC COMMENTS

There were no Public Comments made.

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IV. MINUTES OF THE PREVIOUS MEETING

The Trustees reviewed the Minutes of the September 27, 2018 Board meeting, which were distributed in advance. The following changes and/or modifications were acknowledged:

*Header on Minutes should state **City of Atlanta Pension Investment Board** not City of Atlanta Police Officers' Pension Fund*

*Pg. 3 – A motion was made by Mr. Light and seconded by Mr. Grant to approve the June, July, August and September 2018 Pensions for the **Police Officers' Pension Plan** not for the Firefighters' Pension Plan.*

*With the agreement on the Minutes noting the required modifications, a **motion was made by Mr. Grant to approve the Minutes as presented and the motion was seconded by Ms. Woods. The motion unanimously carried and the Minutes were approved. Listen to the recording if you did not write this because this was from the minutes in September.***

V. NEW BUSINESS

Installation and Introduction of Elected General/APS Board Representatives

A request was made by Ms. Sheperd to change the order of the agenda to acknowledge the newly installed representatives. Ms. Sheperd noted that this would be wise considering items up for discussion requiring a vote and this ensured the new representatives would be able to act with full voting rights.

Ms. Sims acknowledged this request and allowed each Trustee an opportunity to introduce them. Both Mr. Hutchins and Mr. Berry introduced themselves to and thanked the Board for having an opportunity to serve.

VI. ADMINISTRATIVE MANAGER'S REPORT

Disability Applications

Ms. Patricia D. Harris of Zenith American Solutions presented the Board with the following disability applications for which handouts were distributed to each trustee detailing the medical condition of each applicant: Ms. Harris made informed the Board of the recommendations of each physician as it related to the condition and disability status for review. It was noted that the only application with a physician opinion for denial was for Gwendolyn McChriston Jones.

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- Gregory Wise
- Anthony L. Singleton
- Kelvin Banks
- Twanesia Crawford
- Thelma Rucker
- Alice R. Flemister
- Gwendolyn McChriston Jones

A motion was made by Mr. Hullender and seconded by Mr. Light to approve the Disability Application for Gregory Wise. This motion passed unanimously

A motion was made by Mr. Council and seconded by Ms. Woods to approve the Disability Application for Anthony L. Singleton. This motion passed unanimously

A motion was made by Mr. Berry and seconded by Ms. Overstreet to approve the Disability Application for Kelvin Banks. This motion passed unanimously

Ms. Collier Overstreet indicated the she had some concern over the unchecked box on the application that stated 'Any deformity, loss of impairment of limb, sight and hearing'. Ms. Collier Overstreet stated that all other applications had a check mark in this box. As a response, Ms. Denius stated that she did not believe that this posed a problem for the overall option of the physician. Ms. Denius also expounded on the process to complete these applications and how she was not troubled by this however,

Following this discussion, a motion was made by Mr. Grant and seconded by Mr. Berry to approve the Disability Application for Twanesia Crawford subject to review of the unchecked box on the application stating 'Any deformity, loss of impairment of limb, sight and hearing'. This motion was not passed unanimously subject to.

A motion was made by Mr. Berry and seconded by Mr. Hutchins to approve the Disability Application for Thelma Rucker. This motion passed unanimously

A motion was made by Mr. Light and seconded by Mr. Grant to approve the Disability Application for Alice R. Flemister. This motion passed unanimously

A motion was made by Mr. Council and seconded by Ms. Collier Overstreet to deny the Disability Application for Gwendolyn McChriston Jones as presented. This motion passed unanimously.

VII. ATTORNEY'S REPORT

COA Pension Investment Board Bylaws

Ms. Denius advised the Board that they should vote approve the Bylaws and determine ongoing meeting dates. Ms. Denius also informed the Board that the Bylaws

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submitted for approval were drafted from the Bylaws of the previously administered individual Boards. It was agreed that this matter would held for discussion at the next Board Meeting to allow the Trustees additional time to review them.

Ms. Sims requested that the Trustees try to schedule all of the Q1 Board Meetings in advance. After discussing this, the Trustees agreed to meet on the 3rd Wednesday of the month from 10:00 am – 12:00 pm in City Council Chambers for January, February and March 2019.

