

CITY OF ATLANTA PENSION INVESTMENT BOARD
SPECIAL CALLED MEETING

January 23, 2019
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 |
| RICHARD COX | CFO, City of Atlanta |
| NATALYN ARCHIBONG | City Councilmember |
| JOYCE SHEPERD | 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: Marian Y. Woods, Howard Shook, JP Matzigkeit, Marci Collier Overstreet

OTHERS PRESENT

As acknowledged on the City of Atlanta Pension Investment Board Trustee Meeting Sign In Sheet for January 23, 2019.

I. CALL TO ORDER

Chairman Mr. Frank Sims called the meeting to order at 10:05 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

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

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 November 29, 2018 Board meeting, which were distributed in advance. Ms. Archibong noted the following change:

Pg. 3 - A request was made by Ms. Archibong 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.

With the agreement on the Minutes noting the change as indicated, *a motion was made by Mr. Hullender to approve the Minutes as presented and the motion was seconded by Mr. Light. The motion unanimously carried and the Minutes were approved.*

V. ADMINISTRATIVE MANAGER'S REPORT

Disability Application

Ms. Patricia D. Harris of Zenith American Solutions presented the Board with the following disability application for which handouts were distributed to each trustee detailing the medical condition of the applicant. Ms. Harris informed the Board of the recommendations of each physician as it related to the condition and disability status for review.

- **Dionne E. Benton**

A motion was made by Mr. Berry and seconded by Mr. Hullender to approve the Disability Application for Dionne E. Benton. This motion passed unanimously

Ms. Harris informed the Board that there were several months of Pension Applications that needed to be ratified and at some point would need to be added to the Agenda for review and ratified approval. Mr. Sims requested that all prior and current Pension Applications be presented to the Board at the February Special Called Meeting as well as noting that this should be part of the ongoing Administrative Managers' Report.

VI. ATTORNEY'S REPORT

COA Pension Investment Board Bylaws

Ms. Kristen Denius of the City Law Department presented the Board with a draft copy of the Pension Investment Board Bylaws noting that she suggested the Bylaws be adopted and consideration can be made for the 'effective date'. Ms. Denius acknowledged changes made to the Bylaws which were highlighted in Yellow for

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which she had discussed them with Mr. Sims. It was again noted that the bylaws from the previous Boards had been incorporated in the Investment Board version. Ms. Denius recommended that the Board adopt the Bylaws and suggested that these Bylaws be extended to the Pension Investment Board Committees as they too would be subject to said Bylaws. Mr. Sims apologized to the Board for the late receipt of the materials due to the review and modifications that he and Ms. Denius completed which resulted in the material being distributed late. As a result Mr. Sims requested that Meeting materials be provided 7 days prior to each scheduled meeting beginning February 20, 2019.

The following questions and answers were posed:

Article V – Section 5.13 entitled '*Reporting Violations*'

Mr. Berry inquire on Ms. Denius stated that this was taken from the General Employees' Pension Board Bylaws. Ms. Denius went on to note that the requirement for Board Members to report any violations to the appropriate authorities would grant them coverage under the Georgia State Whistleblowers provisions of the federal law or regulation.

Article II – Section 2.3.3.3 entitled '*Election of Active and/or Retired Pension Participants*'

Mr. Berry inquired on the term Administrator and to what entity this represented. Ms. Denius stated that this was the Third Party Administrator or Zenith American Solutions. As well, Ms. Denius advised the Board that on page 23 of the Bylaws there was a definition of Administrator under Section 3.4.

Article II – Section 2.4 entitled '*Replacement of Trustees and Committee Members Other than Ex Officio Trustees and Committee Members Due to Non-Attendance*'

Ms. Archibong inquired on the definition of Unexcused Absence. To respond, Ms. Denius advised the Board to see same paragraph for the following 'an unexcused absence is any absence by a trustee where the trustee or committee member fails to provide prior oral or written notice to the Chair of his or her inability to attend the meeting.

Article II – Section 2.5 entitled '*Removal of Trustees and Committee Members Other than Ex Officio Trustees and Committee Members for Cause*'

Ms. Denius advised the Board that members are considered Ex Officio because their office and position on the Board are part of their normal office similar to the CFO.

With no further discussion or comments, a *motion was made by Mr. Hullender to accept the Pension Investment Board Bylaws as presented with the understanding*

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that change could be made as warranted. This motion was seconded by Mr. Berry and this motion passed with unanimous decision.

VII. NEW BUSINESS

KPMG FY18 Pension Audit Report

Ms. Youlanda Carr from the City Finance Department informed the Board that the KPMG Audit Report would be presented at the next scheduled Special Called Meeting and a copy would be sent to the Board Members in advance.

Update on posting of board information online

Ms. Wendy Brown from the City Pension Department informed the Board that the City Website was being updated to provide information to the general public relevant to the Pension Investment Board inclusive of Signed Minutes, Board / Committee Bylaws as a required by law. The trustees also requested the Agenda and Financial Consulting Reports also be posted on the City Website. Ms. Brown noted that if there were any other items that the Board wanted posted, she would work with the internal key stakeholders and Zenith to ensure updates were provided.

