

CLAYTON COUNTY PENSION BOARD

Regular Meeting
8:30 a.m.

May 14, 2020

MINUTES

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

ALSO PRESENT: Jon Breth, AndCo Consultants; Mr. Rick Arenburg and Ms. Cass Hollis, Bryan Cave Law Firm; Kerri Hathaway and Vanessa Sarden, Finance Department.

1. Chairman Terry Hicks called the regularly scheduled Pension Board Meeting to order.
2. A motion to adopt the agenda was made by Ms. Dodson and seconded by Mrs. Bivins. The vote was unanimous.
3. A motion was made by Mrs. Bivins to adopt the February 13, 2020, Regular Pension Board Meeting minutes and seconded by Ms. Pamela Ambles. The minutes were unanimously approved and accepted.
4. Jon Breth of AndCo Consultants opened discussing the *Investment Performance Review*. He explained in the 1st quarter the County was setting new highs until February 19th. On March 23rd the Federal Reserve implemented some significant actions to add liquidity to the bond market. As the bond market stabilize, it allows the stock market to flow and a rebound in the stocks market on March 23rd through end of April. In the 1st quarter stocks were down 25%, *Large Cap* down 20%, *Mid Cap* down 27% and *Small Cap* down 30%. The *Government Bond Market* held up the best, which the *Barclays* up 3%, and *Government Bonds* up 8%. There was a loss in *Corporate Bonds*, the large technology firm had a gain and the *S&P 500* was down 20%. The rising economic concerns resulted in swift actions by the Federal Reserve, which cut its overnight lending to between 0% to 0.3%. The domestic equity markets, *Large Cap Stocks* outperformed, *Small Cap* equities during the quarter with the *S&P 500 Index* returning -19.6% vs a -30.6% return for the *Small Cap Russell 2000 Index*. U.S. equity returns over a 1-year period turned negative as a result of the drawdown with *Large* and *Mid-Cap Stocks* returning at a -8.0% and a -18.3% respectively, while *Small Cap Stocks* dropped at -24.0%. In the *Bond Market*, the *Government Bonds* withheld the best at 8%.

The *International Markets* posted negative returns for the 1st quarter. *Developed Markets* outpaced emerging markets during the period with the *MSCI EAFE Index* falling at -22.8% vs

a -23.6% decline for the *MSCI Emerging Markets Index*. Both developing and emerging markets posted losses over the 1st year period returning at a -14.4% and at a -17.7%. *US Government Bonds* were the best performing securities for the 1st quarter returning at 8.1%. *Investment Grade Corporate Bonds* suffered a negative return on concerns about economic growth prospects in the future. In March, China was the best performing emerging market in the month. The higher market capitalization stocks were down less than lower market capitalization stocks which were down less than the lower market capitalization stocks across the style spectrum. The *Large Cap Russell 1000 Index* lost at a -20.2% during the period vs the -30.6% return for the *Small Cap Russell 2000 Index*. Over the past year, *Large Cap Stocks* significantly outpaced *Small Cap Stocks* with the *Russell 1000* posting at a -8.0% loss compared to the -24.0% drawdown in the *Russell 2000*.

Mr. Breth stated in the Markets, the *Energy Stocks* fell a staggering -51.3% during the quarter as crude oil prices fell as global economic growth receded during the period. *Financial Stocks* declined a -32.6% and interest rates fell. Over a one year period, the Technology Sector was showing a positive return of 8.5%, *High quality Bonds* were down 7%, *U.S. Treasury Bonds* were up 13% and performed well along with the *U.S. Corporate Bonds*. There was a high performance on the *BBB Bonds* and *U. S. High Yield Bonds*. The *High Yield Bonds* were the only negative performer for the year due to the quarter's dramatic spread widening and resulting weak performances. The BAA OAS abruptly increased in credit spreads during the 1st quarter of 2020 as investors move to a higher quality assets during the quarter's risk-off environment. The bonds yielded more that ½% more than the treasury yield raised as the price declined. He stated the prices declined in order to entice the investors to purchase bonds. At the end of the quarter, Mr. Breth stated the County was in a good position with bond prices, nevertheless, this will hurt some bond managers in the 1st quarter, but will put them in a position to perform better for the remainder of the year. It was not corporate bonds defaulting, where money is loss on bonds, it was price deflating. As the bonds continues pay their interest and mature on time, prices will return to normal this sets *MetWest, JP Morgan, Garcia Hamilton Core Bond* managers in a comfortable performance position and the County will see an out performance.