Medtronic, Inc.

Ms. Denius spoke to the Board about a potential class action matter that was received from Saxena White for both the Fire and Police plans. Ms. Denius informed the Board that all of the necessary information was given to Northern Trust for gathering the assets pertaining to this portfolio holding. At this point, Ms. Denius stated that there was no further action to take.

VIII. NEW BUSINESS

Installation of Elected Police and Fire Pension Board Representatives

This matter was addressed earlier immediately before Section V of the Agenda entitled – Administrative Managers' Report.

Pension Financial Investment Reports

Mr. Sims addressed the Board and presenters with dialogue regarding the overall expectations of each presentation followed with a summation on protocol. Ms. Sheperd requested an introduction to the Plans Financials. As a response, Ms. Woods requested that the Board be provided training and she requested the Human Resource Department assist with facilitating this request. As well, members of the former Board of Trustees for Fire and Police spoke about the GAPPT Conference to be held in March 2019 requesting Ms. Harris provide the Trustees with registration information should anyone be interested in attending.

Marquette Associates

Mr. Kweku Obed of Marquette & Associates, opened his presentation by expounding on the context of training by informing the Board that he had provided them with a copy of his book entitled '*Stranded Fish*' which focused on providing a great background in the fiduciary responsibilities as an introduction for new Trustees. Mr.

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Obed also introduced the Client Service Team present as Mr. Jesus Jimenez and Ms. Nicole Johnson-Barnes.

Mr. Obed provided the Committee with the Firefighters' Pension Fund Pension Fund Portfolio Review and noted the following information inclusive of a Market Value of \$752.2M as of September 30, 2018:

Action Items

Chronological summary of actions from inception of being hired with the City of Atlanta (November 2016) to the present.

Realized Fee Savings

Streamlining the portfolio and lowering annual investments management fees by approximately \$1,035,987. The values of which are shown on pg. 10 – Tab II of the presentation (Fee Schedule).

FY' 18 Performance Overview (Net of Fees) Fiscal year-to-date, the Fund outperformed its benchmark by 60 basis points, ranking in the top decile within the Investor Force Public DB > \$250MM Universe (9.9% compared to 9.3% respectively).

Manager Contributions

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Garcia Hamilton	+1.1%	-0.4%	Fixed Income
Johnston International Equity	+14.2%	+6.8%	International Equity
Intercontinental U.S. Real Estate	+10.4%	+7.5%	Real Estate

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Colchester Global Investors	+1.0%	+1.9%	Fixed Income
LMCG Investments	+21.5%	+21.9%	U.S. Equity
Ativo Capital	+5.3%	+7.3%	International Equity

Ms. Johnson-Barnes provided the Board with the following information relevant to her presentation:

Top Performers

- Garcia Hamilton – High Quality bias, Short Duration, Bond Yield Curve style enhanced performance.
- Johnston International Equity – Concentrated Info Tech, Consumers and Financial strengthened performance.

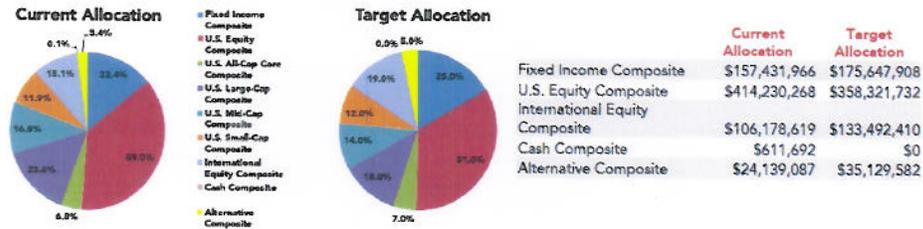
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- Intercontinental U.S. RE – Outperformance in Multi-Family and Office properties.

Bottom Performers

- Colchester Global – Value Bonds yields impacted by trade wars and tariff talks related to underperformance.
- LMCG Investments – Small Cap Growth selection with underperformance in Health Care
- Ativo Capital – Underweighted in Energy and Technology posed issues with underperformance.

