

CLAYTON COUNTY PENSION BOARD

Regular Deferred Compensation Meeting
11:20 AM

February 14, 2019

MINUTES

PRESENT: Terry Hicks, Chairman; Ramona Bivins, Secretary; Katherine Dodson, Member; and James Crissey, Member.

ALSO PRESENT: Rick Arenburg and Cass Hollis, Bryan Cave; Jim Fallon, Morgan Stanley; Debbie Decker, Kathy Stargell-Clark, Rashida Fairley, Kerri Hathaway, and Patricia White; Finance Department.

1. Chairman Hicks called the regularly scheduled deferred compensation meeting to order.
2. A motion was made by Katherine Dodson to adopt the agenda and seconded by Jim Crissey. The vote was unanimous.
3. A motion was made by Ramona Bivins and seconded by Katherine Dodson to adopt the minutes of the November 8, 2018, regularly scheduled meeting and the December 6, 2018, called meeting. Vote was unanimous.
4. Mr. Jim Fallon of Morgan Stanley presented the Nationwide Performance Report. The Market rebounded in January. At that time, American Century Value, Nationwide US Small Cap Value, and Invesco International Growth were on the watch list. As a result of the fourth quarter performances, it was recommended that Invesco Growth and Income and Wells Fargo Discovery be moved to the watch list as well. Ramona Bivins made a motion to move these funds to the watch list; Katherine Dodson seconded the motion. The vote was unanimous. The Edgar Lomax Value and MFS International Value funds performed well.
5. Mr. Fallon noted that on the VOYA Plan, Touchstone Sands Capital Select was already on the watch list. Based on the results from the fourth quarter, Mr. Fallon recommended adding American Beacon Large Value to the watch list as well. Chairman Hicks asked for a motion to put American Beacon Large Value on the watch list. Ms. Katherine Dodson made the motion which was seconded by Ms. Ramona Bivins. The motion was approved.
6. The plan assets of VOYA and Nationwide have continued to grow, as they have been part of the County plan. The Board has not asked them to lower their fees in the past. However, when the request was made recently, Nationwide did not respond with a competitive offer. Several companies responded to the preliminary inquiry and an RFI has been generated. Empower, John Hancock, Lincoln, T. Rowe Price, TransAmerica, and Valic have all expressed interest in

responding to the RFI. Their information was not ready today but is anticipated shortly. Nationwide has a 10 basis point drop on the table at this time. This is down from 70 weighted average basis points. Three additional options have been proposed by Nationwide: 1) dropping to 60 basis points with a lowered interest rate of 3.25%; 2) dropping to 45 basis points with a lowered interest rate of 3%; and 3) dropping to 22 basis points with an interest rate of 3% and receiving all the funds. Prudential offered 8 basis points, stable value rate of 2.9%, and requested the current money be mapped into Target Date Funds. Chairman Hicks asked if these proposals were based on the companies being the sole providers. Mr. Fallon indicated that they were. This provides the County the most profitable option. MassMutual's offer is 11 basis points with a high SAGIC rate of 3.85%. Nationwide's last proposal was an offer of 10 basis points with a Guaranteed Minimum Investment Rate lowered from 3.5% in 2019 to .50% by 2023. Mr. Hicks asked about the 3.85% SAGIC rate from Mass Mutual. Mr. Fallon explained he expected that to continue as this account has been well managed. VOYA offered 15 basis points.

Going forward, the plan is to continue speaking with various companies about the fees charged, interest earned, and the consolidation of funds in order to obtain the best plan for the County. The required revenue of each company was determined by what services were desired. For example, Mr. Fallon believes a conversion team could visit the County to explain what the change in companies will mean to the future earnings of employees in the Deferred Compensation programs. The County could also participate in education, if it chose. Another option is the use of an outside firm which specializes in education. Ms. Decker explained the cost of the current plan is passed onto employees. She questioned how other agencies handled the cost of education. Jim Fallon stated that the employees or the County could pay for the plan. Ms. Dodson observed that it is sometimes difficult to get access to employee time. She felt good communication with the department heads and supervisors would be helpful. Both felt it was very important for employees to be educated on the new plan.

Mr. Arenburg discussed the existing contract with Nationwide. He discussed the funds from canceling the annuity contract which could be received in installments over five years or a lump sum Market Value Adjustment payout. Mr. Fallon feels that a lump sum MVA payout does not necessarily mean a loss of funds. It could be positive option for the county. There are other possibilities for covering any potential losses which can be explored.

7. Terry Hicks asked again about the payment for employee education. He wondered how it would affect the Water Authority employees as they have a different plan and the funds could not be commingled. Mr. Fallon asked about services the County would like with a new plan. Debbie would like faster responses. However, she stated that she understood that the current participation rate affected this somewhat. Jim Fallon discussed the low participation rate in the County. In response to this, Ramona would like workshops or meetings to demonstrate the loss of net pay to new, young employees. A general discussion of how young employees could be educated ensued. Ideas for general education included workshops, group meetings, and brochures.

At present, discussions will continue with potential companies. Mr. Fallon will choose the top two or three for the Board to consider. The Pension Board members would like to interview the final candidates. Ms. Dodson would like to meet the people who will actually be onsite in Clayton County working with the employees. She stated that the personality of these company representatives is very important to the success of the plan. The interviews will take place at the Special Called Meeting.

Mr. Arenburg understood that Nationwide was giving the Pension Board until this meeting to make a decision about the guaranteed rate proposal. Mr. Fallon will communicate with them to let them know that more time is needed. Nationwide had given the Board until the end of February. Currently, Nationwide has a proposal on the table for 10 basis points and could be one of the final candidates.

8. There being no further business, Ms. Dodson made a motion to adjourn. It was seconded by Ms. Bivins. The vote was unanimous.

Clayton County Pension Board:

Terry Hicks, Chairman

Date

Ramona Bivins, Secretary

Date