

MINUTES

DEKALB COUNTY PENSION BOARD

January 16, 2014

The DeKalb County Pension Board held a meeting on January 16, 2014 in the Board of Commissioners Conference Room. The following members were present: Thomas Brown, Gwendolyn Brown-Patterson, James Hendrix, Lee May, John McMullan, Robert Robertson (via telephone), Edmund Wall, and Gale Walldorff. Others present: Patricia Keesler of Benefits Law Group; Todd Carabasi, Cody Chapman, and Weston Lewis of Callan Associates; Eric Atwater of The Segal Company; Jelani Hooks; Larry Jacobs; Louis McGregor; Jay Vinicki; and Paul Wright.

Thomas Brown motioned, John McMullan seconded, and the Board approved the November 14, 2013 Pension Board meeting minutes.

Thomas Brown motioned, John McMullan seconded, and the Board approved the ratification of payment of the following invoices:

Vendor	Service	Period	Amount
Callan Associates	Investment Consulting	10/1/13 - 12/31/13	\$16,085.56
DeKalb County Finance Department	Pension Administration	10/1/13 - 12/31/13	65,358.67
Earnest Partners	Investment Management	10/1/13 - 12/31/13	115,322.10
Eye Physicians and Surgeons	Disability Examination	June 28, 2013	331.00
The Segal Company	Actuarial Consulting	August 15, 2013	2,205.00
The Segal Company	Actuarial Consulting	9/1/13 - 11/30/13	8,375.00
Southeastern Asset Management	Investment Management	10/1/13 - 12/31/13	244,065.00
State Street	Custodial Supervision	7/1/13 - 9/30/13	500.00
Total			\$452,242.33

The Board then listened to the review of the 4th quarter investment results by Todd Carabasi, Cody Chapman, and Weston Lewis of Callan Associates. Large cap stocks were up 33% during the year, which were the best results since 1997. Small cap stocks were up even more. In December, the Federal Reserve announced that they were going to taper their bond purchases from \$85B per month to \$75B per month. The Fed is more confident that the economy is growing "organically." Fourth quarter GDP was about 4%. Janet Yellin was confirmed as the new Chairman of the Federal Reserve. Unemployment is down to 7% but job growth is not very strong. Inflation is very low, about 1 ½ % and housing prices continue to improve. The return for the quarter was 7.2%, fund target was 6.9%, and for the year, the plan was up 24%. John McMullan asked if 2007-08 were ignored, would the returns be any higher, and Mr. Chapman replied that they would be a little higher. Ed Wall indicated that interest rates will likely go up in 2014.

Weston Lewis then discussed the DeKalb/Callan work plan for 2014. Three key policies that govern a pension plan are investment policy, funding/contribution policy, and benefits policy.

The goal is to find the optimal investment policy. The most important decision the Board can make is the investment policy. For the foreseeable future, bonds should produce a flat to negative return. What other ways can the Plan diversify, and make the returns smoother? An asset/liability study can help the Board find their acceptable risk or risk tolerance. Mr. Lewis recommended an asset/liability study for the Plan, which costs \$55,000. Mr. Lewis suggested this as part of the work plan for 2014. Mr. Wall added that he would dislike spending \$55,000 if he did not feel it would benefit the Plan. Mr. Lewis stated the Plan does not want an index fund that is charging active management fees. The goal is to have active managers that are truly active, adding value to the Fund over time. John McMullan motioned, Gale Walldorff seconded, and the Board approved Callan completing an asset/liability study and a manager structure analysis study. Interim CEO Lee May asked if the Board had ever completed a study looking at the investment mix. Weston Lewis replied that such a study was completed during 2008-2009. However it was just an asset study; liabilities were not included. A manager structure analysis has never been completed.

The Board then discussed benefit payment funding for February and March. Jelani Hooks stated that \$6.5 million is needed to fund benefit payments. Ed Wall asked Weston Lewis and Cody Chapman to meet and give the Board an amount to take from various money managers.

Thomas Brown motioned, James Hendrix seconded, and the Board approved a one-year disability pension for Darrick Hughley.