Asset Allocation



Mr. Obed confirmed with the Board that at the end of each period rebalancing is done within the +/-5% variance as warranted. Overweighting to U.S. Equity and the mandate on Fixed Income supported the Portfolios positioning for growth.

3Q' 18 Performance (Net of Fees)

Year-to-date through September 30th, the Fund outperformed its benchmark by 30 basis points, ranking in the top decile within the Investor Force Public DB > \$250MM Universe (5.4% compared to 5.1% respectively). Due to the lag in reporting the Alternative returns were not yet input however, Mr. Obed reported that the value would increase by approximately 3.2% as a result.

Manager Contributions

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Top Performers	Absolute Performance	Benchmark Performance	Strategy
Garcia Hamilton Colchester Global Investors	-0.3%	-1.6%	Fixed Income
LMCG Investments	+19.0%	+15.8%	U.S. Equity
Ativo Capital Intercontinental U.S. Real Estate	-1.7%	-3.1%	International Equity
	+7.7%	+5.8%	Real Estate

Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Johnston International Equity	-2.6%	-1.4%	International Equity

Ms. Johnson-Barnes provided the Board with similar context on the managers in both the top and bottoms performers.

In summary Mr. Obed advised the Board of the following Key Takeaways:

- Realized fee savings have been meaningful – Marquette will continue to review fees and renegotiate with managers where possible
- FY'18 performance was strong and ahead of the benchmark and peers (FY'17 performance also exceeded the target rate of return and the benchmark; FY'17 saw a 7.7% return vs the benchmark return of 6.9%)
- The mixture of active and passive (index) managers has been a key driver of the Plan's strong performance
- Structural overweight to U.S equities has been beneficial to long-term and short-term performance
- With rates projected to rise one more time in 2018 and potentially 3 times in 2019, we expect some volatility from fixed income

Mr. Light advised the Board to look at the exhibits and be mindful of the fact that the down year of 2008 was factored into the overall performance of the portfolio as the economy changes overtime. While Mr. Hullender asked Mr. Obed about the underperformers that were on the 'Watch List' or terminated that needed to be revisited by the new Investment Board. Mr. Obed expounded on these facts providing his insight by asset class, strategy coupled with today's economic politics noting that diligence was had to take any necessary actions by class and at this time no further recommendations were warranted.

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With no additional questions, Mr. Obed concluded his report which was accepted as informational.

Callan

Mr. Brian Smith of Callan LLC introduced himself and noting that Mr. Bill Emmitt was not present due to a prior commitment. Mr. Smith presented the Board with the Q4 Portfolio Review noting that the full Quarterly Review was provided for their information. The following highlights were provided for the General Employees' Pension Fund:

- The **City of Atlanta General Employees' Pension Fund (GEPF)** totals \$1.48 billion in assets.
- Liquidity needs include an **estimated quarterly cash raise** of approximately \$20 million (\$6 to \$8 million deficit per month). Mr. Smith noted that this was
- primarily due in fact because Benefit payments exceed contributions. As a result of this both Mr. Sims and Mr. Council stated that they were interested in discussing funding status and liability coupled with the Annual Valuation output compared to the budget and contribution expectations.
 - An **actuarial return assumption** of 7.25%. *The Fund needs to pursue return; therefore asset allocation policy emphasizes growth assets (70% equity). – A tad below standard for similar Funds.*
 - *Georgia law limits the Fund's equity exposure to 75%.*
- A well-diversified portfolio across a range of asset categories with **21 investment strategies**.
- Annual effective **investment management fees** of approximately 41 basis points.
 - *Greater non-US equity exposure and use of active management has led to higher fees relative to Police and Fire. – More Active Managers charge more in fees as with Non U.S. Equity.*
- The **watch list** contains 3 investment managers:

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- *Mesirow Financial – core fixed income (personnel turnover); pending replacement search.*
- *GLOBALT – tactical overlay (underperformance).*
- *MacKay Shields (Cornerstone) – mid cap equity (underperformance).*

Strategic Policy Target Allocation



The current broad policy is 70% equity (50% in US markets, 20% in non-US markets), 25% fixed income and 5% alternatives. As part of this target, 7.5% is allocated to a balanced strategy (GLOBALT) that is intended as a tactical overlay.

