

MINUTES

BOARD OF COMMISSIONERS OF THE MAGISTRATES RETIREMENT FUND OF GEORGIA

Monday, August 26, 2024

1208 Greenbelt Drive

Griffin, Georgia 30224

A regular meeting of the Board of Commissioners of the Magistrates Retirement Fund of Georgia was held on Monday, August 26, 2024 at 10:00 a.m.

I. CALL TO ORDER

The meeting was called to order at 10 a.m. by Chair Moss. The following is a list of persons present at the meeting:

A. Board Members and Staff

Judge Mary Kathryn Moss, Board Chair

Judge Brendan Murphy, Board Vice Chair

Judge Rita Cavanaugh, Board Member

Harlan Proveaux, Board Member

Homer Bryson, Secretary-Treasurer

Brandt Barlow, CFO

Jebby Votaw, Board Secretary

Bryan Schivera, Attorney to the Board (via video)

Absent: Berryl Andersson, Connie Holt, Cody Whitlock, Board Members.

B. Financial Advisors

Paul Troup, AmRet

Jim Fallon, AmRet (via video)

II. APPROVAL OF MINUTES

Judge Cavanaugh made a motion, seconded by Harlan Proveaux, to approve the Minutes of the Board Meeting held June 3rd, 2024. The vote of approval was unanimous.

III. RETIREMENTS

A motion was made by Judge Cavanaugh, seconded by Judge Murphy, to approve the retirement on the agenda. The vote of approval was unanimous.

IV. REPORTS OF OFFICERS AND COMMITTEES

CFO Brandt Barlow presented the Income Statement and FY 2023 Audit. A motion was made by Harlan Proveaux, seconded by Judge Cavanaugh, to approve the

Income Statement. The vote of approval was unanimous.

Mr. Barlow told the Board that Joe Griffin, Actuary for Foster and Foster, will be at the November board meeting to go over the Actuarial Valuation and Studies previously requested by the Board.

Paul Troup, AmRet, presented the following SMID Managers for interviews by the Board:

Macafee Burke of Kennedy Capital Management made an in-person presentation.

Daniel Dy, Dan Bandi, and Crystal Doyal of Victory Management made a video conference presentation.

Steve Shaw and Rick Plummer of Systematic Financial Management made a video conference presentation.

Eugene Duffy, Bob DeBolt, and Courtney Hayes of Mesirow, via video conference, provided an update to the Capital Call Timeline. They have invested 16% of the 900 million target fund size. The first anticipated Capital Call for the Magistrate's Retirement Fund will be in 2025. This will continue to grow each year through 2027. They reminded the Board there are no fees involved in the first year.

Mr. Troup reviewed AmRet's SMID Value Manager Search Report. All managers interviewed agreed to 39 basis points. *Discussion by the Board after all presentations led to a motion by Judge Murphy, seconded by Judge Cavanaugh, to elect Kennedy Capital Management as the SMID Manager. The vote of approval was unanimous, with Chair Moss confirming that any necessary financial documents will be completed.*

Mr. Troup reported on the Fixed Income Diversification Study, which looks at Sage. If the Board wants to increase exposure to Fixed Income, the options are to use Sage or use a different diversifying manager. After discussion of the study, Mr. Troup suggested moving on to the Magistrates Alternative Investment Structure before making any decision on the Fixed Income Diversification Study. He stated that we currently have 5% Private Equity through Mesirow with the option to add another 5%. Three options to consider: 1. Hire another Private Equity Manager. 2. Consider Private Credit. 3. Consider Equity Real Estate. We currently have Private Equity, Public Equity, and Public Fixed Income. He recommended that the Board learn about Private Credit and Equity Real Estate before making a decision. The IPS sets the parameters of what can be done. Judge Murphy responded that we are committed to Alternatives at 10% per the current and proposed IPS. We are currently committed to 5%, of which 0% is invested until February 2025. Chair Moss recommended we learn about Private Credit and Private Real Estate at future meetings. Mr. Troup stated he would bring in specialists to educate the Board and recommended we wait until the February 2025 meeting. Judge Moss agreed and requested this be added to the February 2025 agenda.

Judge Murphy made a motion, seconded by Judge Cavanaugh, to learn about Private Credit and Private Equity at the February 2025 Board Meeting. He directed the consultants to begin the process. The vote of approval was unanimous.

