

# GAVION

INVESTMENT CONSULTING

## CLIENT INVESTMENT ADVISORY SERVICES AGREEMENT

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CITY OF MARIETTA PENSION BOARD

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6000 Poplar Avenue, Suite 325  
Memphis, Tennessee 38119  
(800) 969-6891

GAVION, LLC  
INVESTMENT ADVISORY SERVICES AGREEMENT

By this Investment Advisory Services Agreement effective as of August 22, 2013 (the "Agreement") by and between GAVION, LLC, a Delaware limited liability company ("Gavion"), and CITY OF MARIETTA PENSION BOARD (the "Client"), the Client retains Gavion to provide investment and consulting services to Client on the basis of terms as set forth herein. Client hereby acknowledges this Agreement supersedes all previous agreements, written or oral, between Gavion and Client.

*Section 1. Investment Advisory Services.* Gavion will provide the following investment advisory and consulting services with respect to Client's account (the "Account"):

- A. The services of an appointed Gavion representative to assist Client in preparing or reviewing policy guidelines, objectives, and goals (the "Investment Policy Statement" or "IPS") developing an asset allocation policy and the selection of underlying money managers (each an "Underlying Manager", collectively the "Underlying Managers") to carry out the IPS.
- B. If required by Client and upon the implementation of the IPS, a representative of Gavion shall be available to attend the Client's Investment Committee meetings at Client's request. Client shall provide Gavion with reasonable notice of the scheduling of such Investment Committee meetings and whether attendance by a representative of Gavion is requested. Expenses incurred by Gavion in carrying out the services in this Section 1.B. shall be the responsibility of Gavion.
- C. Quarterly performance evaluations (a "QPE") on the Client's investable assets in a concise and easy to understand format. The QPE shall include a comparison of the investment performance of the Account to that of relevant market indices and, where appropriate, peer group performance. The QPE also shall include a review of the adherence of Client's stated investment guidelines.
- D. Recommend, when necessary, appropriate actions in regard to asset allocation to improve the efficiency of Client's Account by either increasing the expected return for a stated amount of risk or by achieving the same return with less risk or a combination of the two.
- E. Should a change in an Underlying Manager selection result from the services described in Section 1, Gavion further agrees to conduct manager searches to identify the leading candidates for advising Client's investable assets in each identified sector of the Account.
- F. Other services as follows:

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Gavion acknowledges that it is a "fiduciary" within the meaning of **Investment Advisers Act of 1940** with respect to the provision of the services described above in Section 1 of this Agreement.

The IPS (If required by Client) including Client's financial circumstances and investment objectives and any special instructions or limits that Client wishes Gavion to follow in advising the Account are contained in a separate document. Client agrees to deliver to Gavion a fully completed and executed IPS which includes a statement of the Account's investment objectives and limitations,

if any. Client understands and acknowledges that Client is responsible for following the investment guidelines established by the IPS. Client understands that adjustments to or deviations from IPS are controlled by Client and not Gavion. Client agrees to notify Gavion promptly of any significant change in the information provided by the Client in the IPS or any other significant change in Client's financial circumstances or investment objectives that might affect the manner in which the Account should be advised. Client also agrees to provide Gavion with such additional information as Gavion may request from time to time to assist it in advising the Account. Gavion's authority under this Agreement will remain in effect until changed or terminated by Client in writing.

Client understands that under this Agreement Gavion will not engage in any investment consulting or advisory services other than those indicated in this Section 1.

The recommendations to be provided by Gavion under this Agreement are advisory in nature, and Client expressly agrees that Gavion shall not be held liable in any manner with reference to the investment performance of Gavion's recommendations, provided those recommendations are duly provided by Gavion in good faith with reasonable care, and further provided Gavion is in no way in violation of Federal or state laws, regulations or rulings. Client understands that past performance of an investment vehicle does not guarantee future returns.

Client understands and acknowledges that Gavion is not responsible for the investment decisions made by Underlying Managers or the Client. Gavion shall not be responsible for ensuring that any cash balances are invested in an interest bearing account. Purchases and sales may be made by the Client's Underlying Managers on behalf of the Client in securities of any kind, including but not limited to, corporate common or preferred stocks, options, warrants, rights or government bonds or notes, or other permissible investment securities as described in Client's Investment Policy Statement and the Underlying Managers' investment strategy description. Notwithstanding, the securities laws impose liabilities under certain circumstances and therefore nothing contained in this Agreement with respect to liabilities should be construed as limiting a client's rights which he/she/it may have under applicable state or federal laws.

*Section 2. Custodial Arrangements.* Custody of Account assets will be maintained with one or more independent custodians (the "Custodian") selected by Client and disclosed to Gavion. Gavion will not have custody of any assets in the Account. Client will be solely responsible for paying all fees or charges of Custodian. Client agrees to authorize each Underlying Manager in the agreement entered into with each such Underlying Manager to give Custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the Account. Client also confirms that it will instruct Custodian on Client's behalf to (i) send Client at least quarterly a statement showing all transactions occurring in the Account during the period covered by the account statement, and the funds, securities and other property in the Account at the end of the period; and (ii) provide Gavion copies of all periodic statements and other reports for the Account that Custodian sends to Client.

*Section 3. Advisory Fees.* Client will pay Gavion a fee for its investment advisory services provided under this Agreement. The fee is set forth on Schedule A, as amended from time to time. The advisory fee is payable quarterly and is billed in arrears. Client understands that Account assets invested in shares of mutual funds or other registered or unregistered investment companies (i.e. hedge funds, collectively, "Funds") will be included in calculating the value of the Account for purposes of computing Gavion's fees and the same assets will also be subject to additional advisory and other fees and expenses, as set forth in the prospectuses or private placement memoranda of those Funds, paid by the Funds but ultimately borne by the investor. Further, Client acknowledges that Gavion's fees may be billed based upon reasonably estimated asset

values related to investment holdings that are not publicly traded.

