

MINUTES

DEKALB COUNTY PENSION BOARD

December 18, 2014

The DeKalb County Pension Board held a meeting on December 18, 2014 in the Board of Commissioners Conference Room. The following members were present: Gwendolyn Brown-Patterson, James Hendrix, John McMullan, Robert Robertson (via telephone), Edmund Wall, Gale Walldorff, and Cornelius Yarbro. Others present: Patricia Keesler of Benefits Law Group; Todd Carabasi, Cody Chapman, and Weston Lewis of Callan Associates; Eric J. Atwater of The Segal Company; Jelani Hooks; Larry Jacobs; Louis McGregor; Jeff Rader; and Paul Wright.

John McMullan motioned, Gale Walldorff seconded, and the Board approved the September 18, 2014 Pension Board meeting minutes.

James Hendrix motioned, John McMullan seconded, and the Board approved the ratification of payment of the following invoices:

| Vendor | Service | Period | Amount |
|----------------------------------|------------------------|--------------|-----------------------|
| Advent Capital Management | Investment Management | 3Q 2014 | \$71,580.69 |
| Crawford Investment Counsel | Investment Management | 4Q 2014 | 19,770.33 |
| Denver Investments | Investment Management | 3Q 2014 | 80,241.22 |
| Earnest Partners | Investment Management | 3Q 2014 | 104,049.76 |
| Edgar Lomax Company | Investment Management | 3Q 2014 | 33,854.90 |
| Frontier Capital Management | Investment Management | 3Q 2014 | 121,666.39 |
| Jennison Associates | Investment Management | 3Q 2014 | 127,229.89 |
| Montag & Caldwell | Investment Management | 3Q 2014 | 105,949.18 |
| Southeastern Asset Management | Investment Management | 3Q 2014 | 244,577.00 |
| Waddell & Reed | Investment Management | 3Q 2014 | 51,235.97 |
| Subtotal | | | \$960,155.33 |
| State Street Bank & Trust | Custodial Supervision | 3Q 2014 | \$38,379.14 |
| Callan Associates | Investment Consulting | 3Q 2014 | 16,729.00 |
| The Segal Company | Actuarial Consulting | Sept. - Nov. | 8,375.00 |
| DeKalb County Finance Department | Pension Administration | 3Q 2014 | 57,642.23 |
| Benefits Law Group | Legal Consulting | Sept. - Nov. | 5,698.00 |
| Antin, Todd M., MD | Disability Examination | Nov. 6, 2014 | 1,500.00 |
| ASM Consulting | Website Management | Nov. - Dec. | 225.00 |
| Subtotal | | | \$128,548.37 |
| Total | | | \$1,088,703.70 |

The Board then discussed the Investment Consulting Services Agreement from Callan Associates. Callan's 3-year contract adopted in 2011 expired effective June 30, 2014. Ed Wall said that he was fine with the terms with the exception of the automatic 4% increase each year. He added that he asked for the 4% not to be automatic. Weston Lewis replied that it is standard in all of Callan's contracts with their clients. In addition, Mr. Lewis added that there are additional services that Callan provides for which they do not charge. The manager due diligence fee of \$10,000 is a one-time fee, not an ongoing fee. Callan's maximum annual

fee is \$125,000. Callan is required to deliver quarterly updates. Mr. Wall also added that Callan offers great services and is very reliable. Gale Walldorff motioned, Cornelius Yarbrow seconded, and the Board approved a renewal of Callan's contract in its current form.

The Board then reviewed the 3rd quarter investment results by Callan Associates. As of the end of November, plan assets total \$1.34 billion. All managers had positive performance during October and November. Montag & Caldwell has made some strides, but still has a long way to go. GAMCO has underperformed over the last 12 months. Southeastern Asset Management has also had some recent challenges, mainly large (14.3%) cash holdings in their portfolio. It is very difficult for active managers to outperform in short time periods. The Plan has added significant value above the index by allowing the managers to go through cycles. Over the last 12 months, small cap managers have outperformed the index by almost 8%. For the last three years, the plan earned 7.24% after fees.

The Board then discussed the Investment Committee meeting overview of domestic equity manager structure. Of the four alternative structures, the Committee had recommended Alternative #1. This structure increases large cap equity from 65% to 70% and introduces a 20% passive large cap allocation to the portfolio. An index fund constantly has investors coming in and out of the fund, and this "pool" of investors covers the transaction costs of taking cash out of the fund. Robert Robertson prefers active management because the plan can capture higher returns in the "up" market. Weston Lewis indicated that the structure or "status quo" of the plan was fine, but there was a concern with the high number of managers the fund employs. Mr. Lewis added that fully going to passive management would be "throwing in the towel." The Investment Committee recommends taking 5% from fixed income and adding it to international equity. James Hendrix motioned, Gale Walldorff seconded, and the Board approved recommendation to take 5% from domestic equity and add to international equity, bringing it up to 15%.

