

CLAYTON COUNTY PENSION BOARD

Regular Pension Board Meeting
8:30 A.M.

February 14, 2019

MINUTES

PRESENT: Terry Hicks, Chairman; Ramona Bivins, Secretary; Katherine Dodson, Member; and James Crissey, Member.

ALSO PRESENT: Jon Breth, AndCo Consultants; Rick Arenburg and Cass Hollis, Bryan Cave; Allison Halron, Water Authority; Dennis Baker and Allen Crenshaw, District Attorney's Office; Debbie Decker, Kathy Stargell-Clark, Rashida Fairley, Kerri Hathaway, and Patricia White; Finance Department.

1. Chairman Hicks called the regularly scheduled pension board meeting to order. Debbie Decker introduced Ms. Kathy Stargell-Clark, the new Pension Analyst, and Ms. Rashida Fairley, the new Administrative Assistant.
2. A motion to adopt the agenda was made by Ramona Bivins and seconded by Katherine Dodson. The vote was unanimous.
3. A motion to adopt the November 8, 2018, minutes was made by Katherine Dodson and seconded by Ramona Bivins. The minutes were unanimously approved and accepted.
4. Mr. Jim Crissey, former CEO of Southern Regional Hospital, was introduced and nominated by Ramona Bivins to hold the position of Pension Board member at large. Katherine Dodson seconded the motion. Mr. Crissey was unanimously approved.
5. The nomination and election of officers took place. Katherine Dodson nominated Terry Hicks for Chairman. Ramona Bivins seconded the nomination. Ramona Bivins nominated Pam Ambles for Vice-Chairman. Terry Hicks seconded the nomination. Both positions were unanimously approved. Ramona Bivins is automatically the Secretary / Treasurer of the Board.
6. Chairman Hicks introduced Jon Breth of AndCo Consultants. The firm was hired in October 2018 to make recommendations, assist with investments, and oversee money managers and basic policy. Mr. Breth presented and discussed the Investment Policy Statement (IPS) draft and language updates included in the policy statement. He also discussed asset allocation guidelines and the relative performance of different allocation classes. In the long term, Equity returns outweigh Bond returns. He reminded the Board the current assumed rate of return is 8%. The goal is to develop a long-term Asset Allocation Policy that balances return and risk levels appropriate to the plan.

Therefore, he may recommend changes in the future. Mr. Breth stated that the desire is to achieve a rate of return that exceeds the inflation rate by 3%, but he also surmised that exceeding CPI by 3% might not be helpful in evaluating the portfolio. Mr. Arenburg asked how closely the plan met the current discount rate of 8%. Mr. Breth stated that he estimates that the performance will project below 8%, closer to 6 ½-7%. Long term assumed returns on the United States stock market are 10-12% on the 20-year average. While he believes it is prudent to look at bringing that assumed rate down, it does not need to be dramatically lowered. On page thirteen of the Policy, Mr. Arenburg recommended that “investment fund” be changed to “investment manager”. Also removing “compliance guidelines” from the Policy may make sense at this time, since more specific internal controls are built into the language of the document in other places. Mr. Breth had suggestions that would lead to small changes in the document. If allocation were changed to be more aggressive, an allocation study to look at expected returns would be helpful.

7. Mr. Breth briefly reviewed the Performance Report, focusing on growth and changes. The *Investment Performance Review* showed that international and domestic equity markets had large losses at the end of 2018. The best return came from the lowest risk investments as investors moved to low risk/high yield securities with the best return coming from U.S. Treasury bonds. Since Clayton County’s portfolio was overweight in stocks and underweight in bonds, this caused losses in December, but securities recovered well in January. The total fund (net) is down 9.8% for the Quarter, bringing the FYTD loss to 6.4%, slightly under performing the Benchmark. Total Domestic Equity has a large number of different managers. While some managers, Atlanta Capital, Alliance Bernstein, and Congress Asset Management, had outperformed, others did not do well. Decisions to change or add managers will be made based on the “since inception” performance (last column, pgs. 16-18). International Equity was in line with the broad international market. Emerging Market International Equities underperformed somewhat. Fixed Income should generate returns, while offsetting volatility in other areas. To facilitate this, Mr. Breth suggested looking at replacing John Hancock with another manager who has a more stable performance history. Templeton Global has been a good anchor for the portfolio.