Advisory Fees will be billed directly to Client (and not deducted from Client's Account), and Client agrees to pay all Advisory Fees within thirty (30) days of Client's receipt of an invoice from Gavion.

*Section 4. Execution of Transactions.* Client recognizes that certain block trades or volume executions might not be utilized by an Underlying Manager as a result of Client's directive. Client acknowledges that each Underlying Manager continues to have the authority and responsibility to execute transactions in a manner that is in the best interest of the Client.

*Section 5. Valuation.* The Account shall be valued as reported by Custodian on the last business day of the applicable quarter. Any security/fund whose value is not reported by Custodian will be valued in a manner determined in good faith by Gavion to reflect fair market value. Gavion does not certify, independently audit or guarantee third party performance calculations.

*Section 6. Confidentiality.* Except as otherwise agreed in writing or as required or allowed by law, Gavion will keep confidential all information concerning Client's identity, financial affairs, or investments. Unless otherwise instructed by Client, Client agrees that Gavion may utilize its name in representative client lists.

*Section 7. Other Investment Accounts.* Client understands that Gavion serves as investment adviser for other clients and will continue to do so. Client also understands that Gavion, its personnel and affiliates ("Affiliated Persons") may give advice or take action in performing their duties to other clients, or for their own accounts, that differ from advice given to or action taken for Client. Gavion is not obligated to recommend for Client any security or other investment that Gavion or its Affiliated Persons may buy, sell or recommend for any other client or for their own accounts. This Agreement does not limit or restrict in any way Gavion or any of its Affiliated Persons from buying, selling or trading in any securities or other investments for their own accounts. Gavion or its Affiliated Persons may provide services for, or solicit business from various companies, including issuers of securities that Gavion may recommend or purchase or sell for client accounts. In providing these services, Gavion or its Affiliated Persons may obtain material, nonpublic or other confidential information that, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Gavion and its Affiliated Persons cannot improperly disclose or use this information for their personal benefit or for the benefit of any person, including clients of Gavion. If Gavion or any Affiliated Person obtains nonpublic or other confidential information about any issuer, Gavion will have no obligation to disclose the information to Client or use it for Client's benefit.

*Section 8. Risk Acknowledgment.* Gavion does not guarantee the future performance of the Account or any specific level of performance, the reported valuation of the account, the success of any investment decision or strategy that Gavion may use, or the success of Gavion's overall strategy related to the Account. Client understands that investment proposals made for Client's Account by Gavion are subject to various market, currency, economic, political and business risks, and that those investment proposals will not always be profitable. Gavion will advise upon only the securities, cash and other investments held in Client's Account and in making investment proposals for the Account, Gavion will not consider any other securities, cash or other investments owned by Client. Except as may otherwise be provided by law, Gavion will not be liable to Client for (i) any loss that Client may suffer by reason of any investment proposal made or other action taken or omitted in good faith by Gavion; (ii) any loss arising from Gavion's adherence to Client's instructions; or (iii) any act or failure to act by Custodian, any broker or dealer, or by any other third party. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing in this Agreement will waive or limit any

rights that Client may have under those laws.

*Section 9. No Legal or Tax Advice.* The Client agrees that Gavion will not advise or act for Client in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of these securities ("Legal Proceedings"). Additionally, Client acknowledges that Gavion does not provide tax advice.

*Section 10. Proxy Voting.* The Client agrees that Gavion **will not** vote any proxies relating to the Account and that all such proxies shall be voted by Client or the applicable Underlying Manager.

*Section 11. Termination.* This Agreement will continue in effect until terminated by either party upon thirty (30) days prior written notice to the other or in such other timeframe that is mutually agreeable to the parties. Termination of this Agreement will not affect (i) the validity of any action previously taken by Gavion under this Agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination of this Agreement; or (iii) Client's obligation to pay advisory fees (prorated through the date of termination). Upon the termination of this Agreement, Gavion will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the Account.

*Section 12. Client Authority.* The person signing this Agreement for the Client represents that he or she has been authorized to do so by appropriate corporate action. If this Agreement is entered into by a trustee or other fiduciary, the trustee or fiduciary represents that Gavion's investment management strategies, allocation procedures, and investment management services are authorized under the applicable plan, trust, or law and that the person signing this Agreement has the authority to negotiate and enter into this Agreement. Client will inform Gavion of any event that might affect this authority or the propriety of this Agreement.

*Section 13. Binding Agreement.* This Agreement will bind and be for the benefit of the parties to the Agreement and their successors and permitted assigns, except that this Agreement may not be assigned (within the meaning of the Investment Advisers Act) by either party without the prior consent of the other party. Gavion may not subcontract any activities required under this contract without the prior notice and written consent of Client.

*Section 14. Governing Law.* This Agreement will be governed by and construed in accordance with the laws of the State of Georgia without giving effect to any conflict or choice of law provisions of that State, provided that nothing in this Agreement will be construed in any manner inconsistent with the Investment Advisers Act, any rule or order of the Securities and Exchange Commission under the Investment Advisers Act.

*Section 15. Expenses and Indemnification.* Each party to this agreement shall pay its own costs and expenses associated with this agreement unless specifically noted in Schedule A of this agreement. Client acknowledges that Gavion is acting in reliance upon the accuracy and completeness of the representations and disclosures made by Client hereof. Notwithstanding any other provision of this Agreement to the contrary, neither Gavion nor its respective members, shareholders, directors, agents, officers or employees, shall be liable to the Client or any other governing body of Client for honest mistakes of judgment or for action or inaction taken in good faith for a purpose that such Person reasonably believed to be in the best interests of the Client.

