

CHATHAM COUNTY PENSION BOARD MINUTES
May 7, 2019

The meeting of the Chatham County Pension Board convened on May 7, 2019 in the Green Room on the 2nd floor of the Chatham County Legislative/Administrative Courthouse at approximately 10:06 a.m. **The following members were present:** Amy Davis, Carolyn Smalls, Leshia Lanier England, Derek Thornton, and Lee Smith; **Dahab & Associates - Greg McNeillie;** **Also Present:** Michael Kaigler, Linda Cramer, Irene Vigh, and Janice Bocoock - Clerk.

Item One: Call to Order:

Amy Davis opened the meeting at approximately 10:06 a.m.

Item Two: Approval of Minutes:

Ms. Davis advised there was some confusion and no minutes were prepared following the February 5, 2019 Pension Board meeting.

Item Three: Presentation – Atlanta Capital – Chip Reed, Portfolio Manager:

Mr. Chip Reed, Portfolio Manager, advised he was happy to be presenting to the board. He was at the meeting to give a portfolio review, an update on the firm, and the company philosophy. A full copy of the presentation was presented to all board members present.

The firm was founded in Atlanta in 1969 and employs thirty-nine professionals, seventeen of which are equity partners. They are portfolio managers for ACCG and Gwinnett County. Most of their clients are in New York and California. Their philosophy is high quality investors who invest in long-term companies with proven consistency. They do well in market downturns and participate in rising markets who underperform. They have outperformed in the long term. Their outperformance comes from their stock selection. They are a bottom up manager. They search for great businesses run by honest people. They have outperformed in seven of their eight sectors. They have no exposure in

Communication Services because they can't find any profitable companies. They stay away from volatile sectors.

(Addition to the Agenda:)

Presentation -- Rhumblin -- Denise D'Entremont - OPEB Manager

Ms. D'Entremont is the Director of Marketing and Client Services. She has been in the business since 1990. They manage passive index funds. They do not trade stock daily; they monitor daily and re-balance once a month. The company is one hundred percent employee owned. A full copy of the presentation was presented to all board members present.

The County OPEB S&P 500 Pooled Index fund's date of inception is October 14, 2009. The initial contribution was \$1,711,923.37; additional contributions have been made in the amount \$8,650,039.10. The market value of the fund as of March 31, 2019 is \$22,822,259.67. The County OPEB S&P 400 Pooled Index fund was also initiated October 14, 2009. The initial contribution was \$556,706.48; additional contributions have been made in the amount of \$3,004,834.27. The market value of the fund as of March 31, 2019 is \$7,081,885.29. The County OPEB S&P 600 Pooled Index fund was initiated on October 14, 2009 with an initial contribution of \$547,882.03; additional contributions have been made in the amount of \$2,861,410.74. The market value of the fund as of March 31, 2019 is \$7,232,391.68. The Chatham County OPEB Core Bond Pooled Index fund was initiated October 14, 2009 with an initial contribution of \$3,011,639.77; additional contributions of \$30,751,682.13 have been made, and the market value of the fund as of March 31, 2019 is \$38,377,872.91.

The Chatham County Pension Fund S&P Pooled Index fund was initiated July 12, 2013. The initial contribution was \$8,643,278.62; additional contributions have been made in the amount of \$29,417,310.78. The market value of the fund as of March 31, 2019 is \$20,105,250.30.

Item Four: Presentation -- Review of March 31, 2019, Financial Reports -- Greg McNeillie

Pension Fund:

Mr. McNeillie advised the pension fund had a very good quarter. Through February the fund had made up for the losses of the previous quarter. The fund is in the 5th percentile

of all public funds in the United States. Domestic equity outperformed large cap, and Atlanta Capital was a large part of that out performance. International small cap out performed international large cap. Mid cap slightly out performed but small cap and real estate slightly under performed. Mr. McNeillie is not concerned about the under performance of small cap and real estate. Lee Munder continues to under perform, and it is his recommendation that they need to be replaced. The total of the portfolio as of March 31, 2019 was \$270,465,525. The investment return over the last ten years is 10.5%. The goal is to beat the market more than to lose to it.

The portfolio is slightly overweight in domestic equity and slightly underweight in international. This could be rebalanced by taking three million from Loomis Sayles and putting it in Aristotle.

