

Minutes

DeKalb County Pension Board

July 13, 2017

The DeKalb County Pension Board held a meeting on July 13, 2017 at the Emory Conference Center. The following members were present: James Hendrix (via telephone), David Littlefield, John McMullan, Dianne McNabb, Benita Ransom, Robert Robertson, Edmund Wall, and Cornelius Yarbro. Others present: Patricia Keesler of Benefits Law Group, Todd Carabasi and Weston Lewis of Callan Associates, Rocky Joyner of Segal Consulting; Larry Jacobs, and Paul Wright.

Robert Robertson motioned, Cornelius Yarbro seconded, and the Board approved the May 4, 2017 minutes.

Robert Robertson motioned, Cornelius Yarbro seconded, and the Board approved payment of the following invoices:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Management	1Q 2017	\$65,546.53
Denver Investments	Investment Management	1Q 2017	76,656.15
Gabelli Asset Management	Investment Management	1Q 2017	220,469.00
Ivy Asset Management	Investment Management	1Q 2017	54,679.09
Subtotal			\$417,350.77
ASM Consulting	Website Maintenance	May 2017	\$300.00
Benefits Law Group	Legal Consulting	April 2017	1,175.00
Benefits Law Group	Legal Consulting	May 2017	3,570.00
Benefits Law Group	Legal Consulting	June 2017	680.00
Callan Associates	Investment Consulting	2Q 2017	18,094.09
Elarbee, Thompson, et al.	Legal Consulting – C	April 2017	15,721.70
Elarbee, Thompson, et al.	Legal Consulting – S	April 2017	2,873.97
Elarbee, Thompson, et al.	Legal Consulting – C	May 2017	11,604.36
Elarbee, Thompson, et al.	Legal Consulting – S	May 2017	16,836.99
Emory Conference Center	Pension Board Retreat	July 13, 2017	3,990.03
Foster, John, MD	Disability Examination	May 9, 2017	1,169.00
Pension Benefit Information	Death Audit Searches	June 2017-May 2018	1,530.00
Robinson, Sheila, MD	Disability Examination	October 19, 2016	288.00
Segal Consulting	Actuarial Consulting	March-May 2017	8,375.00
Subtotal			\$86,208.14
Total			\$503,558.91

Ed Wall provided a review of the June 22, 2017 Investment Committee meeting. The Committee reviewed six Large Cap Growth Equity managers and narrowed

the list to three managers, whom the Board will interview at today's Board meeting. The Committee also reviewed the Board's contract with Callan Associates. Robert Robertson provided an update on the home rule ordinance that comprises three proposed code changes. Larry Jacobs confirmed he is working with the Law Department to finalize the home rule ordinance for presentation to the Board of Commissioners, probably in early September. Mr. Wall then reported that Advent Capital Management made a presentation to the Investment Committee, and the Committee decided to continue the fund's 5% weighting in convertible bonds. Finally, Mr. Wall stated that Segal Consulting would review the April 1, 2016 actuarial valuation at today's Board meeting.

The Board then interviewed three large cap growth managers to replace Montag & Caldwell. Greg Nejme made a presentation for HS Management. John O'Shea and John Meyer made a presentation for Loomis, Sayles & Company. Finally, Kishore Rao and Scott Ohm made a presentation for Sustainable Growth Advisers. After the Board discussed the three presentations, John McMullen motioned, David Littlefield seconded, and the Board approved transferring approximately \$110 million from Montag & Caldwell to Loomis, Sayles & Company. Robert Robertson motioned, John McMullen seconded, and the Board approved Callan and staff to review competing bids from BlackRock, Russell Investments, and State Street and hire the most cost-effective firm to manage the transition of assets from Montag & Caldwell to Loomis, Sayles.

David Littlefield motioned, Cornelius Yarbro 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:

- Jerome Atchison, an employee of Watershed Management
- Quintin S. Pruitt, an employee of Sanitation

Robert Robertson motioned, David Littlefield seconded, and the Board approved a permanent disability retirement for Bedford Forté.

Robert Robertson motioned, Cornelius Yarbro seconded, and the Board approved a 12-month disability retirement for Brett King.