*Section 16. Notices.* All notices and reports after the date of this Agreement, and any other communications required hereunder, shall be in writing and shall be deemed to have been duly given (i) if delivered in person or by courier, on the date it is delivered; (ii) if sent by certified or registered mail (airmail if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; and (iii) if sent by facsimile, or email, on generation

of confirmation, to the following respective addresses until a different address is specified in writing by one party to the other party:

To Gavion:

Gavion, LLC  
Attn: Compliance  
6000 Poplar Avenue, Suite 325  
Memphis, TN 38119  
Telephone: (800) 969-6891  
Facsimile: (901) 682-4090  
E-mail: [compliance@gavionllc.com](mailto:compliance@gavionllc.com)

To Client:

City of Marietta-BLW Defined Benefit Pension Plans  
Attn: Davy Godfrey, SPHR, SHRM-SCP, CPPT  
Director of Human Resources and Risk Management  
Pension Board Secretary  
205 Lawrence Street NE, 3<sup>rd</sup> Floor  
Marietta, GA 30060  
Telephone: (770) 794-5567  
Facsimile: (770) 794-5567  
E-mail: [dgodfrey@mariettaga.gov](mailto:dgodfrey@mariettaga.gov)

*Section 17. Electronic Delivery.* Client authorizes Gavion to deliver, and Client agrees to accept, all required regulatory notices and disclosures as well as all other correspondence from Gavion (including the reports described in Section 4 hereof) via electronic mail. Gavion shall have completed all delivery requirements upon the forwarding of such document, disclosure, notice, report and/or correspondence to Client's last provided email address.

*Section 18. Miscellaneous.* If any provision of this Agreement is or should become inconsistent with any law or rule of any governmental or regulatory body having jurisdiction over the subject matter of this Agreement, the provision will be deemed to be rescinded or modified in accordance with any such law or rule. In all other respects, this Agreement will continue and remain in full force and effect. No term or provision of this Agreement may be waived or changed except in writing signed by the party against whom such waiver or change is sought to be enforced. Either party's failure to insist at any time upon strict compliance with this Agreement or with any of the terms of the Agreement or any continued course of such conduct on its part will not constitute or be considered a waiver by such party of any of its rights or privileges. This Agreement contains the entire understanding between Client and Gavion concerning the subject matter of this Agreement.

*Section 19. Disclosure.* Client acknowledges receipt of Gavion's Brochure (Form ADV Parts 2A & 2B), privacy policy, financial disclosure, and hedge fund risk disclosure current as of the date of this Agreement, not less than forty-eight (48) hours prior to the date of execution of this Agreement.

*Section 20. Dispute Resolution.* Any controversy or claim, including but not limited to, errors and omissions arising out of, or relating to, this Agreement or the breach thereof, may be initially adjudicated via non-binding arbitration. Any arbitration will be held in Atlanta, Georgia, before one neutral arbitrator. In all arbitration cases, unless otherwise agreed by the parties in writing, the neutral arbitrator shall have experience in the area of municipal and/or benefits law. Client understands that this provision to arbitrate does not constitute a waiver of any right provided by

federal or state securities laws, including the right to choose the forum in which to seek resolution of disputes.

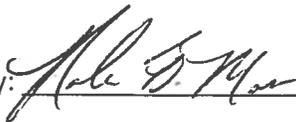
*Section 21. Alternative Investments – Generally.* Some or all alternative investments may not be suitable for certain investors. In addition, certain investors may be precluded from participation in alternative investments by virtue of, among other things, their residence and financial situation. Many of the alternative investments require investors to be “qualified purchasers” within the meaning of federal securities laws (generally, individuals who own at least \$5 million in “investments” and institutional investors who own at least \$25 million in “investments”, as such term is defined in the federal securities laws). Clients who are ineligible to utilize alternative investments may be precluded from investment opportunities available to those clients who are eligible to utilize alternative investments. In addition, restrictions on additions and withdrawals from alternative investments may limit or preclude clients from other investment opportunities. No assurances can be given by Gavion that the investment objectives of alternative investments utilized in the Account will be achieved. The past performance of an alternative investment is not necessarily indicative of future results. Many alternative investments are placed pursuant to exemptions from securities registration and, for example, may not be subject to the same regulatory requirements as mutual funds or other securities. In addition to general risks, including but not limited to, risk of loss of principal, illiquidity of certain investment vehicles and lack of transparency with respect to specific holdings, each alternative investment will be subject to its own specific risks, including strategy and market risk. Gavion’s ability to perform reasonable due diligence may be significantly limited because of the aforementioned properties and risks related to alternative investments. Certain alternative investments result in the receipt of tax reporting information on Schedule K-1. As a result, a client whose account utilizes alternative investments will likely be required to obtain extensions for filing federal, state and local income tax returns each year. Gavion does not provide legal or tax advice.

- SIGNATURE PAGE FOLLOWS -

Client and Gavion have executed this Agreement on this 22nd day of August 2018.

CITY OF MARIETTA PENSION BOARD

GAVION

By: 

By: 

Title: PENSION BOARD CHAIRMAN

Title: PRESIDENT

**SCHEDULE A**  
FEE SCHEDULE

Variable Asset Based Fee:	10 basis points assessed against the value of the Account on a quarterly basis subject to a \$70,000.00 annual minimum fee
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**SCHEDULE B**  
ASSETS EXCLUDED FROM INVESTMENT ADVISORY SERVICES



# City of Marietta

205 Lawrence Street  
Post Office Box 609  
Marietta, Georgia 30061

## Motion Signature

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**File Number: 20170504**

### **Defined Benefit Pension Plan Investment Policy Statement Approval**

Motion approving the updated Defined Benefit Pension Plan Investment Policy Statement (IPS) as forwarded by the Pension Board. The update adds a section of the O.C.G.A. that is followed but has not been formally mentioned in the IPS.

The Pension Board decision to recommend passage was approved May 10, 2017, by a vote of 8-0-0, with one member absent.

