CLAYTON COUNTY PENSION BOARD

Regular Deferred Compensation Meeting
11:40 A.M.

May 9, 2019

MINUTES

PRESENT: Terry Hicks, Chairman; Pamela Ambles, Vice-Chairman; Ramona Bivins, Secretary; and James Crissey, Member.

ALSO PRESENT: Jim Fallon and Chad Smith, Morgan Stanley; Bill Walsh and Bill Godfrey, Prudential; Jon Breth, AndCo Consultants; Debbie Decker, Kathy Stargell-Clark, Lucianna Farmer, Kerri Hathaway, and Patricia White; Finance Department.

1. Chairman Hicks called the regularly scheduled deferred compensation meeting to order.

2. A motion to adopt the agenda was made by Jim Crissey and seconded by Pam Ambles. The vote was unanimous.

3. A motion was made by Pamela Ambles and seconded by Ramona Bivins to adopt the minutes of the Regular Meeting on February 14, 2019, and the Called Meeting on March 14, 2019. The vote was unanimous.

4. Jim Fallon and Chad Smith of Morgan Stanley presented an overview of the Nationwide 457 Deferred Compensation plan. Chad Smith reviewed the five largest investment categories: Money Market/Stable Value, US Equity Large Growth, US Equity Large Core, Foreign Equity, and Balanced/Asset Allocation. The asset allocations within each category had not changed significantly. Mr. Smith believed the Nationwide plan had too much overlap and too many options. Morgan Stanley and Prudential focused on the recommended mapping and decreasing the number of options. Mr. Fallon and Mr. Smith felt Morgan Stanley's most important function was to provide adequate exposure to the various broad asset classes with best of class managers in each and the best fee structure. All funds in the various asset classes were evaluated on ten different criteria, each with a 10% weighting, which were important for monitoring the performance of the investments. After the funds were screened, these scores were accumulated into a composite score. A composite score of 50% or below relegated the investment to the watch list. Mr. Smith cited several examples for the Board. He also explained that target funds were not evaluated the same as actively managed funds.

   Current funds in the combined Nationwide and Voya platforms, which met the criteria, would be mapped to Prudential and used in the new platform. The new funds were chosen based upon several different criteria. The funds had to have a weighted score, which met the IPS criteria, and have a low expense ratio. In addition, they had to be available on the platform and vetted by Prudential. For the benefit of the participants, the lowest cost options had been selected, resulting in significant reductions in fees at both the fund managerial and administrative levels. Mr. Smith briefly reviewed the various reasons some funds were kept and while others had been removed. He also explained that when revenue was paid to the fund, it would be paid one of three ways: directly by the plan sponsor, by the participants, or by the expense reimbursement account. Bill Walsh, Prudential, stated that any revenue paid into the plan would be deposited into the Expense Reimbursement Account which would belong to the county. Clayton County would receive a statement for this account and be responsible for approving all disbursements from it. This revenue could be used to pay for such things as services provided by the record keeper, Prudential; lawyer's fees; Morgan Stanley; and Buck Consultants. However, most fund options would not pay revenue.

The Sample Investment Mapping chart showed each of the current funds in the combined platform, Nationwide and Voya, followed by the balance and expense ratio for each. The next two columns showed the recommended replacement fund and the expense ratio associated with the new fund. For example, there were four funds in Large Cap Value on the combined Nationwide/Voya platform. On the Prudential platform, those four funds were consolidated into one, the JP Morgan Equity Income fund. Morgan Stanley recommended the following: American Funds Investment Company of America, a team managed fund; AB Large Cap Growth, not a tech heavy fund; QMA Mid Cap Index Fund, an extremely low expense fund; JP Morgan Mid Cap Value, a well-managed fund with 55 bps of revenue returning to the pension fund; QMA Small Cap index Fund and Virtus KAR Small Cap Growth Fund, low expense ratio funds; Oppenheimer Global and MSFA International Value; both extremely well run; Vanguard Market Index, an excellent international fund; Clear Bridge International Growth, a replacement for the struggling Invesco; American Funds New World Fund, a current fund; Cohen & Steers, one of the best real estate funds available; and Fidelity Puritan Fund, an asset allocation fund. Target date funds would be mapped over to the Prudential Day One 2015 Fund. Vanguard Total Bond Market and Lord Abbott High Yield would be the bond accounts. Pamela Ambles made a motion to accept the mapping of the funds as they had been presented. Mr. Crissey seconded the motion. It was unanimously approved.

A copy of Morgan Stanley's *Clayton County Sample Investment Mapping* chart is on file in the Chief Financial Officer's office.

5. Bill Walsh, Prudential, gave an up-date on the conversion. They were on schedule. Prudential had contacted both the current record keepers. The goal had been to complete the conversion by July 1, 2019; however, since Nationwide could not meet that schedule, the transition date was moved to August 1, 2019. The first set of contracts had been submitted to the Pension Board lawyers. They have been returned to Prudential for review. Mr. Walsh was expecting them to be approved without difficulty.

   The investment platform was reviewed and approved. Prudential would begin to focus on the plan document. They would review the document one line item at a time to verify that they understand how the records were to be kept, the plan provisions, and to make sure administrative procedures were followed. Also, the education meetings had been scheduled for two weeks in August. Evening and weekend sessions had been included to accommodate all employee schedules. The transition of records would begin in August with test files from Nationwide and Voya. Prudential feels it was important to check the information several times so that any inconsistencies could be corrected before the final transfer. This allowed them to receive the final data and release the plan quickly.

Ms. Decker explained that the Pension Board actually had two plans. Mr. Arenburg had brought this to her attention. The plan sent to Prudential was the original plan now administered by Voya; Nationwide had their own plan. It would be necessary for Prudential to merge the two plan documents together to create a single plan. The new plan would then need to be approved by the Pension Board. Mr. Walsh explained that Prudential would go through the two plans, provision by provision, to make sure they were in agreement. If they were not, the Board would make a decision as to which provision they wanted included in the final document. Once the document was completed, Prudential would submit it to the Board for approval.

Chairman Hicks asked for a motion to combine the two documents into one plan. Mr. Crissey made the motion which was seconded by Pamela Ambles. The vote was unanimous.

A copy of Prudential's *Defined Contribution Conversion Schedule* is on file in the Chief Financial Officer's office.

6. Ms. Decker complimented Prudential on the excellent job they had done with the conversion. Ms. Bivins had read and made changes to the notification letter that would be sent to the plan participants. She had discussed that it would be most appropriate for the letter to be sent out by Benefits.

7. There being no further business, Mr. Crissey 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