Jim Fallon and Paul Troup, AmRet, presented the revised Redline IPS to the Board, but it was determined that the document presented was not the most recent copy. The Board requested Mr. Schivera review and make corrections to the IPS. The Board requested AmRet bring the corrected copy to the November board meeting. Mr. Fallon and the Board Attorney will work together to prepare the corrected copy. Brandt Barlow recommended rebalancing due to asset gains. We are neutral on cash because we are using cash to pay pensions, so there are no reallocations on cash. All managers are doing well. Gains should be captured and manually rebalanced. Judge Murphy and Chair Moss suggested talking through the IPS during this meeting. The IPS 10% Alternatives menu includes fund of funds, real estate, private credit, and private equity. These are available for investments. Mr. Troup stated that the weighting of certain securities on the Benchmark Index could be up to 10%, but the Fund is currently at 5-7%. Judge Moss asked if there is a legal prohibition, to which Mr. Troup responded no. Mr. Barlow stated there is Investment Law that allows 5% of the total portfolio, but that is different than the current topic. Mr. Barlow stated that the Board has a specific timeframe to divest and that this is reviewed internally for the audit. Chair Moss stated that when Alternatives are looked at, the report can show the measures of success for private equity, private credit, and private real estate, which are currently available to the Fund. Judge Murphy would like to wait until the Board is educated on Private Credit and Equity Real Estate at the February 2025 meeting to finalize the IPS. Judge Murphy requested notifying the Board if this exceeds 10% and also requested a review by the Board Attorney. Judge Moss asked if most Income Policy Statements are at 15%. Mr. Troup stated that AmRet's is due to Polen. Judge Murphy reviewed the most recent IPS and stated that US Equity is at 32, Global is 22, Fixed is 36, and Alternatives are 10. Regarding the IPS Recommendations Memo, Mr. Troup stated the three options to consider are:

1. Do nothing. The Board has already lowered the risk in the portfolio by reducing Equity exposure to 60%. Stay the course and add no Alternatives; in 10 years, we would most likely be 158% funded.
2. Increase Alternative allocation from 5% to 10%. Then, the optimal portfolio would have 54% Public Equity, and we would be 163% funded in 10 years.
3. Increase Alternatives allocation from 5% to 10% but limit Public Equity to 40%. In 10 years, the optimal portfolio would leave us 157% funded.

Judge Murphy stated that we previously dialed back the risk and asked if we could dial back Global in favor of US and potentially in favor of Fixed Income to reduce risk without dialing back so much reward. Mr. Troup stated the ratio of International to US has intentionally shrunk as a risk reduction strategy. Judge Murphy said there appears to be three options, but options #1 and #2 are investment choices within the IPS and do not involve modifying the IPS, so

there are truly two options to consider. The Board will explore filling out the other 5% of Alternatives at the February 2025 meeting. Option 3 is very different as it changes what we currently have to a 50/50 IPS.

The actuary will be at the November board meeting to discuss benefit increases, which would change these options if the Board voted to change benefits. Judge Murphy reminded the Board that we are currently in a conservative posture. Judge Moss stated due to having just voted on a new SMID Manager, changing the IPS, and deciding where to diversify, there is no need to make drastic changes to the numbers and would like to revisit this six months from now. Judge Murphy is open to other ideas to reduce risk within the framework. Thirty six percent on Fixed Income may be a little low. Judge Moss pointed out that the Fixed Income in the IPS is up to 41% and that going to 50% is not that far off. Brandt Barlow stated that manual rebalance is an option as Public Equity is currently at 62% because there has been no Capital Call for Alternatives. Judge Murphy noted that there is 15% International, which is lower than the minimum. The band on the report shows 19% and this needs to be reviewed. Judge Moss asked why this is not balanced and requested that AmRet get back to them with an answer.

A motion was made by Harlan Proveaux, seconded by Judge Cavanaugh, to table the redline IPS until the Board Attorney and AmRet can review and make the necessary changes. It will be reintroduced at the November 18th Board meeting. The vote of approval was unanimous.