**Date** June 14, 2017

R. Steve Tumlin, Jr., Mayor

Stephanie Guy, City Clerk

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CONTRACT/AGREEMENT NO. 4538  
CITY OF MARIETTA, GA.  
RECORDS

20170504

## **Investment Policy Statement**

**City of Marietta/BLW Defined Benefit Pension Plan**

May 2017

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## FUND DESCRIPTION

### *Purpose*

This Investment Policy Statement has been adopted by the Board of the City of Marietta/BLW Defined Benefit Pension Plan ("Board") to outline the prudent and acceptable investment philosophy of the City of Marietta/BLW Defined Benefit Pension Plan. It will also define the City of Marietta/BLW Defined Benefit Pension Plan's investment management procedures and long-term goals. It is meant to provide a clear understanding between the Board, the Investment Committee, the Investment Consultant and Investment Managers concerning the investment policies and objectives of the Pension Fund.

### *Fund Leadership (Ordinance 7872)*

The pension board shall consist of nine (9) members elected from posts as follows:

Post 1: City Manager or his designee

Post 2: Council Member

Post 3: Council Member

Post 4: General employee representative

Post 5: General employee representative

Post 6: General employee representative

Post 7: General employee representative

Post 8: Police department representative

Post 9: Fire department representative

The police chief and fire chief shall be ex-officio members of the pension board and shall only vote in the absence of the police and fire representatives.

Terms. All members shall be elected as hereinafter provided in November and shall begin service on January 1 for a term of three years.

Selection of council, police, fire and general employee members:

**Council Representative (Ordinance 7893):** Two (2) members of the council shall serve on the pension board. Effective October 1, 2016, the two members representing council shall be the Chairman of the Personnel/Insurance Committee and the Chairman of the Finance/Investments Committee as provided in Section 1-4-040 V of City Code. If either of the Chairmen or Vice Chairman is unable or declines to serve for any reason, then a member of the applicable committee shall serve in their stead. If a vacancy still exists, then the Mayor with consent of council shall appoint an alternate.

**Police Representative.** One member of the pension board shall be a representative of the police department. The senior officer in each of the ranks of police deputy chief, police major, police lieutenant, police sergeant, detective and police officer shall serve as a nominating committee for the police department. The highest-ranking officer shall serve as chairman of the nominating committee.

**Fire Representative.** One member of the pension board shall be a representative of the fire department. The senior officer in each of the ranks of deputy chief, assistant chief, commander, lieutenant, firefighter engineer, and firefighter shall serve as a nominating committee for the fire department. The highest-ranking officer shall serve as a chairman of the nominating committee.

**Election of police and fire representatives.** The chairperson of each respective nominating committee of police and fire shall call a meeting of the committee in November of the year immediately preceding the termination of the police and fire representatives on January 1 of the next year. The purpose of this meeting will be to nominate three employees from

each of the departments of fire and police. The names of the three employees nominated shall be placed on a ballot with space provided for write-ins. The duration of the election period will not exceed ten business days, including period of early voting. Ballots shall be distributed by the nominating committees to all of the employees in the respective departments of police and fire. When used, paper ballots shall be marked in secret and returned to the nominating committee the same day they are distributed. If electronic voting is used, the method must be certified by the Director of Information Technology as maintaining anonymity. Each employee will vote for one candidate and the candidate receiving a plurality of votes shall be the representative of their respective departments to the pension board. If for any reason the duly elected representative of the police or fire departments cannot fulfill his or her office, the respective nominating committee shall call a meeting to designate a replacement for the duration of the vacated membership.

**General Employees.** Four (4) members of the pension board shall be representatives of the general employees. A nominating committee consisting of the director of human resources, or a designee thereof; two (2) persons appointed by the director of public works, one (1) of whom cannot be in a supervisory position; three (3) persons appointed by the BLW general manager, one (1) of which cannot be in a supervisory position; two (2) persons appointed by the city manager, one (1) of whom cannot be in a supervisory position; one person appointed by the director of parks and recreation shall nominate the candidates for membership on the pension board. The director of human resources, or the designee thereof, shall act as presiding officer of the nominating committee and call a meeting of the committee in the month of November in the year immediately preceding the end of the current member's term. The purpose of this meeting shall be to nominate two (2) candidates for each expiring term of a member of the pension board represented by the general employees. The names of such employees nominated shall be placed on a ballot with space provided for write-ins. The duration of the election period will not exceed ten business days, including periods of early voting. Ballots shall be distributed to all general employees. When used, paper ballots shall be marked in secret and returned to the nominating committee the same day they are distributed. If electronic voting is used, the method must be certified by the Director of Information Technology as maintaining anonymity. Each employee will vote for as many candidates as there are representative seats of the general employees expiring on January 1. The candidates receiving the highest plurality votes for such seats shall be selected as the representatives of the general employees to the pension board. If for any reason for duly elected representative of the general employees cannot fulfill his or her office, the nominating committee shall call a meeting to designate a replacement for the duration of vacated membership.

**Officers.** The pension board may elect such officers as it deems necessary. The board shall elect a chairperson and a secretary. The chairperson shall preside at meetings of the board, cast a vote on any issue, call meetings as may be necessary, and do all things necessary to carry on the orderly affairs of the board. The chairperson shall be selected by a majority vote of the board for a one-year term. The board shall designate, in writing, a secretary or other representative who shall have full authority to represent the board in all communications with any provider and the city's employees, including elected and appointed members of the governing authority. The secretary shall keep accurate minutes of all meetings of the board, recording those voting for and against any issue. Minutes shall be distributed to each member of the board, the council of the City of Marietta and shall be posted in a prominent place(s) within the City Government Complex.

**Legal Assistance.** The city attorney or other attorney appointed by the governing authority shall furnish legal advice to the pension board on any issue before it upon which legal advice is sought.

**Meetings.** The pension board shall meet at least quarterly. Five members of the board (including the chairperson) shall constitute a quorum. The city manager or his designee shall have authority to approve pension, retirement and disability payments pending a meeting of the board.

**Rules of procedure.** The pension board shall have the authority to promulgate rules and regulations for its internal operation, as well as the approval of payments within its jurisdiction.