ACTION OF THE BOARD:

Mr. Smith moved to transfer three million dollars from Loomis Sayles to Aristotle. Ms. Smalls seconded the motion and it carried unanimously.

OPEB:

Mr. McNeillie advised the OPEB fund was up 7.8% for the quarter. The OPEB is a one hundred percent passive fund. The total portfolio as of March 31, 2019 is \$75,514,508.

Mr. McNeillie 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: Mid-cap Manager Search -- Greg McNeillie

Mr. McNeillie advised the board needs to decide how to handle mid cap going forward. The board can either keep one mid cap manager or split between active and passive managers. His suggestion was having an active and a passive manager, giving each manager \$10 million. He advised giving half to Rhumblin as the passive manager due to their success in the pension fund and half to a new manager. He advised the passive manager should replicate the index; beat the benchmark; and do it inexpensively.

There were forty responses to the request. Mr. McNeillie reduced the forty down to seventeen and the seventeen down to seven for the board to review. Out of that seven, three were disqualified. The board can interview the four who are left or only interview three. The companies remaining are Earnest Partners; Zacks Investment Management; Boston Trust; and Scout Investment.

The mid cap allocation is eight percent; four percent will go to a passive manager; and four percent will go to an active manager. The benefit of a passive manager is they always

meet the index; they never have a negative alpha; they always capture one hundred percent of the upside; and they do it inexpensively.

Mr. McNeillie's suggestions were the bard meet with Boston Trust; Earnest Partners; and Scout Investment. The board agreed to meet with those three companies. June 20th was decided for the date for those interviews.

[NOTE: The meeting recessed at 12:00; the meeting was called back to order at 12:15 whereupon the following transpired:]

Item Six: Supplemental pay for Judges – Carolyn Smalls

Ms. Smalls advised a bill was passed by the Georgia legislature giving State Court judges who participate in an accountability court a \$6,000 supplement. The amount is to be divided equally over a twelve-month period. Ms. Smalls questioned if the board wanted to include that \$6,000 toward their pension or shown as a supplement.

Mr. Smith and Mr. Kaigler advised this amount has not be included as part of their base pay.

Ms. Cramer advised the DUI Court (the State Court accountability court) continued at the discretion of the Board of Commissioners.

Ms. Lanier advised she did not believe it should be considered a supplement and not to go toward their pension.

ACTION OF THE BOARD:

Mr. Smith moved that the supplement not go toward their pension as it is not part of their base pay. Ms. Lanier seconded the motion and it carried unanimously.

Item Seven: Update of RFP for Benefits Consulting – Carolyn Smalls:

Ms. Smalls advised eleven firms responded to the RFP. The top three were PRM Consulting; AON Consulting; and Seagull Consulting. Interviews were to be held May 14th. The pension board funding ratio is eighty-nine percent; the OPEB funding ratio is twenty-one percent. The goal of the consultant will be to help get the county's liability down.

Ms. Cramer advised the focus should first be to get the pension fund to one hundred percent and then work on the OPEB funding.

(Addition to the Agenda:)

CEMA Employee Request to buy back prior Service – Carolyn Smalls:

Ms. Smalls advised three CEMA employees have requested to buy back their previous service. Those employees are Dustin Hetzel; Don Sullens; and Kristi Norman. The argument of both Mr. Hetzel and Mr. Sullens, is that they were unaware that when they began working for CEMA, they were not aware that they were continuing on their path toward vesting. They both thought they were moving from one county department to another. However, at the time they each transferred to CEMA from their prior departments, CEMA was not a county department and it had its own pension plan. When CEMA became a county department, the employees' vesting time was reduced to five years. The employees misunderstood the meaning of the five-year vesting and thought that they were getting five years vesting credit. They did receive a payout when CEMA became a county department.

Mr. Sullens has four years and nine months with the police department that he would like to buy back and Mr. Hetzel has four years and six months with I.C.S. that he would like to buy back. Ms. Smalls advised she is inclined to give them their option to buy back their time.

Ms. Norman's situation is different. She was previously vested. She had worked eleven years and five months. When she left that employment, she cashed out her money. Ms. Smalls believes this is a different situation and does not believe she should be given the option to buy back her time.

No decisions were made at this time.

