CLAYTON COUNTY PENSION

Regular Pension Board Meeting February 8, 2024
8:30 a.m.

MINUTES

PRESENT: Terry Hicks, Chairman; Jim Crissey, Vice Chairman; Stacey Merritt, Interim Secretary; Debbie Decker, Member.

ALSO PRESENT: Jon Breth, AndCo Consulting; Rick Arenburg, Bryan Cave Leighton Paisner LLP; Kerri Hathaway, Pension Manager; Regina James, Stenographer.

1. Chairman Terry Hicks called the regularly scheduled Pension Board Meeting to order.

2. Chairman Terry Hicks called for a motion to adopt the agenda. The motion was made by Ms. Stacey Merritt and seconded by Mr. Jim Crissey. The vote was unanimous.

3. The position of Chairman and Vice Chairman are open. Ms. Debbie Decker motioned to nominate Terry Hicks as Chairman and Mr. Jim Crissey as Vice Chairman. Her motion was seconded by Ms. Stacey Merritt. The vote was unanimous.

4. Mr. Jon Breth of AndCo Consulting opened with a discussion regarding the acquisition of AndCo by Mariner, a national wealth advisory firm, on or about April 2, 2024. AndCo or its members will have ownership in the new entity, however, your current AndCo service team members will continue to deliver the same services through Human Resources, Finance, Consulting, Research, and the Performance Group.

   A motion for the consent document to be reviewed by legal counsel was made by Ms. Debbie Decker and seconded by Ms. Stacey Merritt. The vote was unanimous.

   Mr. Jon Breth moved on to "Investment Performance Review Period Ending December 31, 2023".

   Towards the end of the fourth quarter, the stock market had nine weeks of gains. This is because we began to see inflation easing and the Federal Reserve indicated they were not planning on increasing interest rates. The first six weeks of 2024 had growth performance. The S&P 500 large-cap benchmark return was up about 12% and the Russell 2000 small-cap index was up 14%. This was important because most of last year's top stocks: Apple, Microsoft, Meta and Netflix were driving performance. We started to see it spread out in 2023 and it has carried on into 2024.

Outside of the United States, we had positive returns with All Country World (ACW) index up 10%. Fixed Income had one of the best quarterly returns, up by 7%. Corporate bonds are up 8.5% and cash is up 1.5%. The bond market has been another good example of volatility, strong returns from the first quarter of 2023, which coincided with the banking crisis.

Within large-cap stocks, the Russell 1000 Growth Index returned an exceptional 43% for the year. Since the financial crisis, growth has been outperforming consistently on a year-by-year basis.

Moving on to "GICS Sector Performance & (Sector Weight)." The large-cap sector's performance was generally positive for the fourth quarter. For the full year, the top performing sectors in the large-cap world were technology, consumer discretionary, communication services. Energy was the only sector to lose ground for the quarter. Public Real Estate market was up 18%. This is important as we look at the real estate allocation within the pension plan. Typically, public real estate leads the performance of private real estate.

Next up, discussion on "International and Regional Market Index Performance". In the second and third quarters, as interest rates were rising in the U.S., we were seeing the U.S. dollar strengthening relative to foreign currency. EAFE was up 10% in terms of U.S. dollar, but only up 5% in local currency for the quarter.

Lastly, looking at bond sector performance. The Corporate Investment-grade sector outperformed the broader index during the year, gaining 8.5%, the US Mortgage index slightly lower and Treasury produced a solid return. The U.S. High Yield Index had a strong return coming in at 13.4% for the calendar year.

Mr. Jon Breth moved on to discussing Cash Flows for the current fiscal year. The fiscal year started with $488.2M, net outflows were $12M, management fees on Stockbridge $118K and the return on investment $27.4M. At the close of December 31, 2023, market value is at $503M.

Next, Total Fund Performance. The quarter ended with a 9.4% return, which slightly trailed benchmark and for fiscal year to date, the total fund closed with 5.7%. The most recent quarter was up 12% within Domestic Equity, which matched the overall return of the U.S. stock market. Some of our more value-oriented managers lagged relative to the overall market. Eagle Capital is at 10.3%, a little below the median for the quarter. Energy has grown to a 10% allocation within the portfolio. MFS Growth Fund was brought in as our sole large-cap growth manager in January 2023. DePrince generated outperformance in the fourth quarter, due to good stock selection they have within the financial services world. In 2023, DePrince did trail by 2% and 80% of their underperformance was due to the fact they did not own Facebook stock. Channing Capital and Jackson Square are two small mid managers that were up 12% and 12.5% for the most recent quarter. For the year, Channing generated outperformance, while Jackson Square underperformed. Jackson Square is a manager that has been on watch and they will remain on watch as we move in 2024.