V. OTHER BUSINESS

Bryan Schivera, Board Attorney, discussed the following questions that were previously sent to him:

MRF Retirement vs County Retirement - Member wants to stop MRF plan after vesting and move to county retirement plan. The attorney stated that a suspended member cannot collect benefits. The staff is under the opinion that vesting cannot be taken from a member. The attorney stated he would need to review.

Filing fee and tack on fee for squatter situation - The attorney stated the Petitioner would be responsible for the filing fee. If Petitioner goes to Court, then the tack on fee becomes mandatory. Judge Murphy recommended sending a letter to all Chief Judges and Clerks once Mr. Schivera finishes his research.

Can MRF use 5 year census rather than the decennial census? - The attorney stated every mention of the census in the laws uses the decennial census. The law is not clear, but a 5 year census is not used anywhere else.

Can a retiree add a new survivor if the original survivor passes away - No. The attorney will add to the formal recommendation to the Board.

Chair Moss brought up the fee structure for AmRet. Judge Murphy requested an

explanation of the changes, then a move to Executive Session. Jim Fallon stated one year return is 19.02% vs. Benchmark of 17.8%. YTD up 11.59% vs. the blended benchmark of 10.35%. He stated AmRet has been moving toward a fixed dollar fee, which simplifies billing and eliminates basis points while giving the Board a lower fee. The Program Coordinator fee for UMA allows access to Managers and has been discussed with the Board Attorney. This will cut fees about 39%. Judge Murphy asked why Callan removed themselves from AmRet as Program Coordinator. Mr. Fallon said he was not given a reason, but has come up with other options to replace them. One is Investment Metrics and the other is Preqin. There will be a total savings of about 30% between Consulting and Program Coordinator. The current balance of the Fund is \$49,181,210.34 at close of market. The fee for the Asset Liability Study would be absorbed into the proposed fixed dollar fee. Judge Murphy asked if Callan did last year's Asset Liability Study, which Mr. Fallon confirmed they did. Mr. Fallon stated that nothing is changing. Judge Murphy asked how Natixis's balancing interacted with Callan and how this will be implemented going forward. Mr. Fallon stated there is no direct contract with the Fund and Callan. Callan was mentioned in the Natixis agreement, but Mr. Fallon and the Board Attorney will make a call to Natixis so the attorney is clear on all documentation. Judge Murphy asked if there is a written proposal to consider in AmRet's materials. Mr. Bryson stated Mr. Fallon sent the proposal to him, but they are waiting on the attorney's response. Mr. Fallon said that Amendment 1 will be the Program Coordinator Fee and Amendment 2 is the Consulting Fee. Mr. Fallon suggested he and Mr. Schivera meet and let Mr. Schivera report back to the Board. Natixis wants to remain a part of the Fund and MRF would still have the UMA Platform. Chair Moss asked if there is someone to replace Callan. Mr. Fallon stated Investment Metrics will handle Traditional Equities and Fixed, while Preqin will handle Alternatives. Judge Murphy asked if the Board would receive anything on the new companies and Mr. Fallon replied that he would get the information to the Board. Judge Murphy asked how AmRet is being paid and if Callan immediately ended the relationship. Mr. Fallon stated Callan paid them through June 30th. Chair Moss asked if there are any changes with Money Managers now that they are no longer with Callan, to which Mr. Fallon replied that all Money Managers signed new agreements for the UMA and there are no changes. Mr. Schivera said he had no questions regarding this.

Per request by Chair Moss, the Board went into Executive Session at 2:15 PM. The Board adjourned from Executive Session at 2:22 with no motions made.

An update was given on Courts and Dues. There are no outstanding Court fees or membership dues.

Membership Report given by Mr. Bryson. The Actuary will be at the November board meeting to discuss 24 year, 28 year and 30 year retirements and 5% vs. 4% of average salary or salary cap in determining retirement pensions.

VI. FUTURE MEETING SCHEDULE

The consensus of the board was approval of the following meeting:
Monday, November 18, 2024.

VII. ADJOURNMENT

There being no further business to come before the Board, Judge Cavanaugh made a motion, seconded by Harlan Proveaux, to adjourn the meeting. The vote of approval was unanimous.

Respectfully submitted,



P. Homer Bryson
Secretary/Treasurer

The above and foregoing minutes were approved at the meeting held on the 18th day of November, 2024.