

*MINUTES OF THE
BOARD OF TRUSTEES MEETING FOR THE COLUMBUS GEORGIA PUBLIC EMPLOYEE
RETIREMENT SYSTEMS PENSION AND BENEFIT TRUST FUND*

October 12, 2022

TRUSTEES PRESENT: Mayor Skip Henderson, Chairman; Finance Director Angelica Alexander, Secretary; Ricky Boren, Trustee; Roderick Graham, Trustee; Jack Warden, Trustee; Fray McCormick, Trustee; Elizabeth Cook, Trustee; and Dusty Wilson, Trustee

TRUSTEES ABSENT: City Manager Isaiah Hugley, Vice Chairman; and Crystal Shahid, Trustee

TRUSTEES ATTENDING VIRTUALLY: Lisa Goodwin, Trustee

OTHERS ATTENDING IN PERSON OR VIRTUALLY: Pamela Hodge, DCM Finance, Planning and Development; Lucy Sheftall, Assistant City Attorney; Denise Brown, Investment Officer; Reather Hollowell, Human Resources Director; and Glen Arrington, Recording Secretary

ADVISORS: Richard Swift, Raymond James

CALL TO ORDER

Mayor Skip Henderson called the October 12, 2022, meeting of the Board of Trustees of the Columbus Georgia Public Employee Retirement Systems Pension Fund and Benefit Trust Fund to order.

MINUTES OF THE PREVIOUS MEETING

The minutes from the September 14, 2022, regular Pension Board Meeting were submitted for approval. A motion to accept the minutes was made by Elizabeth Cook. Fray McCormick seconded the motion. The board voted, and the minutes were unanimously approved.

INVESTMENT UPDATE

a. Performance Review

Richard Swift presented to the board regarding the fund performance for the month of September 2022 highlighting current factors such unusual volatility in the bond market not seen all the way back to 1976. Normally, bonds help in a difficult environment but have not this month because rates went up so fast.

In equities, there is a lot more volatility. This year the S&P is down about 25percent. The Price Earnings ratio 25-year average is 16.8. The higher the PE ratio, the more expensive the market is relative to the earnings that are supporting them. While the PE ratio was close to 22 at the end of 2021, September 30th, it was at 15, well below the 25-year average and could go lower. Mr. Swift continued to present a historical discussion of PE ratios in different markets.

There is not one single asset class over the past year in the Fund portfolio that was up. almost every asset class that was down double digits. Over past year, the total fund was down 15%, pretty much in line with the index.

Funds that are performing well are Madison Investment Advisors LCC, Blackrock LCV, Westwood Management Corp, Boston Partners / Robeco, John Hancock Small Cap, Vanguard FTSE EM VWO, Karpus Investment FI, Federated Investment Core Plus, Globalt Inc FI and Madison Investment Advisors FI.

Funds that are slightly behind or underperforming are the iShares Core S&P 500 ETF IVV, iShares Russell 1000 Growth IWF, Janus Henderson LCG, Causeway Capital Intl, Allianz Short Duration Hi Yield ASHPX. All other funds are in line.

Only had two managers, John Hancock and Janus Henderson underperformed by more than 100 basis points. Everybody else was within 100 bases points or ahead. On an absolute basis, down 15%, it is a difficult report. Mr. Swift concluded his presentation remarking that it has been a difficult market, but hopefully things will turn around.

Mr. Swift then opened for discussion.

b. Asset Allocation

Mr. Swift then reviewed the asset allocation of the Pension fund. The fund is in line with the investment policy in all categories. It just slightly below 62% in equities and 38% in fixed income. The market has been very volatile over the past week. Mr. Swift said he was not inclined to reduce equities and add to fixed income which is also having a difficult time. He said he didn't have conviction at this moment to add to equities with so much uncertainty.

Mr. Swift opened for discussion.

OLD BUSINESS

a. Master Client Agreement Update / Approval

Mr. Swift presented the board regarding the Master Client Agreement Update. Currently, there is have a client agreement; two different agreements for hiring each manager. Mr. Swift worked with his legal Department and Lucy Sheftall, to come up with a document to combine the client agreement and any other agreement we had in place going forward on all accounts and future accounts.

Assistant City Attorney, Lucy Sheftall, added that it mainly tells each of the managers the same things that we already worked out previously regarding the standards. She stated that she prepared a resolution to adopt this new Master Client Agreement.

