

CLAYTON COUNTY PENSION BOARD

Regular Meeting
8:30 a.m.

November 14, 2019

MINUTES

PRESENT: Terry Hicks, Chairman; Ramona Bivins, Secretary; Pamela Ambles, Vice-Chair; Katherine Dodson, Board Member; James Crissey, Board Member;

ALSO PRESENT: Rick Arenburg, Bryan Cave Law Firm; Jon Breth, AndCo Consulting; Ric Ford, Lisa Bjornson & Kevin Spanier (Buck Consultant); Allison Halron, Clayton County Water Authority; Dennis Baker, Retiree, Chris Butler, Retiree; Debbie Decker, Retiree; Kerri Hathaway, Falisha Smith, and Vanessa Sarden, Finance Department

1. Chairman Hicks called the regularly scheduled pension board meeting to order.
2. A motion to adopt the agenda was made by James Crissey and seconded by Katherine Dodson. The vote was unanimous.
3. A motion to adopt the Regular Pension Meeting minutes from August 8, 2019 was made by Ramona Bivins and seconded by James Crissey. The vote was unanimous.
4. Ric Ford introduced himself and Lisa Bjornson as the new consultants for Buck Consulting and informed the Board Kevin Spanier will be presenting the Actuarial Report. Mr. Ford outlined the roles of each individual.

Kevin Spanier, with Buck Consulting, opened with stating there is \$670 million in pension liability, which is a very large number for the County. It is Buck's role to set a strategic path and make sure the County reaches it goal. The Overview of Actuarial Valuation is determined by the actuarial methods and assumptions. The benefit obligations (liabilities) are measured and compared to the financial resources (assets) and ensures compliance with Georgia Minimum Funding Standards. It determines annual contribution sufficiency and provides warning of potential funding problems, detects changes, trends through annual experience and gain/loss analysis. The goal is not to have losses, but to perfect the assumptions.

Lisa Bjornson, with Buck Consulting, stated over the last five years there has been a 20% increase in the number of retirees. The terminated vested and active members decreased by 1% in the last year. Payroll for active members increased by 9% in the last year. Payroll is an important factor because the contributions paid are based on the percentage of payroll. As of July 1, 2018 active member payroll was \$118.3 million and on July 1, 2019 active member

payroll was \$128 million. Lisa continued by stating, \$11.9 million came from salary increases, \$15.4 million came from new members and (\$17.6) for retirees and terminations. In 2019, the County started with \$429 million in Plan Assets. The employer / participant contributions were added in, less benefit payments, less administrative and investment expenses, and then add in investment returns. Lisa continued by stating any assets gains/losses are deferred over a 5 year period. The year 2019, shows the Actuarial Value is higher than the Market Value, which is not causing losses to the assets. The Market Value has lagged the Actuarial Value over the past five years. As of July 1, 2019 the Market Value is \$433.7 million and the Actuarial Value is \$444.9 million.

Ric Ford stated there will be a consideration to sell assets to cover any short falls. Ric also advised Jon with AndCo, the report shows the last five years. There has been a return of 8.3% and the equity allocation is at 70%; which puts the County in the top 26%. He also added the Plan Provision monthly benefits equal 2.5% of average monthly compensation times years of service. The service is capped at 32 years and average monthly compensation is based on the last 60 months of service.

Kevin Spanier said the Market Value of Assets were at 4.5% and the Actuarial Value of Assets were at 5.6%, which creates a loss, and increased the unfunded liability by \$10.7 million. He summarized the demographic experience study, which increased the unfunded liability by \$22.3 million. The study shows there was a salary increase of \$10.4 million. New member contributed \$0.6 million, the retirement experience is \$5.7 million and other contributions are \$5.6 million. The breakdown of Assets and Liabilities at July 1, 2019, show present value of the Plan Benefits to be \$792.7 million, assumed after a discount for benefit payments. The Accrued Liability is \$672.1 million, Actuarial Assets is \$444.9 million, Funded Percentage is 66.2% (Actuarial Value) and Funded Percentage is 64.5% (Market Value). The study shows the Members paying \$72.7 million towards future cost. The study shows the County paying \$47.8 million towards future cost leaving \$227.3 million of unfunded liability. Under Georgia law, the minimum years you can amortize unfunded liability is called an open thirty. Member normal cost is funded as a percentage of payroll contributed by members, which in 2019 is 7.50% of payroll and \$9.8 million was paid by members for the year. Historical pay contributions are declining as the population turns over. According to the historical contributions, the percentage being put into the funds are going more towards future accruals and less towards benefits. It will take several years for the plan changes to have a significant impact.