Robert Robertson motioned, David Littlefield seconded, and the Board denied, based on doctor's recommendation, continuing a disability retirement for Krys Branham. Benita Ransom stated she would try to find a suitable position in the County for Ms. Branham.

Robert Robertson motioned, David Littlefield seconded, and the Board approved \$14 million (\$4 million from Southeastern, \$4 million from Montag & Caldwell, \$3 million from Frontier, and \$3 million from Earnest Partners) in benefit payment

funding for August-September 2017.

Joe Morris and Tony Gelderman of Bernstein, Litowitz, Berger & Grossman made a presentation on securities litigation. Ed Wall told Messrs. Morris and Gelderman that the Board would take no action at this meeting but would make a decision at the September meeting.

The Board then listened to Weston Lewis of Callan Associates review the 2nd quarter investment results. Given the timing of this meeting, Callan did not have detailed information on 2nd quarter returns, but Mr. Lewis reported that all managers fared well, with the exception of Gabelli and Frontier, who slightly struggled compared to their benchmarks.

Ed Wall reminded the Board that the cost-of-living agenda item was included in the home rule ordinance discussed earlier. Robert Robertson reiterated the need for a retiree COLA; Mr. Wall agreed.

The Board then discussed Section 921 of the pension code. Ed Wall reminded the Board members that any change to Section 921 would require a vote from the pension plan participants. The limit on international investments is 10%. Weston Lewis stated his desire for the plan to increase this limit to 15%. Mr. Lewis reported that 65% of the fund's investment is in domestic equity, an unusually high proportion; as fiduciaries, it is the Board's "duty to diversify." The Board then discussed Section 921's limit of 5% in any single entity. Mr. Lewis stated it is highly unlikely that the managers would exceed this limit, but no one is currently monitoring compliance of the 5% limit. Paul Wright informed the Board that he requested a bid from two firms but has not heard from either company. Dianne McNabb reported that she is creating a position of Compliance Officer in the Finance Department to ensure conformity with several agencies. Mr. Lewis stated that the managers are too restricted by the pension code to use all of their skills to invest the fund. Mr. Wall asked Weston Lewis to bring the September Board meeting a revised Section 921 to incorporate Callan's recommended updates. Also, Mr. Wall asked Mr. Wright to bring the two firms' bids for monitoring compliance.

Ed Wall asked Paul Wright to defer the discussion of the discount rate assumption to the September meeting.

Ed Wall reported that staff's research found that the Board is paying Callan less than neighboring counties' pension boards are paying their investment consultants; also, he is very pleased with the work Callan does for the Board. Robert Robertson motioned, David Littlefield seconded and the Board approved the amendment to the contract with Callan Associates.

Rocky Joyner of Segal Consulting then presented the results of the April 1, 2016 actuarial valuation. The two events that primarily caused the funding rate to increase from 2015 to 2016 were the 5½% decrease in payroll (because there were fewer employee participants) and the investment loss. The current County contribution rate of 18.56% will be 2% higher than the Annual Required Contribution. Because actual payrolls are consistently lower than budgeted payrolls, the actual County contributions are lower than the recommended contributions when stated as a dollar amount; however, the County has chosen to comply with Georgia minimum funding standards by contributing a percentage of payroll instead of a flat dollar amount. Mr. Joyner reminded the Board that as the Group 3 employees (i.e. those employees under the hybrid plan provisions) become a more predominant portion of the population, the long-term costs will decrease. However, if the employee participant continues to decrease, it would cause continued increases in the contribution rates. The current 7½% discount rate is in the “middle of the pack” with the plan’s peers around the country. Ed Wall reported that the Budget Director, Jay Vinicki, wants to use the excess County contributions (i.e. the amount above the required amount) to pay off the loan from the pension fund that the County used to pay for the 2010 early retirement window’s payments in lieu of annual leave. Mr. Wall wants to meet with Mr. Vinicki, Dianne McNabb, and Larry Jacobs, to clarify Mr. Vinicki’s proposal. Mr. Joyner is optimistic that the 2017 valuation will show more favorable results, given the March 31, 2017 assets were about \$70 million higher than forecasted.

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



Paul Wright

Clerk, The DeKalb County Pension Board