James Hendrix motioned, Thomas Brown seconded, and the Board approved requests from the following employees to pay contributions for employment while on military leave without pay, so as to receive credit for that service:

- Christopher E. Adams, an employee of Fire Rescue
- David Hall, an employee of Watershed Management
- Glen D. McIver, an employee of Fire Rescue

James Hendrix motioned, Thomas Brown seconded, and the Board approved requests from the following employees to repay contributions withdrawn from the pension plan, so as to receive accredited service for prior employment:

- Charlene D. George, an employee of Finance
- Sparkle S. Sealey, an employee of the Sheriff's Office

The Board then listened to the April 1, 2013 actuarial valuation results presented by Eric Atwater of The Segal Company. Instead of using a budgeted payroll this year, Segal decided to use the covered payroll. The County's total contribution for fiscal year 2015 is about \$49.8 million, about a \$4.5 million increase over fiscal year 2014. The market value of assets (MVA) in 2012 was \$1,092,016,603. The plan was about 59% funded in 2012, and in 2013 it was 60.7% funded. The County lost about 200 employees from 2012-2013. The Plan earned 11% in the year ended

3/31/13 as opposed to the projected 7.5%. John McMullan asked what the difference was between the actuarial value and the market value. Eric Atwater replied that Segal smooths the gains and losses.

Sheriff Thomas Brown announced his retirement, and how proud he was to have been the Sheriff of DeKalb County, amongst other positions he has held during his 32-year tenure. Ed Wall thanked him for his service. Sheriff Brown then left the meeting.

Eric Atwater added that the funding status for DeKalb County is about in line with their peers. In the country on average it is about 70%; however, Georgia law restricts the plan's investments, and other plans can take more risk, so there is not any significant meaning to funding status. CEO Lee May mentioned that the hybrid plan discussion is back on the agenda with the Board of Commissioners.

The Board revisited benefit payment funding for February and March. Weston Lewis of Callan Associates recommended the following:

Amount Needed	Manager to Fund
\$2 million	Jennison Associates
\$2 million	Gabelli Asset Management
\$2.5 million	Southeastern Asset Management

Total: \$6.5 million

Gail Walldorff motioned, John McMullan seconded, and the Board approved benefit payment funding for February and March as outlined above.

Weston Lewis added that the Board is outside of their policy ranges for fixed income, so the Fund should move \$8 million from Equity to Fixed Income, split evenly between JP Morgan and Denver Investments to rebalance the portfolio. Mr. Lewis recommended the following:

Amount Needed	Manager to Take From
\$2 million	Earnest Partners
\$2 million	Frontier Capital
\$2 million	Waddell & Reid
\$2 million	Montag & Caldwell

Total: \$8 million

The reason for the portfolio being out of balance was that the equity markets performed better in 2013 than the fixed income portion. The transfer of \$8 million to Fixed Income will rebalance the portfolio. John McMullan motioned, Gale Walldorff seconded, and the Board approved rebalancing of the portfolio as outlined above.

DeKalb County Pension Board

Minutes – January 16, 2014

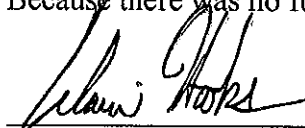
Page 4

The Board then listened to a presentation by Bertha Martin, who represents the office of Dr. Joseph H. Martin, M.D. Dr. Martin's practice will act as the Pension Board's doctor to perform disability evaluations and re-evaluations.

The Board then reviewed the 2014 Budget. Jelani Hooks stated that he was waiting for the 2013 numbers to close from Treasury and Accounting. James Hendrix motioned, Gale Walldorff seconded, and the Board approved tabling the 2014 Budget until the next meeting.

Ed Wall had a personnel matter that he wanted to discuss with the Board. James Hendrix motioned, Gale Walldorff seconded, and the Board approved entering Executive Session for the purpose of discussing personnel matters. Before Executive Session, Ed Wall wanted to know if there were any comments from the audience. A member of the audience asked if it was legal to allow Public Safety employees to remain in the current "new" plan as opposed to having to move to the hybrid plan. CEO Lee May responded that he did not know if there was a legal issue with that proposal. Jelani Hooks added that it would be like creating a separate plan for Public Safety employees. David Holcombe asked if there was any new information about the raise for the retirees. Ed Wall responded that the Board recommended the raise to the Board of Commissioners, but he does not know what they are going to do. The Board then entered Executive Session to discuss personnel matters.

Because there was no further business, the Board adjourned the meeting.



Jelani K. Hooks

Clerk, The DeKalb County Pension Board