Current FYTD financial returns have been good. There was a dramatic 6 ½% increase in January. This puts the plan in line to generate a reasonable rate of return. Large Cap and Small Cap stocks were up 8½% and 11% respectively, with some underperformance in Mesirow Small Cap Values and Sawgrass. John Hancock was the top Domestic Fixed Income performer, while Templeton Global also made a significant contribution.

The *Historical Manager Performance Review* was supplied to the Pension Board Members as a supplement to give a detailed performance and return review of the managers of the fund.

A copy of both performance reports is in the office of the Chief Financial Officer’s office.

8. The *Portfolio Manager Recommendation Summary* showed the current portfolio allocation was approximately 60% Domestic Equity, 11% Non-US Equity, and 29% Fixed Income and Cash. The weighted Average Fee is .54% or 54 Basis Points. Mr. Breth would like to maintain diversification,

improve returns throughout the plan, and lower management costs. Managers, which AndCo has extremely high conviction in, are to be kept while other underperforming managers would be replaced. The Vanguard Total Stock Market Index encapsulates the entire US Stock Market with the largest share in Large Cap Stocks. This manager would act as a core index piece. Vanguard's management fee of .04% would provide significant fee savings.

AndCo recommended eliminating both Atlanta Capital and Glenmeade, as well as moving funds away from other existing Value and Growth managers, to create a 20% Core Index allocation in the Vanguard Total Stock Market Index Fund. AndCo would retain two managers each in Large Value and Growth. They recommended keeping DePrince, Race & Zollo and adding Eagle Capital in Large Cap Value, while maintaining Clearbridge Investments and adding Fred Alger Management in Growth. They suggested replacing all four Small and Mid-Cap managers with two SMID managers. Channing Capital was the choice for the SMID Cap Value Equity Manager and Jackson Square as the SMID Cap Growth Equity Manager. No manager changes were recommended for International Equity as Massachusetts Financial Services and Oakmark are both very high quality managers. The only changes were to bring them in line with the 5% target allocation. Complimenting these two managers with a new allocation to EuroPacific Growth Fund was suggested. No changes were recommended to the Fixed Income allocations to MetWest Total Return Bond and JP Morgan Core Plus Bond funds. They did suggest eliminating the Hancock Bond Fund and replacing it with a managed account with Garcia Hamilton. They recommended no change to Templeton Global Bond Fund.

The current list of seventeen managers would be reduced to fourteen managers. There would be three potential new contracts to negotiate, review, and approve. The other new managers are mutual funds and could be implemented easily. Channing and Garcia are both minority owned businesses. Fees would be reduced from .54% to .45%, which would save over \$360,000 per year. Some managers had higher fees but these were offset by better performance return; others had substantially lower fees. These changes were designed to simplify the manager list, reduce credit risk, improve overall portfolio consistency, and reduce fees.

Ms. Debbie Decker observed that, while fees were not the only issue, none of the current managers was paid 80 basis points. Mr. Breth agreed that some of the potentially new manager's rates are higher than the current ones; however, other managers who have substantially lower rates offset the cost. In addition, some had graduated fee schedules. As the fund grows, the cost would be reduced.

Katherine Dodson commented that there was a great deal of movement at once. She asked if there was a cost associated with this. Mr. Breth commented there were some trading costs associated with this, but he felt these would be minimal. There would be time associated in negotiating and preparing contracts for the new managers. Most of the managers being removed have thirty-day notice periods but may not hold to that timeline. The trading costs associated with this should be relatively insignificant. The most important element was to have everything ready so that the transition could take place smoothly and quickly. Ms. Decker questioned the profitability of

liquidating the portfolios. She mentioned that the Pension Board had liquidated the fund previously and lost money due to this. Jon Breth said that a transition manager could be used. However, he felt that it was difficult to hold them accountable. He suggested further conversations with the Pension Board to discuss and mitigate the problems the Board had experienced in the past.