Next up is the discussion on International Equity. This quarter, our two valued oriented managers underperformed, Oakmark International and MFS International. American Funds Euro Pacific Growth outperformed for the quarter and for the year. Oakmark International outperformed for the year. In this quarter, we did see growth improve in a non-U.S. allocation. We are starting to see aggressive repositioning within the overall portfolio internationally.

Lastly, moving to Total Fixed Income. In terms of relative performance, we have seen volatility from Garcia Hamilton. They are managers who will take a stark allocation position based on where interest rates are headed. Their performance was strong in the most recent quarter. MetWest Total Return Bond has been focused on declining interest rates, so they have had a good performance. JP Morgan Core Plus Bond has maintained near their benchmark. We are seeing all of our managers outperforming on an inception basis. Garcia Hamilton has outperformed by 50 basis points, but they are in the 80^{th} percentile. MetWest and JP Morgan are more flexible in what they can do in their portfolios. Garcia Hamilton only purchases "A" or better rated bonds. In 2023, High Yield bonds were up 13%. We have two managers, Garcia Hamilton, who have volatility results and MetWest, who is going through their second management changes. No actions are recommended for the managers today, but at the next quarterly meeting, we will have some managers come in and make presentations and identify a potential replacement for MetWest and Garcia Hamilton.

In reviewing the Stockbridge Smart Markets, we continue to see pricing pressure as interest rates have risen. The sector that has been hit the hardest is the office sector, older buildings are not attracting tenants. It begs the question, whether people are returning to work versus working from home. Tenant demand has declined; thus occupancy has declined. What has continued to set Stockbridge apart, they own very little to no office sector within the portfolio. Stockbridge Market is outperforming and continues to be one of the better managers in real estate.

Next up, "U.S. Core Fixed Income Review", February 2024. There are six different managers that we work with. IR&M Aggregate Bond, CS McKee Aggregate Bond and Orleans Capital are all managed accounts. The mutual funds offerings are Baird Advisors Core Bond, Baird Advisors Core Plus Bond, Dodge & Cox Income Fund which are considered a core plus fund.

Next Mr. Jon Breth discussed "Portfolio Construction Information". Looking at duration constraint managers, Orleans Core +/- 10%, IR&M +/-0.25 %; this means they do not take any big risk on interest rates. The same is true with Baird Core Plus and Baird Core Bond - they will always match the duration of the Barclays Aggregate. CSMcKee Aggregate and Dodge & Cox are aggressive. The duration on the Barclays Aggregate is 6.2 years, Orleans 5.8, Dodge & Cox 5.7.

Moving onto "Trailing Performance as of 9/30/2023". Managers who have been consistent in outperforming are Dodge & Cox Fund, Baird Core Fund and IR&M Aggregate. The two Baird Core Funds are in the $20^{\%}$ percentile of the peer group, Dodge & Cox 10% percentile, and IR&M 24% percentile.

Now looking at "Calendar Year Performance". Baird Core Plus Bond was one of the most consistent performers. Their core strategy has outperformed every year except 2022, that year the core strategy was down 9 basis points. Dodge & Cox mildly underperformed in 2014, 2015, and 2018.

Last, looking at "Multi Statistic Analysis." The Sharpe Ratio distinguishes the amount of return being produced and the amount of risk to produce the return. The Alpha return is excess return.

Information Ratio factors show how closely your portfolio mirrors the benchmark. IR&M is a manager who mirrors the benchmark closely. The managers who really stand out are Dodge & Cox, Baird Core Plus and IR&M. It is not necessary to bring in all those managers for an interview, however, we should just focus on the mutual fund options. Mr. Jon Breth recommends bringing in Dodge & Cox and Baird Core Plus for presentations to the Board. Either or both can fit in with the managers we have today.

6. A motion was made for Approval of Benefits by Ms. Stacey Merritt and seconded by Ms. Debbie Decker. The vote was unanimous.