### ***Plan Sponsor Details***

City of Marietta/BLW Defined Benefit Pension Plan

### ***Federal Tax Identification Number***

58-6000616 TEN

### ***Fiscal Year End***

June 30th

### ***Key Contacts for the Pension***

Board Chairman  
Freddy Morgan

City Manager  
Bill Bruton

Finance Director  
Sam Lady

Secretary to the Board  
Director of Human Resources & Risk Management  
Davy Godfrey

### ***Contact Information***

Marietta City Hall  
205 Lawrence St. NE  
Marietta, GA 30060  
(770)794-5545  
(770)794-5567

### ***Actuary***

Cavanaugh Macdonald Consulting  
3550 Busbee Pkwy, Suite 250  
Kennesaw, GA 30144  
Edward Koebel EA, MAAA, FCA  
edk@cavmacconsulting.com  
678-388-1706

***Custodian Bank***

SunTrust Bank  
303 Peachtree Street, Suite 200  
Atlanta, GA 30308  
Ken Fillman  
[Ken.Fillman@SunTrust.com](mailto:Ken.Fillman@SunTrust.com)  
404-827-6567

***Investment Consultant***

GAVION LLC  
6000 Poplar Avenue, Suite 325  
Memphis, TN 38119  
(901) 761-8080  
Ian Janecek, CAIA  
Senior Consultant  
[Ian.janecek@gavionllc.com](mailto:Ian.janecek@gavionllc.com)  
Scott Arnwine  
Senior Consultant  
[Scott.arnwine@gavionllc.com](mailto:Scott.arnwine@gavionllc.com)

## INTRODUCTION

### *Purpose*

This Investment Policy Statement has been adopted by the Board of the City of Marietta/BLW Defined Benefit Pension Plan to outline the prudent and acceptable investment philosophy of the Board, and defines City's investment management procedures and long-term goals. It is meant to provide a clear understanding between the Board, the Investment Consultant and Investment Managers concerning the investment policies and objectives of the Pension Fund.

### *Justification*

The principal reason for developing this long-term investment perspective and for putting it in writing is to protect the Pension Fund from *ad hoc* revisions of a sound long-term perspective. The written investment policy will help maintain a long-term perspective when short-term market movements may be distressing and the conditions seem unfavorable for the attainment of long-term objectives.

The development of this investment policy follows the basic approach underlying financial planning: assessment of the Pension Fund's financial condition, setting of investment objectives, development of a strategy to meet the objectives, implementation of the strategy, regular review of the results and adjustments of the strategy or the implementation as circumstances dictate.

### *Policy Objectives*

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding regarding the Pension Fund's investment objectives and management practices between the City of Marietta/BLW Defined Benefit Pension Plan, its Investment Consultant and the Investment Managers engaged by the Pension Fund. This Investment Policy Statement will:

1. Establish reasonable expectations, objectives and guidelines for the investment of the assets in the Fund.
2. Create the framework for a well-diversified asset mix that can be expected to generate achievable long-term returns at a level of risk acceptable to the City of Marietta, including:
  - Describing an appropriate risk posture for the investment of the Pension Fund;
  - Specifying broad target asset allocation ranges and constraints;
  - Establishing investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets;
  - Specifying the criteria for evaluating the performance of the Pension Fund's Investment Managers.
3. Ensure this policy and its implementation conforms to OCGA 47-20-82, OCGA 47-20-83 and OCGA 47-20-84.
4. Define the responsibilities of the City of Marietta/BLW Defined Benefit Pension Plan, the Consultant and the Investment Managers.
5. Encourage effective communication between the City of Marietta/BLW Defined Benefit Pension Plan, its Consultant and the Investment Managers.

The investment policies described in this IPS should be dynamic. They should reflect the City of Marietta/BLW Defined Benefit Pension Plan's philosophy and current status regarding the investment of the Pension Fund. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the Pension Fund and capital markets expectations.

### ***Policy Implementation***

The following steps were undertaken by the Board, in conjunction and with the assistance of the Consultant:

1. Assess the Pension Fund's financial situation—identify its goals and needs.
2. Determine its tolerance for risk and investment time horizon.
3. Set long term investment objectives.
4. Identify any restrictions on the Fund and its assets, in keeping with all applicable State of Georgia statutes.
5. Determine the asset classes and mix appropriate (the "Asset Allocation") to maximize the likelihood of achieving the investment objectives at an acceptable level of risk, and in keeping with the limitations imposed by the statute.
6. Determine the investment methodology to be used with regard to investment manager selection and retention, rebalancing disciplines, portfolio reviews and reporting, etc.
7. Implement the decisions.

## **INVESTMENT PHILOSOPHY**

The basic tenets under which this Pension Fund will be managed include the following:

1. A recognition of the investment restrictions specified by the State of Georgia in OCGA 47-20-82, OCGA 47-20-83 and OCGA 47-20-84. The Pension Fund shall be managed and overseen by the Board to fully comply with these regulations.
2. Modern Portfolio Theory, as recognized by the 1990 Nobel Prize, will be the primary influence governing the way the portfolio will be structured and how subsequent decisions will be made. The underlying concepts of Modern Portfolio Theory include:
  - Pensions are risk averse. The only acceptable risk is that which is adequately compensated by potential portfolio returns.
  - Traditional equity and bond markets are generally efficient. It is difficult to know ahead of time the next direction of the market as a whole or of any individual security.
  - The portfolio as a whole is more important than an individual security. The appropriate allocation of capital among asset classes: equities (stocks), fixed income (bonds) and cash will have far more influence on long-term portfolio results than the selection of individual securities. Investing for the long term (preferably longer than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.