Asset Allocation Relative to Peers

Mr. Smith advised the Board that the Asset Allocation Study was redone in 2017 and there were no anticipated changes to the Portfolio recommended at this point. Mr. Berry inquired on the Alternative Investment space and the relationship between Gray Co and Consequent Capital Management. Mr. Smith informed Mr. Berry that there was an Advisory Committee in progress prior to the legislative changes made as well he indicated that there was representation from Consequent Capital Management present that could speak to his question regarding Gray Co. As well he noted that a request to review the Limited Partnership Agreement was left outstanding for the same reasons. Mr. Smith also spoke on the aspects of liquidation of the Funds relative to the agreement as it related to causing any undue harm to the Plan. Mr. Smith expounded on the value of Alternatives and the GA State mandate for the maximum allowable holdings for the Plan in this investment realm.

After a moment of question and answer, Mr. Smith concluded his report which was accepted as informational.

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Consequent Capital Management

Mr. John C. Robinson of Consequent Capital Management introduced himself and Mr. Brad Lyons noting that Mr. Cyril Theccanat was not able to attend. Mr. Robinson opened his discussion by presenting the Board with Quarterly Performance Review as of September 30, 2018. The following information coupled with highlights was reviewed:

Portfolio Summary

Plan Market Value (as of September 30, 2018): \$1.2B

Net of Fees Returns (as of September 30, 2018)

2018 O3: 3.6%

Trailing 1 year: 10.1%

Investment Policy and Objectives

Meet actuarial target of 7.5% over a complete market cycle of 5 years

	Market Value (\$)	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Total Fund Composite	1,162,536,862	100.00	3.66	5.99	10.49	11.66	8.29	11.16	8.87
Total Fund Composite (Net of Fees)			3.56	5.63	10.00	11.28	7.93	10.79	8.57
Total Plan Policy Index			3.64	5.44	9.82	11.37	8.85	11.44	9.47

Mr. Robinson expounded with the Board on the matter of Mesirow being on the watch list due to staffing matters. He stated that when changes occur within the structure of a manager's leadership there can be issues of concern related to strategy and/or direction of the organization.

When reviewing the Universe Performance Mr. Robinson noted that the values presented were Gross of Fees. Following a discussion on this fact Mr. Sims requested this report be provided Net of Fees.

Mr. Robinson recommends the Board review the International Equity space since this has been a detractor for performance in the Plan. A report would be done as soon as possible to provide the changes to rebalance the portfolio within the International space.

Mr. Berry took the opportunity to address Mr. Johnson on the relationship with Gray Co. in the Alternative Investment space. Mr. Johnson stated that a review is done for

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all of the Alternative Managers to ensure money is invested and returns are realized in order to add alpha to the portfolio.

Mr. Berry requested Ms. Denius provide the Board with details and status on the relationship to the General Employees' Pension Plan. Ms. Denius responded that the SEC matter was settled as agreed upon and no findings of fraud were exposed. As well getting out of the Limited Partnership Agreement would be costly and potentially harmful to the Board in their fiduciary responsibilities to exit the agreement. Mr. Hullender responded on behalf of the Fire Plan all of the fiduciaries were counseled to remain in the investment and not sell for similar reasons. He stated that the same message had been delivered by several firms. Mr. Sims asked City Law to provide more details as requested.

In conclusion, Mr. Robinson stated that rebalancing changes were forth coming. The report was accepted as informational.

Election Process for the Administrative Boards

Mr. Louis Amos addressed the Board and advised then that the notice of interest for the election should be completed in December for all three (3) Plans on behalf of the Actives and Retiree's. Mr. Amos noted that the election should conclude by late January or early February.

