

# MINUTES

## BOARD OF COMMISSIONERS OF THE MAGISTRATES RETIREMENT FUND OF GEORGIA

Monday, November 18, 2019

Griffin, Georgia

A regular meeting of the Board of Commissioners of the Magistrates Retirement Fund of Georgia was held on Monday, November 18, 2019 at 10:00 a.m. at the Peace Officers' Annuity and Benefit Fund of Georgia located in Griffin, Georgia.

### I. CALL TO ORDER

A. Judge Tommy Bobbitt, Chairman, called the meeting to order at 10:00 a.m. The following is a listing of persons present at the meeting:

#### i. Board Members

- a. Judge Tommy Bobbitt, Chairman
- b. Judge Mary Kathryn Moss, Board Member
- c. Judge Rita Cavanaugh, Board Member
- d. Judge Connie Holt, Board Member
- E. Tom Richardson, Attorney

#### ii. Financial Advisors

- a. Chad Smith, Morgan Stanley

### II. APPROVAL OF MINUTES

A. Minutes

- i. Board Members reviewed the minutes from the August 19, 2019 Board Meeting. Judge Holt made a motion to approve the minutes. It was seconded by Judge Cavanaugh, and the minutes were unanimously approved.

### III. REPORTS BY OFFICERS AND COMMITTEES

- A. Chad Smith presented an overall market review, stating international markets are not doing as well as domestic and U.S. stocks have continued to grow. The bond market took a robust turn in the 3<sup>rd</sup> quarter of the year. He gave a performance summary of the Magistrates Retirement Fund for quarter ending September 30, 2019. He advised the fund outperformed the benchmark by 1.28% and is currently at \$33.4 million, up 18.98% year to date. Atlanta Capital's performance has been phenomenal. He noted that Green Square has changed their name to Principal Street Partners.

Mr. Smith advised the Board previously moved some funds from BMO and he recommended moving the remainder of any holdings from BMO. The fund currently has no direct mid cap allocation but is heavy on the large cap. We need a fresh reallocation study. He proposed a small/mid cap manager as a replacement.

Judge Moss questioned whether the Board should make a decision before the reallocation study. Mr. Smith recommended moving forward after presentations from three potential managers for small/mid cap. Aristotle, Kayne Anderson and Fuller & Thaler are all high-quality focused managers.

Blake Jones of Kayne Anderson said the firm serves 45 to 50 businesses with a high quality business model. They offer 35 basis points under the Morgan Stanley UMA platform.

Craig Maxwell of Aristotle out of Boston advised they manage \$23 billion and they are not dependent on just one strategy. Under the Morgan Stanley UMA platform, they offer 40 basis points.

Chelsea Richard of Fuller & Thaler Asset Management, made her presentation by teleconference and offered 35 to 42 basis points.

There was extensive discussion following the presentations. Chad Smith said he has worked with all three managers. Morgan Stanley has a team that analyzes managers across the country. He proposed that one approach could be to combine two of the managers. Aristotle is more consistent with broader diversification. Mr. Carter said he liked the idea that Kayne Anderson Rudnick started as a family operation.

After further conversation, Judge Connie Holt made a motion, seconded by Judge Rita Cavanaugh, to move the funds previously held by BMO, to Kayne Anderson Rudnick Investment Management. The vote was unanimous.

Mr. Smith followed up by reiterating there is no reallocation necessary at this time.

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James Fallon was present with Callan Senior Consultant, Tim Pollard. He offered an alternative solution to fund management having previously submitted a contract for consideration to the Board at a meeting in Savannah, Georgia. Mr. Fallon stated he felt he could offer the best platform with integrity and no conflicts of interest. He advised there are no hidden fees and the "fee only" model means the client can easily determine the cost of services and it's impact on investment returns. Mr. Pollard advised Callan manages \$2.4 trillion with in depth advisory groups and would be an extension of Jim and his needs. Callan does not offer services as a money manager, investment banker, broker-dealer, insurance company, mutual fund company, mortgage provider, securities lending or

custodian.

Mr. Fallon noted if other funds under the administrative umbrella of POAB utilize their services, the overlay manager fee will continue to decrease as the collective fund's assets increase. In addition, consulting fees could possibly be revised each year as the service levels dictate.

There was extensive discussion regarding the custodian of funds currently, and fees, current and proposed.

Judge Bobbitt asked if the contract would be with Callan or Jim Fallon. Attorney Tom Richardson said the actual contract is with Cambridge, Jim Fallon and Natixis, the overlay manager. Jim is the senior institutional consultant and is one of 28 independent advisors across the country who work with Callan.

Mr. Fallon said he also works independently with Cambridge and the structure works in the Board's favor. Mr. Richardson said he would like to review the contract further as it is a bit confusing. The corporate structure is complicated. Judge Moss said she would like to review the contract, and the entire Board should as well.

Judge Moss said she does not see any reason to make a change in consultants. Chad Smith at Morgan Stanley has done a great job and there are just too many layers to Mr. Fallon's proposal. Judge Cavanaugh agreed. Judge Moss said that our current arrangement is with Morgan Stanley, not an individual. If we make a change, we have a contract with Jim Fallon, not a corporation. That's not a good situation when you have \$35 million at stake. She expressed concern at the entire proposal from Mr. Fallon. At the very least, Chad Smith and Morgan Stanley certainly deserve a right to come up with a counter proposal.

- B. Brandt Barlow presented the Financial Report for the quarter ending September 30, 2019. Judge Moss made a motion, seconded by Judge Holt, to approve and accept the report. The vote was unanimous.

Bob Carter said the actuaries have approved a cost of living increase as well as a salary cap increase. The actuarial study will be done annually now due to GASB.

Judge Holt made a motion, seconded by Judge Moss, to approve a 1.5% Cost of Living increase for retirees, and, a 1.5% Salary Cap increase. The vote was unanimous.

Judge Cavanaugh made a motion, seconded by Judge Holt, approving Brandt Barlow, CFO, as a signer for Magistrate Retirement Fund account checks. The vote was unanimous.

#### IV. ADJOURNMENT

There being no further business to come before the Board, Judge Cavanaugh made a motion to adjourn at 1:35 P.M., seconded by Judge Holt, and the vote was unanimous.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Robert W. Carter". The signature is written in black ink and is positioned above the printed name.

Robert W. Carter  
Secretary/Treasurer

The above and foregoing minutes were approved at the meeting held on the 17th day of February, 2020.