Mr. Breth stated at the end of the quarter, the *Asset Allocation Rate on Fixed Income* were due to the swings displayed in the market rebalancing. He continued by stating equity during March turned out well and captured the late month rebound in the stock market. The April number shows the County is back in line with the targets. He further explained, in February the cash flow was in a good position starting the fiscal year to date and started the year with \$442.7 million; out-funds was \$16 million from the fund to pay benefits; loss of \$46.7 million investments. In the month of April, the County earned \$34.3 million and is close to returning to flat for the fiscal year to date.

Mr. Breth continued by briefing the Board on the "Total Fund Results" stating it was down 16.7% for the quarter which places the County low in the median in their peer group. The County also had an 8% assumed rate of returns and equity focused in our asset allocations

and when the stock market settles to 20% to 25% the County will be exposed. He continued by stating for the quarter, the bias towards equity is at 70% of the portfolio for the quarter and led to declines, which some of the individual managers underperformed and led the County to trail in the benchmark. Mr. Breth said the *Domestic Equity* were DePrince, Race & Zollow and Channing Capital SMID lagged and Clearbridge had growth. The largest underperformance was DePrince, Race & Zollow, which shows they are a true deep value manager and proves they are true value managers. DePrince, the lowest priced stocks in the market, was the manager that underperformed in the market and the highest priced stocks in technology and healthcare held up the best. DePrince was able to be married to another manager of equal capital, which generated an outperformance in the value space. With growth, the two managers that paired well were Alger Capital Appreciation Fund outperforming and Clearbridge delivering results in line with the Russell 1000 growth. The difference with these two managers were their willingness is Alger's Capital Appreciation Fund had overweight of 8 – 9% of the Russell 1000 growth, and Clearbridge was reluctant to overweight the stocks such as Amazon. Channing Capital SMID and Jackson Square Smid Cap Growth I are the two new managers. The difference with the new group the managers of the absolute value was based on their strategy. The outperformance of Jackson Square Smid Cap Growth manager and Channing outperformance was due to their community banks, which struggled this quarter. He continued and explained the growth vs value referencing MFS International Value R6 as a conservative down the manager, which outperformed based on the value. The Oakmark International Fund a more aggressive fund, is down -36.45% due to some financial services and metal mining stocks, such as Glencore, which is one of the largest mining company's in the world, significantly under performed with commodity prices, and the growth manager American Funds EuroPacific held up in the market. He stated offsetting some of the extreme values by positioning Oakmark International with a growth positioning in American funds and continue to allow MSF International Value R6 be the down-the-middle manager internationally. Jon continued by stating all of the managers are approximately 5% of the overall portfolio.

Mr. Breth stated the *Fixed Income* performance *Garcia Hamilton Core Bond* generated a gain of 1.51% for the quarter. U.S. Aggregate Index generated a return of 3.15% for the quarter and were in the top 15% of percentile of their peer group. Entering into this quarter, there were a few managers who were conservative in the heavy overweight treasury mark. Most managers were underweight treasures going into 2020. *JP Morgan Core Plus Bond R6*, the manager with the most exposure to the area of high yield bonds did the worst during the quarter. This is not an indication the managers did not experience permanent losses of capitals on their bond holdings during the quarter, they all face price pressure during the quarter, but the fixed income market is returning to normal and the managers are showing good performance. *Templeton Global Bond R6* was one of the volatile managers of the overall funds are down 4.40% and the *FTSE World Government Bond Index* up 2%.