7. Ms. Kerri Hathaway presented "Pension Transaction Analysis for 2023". In addition to the benefits list that is sent out with the materials for the meeting, side notes within the email list out and disclose the refunds completed for the quarter and the dollar amount attached. For each section on the handout; retirements, refunds and contributions, you can see each benefit type broken out by the County and Water Authority. Drawing your attention to the handout, the section "retirements" comes straight from the benefit quarterly approval reports. The refunds (excluding refund-in-lieu' s) represent the participants who are not vested, broken out by County and Water Authority and total for the year. For the transaction count of retirements, the County is at 87% and the Water Authority 13%. For the transaction count of refunds, the County is at 95% and the Water Authority is 5%. In comparing the total number of retirements versus refunds, we calculate, complete and process three times as many refunds as retirements. Looking at the contributions received from the employee versus the employer, the split is 84% County and 16% Water Authority. Currently, we pay out about $4.2M in pension benefits monthly.

   Chairman Terry Hicks asked if the totals were six months at the old rate (13.9%) and six months at the new rate (21.5%). Ms. Kerri Hathaway responded, the first six months both County and CCWA were still paying in additional contributions over and above the 13.9%. As such, the additional amount of contributions being paid for the first six months is almost the same percentage amount of where we are now by ordinance of 21.5%. Debbie Decker stated, even though the amount of refunds affect cash flow, it helps our funding because the pension fund maintains the employer contribution.

   Ms. Kerri Hathaway stated there are 680 employees currently under the 7-year plan and 400 vested terms under the 7-year plan. There are 1,800 employees on the 10-year plan.

Clayton County, Georgia Public Employee Retirement System
Benefits by type and contributions
Year 2023

Totals	**Overall totals**	**County Total**		**Water Total**	
Retirements					
Normal	56	47	84%	9	16%
Early	8	5	63%	3	38%
Disability	2	1	50%	1	50%
Beneficiary	22	17	77%	5	23%
Vested Term	45	43	96%	2	4%
Refund in lieu	28	27	96%	1	4%
Total	**161**	**140**	**87%**	**21**	**13%**
Refunds (excluding RIL's)					
transactions	**465**	**444**	**95%**	**21**	**5%**
dollar amount	**2,903,480.20**	**2,816,520.25**	**97%**	**86,959.95**	**3%**
		Total		Total	
EE Contributions	11,156,081.32	9,314,796.70	83%	1,841,284.62	17%
ER Contributions	20,897,074.41	17,354,075.01	83%	3,542,999.40	17%
Additional Contributions	6,879,074.91	6,035,382.24	88%	843,692.67	12%
Total	**38,932,230.64**	**32,704,253.95**	**84%**	**6,227,976.69**	**16%**

Clayton County, Georgia Public Employee Retirement System
Refund data for year 2023 (RIL's are excluded)

		Transactions	Amount	Percentage of transactions	Percentage of dollars
2/9/2023	Total	107	893,517.07		
	CCWA	7	39,491.31	7%	4%
	County	100	854,025.76	93%	96%
5/11/2023	Total	106	758,120.76		
	CCWA	8	27,472.90	8%	4%
	County	98	730,647.86	92%	96%
8/10/2023	Total	114	544,335.79		
	CCWA	0	-	0%	0%
	County	114	544,335.79	100%	100%
11/9/2023	Total	138	707,506.58		
	CCWA	6	19,995.74	4%	3%
	County	132	687,510.84	96%	97%
2023	**Total**	**465**	**2,903,480.20**		
	CCWA	**21**	**86,959.95**	**5%**	**3%**
	County	**444**	**2,816,520.25**	**95%**	**97%**

8. There was no Executive Session needed.

9. Other Business. The GAPPT conference will be held next month, March 2024. Every board member is scheduled to attend.

   Chairman Terry Hicks stated Clayton County would be recognized at the GAPPT Conference. Ms. Kerri Hathaway confirmed Clayton County Board of Commissioners will be recognized as a founding organization to GAPPT 15 years ago.

10. A motion was made by Mr. Jim Crissey to adjourn the Regular Pension Board Meeting and seconded by Ms. Stacey Merritt. The vote was unanimous.

Clayton County Pension Board

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Terry Hicks, Chairman Date

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Stacey Merritt, Interim Secretary Date