Kevin Spanier explained the potential changes in assumptions. Mortality Projection Scales are used to reflect future improvements in the base mortality rate. The current assumption utilizes mortality improvement scale referred to as Buck Modified MP-2017. In October 2018, the National Society of Actuaries (SOA) released its annual-updated scale. As of now the County is using an MP-2017 scale, the most recent version is MP-2018. This shows a decreased liability of \$1.3 million, which slightly decreases the contributions.

In January 2019, SOA released a base mortality table called Pub-2010, which is 100% based on public data tables for Teachers, General Employees and Public Safety. The County is currently using the RP 2014 for the private sector, which stored old data (2003 or 2008). Mr. Spanier made a recommendation to use the public sector table as an alternative to using the public safety table. Currently an 8% discount rate is used, which is the long-term return rate expected on Plan assets. The alternative assumptions the Pension Board may consider are: reducing the Discount rate from 8% to 7.75%; reducing Inflation Rate assumptions from 3% to 2.75% and reducing Annual Salary Increases from 3% through June 30, 2023 and 4% thereafter, to 2.75% through June 30, 2023 and 3.75% thereafter. The net impact increases Liabilities by \$14.0 million.

Kevin Spanier stated if the County requests him to perform a new Assumption Study it will reflect data from the last 5 years. The study will show what the County would have assumed to have happened verses what actually happened. Mr. Spanier suggested an Assumption Study be generated and suggested going to a Discount rate of 7.75%. Mr. Spanier also recommended an Experience Study to be completed. He confirmed the last study was conducted five years ago.

Jon Breth advised the assumptions are long term and are done every year.

A motion was made by Pamela Ambles to retain the assumptions which are currently in place and engage the Experience Study. Katherine Dodson, seconded.

Mr. Spanier clarified the assumptions are to include updating the improvement scale as it was done in the past. Ramona Bivins requested the Assumption Study be performed using a Discount rate of 7.75%. The vote was unanimous.

A copy of the Clayton County, Georgia Public Employee Retirement System – July 1, 2019 Actuarial Valuation Results is on file in the Chief Financial Officer's office.

5. Jon Breth advised the contracts with the new Managers were signed in mid-June. The last transition was completed on August 23, 2019.
6. Looking at the 2nd Quarter, the Stock Market was up approximately 1.7%. The President implemented a tariff in August, the market started to sell off and green sheets were being seen in September. During this time the Federal Reserve was actively lowering interest rates. In the 4th Quarter, MetWest, J. P. Morgan and Garcia Hamilton were well positioned for interest rate risk. For the Quarter, the County was up 14 basis points which did trail the bench mark for the Quarter. S&P was up 1.7%. Small Caps lost money during the Quarter. The fact the County was diversified outside of U.S. Large Caps Stocks was a significant detractor. As changes were made from Mesirow SCV, Sawgrass, JP Morgan and Congress, it kept some of the exposure with Channing Capital SMID Value and Jackson Square Smith Cap Growth. Managers on the value side were DePrince, Race & Zollow. They had been struggling a bit, but have begun to have a positive momentum. The International Equity is up 1.56% and the MSCI EAFE (Net) contribution about 1.2%. Internal Equity over the last 12 months have been a bit of a drag on returns. On Fixed Income, a swap was made moving out of John Hancock Bond in favor of

Garcia Hamilton Core bond, MetWest and JP Morgan basically producing returns around the index. Templeton Global Bond was lighter, they were down 3.31% for the Quarter. This portfolio has basically isolated itself from an interest rate risk. Channing is the only Manager who is lagging out of the gate to a significant degree.

October showed a funding balance right around \$445.6 million.

7. Jon Breth questioned the custodial expenses and fees being paid out of the fund to Transamerica. He pointed out there would be a savings if the County were to move from Transamerica. Mr. Breth iterated he had reached out to the Relationship Manager, Beth Reed, and several other Transamerica employees trying to figure out the 32 services they have outlined in the County's agreement. He observed the County was being charged roughly \$250,000 in explicit cost along with another \$50,000, which totals \$300,000 expenses for Transamerica. Mr. Breth indicated based on the RFP process custodial expenses should be around \$100,000. One thing which will not be included are the retiree liaison type of services, such as benefit calculations. Mr. Breth stated Transamerica only does a small amount. Transamerica has offered a 10% decrease on their fees. Instead of \$300,000, they would charge \$270,000. Mr. Breth expressed his concerns and his thoughts that Transamerica is not being upfront about trying to bring down their cost. He stated their system is built for Defined Contribution plans. He feels it is not necessary for the County to unitize the accounts. He advised the Board if they were considering changing custodians, it would take some time.