Mr. Swift Opened for discussion.

After discussion, a motion was made to accept the Master Client Agreement as circulated to the Board by Fray McCormick. It was seconded by Jack Warden. The board voted and it was unanimously approved by those members present.

NEW BUSINESS

b. Sub-Committee Report

Mr. Swift presented the Sub-Committee Report to the Board. Back in August, two managers underperforming managers were terminated. One was in the large cap growth; one was in the large cap core space. The assets were moved to the appropriate index account and a sub-committee was tasked with the goal of recommendations concerning replacing those managers. The sub-committee also discussed the appropriate proportion of active managers vs passive managers. .

The sub-committee members were Elizabeth Cook, Angelica Alexander, and Dusty Wilson. And Mr. Swift thanked them for their time and effort spent on this. The sub-committee discussed active versus passive management. Mr. Swift pointed out that in good markets, strong markets, the passive, or the ETF typically does better 75% of the time. But in difficult markets, it's generally the opposite, where managers tend to outperform. The reason for that is 1) Managers typically keep a little cash. 2) Managers can reduce risk in their portfolio. 3) Managers can maneuver and shift risk, whereas the index is just what it is.

Based on this the sub-committee discussed whether to hire a new manager for these two spaces; or keep that money in the index account? The sub-committee recommends that because this is a difficult market, and they don't know how long it will last; some of the money that had been moved into the passive investments be moved back to active managers

The sub-committee undertook large cap managers search. The first search was for a large cap core manager. Those considered were Atlanta Sosnoff, Columbia Core and Parnassus Core.

After a full review of many parameters that were explained to the Board's the subcommittee's recommendation was to hire Parnassus Core Equity.

The process was repeated for the large cap growth search. The managers considered were JP Morgan, Ashfield and William Blair, and the recommendation of the subcommittee was to hire William Blair for Large Cap Growth. Mr. Swift then opened for discussion.

Mr. Swift then discussed the recommendation for the allocation of funds that the subcommittee put together. The recommendation is to move \$15M from the Russell Growth Account to William Blair. That will give William Blair 25% of the large cap growth space. In the large cap core, the recommendation was to move \$21M from the S&P account and move it to Parnassus and that will be 30%. This represents the funds from the managers that we terminated.

A motion was made to accept William Blair as the large cap growth manager; accept Parnassus as the large cap core manager; and accept the allocation from the accounts as soon as we are administratively able to do so by Dusty Wilson. It was seconded by Ricky Boren. The board voted and it was unanimously approved.

c. Ordinance: County Residency Requirement for Board Members

Lucy Sheftall spoke to the board about a provision of the Columbus Code Ordinance which specifically requires that unless provided otherwise, every member of a city board needs to be a resident of Muscogee County and be able to certify that they are registered to vote in Muscogee County as opposed to another county. In certain instances, exceptions can be made.

With respect to the named members of the pension board, the residency requirement probably doesn't make a lot of sense. One of the six named Pension Board members is the representative of the retired city employees' association. And that person as a city employee ly never had to live in Columbus. The five other members must be from the local business community. If someone is actively in business in Columbus, there personal residence does not affect their service on the board. So, Ms. Sheftall recommended that these members no be required to take an oath and the code says they are an elector of Muscogee county. Because the language you see in front of you is repeated in each one of the pension plans, the Council will need to adopt an ordinance amended those provisions that establish the board membership, to simply add the last paragraph that says "Notwithstanding the requirements of Section 2-3.02 of the Columbus Code the six named members of the Board of Trustees referred to herein committee shall not be required to reside in Columbus, Georgia, be registered voters in Columbus, Georgia or take the portion of the oath swearing that they are residents and qualified voters of Columbus, Georgia."

Ms. Sheftall stated that this Board did not need to take a vote on, but as a courtesy she wanted them to be aware of this plan change before it was presented to Council She then opened for discussion. The board expressed no concerns, about this item being be moved to forward to Council.

OTHER BUSINESS

There was no other business to discuss.

ADJOURN

With there being no further business to discuss, Mayor Henderson declared the meeting adjourned.

The next meeting is scheduled for November 9, 2022, at 2:00 PM in the Ground Floor Conference Room.

Glendora Arrington

Glendora Arrington
Recording Secretary