- For every risk level, there exists an optimal combination of asset classes that will maximize returns. A diverse set of asset classes will be selected to help minimize risk. The proportionality of the mix of asset classes will determine the long-term risk and return characteristics of the portfolio as a whole.
  - The study of historical market behavior is used as a technique in modeling expected risk and returns. The selected time frames used in these models can greatly influence projected risks and returns.
  - Portfolio risk can be decreased by increasing diversification of the portfolio and by lowering the correlation of market behavior among the asset classes selected. (Correlation is the statistical term for the extent to which two asset classes move in tandem or opposition to one another.)
  - Asset diversification spreads the portfolio's investments among different assets to reduce individual investment risk. Asset allocation spreads investments among different classes of assets to reduce market risk. Systematic risk (i.e., market risk, liquidity risk and inflation risk) is common to all securities and cannot be eliminated entirely.
3. Equities offer the potential for higher long-term investment returns than cash or fixed income investments. Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results (including occasional declines in value).
  4. Investing globally helps to minimize overall portfolio risk due to the imperfect correlation between economies of the world. Investing globally has also been shown historically to enhance portfolio returns, although there is no guarantee that it will do so in the future.
  5. The underlying approach to the management of the Pension Fund shall be to optimize the risk/return relationship appropriate to the Pension Fund's needs and objectives. It will use a globally diverse portfolio of a variety of asset classes using institutional money management firms (investment managers) to invest in selected securities and strategies, and to periodically re-optimize (rebalance).

## INVESTMENT OBJECTIVES/GOALS

The Board recognizes the importance of establishing investment performance objectives for the Pension Fund. The objectives establish a basis for judging the effectiveness of the Investment Policy Statement and the performance of the Investment Managers. The objectives are to be specific measurable standards that, when achieved, will ensure a well-funded retirement plan for the City of Marietta Employees. The specific investment return objectives for the Pension Fund shall be as follows:

1. Achieve or exceed the 7.25% actuarial rate of return as determined by the Pension Fund's actuary over a rolling five-year time period;
2. To exceed the rate of Inflation (as measured by the Consumer Price Index) by 3% over a rolling three-year time period;
3. To exceed the return of a balanced Market Index comprised of the Standard and Poor's 500 stock index and the Barclays US Aggregate Bond index in the proportions

equal to allowable limits as outlined in the Georgia State Legal Codes OCGA 47-20-82, OCGA 47-20-83 and 47-20-84;

4. For each engaged Investment Manager, realize an investment return, net of all fees, that exceeds their assigned benchmark(s) and the median of their peer group over a rolling five-year time horizon.

## TIME HORIZON

This Investment Policy Statement assumes a long-term investment time horizon of ten years. Capital values do fluctuate over shorter periods and the Board recognizes that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a holding period of at least three to five years can be minimized with the asset diversification mix employed under this Investment Policy Statement.

## RISK TOLERANCE

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Pension Fund is the determination of an appropriate risk tolerance. While the overall level of risk is governed in total by statutory constraints, within those constraints the City of Marietta/BLW Defined Benefit Pension Plan' risk tolerance is dictated by:

- Financial ability to accept risk within the investment program, and;
- Willingness to accept return volatility.

Taking these two factors into account, the Board rates the City of Marietta/BLW Defined Benefit Pension Plan' risk tolerance as moderate between bond and stock volatility, which historically falls between a 5% to 15% standard deviation, with an 8% to 10% target. The Board recognizes the difficulty of achieving the Fund's investment and financial objectives over the short run in light of the uncertainties of markets, and it accepts the volatility that will be experienced in order to achieve the Fund's long-term objectives. Accordingly, the Board will tolerate infrequent, very moderate negative returns through a market cycle according to each investment style. However, the overall effect of this Policy should be to minimize total volatility while maximizing total portfolio returns through diversification.

## ASSET ALLOCATION

### *Investment Policy Mix*

OCGA 47-20-82/83/84 provides guidance for investment policy on the basis of cost of securities when acquired for the portfolio. The following limits on the policy mix (target allocations are shown in the attached appendix) are established to comply with that guidance on a long-term basis.

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
<b>1. Equity</b>	<b>20.0%</b>	<b>55.0%</b>	
A. Large Cap	10.0%	55.0%	
B. Small-Mid Cap	0.0%	30.0%	
C. International	0.0%	10.0%	
D. Public Real Estate (REITS)	0.0%	15.0%	
<b>2. Fixed</b>	<b>15.0%</b>	<b>80.0%</b>	
A. Investment Grade	15.0%	80.0%	
B. International	0.0%	7.5%	
<b>3. Alternatives</b>	<b>0.0%</b>	<b>15.0%</b>	
A. Convertible Bonds	0.0%	15.0%	

### ***Permitted Security Types***

1. Stocks, Bonds, Marketable Fixed Income Securities, Money Market Funds.
2. Separately Managed Accounts, Unitized Trusts-Commingled Trusts, Mutual Funds, Closed-End Funds.
3. Individual Stocks, as long as they are traded on a major U.S. or International Exchanges.
4. Individual Bonds, as long as they traded on a major U.S. or International exchange.

### ***Categories of Approved Investment Securities***

All Investment Managers shall manage their assigned portfolios to comply with Georgia State Legal Codes OCGA 47-20-83 and 47-20-84.

1. Marketable securities issued by, or guaranteed by the governments of the U.S. or Canada.

2. Marketable securities issued by U.S. and non-U.S. based companies, subject to the issuer's market capitalization and financial strength as specified in paragraphs (1), (11) and (12) of OCGA 47-20-83.
3. Mortgage-Backed and Asset-Backed fixed income securities subject to certain credit rating and purpose restrictions as detailed in paragraphs (9), (13) and (15) of OCGA 47-20-83.
4. Non-U.S. government and corporate issued equity and debt securities are allowed subject to the restrictions contained in paragraphs (1), (7) and (10) of OCGA 47-20-83, and paragraph (b) of OCGA 47-20-84.

### ***Rebalancing Procedures***

At least quarterly, the City of Marietta/BLW Defined Benefit Pension Plan Board, in conjunction with its Consultant, will review asset levels for each of the asset classes, Investment Managers and strategies, and determine if assets should or must be moved in order to remain within the prescribed Investment Policy limits or to achieve improved performance in the portfolio. On occasions when such moves are warranted, the Investment Consultant will prepare recommendations and rationale for presentation to the Board for their approval and subsequent directions to the City of Marietta/BLW Defined Benefit Pension Plan staff for execution.