Kerri advised the Board the data feed Transamerica is talking about were two sets of data feeds. The major piece of the data feed they have not been receiving is from January 1st until now, due to the conversion of Munis. She continued by stating, IT has Transamerica specs and is working on a resolution. Kerri advised the Board, the gentlemen she spoke with from Moonquest, believes he can have all of the data ready to be reviewed (if it can be received) by the by the end of December. She stated they are working on getting eleven months of data and there is a portion they have not received since December 31, 2018. The files have historical data and they are getting it all together, but it must be in a format which Transamerica can receive, in order to do the calculations. Kerri said in order to do the majority of the calculations, Transamerica has approximately 90% of everything they need until January 1, 2019. She stated there has not been any payroll files sent since December 31, 2018.

Jon Breth expressed his concern of the \$30,000 cost for custody. Transamerica does not explicitly state the fees going to State Street, which are priced into our value on a daily basis; this adds another roughly \$60,000.

Kerri conveyed to the Board, changing the Custodian will be a huge event. She said with the miscommunication and the retirees not getting paid, changing custodians will be welcomed.

Attorney Rick Arenburg asked if the overall fees paid to Transamerica included fees owed to State Street. Jon Breth advised State Street provides a function where the custody accounts for the County and Transamerica as the administrator, but they are not the explicit custodian.

US Bank was considered the best fit in terms of services and fees, relationship management on a going forward basis. US Bank fee schedule is roughly \$96,000 a year, which may grow over time. But the County is expected to pay \$96,000 a year for custodial services. Mr. Breth stated US Bank will custody the County Assets better, they will provide better client service to the County, and will do a better job in ensuring the retirees get paid on time and accurately. The Board was advised by Mr. Breth, a 90 day notice would have to be given to Transamerica. And it would take at least 2 months for the transition and to get everything setup.

Debbie Decker suggested the conversion take place at the end of the Quarter for 1099 purposes. This would make it easier for the retiree's to keep better track of their 1099's.

Jon Breth suggested to the Board to immediately notify Transamerica of the decision, then work with US Bank to get contracted. Work through the notice period with Transamerica, and get the contract with US Bank. He estimated it could be converted by March 31st.

Kerri was asked by Ramona Bivins if she thought this would be overwhelming for her. Kerri thinks the timeframe would be much better if it is implemented at the first part of the year opposed to the latter part of the year, due to audits and fiscal year end.

A motion was made by Chairman Hicks to engage US Bank to offer Custodial and Benefit payment services on behalf of the Defined Benefits Plan. Chairman Hicks made a recommendation to have it in place no later than June 30, 2020. It was seconded by Katherine Dodson. The vote was unanimous.

8. Kerri Hathaway presented the quarterly request for approval of benefits. Ramona Bivins made a motion to approve the Quarterly Employees Retirement Benefits. Katherine Dodson seconded the motion. The vote was unanimous.

November 14, 2019

| | | Age | Form | Amount | Department |
|---------------------------|-------|-----|-------|----------|--------------------------|
| Normal Retirements | | | | | |
| Ronald L Ayers | 20.33 | 64 | 100JS | 1,702.48 | Fleet Maintenance |
| Theodore A Beal | 15.83 | 63 | 5CC | 1,757.75 | Prison |
| Andrea J Benefield | 32.17 | 55 | 10CC | 3,818.22 | Juvenile Court |
| Margaret D Cauchy | 14.58 | 60 | 100JS | 1,430.07 | Solicitor of State Court |
| Carl E Cook | 31.33 | 54 | 5CC | 4,397.58 | Police |
| Deborah M Decker | 16.42 | 62 | 50JS | 2,295.06 | Finance |
| Angela L Edge | 20.67 | 64 | 10CC | 1,380.94 | Sheriff |

| | | | | | |
|-----------------------|-------|----|------|----------|-------------------------|
| LaDonna Elder-Tolbert | 31.25 | 60 | 5CC | 2,717.26 | Library |
| Willie J Griggs Sr | 13.00 | 66 | 5CC | 913.16 | T & D |
| Melissa A Johnson | 8.58 | 63 | 5CC | 644.82 | Clerk of Superior Court |
| Tracy G Lawson | 14.00 | 61 | 50JS | 1,544.58 | Juvenile Court |
| Albert T Lewis | 25.25 | 59 | 75JS | 3,010.61 | Sheriff |
| Alma S Sanders | 10.75 | 63 | 5CC | 497.22 | Refuse Control |
| N Johnette Smith | 33.00 | 54 | 75JS | 7,113.57 | Finance |

