

**CHATHAM COUNTY PENSION BOARD MINUTES**  
August 6, 2019

The meeting of the Chatham County Pension Board convened on August 6, 2019 in the Green Room on the 2<sup>nd</sup> floor of the Chatham County Legislative/Administrative Courthouse at approximately 10:02 a.m. **The following members were present:** Amy Davis, Carolyn Smalls, Leshia Lanier England, Derek Thornton, Julie Rodgers, and Chairman Al Scott; **Dahab & Associates** - Greg McNeillie; **Also Present:** Michael Kaigler, Linda Cramer, Mindy Ramsey, Irene Vigh, and Janice Bocook - Clerk.

\*\*\*\*\*

**Item One: Call to Order:**

Amy Davis opened the meeting at approximately 10:02 a.m.

\*\*\*\*\*

**Item Two: Approval of Minutes:**

Ms. Cramer pointed out a typographical error on page 4.

Ms. Smalls pointed out a typographical error on page 7.

**ACTION OF THE BOARD:**

Ms. Smalls moved to approve the minutes as corrected. Ms. England seconded the motion and it carried unanimously.

\*\*\*\*\*

**Item Three: Introduction of PRM Consulting – Amy Davis:**

Ms. Davis advised PRM Consulting has been hired to handle the county's health and benefits consulting and actuarial services.

Ms. Smalls advised the firm was hired through an RFP process. The committee believed putting health and benefits consulting and actuarial services under one umbrella will be a great benefit to the county.

Those present at the board meeting introduced themselves to the PRM staff. The PRM staff also introduced themselves.

PRM was started in 1999. They have offices in Washington, DC, Maryland, Virginia, and Georgia. Adam Reese is the primary actuary, and he works with Robert Sanford on the actuarial side. Thomas Rand is the primary benefits consultant, and he works with Joanna Bartholomew on the benefits side.

Ms. Davis advised that the February actuarial report showed the fund is not sustainable as it is currently being funded.

Mr. Reese advised he has reviewed the OPEB fund and is looking forward to getting the fund in line. The fund is now funded at approximately 21%. He advised the employer waiver plan will be put into effect and will help to shore up the fund. He believes the liability at present is about 30% too high.

Mr. Kaigler advised the current assumption needs to be reviewed and incremental changes put into place.

Ms. England asked if the firm would be looking at how a COLA for retirees would affect the fund.

Mr. Reese advised the entire fund that would be reviewed, including the affect of a COLA on it.

\*\*\*\*\*

#### **Item Four: Review of Year End Financial Reports – Greg McNeillie**

##### **Pension Fund:**

Mr. McNeillie advised the fund had a 4% return the last quarter and a 7% return for the year. The fund ranks among the top 6% of funds in the country.

For the last year, large cap had the biggest improvement in the fund with the removal of Fitzgerald and the inclusion of Atlanta Capital. Loomis Sayles also had good returns.

Mid-cap has been the problem, which is why LMCG is being replaced. Mr. McNeillie advised he would not be opposed to the board choosing two mid-cap firms and splitting the funds, as is being done with the small cap managers.

The international portion of the portfolio has done well. Real estate had a 5.4% return. Fixed income had an 8.5% return.

Each's manager's rate of return since their inception are as follows:

Atlanta Capital	15.1	Russell 1000	13.2
Rhumblin 500	11.0	S&P 500	11.1
Loomis Sayles	15.9	Russell 1000G	13.8
Aristotle	4.7	Russell 1000V	2.6
LMCG	7.8	Russell Mid	9.5
Chatham Capital	9.7	Russell 2000	7.3
Matarin	2.4	Russell 2000	7.3
Fidelity	5.9	EAFE Small Cap	5.4
Euro Pacific	8.7	MSCI EAFE Net	6.9
Vanguard EM	12.2	Emg. Mkts Index	12.2
JP Morgan	5.4	NCREIF ODCE	6.4
Richmond Capital	5.0	Gov/Credit	4.1

Mr. McNeillie advised Matarin has underperformed quite a bit, but he advises giving them until about November of 2020 to come back. If they have not by that time, a decision will need to be made of whether or not to keep them in the portfolio.

Ms. Ramsey asked if, in hindsight, the board waited too long to replace Fitzgerald.

Mr. McNeillie advised that in hindsight, perhaps Fitzgerald should have been removed when he took over the portfolio. Instead the board incrementally took funds away from him, until it was determined he needed to be let go.

Mr. Kaigler reminded the board that Fitzgerald had done well for a number of years and had a history with the county, but ultimately, he had no succession plan and was losing the fund money, and that is why the decision to replace him was made.

**OPEB:**

Mr. McNeillie advised the OPEB fund was up 3.4% for the quarter and 7% for the year. The OPEB is a one hundred percent passive fund. The total portfolio as of June 30, 2019 is \$78,051,325.

Mr. McNeillie again advised a large OPEB fund is \$100 million. The county fund is getting close. If/when that happens, the fund can be re-allocated.

\*\*\*\*\*

### **Item Five: Presentation: Mid-Cap Managers**

Mr. McNeillie advised the board decided to interview 3 companies.

#### **Boston Trust & Investment Management Company:**

Nick Caldwell and Stephen Amyouny presented.