### ***Annual Review***

At least once each year, the City of Marietta/BLW Defined Benefit Pension Plan, in conjunction with the Investment Consultant, will undertake to review the above asset classes, targets and ranges with respect for expected future performance, taking into consideration capital market expectations and economic forecasts. If warranted, the Consultant will prepare recommendations and rationale for revisions to this Investment Policy Statement to reflect a new Policy Mix for approval by the Board, and subsequent directions to the City of Marietta/BLW Defined Benefit Pension Plan staff for execution.

## **SELECTION/RETENTION CRITERIA FOR INVESTMENTS**

### ***Investment Manager Selection***

Assets of the Fund will be managed by Registered Investment Advisers (RIAs) selected by the Board in conjunction with recommendations of the Investment Consultant. Investment Managers will serve as fiduciaries to the Fund and be responsible for prudent and careful selection of securities within their investment mandates.

Investment Managers shall be chosen using the following general criteria:

1. Past performance, considered relative to other investment managers having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance.
2. Investment return history is compliant with professional standards, (GIPS) and audited by a qualified audit firm.

3. Costs are comparable to other investment managers with comparable objectives and investment styles, and product structures.
4. Service commitment by the Investment Manager to serve the Fund through effective and honest communications.
5. Size of the proposed investment mandate, relative to the Investment Manager's existing size and capacity.
6. Length of time the Investment Manager has been in existence and length of time the strategy has been under the direction of the current portfolio manager(s), and whether or not there have been material changes in the Investment Manager's organization and personnel.
7. Organizational leadership and commitment of the firm to the portfolio management team.
8. Financial strength of the firm and its ownership stability.
9. Historical return volatility and downside risk of each proposed investment.
10. Complementary perspective to other asset strategies in the Fund.
11. Likelihood of future investment success, compared to other investment managers in consideration.

While the above criteria are definitive in nature, it must be emphasized that these criteria constitute a guideline, and, in the course of evaluating an Investment Manager, other criteria may come to light that is of such a compelling nature as to outweigh certain elements of the above for purposes of selection or de-selection.

### ***Cash Equivalent Vehicles***

The City of Marietta/BLW Defined Benefit Pension Plan's objective is to maintain a minimal cash balance and when possible to be fully invested. All cash equivalent investments shall be pooled investment vehicles, such as money market funds, where the Fund's share price is intended to remain constant and the Fund's yield is comparable with the current risk-free rate of return.

Cash Equivalent vehicles shall comply with the OCGA 47-20-83 and 47-20-84.

### ***Fixed Income and Equity Investment Manager Selection and Retention***

All Investment Managers shall invest their assigned assets of the Fund in full compliance with the Georgia State Codes 47-20-83 and 47-20-84.

1. Any selected Investment Manager shall invest in vehicles such as: a commingled account, a separate account or a mutual fund.
2. The investment management fees charged by the Investment Manager should be less than the average of their peers in the same investment strategy and structure.
3. The Investment Manager should have an investment track record of no less than three years in the strategy under consideration.
4. The Investment Manager's average annualized return, net of portfolio expenses, over a three-year time period or more, should be in the top half (top

third is the target) of the returns generated by other comparable investment managers as compiled by leading national databases.

5. The Investment Manager will incur investment downside risk no more than 20% above that incurred by comparable investment managers with the same investment objective, as measured by the product composite's "downside standard deviation" over a two-year period.

Once selected, should any engaged Investment Manager's performance fall below the 75<sup>th</sup> percentile of comparable managers in a large peer universe for a period of two years, the selected Investment Manager will be placed on probation for the subsequent twelve months. If, over the subsequent year, the Investment Manager's average return for the applicable three-year period remains below the 75<sup>th</sup> percentile, the City of Marietta/BLW Defined Benefit Pension Plan, in conjunction with the Consultant, will make a determination as to whether the Investment Manager's mandate continues to be a prudent and appropriate investment.

Otherwise the Fund's Trustees may place any Investment Manager on probation, or terminate any Investment Manager for any reason they determine to be in the best interest of the Fund.

The City of Marietta/BLW Defined Benefit Pension Plan recognizes that all investments go through cycles and, therefore, there will be periods of time in which the investment objectives are not met or when specific Investment Managers fail to meet their expected performance targets. Recognizing that no Investment Manager is perfect all the time and that good years help to make up for bad ones, the City of Marietta/BLW Defined Benefit Pension Plan acknowledges the principle that Investment Managers must be given an opportunity to make up for poor periods. Unless there are extenuating circumstances, patience will often prove appropriate when performance has been disappointing.

The City of Marietta/BLW Defined Benefit Pension Plan staff and the Investment Consultant shall evaluate the organizational health of each Investment Manager at least annually. The evaluations shall consider the organizational stability and leadership depth of the firm, its investment processes and the operations. Investment Managers will be obligated to report organizational changes within their leadership, ownership and/or in their investment process promptly to the Investment Consultant. The City of Marietta/BLW Defined Benefit Pension Plan shall consider the stability and discipline within each Investment Manager and make investment manager changes when they determine such changes may be in the best interest of the Fund. As a matter of course, the Consultant and the Investment Managers shall keep the City of Marietta/BLW Defined Benefit Pension Plan apprised of any material changes in their outlook, recommended investment strategy and tactics.

Any material event that affects the ownership of the Investment Consultant or the Investment Manager or the management of the assets must be reported immediately to the City of Marietta/BLW Defined Benefit Pension Plan.

## **FREQUENCY OF REVIEW**

### ***Reports***

1. The Consultant shall arrange for the Investment Managers to provide the City of Marietta/BLW Defined Benefit Pension Plan with a report each month that shows the market values and returns for the assets under their management.