RFP for Legal Counsel

Mr. Hullender addressed the Board over his concern for the respective Plans not have dedicated legal counsel as was done in the past. He went on to state that having a dedicated pension / investment based outside counsel would help the Board. Ms. Denius agreed with this notion and as a result, a *motion was made by Mr. Hullender to issue and RFP for outside council. This motion was seconded by Mr. Berry and the motion carried with unanimous decision.*

Mr. Hullender noted that the process in the past was done and implemented by the existing Board of Trustees in conjunction with the Third Party Administrator. Mr. Sims requested that Ms. Denius create the termination letters for the prior legal counsel of record and work with Zenith on the RFP documentation. Ms. Denius also noted that the format would be similar to an Engagement Letter rather than a contract. Although it should have been implied at the termination of the prior Boards the then counsel would no longer exist. Mr. Hullender confirmed that this was the case for Fire and Ms. Harris confirmed the same for the other two legal entities. Ms. Denius

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recommended a letter for terminating the services of all three of the prior plan based on legal forms of records.

IX. OLD BUSINESS

Report on details of existing contracts with former Pension Boards

Ms. Denius addressed the Board and advised them that she had compiled a good deal of pertinent information on the existing contracts for the former Boards. Ms. Denius noted that each of the contracts was engaged by the individual Boards. As well provider oversight and compliance of each was relegated to the respective Board of record. Ms. Denius stated that the New Investment Board was responsible as the Successor Board and determination should be done for next step responses. Ms. Denius agreed with Mr. Sims in the Board discussing these contracts as well, Mr. Sims suggested a follow-up with the CFO and City Law to have updates for the Board at the following Board Meeting.

Ms. Denius noted that the total amount paid in 2017 will be lower due to a matter of litigation and the settlement agreement from the law firm for which the funds will be allocated back to the General and Police Officers' Plans. As well, Ms. Denius informed the Board that the Security Litigation Firms were not under contract but rather provide services for a fee only when a matter of litigation is settled.

Consolidated Investment Consultant RFP

Posted on the City Procurement Website on November 14, 2018 for the combined services for the DB and DC Plans. The assets for all 3 plans equate to approximately 3.3B. The submissions are due by December 6, 2018 and Mr. Gaffney noted that he and the CFO would Vet out the submissions prior to submitting to the Board for review. Mr. Gaffney noted that although he was tasked to create the RFP, the Board should be responsible for determining how the selection process should be run. Mr. Sims requested that the Finance Department assist in this responsible as they have a good handle on the process and workings of the expectation for this role. Mr. Gaffney stated that he compile all of the pertinent data from the submissions and return to the Board with recommendations on how to proceed next.

A robust discussion was had and it was agreed that Ms. Harris would send out an email to the Board with an option to vote on their participation on the RFP Review Committee.

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Mr. Gaffney also reminded the Board that the Callan LLC extended agreement expires on December 31, 2018 so discussion should be had with them on action to take in the event that this RFP has not concluded as warranted.

X. QUESTIONS AND COMMENTS FROM AUDIENCE

City Audit

Ms. Amanda Noble noted that Deloitte was contracted as the independent audit role/function and they would be replicating the Valuation and Experience Study noting that the Charter stated that the cost were to be paid by the individual funds - \$250,000 Total = \$145,000 General/APS, \$50 Fire and \$55 Police.

Ms. Noble stated that this was scheduled to tentatively due to be finished in April 2019. The charter required this be done every five years and this was the initial year of such Actuarial Audit of the Actuary's Audit. This is now a best practice approved by City Council in 2011.

Mr. Eric Atwalter expounded to that this is industry practice to ensure that nothing is missed in the Plans normal audit. As a result of an inquiry, Mr. Atwalter stated various actions could result from this audit finding. These included but not limited to recommendations, and up to fines. Mr. Atwalter also offered his assistance in providing actuarial based training to the Board as discussed earlier.

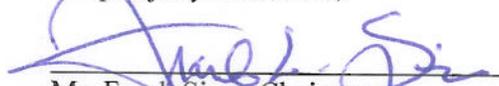
XI. DATE OF NEXT MEETING

The date of the next regular Board meeting will be held on January 23, 2019 from 10:00 am to 12:00 pm in City Council Chambers.

XII. ADJOURNMENT

There being no further business to be bought before the Trustees at this time, *Mr. Sims called for an adjournment of the meeting at 12:35 p.m.*

Respectfully Submitted,


Mr. Frank Sims, Chairman

RECEIVED
Mr. Richard Cox, Vice Chairman

JAN 23 2019

These Minutes were adopted on _____, 2019.
ZENITH AMERICAN SOLUTIONS