The Board then discussed benefit payment funding for December 2014 and January 2015. Jelani Hooks reported that the fund needs approximately \$6.7 million. Callan's recommendation is as follows:

| Manager | Amount Needed |
|-------------------------------|----------------------|
| Jennison Associates | \$1 million |
| Southeastern Asset Management | \$1 million |
| Advent Capital Management | \$2.8 million |
| Earnest Partners | \$2 million |
| Total | \$6.8 million |

Jelani Hooks indicated that he already sent instructions to the managers to draw down cash for benefit payments. James Hendrix motioned, Gale Walldorff seconded, and the Board approved Callan's recommendation for benefit payment funding as outlined above.

Brentwood Capital Partners was scheduled to present to the Board, but due to a company re-organization, they were not available. Robert Robertson asked if Brentwood Capital Partners

were in Callan's database; Ed Wall replied that he did not know anything about them. Mr. Robertson added that if the Board chooses a money manager, Callan Associates needs to perform a "due diligence" on the potential manager.

The Board then reviewed the proposed amendment to the DeKalb County Pension Code's disability provision. The proposal would require that the disability benefit would be lowered to 20% of the participant's pay rate, as opposed to the current 50%. Gale Walldorff motioned, James Hendrix seconded, and the Board approved the changes to the disability provision.

The Board then discussed member candidacy qualification. Cornelius Yarbrow suggested that an employee should be vested to run for Board membership. Robert Robertson believes that vesting is important to one's concern for the issues. Jeff Rader added that he does not have a problem with requiring vesting for Board membership. The Board agreed that imposing the current 7-year vesting cliff would be okay. James Hendrix motioned, Cornelius Yarbrow seconded, and the Board approved a recommendation that one should be vested prior to running for Board membership.

The Board then discussed the early retirement incentive annual leave repayment to the pension fund. The loan to the County of \$12 million was set up like a 30-year mortgage. The payments are made to the pension fund. Ed Wall asked for the last 2011-2013 audit reports attached to the next meeting packet.

James Hendrix motioned, Ed Wall seconded, and the Board approved a request from David Hall, an employee of Watershed Management, to pay contributions for employment while on military leave without pay, so as to receive credit for that service.

John McMullan motioned, James Hendrix 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:

- Deseree C. Dison, an employee of the Sheriff's Office
- Alvino D. Ray, an employee of Watershed Management
- Toya J. Randle, an employee of Finance
- Norbert F. Schulz, an employee of Property Appraisal & Assessment
- Timothy J. Sigler, an employee of Finance
- Chassity Warren-Mitchell, an employee of Finance
- Jada J. Williams, an employee of the Sheriff's Office

James Hendrix confirmed that Jelani Hooks told Deseree C. Dison that she is under the new pension plan.

The Board then discussed Pension Administration customer service. Jelani Hooks spoke on behalf of the department. He indicated that the department is short staffed; since 2009 when he became the Administrator, the retiree pool has increased about 35%. A staff of three is serving a participant population of about 10,000. He added that it is difficult to maintain

agreeable service levels with three employees. He asked for a customer service representative to assist with the daily functions. Ed Wall agreed that a customer service representative would help with some of the complaints that the Board is receiving. James Hendrix motioned, Cornelius Yarbrow seconded, and the Board approved adding a CSR position to the Pension Administration staff.

The Board then discussed the meeting dates for 2015. After debating the various schedules, the Board agreed to the following dates:

January 30, 2015
March 12, 2015
June 4, 2015
July 9, 2015
September 17, 2015
November 12, 2015

Cornelius Yarbrow motioned, Ed Wall seconded, and the Board approved the meeting dates as outlined above.

The Board then listened to comments from members. John McMullan wanted to know if the Board could sue all the cities that are incorporating, to recapture the legacy pension costs.

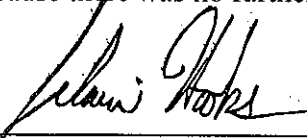
An employee asked if there would be another early retirement. The Board said there would not, but it was under the control of the Board of Commissioners.

James Hendrix motioned, Gale Walldorff seconded, and the Board approved entering Executive Session for the purpose of discussing disability.

James Hendrix motioned, Gale Walldorff seconded, and the Board denied a 12-month disability pension for Jerusha Bizzell.

John McMullan motioned, James Hendrix seconded, and the Board approved a lifetime pension starting at age 50 (as opposed to age 65) for Jeff Whyte, provided he pays his missed contributions.

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



Jelani K. Hooks
Clerk, The DeKalb County Pension Board