Development of dedicated Board website

Ms. Denius informed the Board that in the past there were three distinct websites that housed relevant information for the individual Pension Boards. Ms. Harris went on to note that the Fire and Police websites were hosted by Zenith while the General version was independently hosted and held with a former trustee of that board. Ms. Harris noted that Zenith was in the process of taking feedback from the Fire and Police Trustees to enhance the information presented on those sites but that matter of legislation creating the Investment Board halted this process. Ms. Harris advised the Board that she would send them links to all of the former webpages for them to review the content, layout and overall function of those pages. It was suggested that any feedback on the material be gathered in an attempt to consolidate the pages into one multi-functional location of information relevant to both historical and current board matters.

Following a robust discussion, Ms. Harris noted that she would take the board's feedback to the Zenith IT Department to review a Special Project for feedback and capabilities following their review of the links provided to the legacy board websites.

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VIII. OLD BUSINESS

Pension Investment Board Training

Ms. Jeanette Cooper from Segal Actuarial addressed the Board to offer her assistance in providing an Actuarial Training for them based on prior discussions. Ms. Cooper referred to an email that was sent to the Board on January 22, 2019 that outlined a proposed agenda of topics for the training sessions. The following topics were included:

- Actuary 101 (Funding, Assumptions, Audits)
- Fiduciary Responsibilities
- Investments
- Plan Design (Replacement Ratios, DC Plans, Hybrid Designs, Trends)
- GASB Implications and other topics

Following discussion on the topics, material and content, timing for the training was reviewed. Ms. Cooper stated that the 'basic' material could be covered in a 4 hours session which would include Actuary 101, Fiduciary Responsibilities and Investments. Ms. Cooper went on to note that the remaining topics would be considered an 'advanced' training session for educating the Board of Trustees.

It was agreed that Ms. Cooper would work with Ms. Harris to coordinate the training efforts for the Board.

Search for Outside Council

Ms. Denius addressed the Board by acknowledging the process for hiring outside council would not be considered an RFP since the format would not dictate such function. Ms. Denius stated that an engagement letter would be most appropriate when outside council was hired as opposed to an actual RFP. Ms. Denius went on to state her role on the Pension Investment Board representing the Law Department as a required function of the Code. It was noted that the Board has the ability to hire outside council as a resource in investment and pension law. Ms. Denius also informed the Board that the prior boards had engaged outside council for this purpose and she agreed that it would be a valuable resource for the Board to do so as well. For this purpose Ms. Denius asked the current Board Members to submit to her any references for outside council that they may have to assist in the search efforts.

Following discussion on this matter the Board requested Ms. Denius compile the references, provide her input for any recommendations for the references and provide the Board with candidate questions for the selection and engagement process

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Report on details of existing contracts with former Pension Boards

Ms. Denius advised the Board that on page 32 of the meeting materials she had put together a chart that depicted some details for each of the existing contracts held with the former boards based on the types of services each entity provided. Ms. Denius stated that the intent of this report was to evaluate scale and potential options to consolidate services for the Pension Investment Board inclusive of potential RFP positions. Ms. Denius noted that where an N/A was found on the chart that particular context did not exist in the contract indicated. After a review of the material provided Mr. Sims designated the following actions or responses for to a party of reference:

Custodial Banking

Mr. Council to review and examine with recommendations and/or enhancements inclusive of rates for services paid.

Investment Consultant

This matter is in progress no additional action required at this point.

Legal Services

This matter is in progress no additional action required at this point.

Actuary

Mr. Sims noted that Segal Actuarial is approaching the end of their term with the existing contract and there could be potential for consolidation for this function. Mr. Council to review and examine with recommendations and/or enhancements inclusive of rates for services paid.

Independent Audit

This topic was not addressed.

Securities Litigation Monitoring

Ms. Denius noted that each of the prior Board of Trustees for the Plans had their own list of firms in which they conducted business with. There were two on this list that the Pension Investment Board currently works with. Unlike the engagement process with outside council these engagements are only done when there is a matter of action warranted on behalf of the Board. Ms. Denius recommended that a policy be created that would outline the method of engagement and determine how the firms should be used. Mr. Sims requested Ms. Denius take the lead on this by reviewing and examining the options when creating the proposed policy.

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Third Party Administrator

Mr. Council to review and examine with recommendations and/or enhancements inclusive of rates for services paid.