Mr. Breth discussed the *Asset Allocation & Performance Monthly Flash Report Net* of fees, the performance is currently up 9.1% for the month of April and the year-to-date fiscal loss

was 2.9%. The equity continues to lead the outperformance. Managers that outperformed significantly in the quarter were *DePrince, Race & Zollow* and *Channing Capital SMID Value*. International, *Oakmark* increased 10% ahead of the equal benchmark. The *MFS International Value R6* and the *American Funds EuroPacific* are doing well internationally. *MetWest Total Return Bond* and *JP Morgan Core Plus Bond R6 Bond* managers are outperforming.

Mr. Breth continued by stating he's working with Ramona and Kerri to oversee the transition from Transamerica to U.S. Bank with the target date as July 1, 2020. He stated communications is being facilitated between U.S. Bank and Transamerica making sure everything in place for an orderly transitioning of assets as well as an orderly establishment for all of the benefit payments. Mr. Breth presented a question to the Board asking since the next meeting will not be held until August, he asked if the Board would object to raise funds pending the transition to U.S. Bank. He stated as of now, Transamerica has an order process whereas they will start selling funds to generate cash flow to meet benefit payment obligations which is not the operation for U.S. Bank. Mr. Breth suggested to do rebalancing to prefund the cash account to cover the County for a minimum of a month in the amount of \$5 million. And asked if the Board opposed to AndCo Consultants working with Ramona and Kerri to generate cash leading into the transition. He said this will ensure cash is in place to cover benefit payments for a 1-2 months period between the transitioning periods. He clarified no managers will be fired or hired, it would be rebalancing and observing prefunding the cash and the asset allocations to carry over through the transition.

Chairman Hicks asked Ramona and Kerri if they were in agreement with Mr. Breth recommendation. Their response was yes.

Mr. Crissey asked if the process was to transfer the monies into the account and use it as startup capital. Mr. Breth stated he would sale investments first, this will help build cash, which he referred as an R&D Capital (Receive & Disbursement Account) used to pay benefits. You would see an elevated cash position at June 30th. Mr. Crissey received affirmation a transitional amount of monies would be used to fund the requested accounts. Mr. Breth confirmed it was.

5. Chairman Hicks stated the next item on the agenda were to discuss the Education and Real Estate. Mr. Breth stated he would like to table this discussion. He stated he'd discussed the education last quarter, identifying the three managers Morgan Stanley, Stockbridge and Clarian for final presentations. Mr. Breth concluded by stating the Corona virus interrupted the plan for discussion. He stated once he receives clarity and is comfortable setting up a scenario and presentation, he will schedule a meeting. He concluded there is not specific timeframe as to when this needs to be completed.

A copy of the Clayton County Georgia ERS “Investment Performance Review Period Ending March 31, 2020” and “Investment Performance Review Period Ending April, 2020” are filed in the Chief of Finance Officer’s office.

6. A motion by Mrs. Bivins for approval of the quarterly benefits for those participants identified in the body of these Minutes. The motion was seconded by Ms. Dodson. The vote was unanimous.

May 14,2020

	Years of Service	Age	Form	Amount	Department
Normal Retirements					
Angela D. Armour	18.67	60	5CC	1,536.61	Aging Program
Josefina C. Bailey	15.17	61	50JS	1,198.86	Police
Jerry T. Barnes	30.25	60	5CC	4,238.57	Sheriff
Frank F. Clackum	34.17	53	100JS	6,212.54	Fire
J. Scott Crumley	21.33	60	100JS	1,624.18	Police
Darlene D. Johnson- Riggins	15.00	60	10CC	1,237.55	Solicitor General
Jeffrey T. Mitchell	26.00	54	100JS	4,098.19	Sheriff
Kevin S. Olney	10.42	60	50JS	1,015.51	EMS
Patricia A. Perkins	10.25	66	5CC	625.34	CCPD
Terrie L Randolph	12.67	74	5CC	1,179.23	Commissioners
Patricia L White	14.17	65	5CC	1,037.36	Finance
Early Retirement					
Benjamin S. Hill Jr.	19.00	54	100JS	1,495.53	Fire
Jennifer E. Ley	27.42	52	5CC	1,923.67	Sheriff Water
Willie McCune	33.75	53	100JS	3,809.70	Authority
John A. Segars	20.42	58	5CC	2,200.31	Sheriff
Disability Retirement					
None					
Beneficiary Benefit					
Shirley C. Burnett				676.32	
Joyce S. Butler				609.78	