Early Retirement

| | | | | | |
|--------------------|-------|----|-------|----------|---------|
| Phillip D Bailey | 31.42 | 55 | 75JS | 5,413.77 | Police |
| Timothy L Cash | 28.33 | 52 | 75JS | 3,389.30 | Sheriff |
| James B Chancey | 15.83 | 55 | 100JS | 716.37 | Police |
| Mark J Felgenhauer | 25.67 | 51 | 75JS | 3,212.37 | Sheriff |
| Jefferson B Yancey | 22.83 | 57 | 100JS | 3,091.52 | Fire |

Disability Retirement

None

QDRO

| | | | | | |
|-----------------|--|--|-----|----------|-------------------------|
| Brenda L Durham | | | 5CC | 2,714.95 | Spouse Charles E Durham |
|-----------------|--|--|-----|----------|-------------------------|

Beneficiary Benefit

| | | | | | |
|---------------------|--|--|--|----------|--------------------------|
| Janice R Baker | | | | 1,985.88 | |
| David L Barrett | | | | 120.07 | |
| Susan B Brown | | | | 120.07 | |
| Harrison Gullickson | | | | 1,285.81 | |
| Shirley M Harris | | | | 148.51 | |
| Dianne B Hooten | | | | 120.07 | |
| Linda L Hopper | | | | 2,264.40 | |
| Timothy D King | | | | 104.75 | |
| Geneva C Monte | | | | 8,446.96 | Lump Sum Actuarial Value |
| Darla L Senger | | | | 148.51 | |
| Ginger R Waseman | | | | 148.51 | |

Vested Termination

| | | | | | |
|---------------------|-------|----|-----|----------|---------------|
| Christopher Pacitti | 11.75 | 57 | 5CC | 1,747.65 | Police |
| Derek W. Bogan | 13.58 | 58 | 5CC | 2,167.75 | T & D |
| Tarik L Maxwell | 9.00 | 38 | 5CC | 842.03 | Parks and Rec |
| Justin Mitchell | 12.67 | 34 | 5CC | 1,555.03 | Sheriff |
| Jasmine D. Romero | 7.42 | 36 | 5CC | 702.24 | Sheriff |

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|---------------------|-------|----|-------|-----------|-----------------|
| Seidan I Abdullah | 7.08 | 29 | R-I-L | 15,998.37 | Sheriff |
| Christopher Allen | 11.83 | 32 | R-I-L | 37,833.46 | Police |
| Robert B Bishop | 7.42 | 38 | R-I-L | 27,372.13 | Police |
| Jarvis T Braxton | 9.67 | 35 | R-I-L | 31,819.90 | Sheriff |
| April M Burk | 13.00 | 39 | R-I-L | 42,835.17 | Sheriff |
| Triana N Collier | 7.25 | 32 | R-I-L | 24,235.50 | Sheriff |
| Lynda M Cook | 20.08 | 47 | R-I-L | 64,297.40 | Police |
| Michael S Edmonds | 8.58 | 40 | R-I-L | 26,179.21 | Police |
| Michael L Edwards | 8.33 | 33 | R-I-L | 28,153.53 | Sheriff |
| Lawanza S Griffin | 12.67 | 52 | R-I-L | 37,002.50 | Library |
| Austin J Hahn | 7.00 | 28 | R-I-L | 22,435.54 | Fire |
| Frederick Hall | 7.08 | 36 | R-I-L | 3,071.43 | Corrections |
| Vincent O Handsford | 7.17 | 41 | R-I-L | 26,668.46 | Sheriff |
| Traci M Harris | 11.25 | 49 | R-I-L | 36,422.35 | Sheriff |
| Mario Henson | 12.83 | 38 | R-I-L | 45,189.05 | Senior Services |
| Sheldon A Hogan | 14.33 | 44 | R-I-L | 46,434.09 | Sheriff |
| Gloria R Mayo | 15.33 | 54 | R-I-L | 56,650.67 | Sheriff |
| Justin W Mitcham | 14.33 | 33 | R-I-L | 45,720.23 | EMS |
| Joshua K Nicholson | 8.42 | 35 | R-I-L | 26,787.62 | Police |
| Christophe L Plessy | 9.75 | 30 | R-I-L | 33,509.30 | Fire |
| Toney L Wright Jr | 7.25 | 43 | R-I-L | 27,339.32 | T & D |

9. Chairman Hicks stated two years ago a list of members who had attended the annual GAPPT school and/or conference was shown in the May 2017 minutes.. It was updated on June 30th and will be shown in the meeting minutes. Chairman Hicks recommend the members go to the GAPPT website to obtain their hours. He stated a new law was put in place which deals with hours.