The firm's investing approach is to actively manage a broadly diversified portfolio consisting of companies of higher financial quality. Their objective is to outperform the benchmark, which is the Russell Midcap, through a full market cycle. A full market cycle consists of a bull and a bear cycle. There is no definitive time period for a full cycle. The current bull cycle has lasted for 13 years.

Their fees would be 50 basis points for the first \$20 million and 40 basis points for any funds above that amount.

The company is 100% employee owned. They have 62 employees and 37 are shareholders. The company has over 40 years of experience. They have a long-term record of superior, risk-adjusted returns and strong downside protection. They participate 90-95% in an up market and 70-75% of the down capture.

The characteristics of a high quality company they are looking for are consistent fundamental results, including high and stable returns on capital, robust cash generation, and sustainable, organic growth; prudent capital management; and reported financials reflect economic success. The result of this is that the companies tend to remain profitable, the stocks are more stable, and the portfolio has less risk.

They begin with about 750 companies, for which they look at profitability; stability; balance sheet sustainability; growth; and earnings quality. They narrow that down to about 250, for which they affirm the financial quality; evaluate the business model sustainability; consider material ESG factors; and assess the valuation. From that list, they narrow down to about 100 companies, for which they construct a portfolio of about 80 of the higher quality; reasonable valuation; and diversification.

They believe they should be chosen because they do what they say they are going to do. They are a financially sound, independent, employee-owned firm; they have an experienced and stable team of investment professionals; a compelling investment philosophy; a disciplined, repeatable investment process; and a long-term performance record of superior returns and downside protection. When the market is turbulent, they are at their best.

---

## **EARNEST Partners**

Dan Miree and Trey Greer presented.

Their firm is a bottom up investment manager. Bottom up managers look at individual companies when deciding what/who to invest in. Top down managers look at forecasts to decide what/who to invest in. Their main office is in Atlanta. They also have offices in Beijing and Rio de Janeiro. They manage small and mid cap.

They manage \$20 billion in assets; they consistently outperform; and they are 100% employee owned. They have 50 employees and 9 equity partners. The investment team are established, experienced, and eclectic. The senior leaders average over 20 years of investment experience. The team comes from diverse backgrounds.

Their investment process is a three-step process. They begin the initial screening of about 800 companies using Return Pattern Recognition, which includes valuation measures, market trends, operating trends, growth measures, profitability measures, and macroeconomics – focusing on those companies that outperform.

The initial screening then takes the companies down to 150. They look at the risk control of those companies. The downside deviation helps to limit under performance. They spend about 95% of their time doing fundamental research where they talk to and evaluate the management teams, analyze the business environment, scrutinize the financials, and assess the competitive framework. They become very familiar with the companies they decide to invest in. They normally hold a company for three to five years. They have a 12-person investment team and when deciding on a company, it takes an 80% consensus of the team. They have about 60 stocks in the portfolio.

They invest in commercial services; consumer discretionary; consumer staples; energy; financials; health care; industrials; information technology; materials; real estate; and utilities.

Their standard fee is 90 basis points. Mr. McNeillie believes he can get them down to 70 basis points.

---

## **Zacks Investment Management**

CR Miller and William (Bill) Yost presented.

The firm has over 80 employees who manage over \$8 billion in AUM/AUA. In 2009 they launched small and mid cap strategies. They manage \$500 million in mid cap. They are a quantitative manager.

Their investment process is research and development, stock selection, risk management, portfolio construction, and portfolio manager oversight.

Research and development – they look at data sets; over 100 different factors are looked at. The mid-cap stock selection is data driven. They boil the data down to four key factors: agreement (by the analysts); magnitude of change of analysts adjustments; upside potential (are they above the most recent estimates); and earning surprise (is the company earning above what they have estimated). Their parent company, Zacks Investment Research, provides the data they use.

Risk management is the difference between risk and return. The portfolio manager has oversight on the portfolio. The data sets cannot take qualitative things into consideration, so the manager has oversight on the final decision of companies within the portfolio.

They invest in communication services; consumer discretionary; consumer staples; energy; financials; health care; industrials; information technology; materials; real estate; and utilities. Their portfolio performance over the last ten years is 17.48 and the Russell Midcap is 15.41.

Chairman Scott asked what their rate of return over the last five days has been.

Mr. Yost advised he did not know but would find out and get the information back to the board.

Their fees would be 30 basis points.

-----

Ms. Smalls advised her choices would be Boston Trust and EARNEST Partners. She believes the higher rate of return will make up the difference in the fees EARNEST will charge.

Ms. Rodgers agreed.

**ACTION OF THE BOARD:**

Ms. England moved to split the funds currently allocated for mid-cap managers between Boston Trust and EARNEST Partners, subject to Mr. McNeillie negotiating a 70 basis point fee from EARNEST Partners. Ms. Smalls seconded the motion and it carried unanimously.

\*\*\*\*\*

**Item Six: Other Business**

No other business to be discussed.

\*\*\*\*\*

**Item Seven: Adjournment**

There being no further business, Ms. Davis adjourned the meeting at 12:59 p.m.

---

Amy Davis  
Pension Board Chairperson

Minutes prepared by:  
Janice Bocook, Clerk of Commission