

MINUTES

PROBATE JUDGES RETIREMENT FUND BOARD OF COMMISSIONERS

Thursday, February 9, 2023

10:30 A.M.

1208 Greenbelt Drive Griffin, Georgia 30224

Present:

Homer Bryson, Secretary/Treasurer

Chase Daughtrey, Chair

Bruce Wright, Vice Chair

Jeff Avant, Board Member

Garrison Baker, Board Member

Rooney Bowen, Board Member

Mike Greene, Board Member

Detria Powell, Board Member

Joe Griffin, Foster and Foster (via video)

Jack Halper, Wells Fargo

Lee Willis, Wells Fargo

Jennifer Yanulavich, Wells Fargo

David Will, Board Attorney

Brandt Barlow, CFO

Jebby Votaw, Board Secretary

The meeting was called to order by Chair Daughtrey.

I. ELECTION OF CHAIR AND VICE CHAIR

Mike Greene made a motion, seconded by Garrison Baker, to re-elect Chase Daughtrey as Chair and Bruce Wright as vice chair. The vote of approval was unanimous.

II. APPROVAL OF MINUTES OF PREVIOUS MEETING

Board members reviewed the minutes from the meeting held on November 10, 2022. *Rooney Bowen made a motion, seconded by Jeff Avant, to approve the Minutes of the November 10, 2022 Board Meeting. The vote of approval was unanimous.*

III. FINANCIAL REPORTS

Joe Griffin, Foster and Foster, presented the Actuarial Equivalent Assumptions for Optional Forms of Payment. Effective July 1, 2022, Chapter 11 of Title 47 of the Official Code of Georgia Annotated was amended to allow the Board of Commissioners to select an interest rate and mortality table for purposes of determining actuarial equivalent retirement benefits payable to a designated survivor upon the death of a retired judge. Prior to this change, the fund was required to use the Group Annuity Mortality Table for 1951 and 5 1/2 percent

interest as prescribed in Code Section 47-11-71 (b) (1). Foster and Foster recommends using an interest rate of 6.5% and the Pub-2010 General retirees Amount-Weighted Mortality Table with Rates Blended 50/50 Male/Female. The recommended assumptions are consistent with the interest rate, the mortality table, and the mortality improvement scale as adopted by the Board for the June 30, 2022 actuarial valuation. *Rooney Bowen made a motion, seconded by Bruce Wright, to adopt the proposed table. The vote of approval was unanimous.*

Jack Halper, Lee Willis, and Jennifer Yanulavich of Wells Fargo Advisors made their financial presentation. Mr. Willis stated that bonds had one of the worst years ever. He further stated that the job market is healthy with 3.4% unemployment. Since unemployment has not started to increase yet, there is no pressure on the Federal Reserve to stop continuing to raise rates to combat inflation. The market is down and earnings are up which suggests that we are seeing a decrease in the multiples being paid on future earnings. If future earnings were to decline, then we could see additional drops in the market returns. With talks of recession, a scenario where earnings fall is a reasonable expectation, so there is an anticipation that markets will continue to be challenging. The rise in interest rates has increased yields available, and The Fund is earning 5% yield on Fixed Income on the portfolio. Using technical analysis to consider the supply and demand between the different assets classes, this is the first time since 2010 that International Equities have ranked ahead of U.S. Equities. Cash is second, and U.S. equities are third. Due to cash still being ranked in the top two, the portfolio is defensive with 40% fixed income and 60% equity.

Mr. Halper stated that Polen led to underperformance for the Fund, which is very atypical. Polen's style of growth investing was down and they tend to invest in certain types of companies taking more concentrated positions. Covid impacted this strategy initially leading to strong over performance and then the underperformance as the companies they invest in pulled forward future earnings quicker in 2020 and 2021. Over the past seven years, Polen was up 11%. However, of the \$21.5 million in plan losses during 2022, Polen was \$16.6 million of the downturn. With technical analysis showing more strength in international equities, \$3 million was pulled from Polen and moved to Glovista during the first part of 2023.

The fixed income portfolio consists of two investment strategies, the long term fixed income strategy that has been managed by Sage and an allocation to an enhanced cash strategy that was deployed last year when \$27.5 million was shifted from U.S. equities into the enhanced cash strategy. The longer term fixed income strategy was down 8% last year and the enhanced cash portion was positive. If the US goes into a recession, changes may have to be made.

Ms. Yanulavich stated that accounts are up 5.6% year to date with a January balance of \$108.6 million. All managers are up, with Polen being the standout at +11.7%, Glovista is up 9.2%, Harding Loevner is up 8.7% and Great Lakes is up 5.7%. She further stated that Equities are up since the last quarterly meeting and