GAPPT**Record of Attendance****2010 (Sept 28 – 29, 2010 Macon) Conference Attendees**

- a. Terry Hicks
- b. Renee Bright
- c. Angela Jackson
- d. Katherine Dodson
- e. Carl Rhodenizer
- f. Debbie Decker
- g. Brenda Simmons
- h. Ed Durham – Water Authority
- i. Randy Shreiner - Water Authority

2011 (Sept. 20 – 22, 2011 Macon) Conference Attendees

- a. Terry Hicks
- b. Angela Jackson
- c. Katherine Dodson
- d. Debbie Decker
- e. Brenda Simmons
- f. Randy Shreiner - Water Authority

2012 (Sept 18 – 20, 2012 Macon) Conference Attendees

- a. Terry Hicks
- b. Renee Bright
- c. Angela Jackson
- d. Katherine Dodson
- e. Debbie Decker
- f. Brenda Simmons
- g. Ed Durham - Water Authority

2013 (Sept 24 -26, 2013 St. Mountain) Conference Attendees

- a. Terry Hicks
- b. Renee Bright
- c. Ramona Thurman Bivins
- d. Debbie Decker
- e. Brenda Simmons

2014 (Sept 23 – 25, 2014 Callaway Gardens) Conference Attendees

- a. Renee Bright
- b. Katherine Dodson

2015 (March 24 – 26, 2015 Macon) School Attendees

- a. Ramona Bivins (Basic)
- b. Debbie Decker (Basic)

2015 (Sept 21 – 24, 2015 Savannah) Conference Attendees

- a. Terry Hicks
- b. Renee Bright
- c. Katherine Dodson
- d. Debbie Decker

2016 (March 21 -23, 2016 Macon) School Attendees

- a. Debbie Decker (Advanced) CPPT

2016 (Sept 19 -22, 2016 Lake Lanier Islands) Conference Attendees

- a. Unattended

2017 (March 20 – 22, 2017 Macon) School Attendees

- a. Terry Hicks (Basic)
- b. Katherine Dodson (Basic)
- c. Debbie Decker (Continuing Education)

2017 (Sept 11 – 14 2017 St. Simons Island) Conference Attend

Cancelled due to Hurricane Irma

2018 (March 19 – 21, 2018 Macon) School Attendees

- a. Terry Hicks (Advanced) CPPT
- b. Katherine Dodson (Advanced) CPPT
- c. Ramona Bivins (Advanced) CPPT
- d. Pamela Ambles (Basic)

2018 (Sept 17 – 20, 2018 Savannah) Conference Attendees

- a. Terry Hicks
- b. Katherine Dodson

2019 (March 18 – 20, 2019 Athens) School Attendees

- a. Pamela Ambles (Advanced) CPPT
- b. Debbie Decker (Continuing Education)
- c. Ramona Bivins (Continuing Education)

2019 (Sept 16 - 19. 2019 Lake Lanier Islands) Conference Attendees

- a. Terry Hicks
- b. Jim Crissey
- c. Ramona Bivins
- d. Pamela Ambles

Ramona Bivins recommended a five minute break and the board will reconvene for an Executive Session.

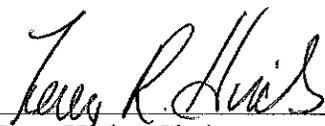
10. A motion was made by Ramona Bivins to go into Executive Session, it was seconded by Katherine Dodson. The vote was unanimous.

A motion was made by Ramona Bivins to go out of Executive Session and return to Regular Session. It was seconded by Katherine Dodson. The vote was unanimous.

11. A motion was made by Ramona Bivins to not make changes to the plan to grant retroactive participation. It was seconded by Katherine Dodson. The vote was unanimous.

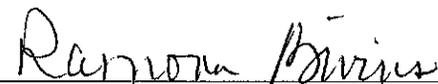
12. There was no further business to discuss, Katherine Dodson made a motion to adjourn. It was seconded by Pamela Ambles. The vote was unanimous.

Clayton County Pension Board



Terry Hjeks, Chairman

2/13/2020
Date



Ramona Bivins, Secretary

2/13/2020
Date