Ms. Dodson asked if there was a target date for these changes. Would the dates be different for different managers? Mr. Breth said the first task was to contact the new managed-account managers and begin the contract process. At the same time, the managers being replaced would be contacted to discuss the notice requirements. After this process begins, a schedule can be discussed with Ms. Bivins and Ms. Decker. Mr. Breth felt that the transition could be completed by the end of April. Chairman Hicks requested clarification of how the process would work. He wanted to make sure everyone was comfortable with the transition, especially those that would carry the majority of the responsibility. He was pleased with saving \$365,000 in fees but had concerns about those gains being offset by losses to the portfolio's value during the change. Mr. Hicks also suggested that having or finding sample contracts from the three new managers for Mr. Arenburg to preview might prevent difficulties with the final process. Mr. Breth stated that at this time he would not contact the managers that were being replaced; however, he would contact the new managers to get contracts. He would also begin discussions with the custodian of the fund about the time frame of adding the new accounts and share the mutual funds that were targeted for use, making sure there were no issues.

Ms. Decker had concerns about the Alliance Bernstein matter. Due to the trading issues included in their contract, she asked the Board to move from this Manager quickly. Mr. Breth agreed that the relationship with Alliance Bernstein could continue for a while but not much longer.

Mr. Breth suggested that it would be advantageous if the Board would consider approving Vanguard Total Stock Market Fund as a Core Index Piece. If they needed to liquidate and move away from a manager, they could invest in a Core Index Fund until they could redeploy that capital into a long-term portfolio. Terry Hicks asked for discussion on the Vanguard proposal. James Crissey summarized the goals as moving from seventeen to fourteen managers, saving \$375,000 in fees, and complying with Georgia governance. Terry Hicks agreed this is a long-term goal, but the goal at present is to approve Vanguard as a backup to the Alliance Bernstein case.

For considering Mr. Breth's other recommendations, the second to fourth week in March was suggested as a possible date for a called meeting. Katherine Dodson made a motion that Vanguard Total Stock Market Index Fund be approved for use as a Core Index allocation within the plan. Ramona Bivins seconded the motion. It was unanimously approved.

9. Terry Hicks discussed the assumed rate of return of 8%. Studies done in 2014-2015 indicated this could be met; however, funds have diminished in the last few years and the County has had to contribute extra funds. He felt that this was a good time to look at the rate and explore whether or not this was still realistic. Ramona Bivins stated that she had discussed the issues related to the

County budget with Dennis Johnson, Deputy County CFO. They felt that an actuarial study should look at lowering the assumed rate of return to 7.5% and continuing to lower it over a period of years to 6 1/2-7%. Ms. Bivins also discussed Employer Contributions due to budgeted and approved for open positions within the County. Presently, if the position was not filled, those funds returned to the General Fund. Ms. Bivins had explored the possibility of moving those moneys into the Pension Fund. This is possible without Board of Commissioner approval, as they had already been approved as Pension budget. An additional amount would also be required from the Clayton County Water Authority. Ms. Allison Halron explained that CCWA budgets 16 % of Clayton County's allocation. As their fiscal year begins May 1st, they had already begun the budget process and would need information as to their contribution. Rick Arenburg reminded the Board members that one thing to consider when thinking about adjusting the discount rate was that the plan used the 8% to determine actuarial prudence. He felt the Board should ask the actuary to consider an adjustment to the discount rate as well. There had been some challenges to other plans regarding the reasonableness of the discount rates and the mortality tables used by the plans. Ramona Bivins and Debbie Decker pointed out that Clayton County used specified, up-to-date mortality tables. However, as persons lived longer, the plan must change to accommodate this. Mr. Breth mentioned that he believed the plan inflation rate of 3% might not be realistic, that 2.5% was more realistic. Terry referenced a study done recently, which suggested that, when assumed rate of return goes down, other rates should also fall. Ms. Decker mentioned looking at the November study results, which proposed options from 7.75 % to 6.5%. The lower the rate, the more funds the Board must contribute. Mr. Breth agreed to compile study information showing the effects of lowering the assumed rate of return to 7.75-7%, reducing the current rate by 25 basis points so that the expected returns can be compared to the previous study. Mr. Hicks is in favor of this as justification for Clayton County lowering its rate. The study will be presented at the next Board meeting.

10. Ms. Decker made the following requests for the approval of retirement benefits. Katherine Dodson made a motion to approve the benefits. Ms. Bivins seconded the motion. It was passed unanimously.