Consolidated Investment Consultant RFP

Mr. John Gaffney addressed the Board and advised them there have been eight (8) total quality responses from candidates for the Consolidated Investment Consultant RFP of which 3 were considered in the top 10 of their field. Mr. Gaffney noted that Callan did not respond to the RFP request. He went on to note that Consequent Capital Management, Gavion, Dehab and Marquette Associates had responded to name a few. Mr. Gaffney informed the Board that the RFP Committee had been established and they were scheduled to meet next week to go over the submissions. The intent is to narrow down the candidates to the top 2 to 3 firms to move to the next round of the selection process which would include interviews and possible site visits. It was suggested that Mr. Gaffney create a summary sheet of the recommended firms in this stage of the process. As well the Board suggested a joint meeting be conducted with the Defined Contribution Board of Trustees so that the consolidated decision could be made noting that both the CFO and HR Commissioner sat on both Boards of Trustees as Ex Officio Trustees.

Following this discussion it was agreed that the March 20, 2019 Special Called Meeting be rescheduled to begin at 3:00pm instead of 10:00am.

Mr. Council advised the Board that as a result of the Callan contract ending on December 31, 2018 he was in the process of having discussions with Marquette Associates to contract as the Interim Financial Consultant for the General Employees' Pension Plan. In response, all members of the Board agreed with this approach.

Discussion on the Election Process for the Administrative Committee(s)

Ms. Wendy Brown read to the Board an email from Mr. Louis Amis who could not be in attendance addressing the Administrative Board Election Process. In this email, Ms. Brown noted that the Qualifying Letters would be mailed in February to all of the Active and Retirees for all of the Pension Plans. As well, Ms. Brown stated that the Election Process would now be conducted in March 2019 for those positions on the Administrative Committee(s).

Mr. Sims inquired on the delay in the process as it related to the acknowledgments from the November 29, 2018 Board Meeting Minutes. As well, Mr. Council requested Ms. Brown provide the Board with a report on the breakdown of the process related to timing and the steps involved in the function overall.

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XII. QUESTIONS AND COMMENTS FROM AUDIENCE

Mr. Ken Allen addressed the Board over his continued concern over the financial reporting done by the Pension Investment Board. Mr. Allen stated that in the past the Police Plan notified the retirees of the investments and financial status of that plan on a monthly basis. Mr. Light advised the Board that the monthly reports for which Mr. Allen spoke of were the Flash Reports.

Similar to the updates provided by Mr. Brown, Mr. Allen stated that no communication is being disseminated to the public of changes to things previously discussed and understood. Mr. Allen noted that the entire meeting was had and there had been no discussion on the Financials of the Plans to which he has increasing concern over. Mr. Allen stated that the people are also worried about the state of the Market and how this relates to their individual pension/retirement positions. Mr. Allen went on to state that the proposal associated with the Investment Board was grounded in overall 'savings' for the Plans however, none have been seen or presented. Mr. Allen requested that information be provided during the February Special Called Meeting to address the growing public concern.

As a response to this discussion, Mr. Sims offered his time to meet and dialogue with Mr. Allen to ensure the overall needs are being met of the people related to the actions of the Board. In addition, Mr. Sims acknowledged that during the November 29, 2018 Special Called Meeting each of the Financial Consultants presented on the state of the Investments for their respective Plans and it was agreed that there were no actions and/or concerns over the allocations of the Portfolios and this matter would be reviewed at a later date.

Following this discussion Mr. Sims asked the Financial Consultants that were present to provide updates as warranted.

Consequent Capital Management

On behalf of the Police Officers' Pension Plan Mr. Cyril Theccanat informed the board that although the market ended with negative performance the long term strategy should be the focus and over time the market has seen such downside returns but produced consistent annualized returns over the last ten years. Mr. Theccanat stated that liquidity is a driver in the market resulting in a positive backdrop for the elements of amidst a volatile environment.

Mr. Theccanat stated that the Market Value was \$1,025,093,059 while the Total Fund Composite had a -5.4% return for the 1 Yr. Period.

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Marquette Associates

Mr. Kweku Obed agreed with Mr. Theccanat by stating a long term strategy is key to examine the cause and effect of the market overall in which the Fixed Income space acted as an anchor during amidst a volatile environment. Mr. Obed went on to state that negative returns are normal in the market cycle however as this market cycle lengthens volatility will continue to be seen.

Mr. Obed stated that the Market Value was \$644.6M while the Total Fund Composite had a -6.4% return for the 1 Yr. Period.

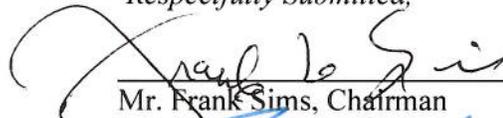
XIII. DATE OF NEXT MEETING

The date of the next regular Board meeting will be held on February 20, 2019 from 10:00 am to 12:00 pm in City Council Chambers.

XIV. ADJOURNMENT

There being no further business to be bought before the Trustees at this time, *Ms. Sheperd made a motion to call for adjournment of the meeting at 11:57 a.m. This motion was seconded by Mr. Berry and the motion carried with unanimous decision for adjournment.*

Respectfully Submitted,



Mr. Frank Sims, Chairman



Mr. Richard Cox, Vice Chairman

RECEIVED

These Minutes were adopted on FEB 20 2019, 2019.

**ZENITH AMERICAN
SOLUTIONS**