Betty J. Day	1,235.34
Linda A. Reynolds	3,739.01
Darlene Taylor	3,693.10

Vested Termination

Taunya B. Alexander	15.42	48	5CC	1,085.84	Finance
Paul Barnes	21.00	52	5CC	2,837.68	Sheriff
Fallon L. Burgess	14.50	38	5CC	1,179.40	Recreation
Channel J. Day	18.50	43	5CC	2,122.76	Sheriff
Michael B. Landis	7.42	27	5CC	766.22	Sheriff
Jonathan A. Manning	7.83	36	5CC	1,101.93	Sheriff
Jamila R. Pointer	7.17	31	5CC	720.36	Fire
Quatasia R. Ross	7.50	29	5CC	399.05	Police
Melesonia L. Williams	14.92	44	5CC	1,415.94	Sheriff
					Solicitor
Melanie K. Woodall	24.42	51	5CC	2,668.29	General

Refund - in - Lieu

William L. Brock	11.58	39	R-I-L	35,816.88	Sheriff
Andre Jackson	23.08	54	R-I-L	75,048.94	Police
Kareem B. Fannin	8.75	47	R-I-L	29,747.21	Police
Elaine M. Minor	8.25	44	R-I-L	29,261.52	Finance
Robert J. Theiss	18.00	43	R-I-L	60,528.93	Police

7. A motion was made by Ms. Dodson to go into Executive Session to discuss a compensation matter involving an employee. The motion was seconded by Mrs. Bivins. The vote was unanimous.

A motion was made by Ms. Pamela Ambles to adjourn the Executive Session and was seconded by Mrs. Bivins. The vote was unanimous.

A motion was made by Ms. Ambles to reconvene into regular session and seconded by Mr. Crissey. The vote was unanimous.

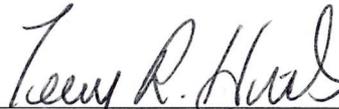
8. A motion was made by Ms. Ambles in accordance with the Clayton County Pension Plan to approve Mr. Reggie Magwood for Disability Retirement and seconded by Mrs. Bivins. The vote was unanimous.

9. Chairman Hicks stated other business was the next item to discuss on agenda. Chairman Hicks continued by stating, due to the Corona virus there was not much to discuss on the

assumption study. He advised the Board the Water Authority implemented some items because their budget went into effect May 1, 2020. The Tax Commissioner and the CFO will have to determine how revenue will come in. He stated the Water Authority will take a six months look at their budget revenue to see if they need to make adjustments. Chairman Hicks asked Mrs. Bivins if she had anything to add on the Assumption Study. Mrs. Bivins stated the County has approximately \$2.64 million in the budget for the next fiscal year. Chairman Hicks stated in speaking with Kerri and Mr. Spanier, it will take time collecting the data for the annual Actuarial Valuation report. He said Mr. Spanier informed him if he has the Board's decisions on the Assumption Study recommendations by September, it will be fine. Chairman Hicks concluded by stating the Board will wait until August to discuss the Assumption Study recommendations.

10. A motion was made by Mrs. Bivins to adjourn the Regular Pension Board Meeting and seconded by Ms. Katherine Dodson. The vote was unanimous.

Clayton County Pension Board


Terry Hicks, Chairman

8/13/2020
Date


Ramona Bivins, Secretary

8/13/2020
Date