February 14 2019

	Yrs. of Service	Age	Form	Amount	Department
Normal Retirements					
Dinah F. Bingham	15.67	63	5CC	1,084.54	Tax Commissioner
Burnesta Booth	12.75	63	50JS	831.99	Sheriff
Constance P. Bowen	29.25	56	75JS	5,427.64	Water Authority
Becky L. Brooks	15.00	63	5CC	1,228.45	District Attorney
Rebecca Y. Brown	29.83	56	10CC	6,167.16	Police
Clifford S. Carrin	12.58	65	75JS	740.44	Central Services
Leland D. Herbert	7.58	66	100JS	664.60	Prison
Karen E. Huffaker	15.33	65	5CC	993.44	Central Services

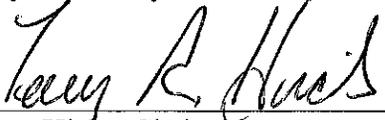
	Yrs. of Service	Age	Form	Amount	Department
Bernard R. Jacks	7.25	60	100JS	388.21	Corrections
Clarence E. Mack	14.92	70	10CC	831.84	Parks & Recreation
Judy A. Maxey	8.42	66	5CC	488.80	Sheriff
James M. McDaniel	21.83	65	10CC	1,104.50	Trans. & Dev.
Laura L. Nakanishi	15.75	69	100JS	1,447.88	Tax Commissioner
Mark A. Niedbalski	28.17	54	75JS	1,826.69	Police
James G. Poff	30.92	54	5CC	9,575.25	Water Authority
Teresa L. Proctor	18.75	60	5CC	2,395.66	Sheriff
Eva S. Puckett	7.33	68	5CC	559.22	Water Authority
William C. Russaw	21.42	67	50JS	1,817.12	Central Services
Brenda K. Simmons	13.08	61	10CC	1,455.13	Finance
James T. Skeen, Jr.	30.33	53	100JS	4,749.11	Sheriff
Robert H. Stalnaker, Jr.	16.42	62	75JS	1,699.34	Community Dev.
James L. Stubbe	33.50	55	50JS	3,888.71	Water Authority
Jefferson T. Thomas	25.33	55	10CC	4,554.46	Fire
Frances White	10.25	62	5CC	1,086.39	Finance
Wanda J. Willis	25.75	62	50JS	3,697.56	Human Resources
Early Retirement					
Robyn P. Boland	15.92	56	5CC	925.18	Sheriff
William Von Den Bosch, Jr	26.33	54	50JS	4,739.73	Water Authority
Gordon R. Lew	25.00	51	100JS	2,866.14	Fire
Cassandra Pitts	16.17	55	10CC	1,257.62	Sheriff
James Slaughter, III	25.00	51	10CC	2,308.98	Fire
Steven N. Tolbert	34.25	53	5CC	1,902.92	Fire
Disability Retirement					
Floyd Jackson	10.58	56	5CC	1,147.15	Sheriff
Beneficiary Benefit					
Tracey A. Coffey				16,370.15	Lump Sum Actuarial Value
Beatrice M. Henry				3,213.54	
Clinton P. Hensel				630.99	
Kumi N. Robbins				3,796.83	
Vested Termination					
Daniel C. Cirincione	15.00	34	5CC	1,738.62	Fire
Rhonda L. Coots	18.08	47	5CC	2,068.28	Water Authority
Michael L. Edmondson	12.00	48	5CC	649.77	Commissioners
Justin L. Fischer	10.67	35	5CC	1,115.68	Police
Betty J. Hardy	19.83	52	5CC	1,506.65	Sheriff
Brian A. Hoe	9.67	54	5CC	885.92	Sheriff
Daphne D. Johnson	8.83	51	5CC	574.55	Trans. & Dev.