2. The Consultant shall provide no less frequently than on a monthly basis and within 15 business days within the end of each such month a performance report that meets the requirements of the City of Marietta/BLW Defined Benefit Pension Plan.
3. Each quarter, the Consultant and each Investment Manager shall prepare comprehensive performance reports that accurately report the investment performance of the Fund and each underlying portfolio. The quarterly reports will also include a review of the factors that contributed to the reported performance, and a review of economic and market behavior and conditions.

## **DUTIES AND RESPONSIBILITIES**

### ***The Investment Manager(s)***

The Investment Managers are expected to manage their assigned asset style mandates in a manner consistent with this Investment Policy Statement, with their specific policy found in the appendix, and in accordance with the Georgia State Codes (OCGA 47-20-82, 47-20-83 and 47-20-84), Federal law and the Uniform Prudent Investor Act.

The Investment Managers shall:

1. Have full discretion with respect to market timing and security selection.
2. Employ internal controls to assure that the investments will be managed in compliance with all controlling statutes and regulations.
3. Have stated guidelines to establish minimum expectations.
4. Within thirty days of the end of the calendar quarter, provide to the City of Marietta/BLW Defined Benefit Pension Plan and its Consultant a statement indicating:
  - a. The portfolio composition at cost and market value by sector.
  - b. All individually-named securities and their respective market values.
  - c. All cash transactions, including any transfers of Fund assets.
  - d. Adherence to the Investment Policy.
  - e. A list of any securities not in compliance with the list of security restrictions.
  - f. A copy of their proxy voting record for the previous quarter.
5. Each year, provide a copy of their proxy voting policies and procedures.
6. Each year, provide to the Board and the Investment Consultant a copy of Section II of the Investment Manager's Form ADV (registration form filed with the SEC each year).
7. Be expected to produce on request documentation in support of buy, sell and hold decisions.

### ***The Consultant***

The Consultant is expected to consult on the Fund in a manner consistent with this Investment Policy Statement and in accordance with the Georgia State Codes, (OCGA 47-20-82, OCGA 47-20-83 and 47-20-84) and Federal

law and the Uniform Prudent Investor Act. The Consultant is a Registered Investment Adviser and shall act as the Investment Consultant to the City of Marietta/BLW Defined Benefit Pension Plan until the City of Marietta/BLW Defined Benefit Pension Plan decides otherwise.

The Consultant shall be responsible for:

1. Designing, recommending and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Recommending an appropriate custodian to safeguard the Fund's assets.
3. Recommending Investment Managers within each asset category.
4. Providing each Investment Manager with a current copy of the IPS.
5. Write manager specific policies as necessary.
6. Monitoring the performance of all selected Investment Managers.
7. Recommending changes to any of the above.
8. Periodically reviewing the suitability of the Fund's investments for the City of Marietta/BLW Defined Benefit Pension Plan.
9. Preparing and presenting appropriate performance reports.

The Consultant will not take title to any assets, nor shall the Consultant exercise discretionary control over any of the Fund's assets. The Consultant shall be responsible only for making recommendations to the City of Marietta/BLW Defined Benefit Pension Plan and to carry out its responsibilities as directed by the City of Marietta/BLW Defined Benefit Pension Plan.

### ***City of Marietta/BLW Defined Benefit Pension Plan***

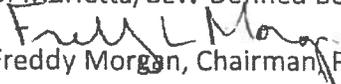
The City of Marietta/BLW Defined Benefit Pension Plan shall be responsible for:

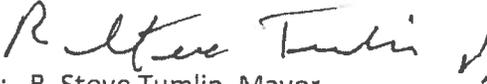
1. The oversight of the Fund.
2. Defining the investment objectives and policies of the Fund.
3. Directing its Consultant to make changes in the Investment Policy, and to oversee and to approve or disapprove the Consultant's recommendations with regard to policy, guidelines, objectives, Investment Manager searches, monitoring and performance oversight on a timely basis.
4. The City of Marietta/BLW Defined Benefit Pension Plan shall provide the Consultant with all relevant information on the City of Marietta/BLW Defined Benefit Pension Plan's financial conditions and risk tolerances, and shall notify the Consultant promptly of any changes to this information.

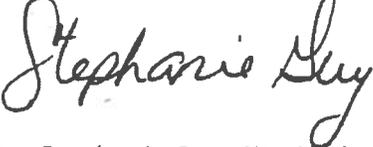
**ADOPTION**

**Adopted by the below signed:**

City of Marietta/BLW Defined Benefit Pension Plan

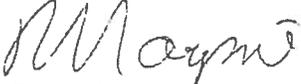
  
By: Freddy Morgan, Chairman Pension Board

  
By: R. Steve Tumlin, Mayor

  
By: Stephanie Guy, City Clerk

Date: 6-14-17

**Approved as to Form:**

  
By: Doug Haynie, City Attorney

Date: 6-14-17

## APPENDIX

Allocation target ranges are provided to accommodate fluctuations in market value while providing guidance to the City of Marietta/BLW Defined Benefit Pension Plan and its Consultant regarding the appropriate mix of assets relative to portfolio performance, current capital market expectations and economic conditions. The following policy mix is established to comply with the guidance of OCGA 47-20-82/83/84 on a long-term basis while providing the greatest potential for the portfolio to achieve its investment objectives.

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
<b>1. Equity</b>	<b>20.0%</b>	<b>55.0%</b>	<b>50.0%</b>
A. Large Cap	10.0%	55.0%	
B. Small-Mid Cap	0.0%	30.0%	
C. International	0.0%	10.0%	
D. Public Real Estate (REITS)	0.0%	15.0%	
<b>2. Fixed</b>	<b>15.0%</b>	<b>80.0%</b>	<b>40.0%</b>
A. Investment Grade	15.0%	80.0%	
B. International	0.0%	7.5%	
<b>3. Alternatives</b>	<b>0.0%</b>	<b>15.0%</b>	<b>10.0%</b>
A. Convertible Bonds	0.0%	15.0%	

Date Recommended: *May 10, 2017*

City of Marietta/BLW Defined Benefit Pension Plan

By: Freddy Morgan, Chairman, Pension Board

*Freddy L Morgan*