Item Eight: Training for Trustee School – Amy Davis:

Ms. Davis advised that HB 196, which passed in the State legislature during the 2019 session, requires trustees to have eight hours of education within the year they are appointed to the pension board. If already appointed to a pension board, you must obtain twelve hours of education over two years. The legislation does not require certification, just training. The next certification training is not being held until 2020

The next training conference of the GAPPT (Georgia Association of Public Pension Trustees) is scheduled for September 16 through 19, 2019 at Lake Lanier, Georgia.

Because the training is mandated by the State, the pension board should pay for trustees attendance.

Ms. Cramer advised the Clerk should attend the training.

Item Nine: Cost of Living Adjustment – Amy Davis:

Ms. Davis advised that retirees have not received a pay adjustment in eleven years. She would like the board to consider giving a cost of living adjustment. Ms. Smalls agreed. Mr. Thornton disagreed. He believes their benefit is continuing to receive inexpensive health benefits.

Ms. Davis advised that she had calculated some different COLA amounts. A one percent COLA would result in an annual yearly increase of \$180,000; a two percent COLA would result in an annual yearly increase of \$360,000; and a three percent COLA would result in a yearly increase of \$540,000. These funds would come out of the Pension Fund.

Another option would be to give the retirees a one time supplement, as has been done for the last two years. The cost of the one time supplement would be approximately \$347,700, and these funds would come out of the General Fund.

Ms. Smalls advised if the board was only going to give a COLA every five years or so, she felt as though a three percent adjustment would be warranted.

Ms. Cramer advised three percent was a lot and it could change the funding ratio, as those funds would come out of the Pension fund.

Ms. Davis stated that it has been so long since they have had one, the three percent did not seem like a lot.

Mr. Smith advised he would like more information from the actuary on the effect a COLA would have on the Pension Fund before agreeing to give one.

Ms. Lanier suggested giving a supplement until the actuarial information could be received.

ACTION OF THE BOARD:

Ms. Davis moved to give the retirees the same supplement as was given last year and that it be given the current fiscal year, contingent upon approval by the Board of Commissioners. Ms. Smalls seconded the motion which passed in a four to one vote with Ms. Davis, Ms. Smalls, Mr. Smith, and Ms. Lanier voting yes; and Mr. Thornton voting no.

Item Ten: Update on RFP for Investment Consultant – Amy Davis:

Ms. Davis advised an RFP for an investment consultant has been found from Athens-Clark County which meets the requirements of the investment consultant the board is looking for. She advised the Athens-Clarke RFP will be used and sent out as soon as possible. A review committee was formed consisting of Ms. Linda Cramer, Mr. Derek Thornton, Ms. Julie Rogers and Ms. Irene Vigh.

Item Eleven: Discussion on Pension Calculator – Derrick Thornton:

Mr. Thornton advised he has been receiving feedback regarding the pension calculator on the ESS portal. Employees like the calculator, but he was wondering if it could be enhanced to include how the amount would differ if the employee chose a beneficiary.

Ms. Smalls advised the program was not designed to do any additional, detailed complications. She advised Ms. Ramona Hill is able to do those calculations. Ms. Hill has a template that she uses that was created by the Hay Group.

Ms. Thornton advised employees had complained that they were having trouble getting that information from Ms. Hill in a timely manner.

Ms. Cramer advised the pension board could hire someone to do those calculations or perhaps a template could be set up for employees to use.

Mr. Thornton suggested that perhaps the county could incorporate a retirement benefit session at the open enrollment so employees could receive a copy of their retirement benefit.

Item Twelve: Other Business:

Ms. Smalls advised that a Supreme Court ruling came down stating that private entities cannot appoint members to private boards. She believes this means that the Board of Commissioners needs, in the future, to approve the recommendations of appointments to the pension board. She also believes changes need to be made to the way retirees are appointed to the board. Retirees interested in serving should submit a resume and /or application showing their interest.

The pension board needs to think about restructuring the board appointment process and then the Pension Board Ordinance will have to be amended.

Item Thirteen: Adjournment

There being no further business, Ms. Davis adjourned the meeting at 1:16 p.m.

Amy Davis
Pension Board Chairperson

Minutes prepared by:
Janice Bocook, Clerk of Commission