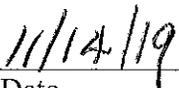
	Yrs. of Service	Age	Form	Amount	Department
Bernard R. Jacks	7.25	60	100JS	388.21	Corrections
Clarence E. Mack	14.92	70	10CC	831.84	Parks & Recreation
Judy A. Maxey	8.42	66	5CC	488.80	Sheriff
James M. McDaniel	21.83	65	10CC	1,104.50	Trans. & Dev.
Laura L. Nakanishi	15.75	69	100JS	1,447.88	Tax Commissioner
Mark A. Niedbalski	28.17	54	75JS	1,826.69	Police
James G. Poff	30.92	54	5CC	9,575.25	Water Authority
Teresa L. Proctor	18.75	60	5CC	2,395.66	Sheriff
Eva S. Puckett	7.33	68	5CC	559.22	Water Authority
William C. Russaw	21.42	67	50JS	1,817.12	Central Services
Brenda K. Simmons	13.08	61	10CC	1,455.13	Finance
James T. Skeen, Jr.	30.33	53	100JS	4,749.11	Sheriff
Robert H. Stalnaker, Jr.	16.42	62	75JS	1,699.34	Community Dev.
James L. Stubbe	33.50	55	50JS	3,888.71	Water Authority
Jefferson T. Thomas	25.33	55	10CC	4,554.46	Fire
Frances White	10.25	62	5CC	1,086.39	Finance
Wanda J. Willis	25.75	62	50JS	3,697.56	Human Resources
Early Retirement					
Robyn P. Boland	15.92	56	5CC	925.18	Sheriff
William Von Den Bosch, Jr	26.33	54	50JS	4,739.73	Water Authority
Gordon R. Lew	25.00	51	100JS	2,866.14	Fire
Cassandra Pitts	16.17	55	10CC	1,257.62	Sheriff
James Slaughter, III	25.00	51	10CC	2,308.98	Fire
Steven N. Tolbert	34.25	53	5CC	1,902.92	Fire
Disability Retirement					
Floyd Jackson	10.58	56	5CC	1,147.15	Sheriff
Beneficiary Benefit					
Tracey A. Coffey				16,370.15	Lump Sum Actuarial Value
Beatrice M. Henry				3,213.54	
Clinton P. Hensel				630.99	
Kumi N. Robbins				3,796.83	
Vested Termination					
Daniel C. Cirincione	15.00	34	5CC	1,738.62	Fire
Rhonda L. Coots	18.08	47	5CC	2,068.28	Water Authority
Michael L. Edmondson	12.00	48	5CC	649.77	Commissioners
Justin L. Fischer	10.67	35	5CC	1,115.68	Police
Betty J. Hardy	19.83	52	5CC	1,506.65	Sheriff
Brian A. Hoe	9.67	54	5CC	885.92	Sheriff
Daphne D. Johnson	8.83	51	5CC	574.55	Trans. & Dev.

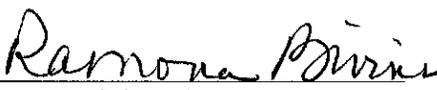
	Yrs. of Service	Age	Form	Amount	Department
Reginald McCarty	7.25	43	5CC	585.40	Police
Ingrid Philbert	13.42	57	5CC	1,305.95	Sheriff
Ray E. Satterfiled, II	8.00	52	5CC	969.53	Police
Richard J. Sobczak	12.75	45	5CC	1,399.89	Sheriff
Refund - in - Lieu					
Ayana Adams	15.83	41	R-I-L	43,941.82	Sheriff
Erin Brooks	20.83	43	R-I-L	67,672.32	Water Authority
Desmond D. Coleman	12.33	50	R-I-L	47,463.13	Sheriff
William S. Kite	12.42	39	R-I-L	36,751.65	Water Authority
Devorah S. Lane	12.92	43	R-I-L	39,572.03	E-911
Joseph R. Martin	17.58	41	R-I-L	62,487.53	Water Authority
Ryan M. Mondy	7.67	30	R-I-L	23,519.30	Sheriff
Alaine Mort	20.58	52	R-I-L	53,554.96	Water Authority
Dale A. Payne Jr.	11.67	34	R-I-L	39,589.93	Fire/EMS
Dorothy Smyre	11.00	53	R-I-L	36,354.42	Sheriff
Kyetha T. Sweeting	7.75	45	R-I-L	17,438.29	Sheriff

11. Mr. Arenburg requested that he and Mr. Breth should continue to work together and bring the Investment Policy Statement back in the agreed upon form for Board approval. Mr. Breth agreed that an approvable draft could be ready for the next regular meeting.
12. Ramona Bivins made a motion to adjourn the meeting. Katherine Dodson seconded it. Vote was unanimous.

Clayton County Pension Board:


 Terry Hicks, Chairman


 Date


 Ramona Bivins, Secretary


 Date