

Minutes

DeKalb County Pension Board

September 14, 2017

The DeKalb County Pension Board held a meeting on September 14, 2017 in the Board of Commissioners Conference Room. The following members were present: James Hendrix, David Littlefield, John McMullan, Dianne McNabb, Benita Ransom, Robert Robertson (via telephone), and Edmund Wall. Others present: Patricia Keesler of Benefits Law Group; Todd Carabasi, Weston Lewis, and Brad Penter of Callan Associates; Rocky Joyner of Segal Consulting; Felicia Harris; and Paul Wright.

John McMullen, David Littlefield seconded, and the Board approved the July 13, 2017 minutes.

David Littlefield motioned, James Hendrix seconded, and the Board approved payment of the following invoices:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Management	2Q 2017	\$68,290.72
Denver Investments	Investment Management	2Q 2017	76,945.57
Earnest Partners	Investment Management	2Q 2017	120,913.48
The Edgar Lomax Company	Investment Management	2Q 2017	38,254.49
Frontier Capital Management	Investment Management	2Q 2017	146,039.96
Gabelli Asset Management	Investment Management	2Q 2017	215,048.00
Income Research + Mgt.	Investment Management	2Q 2017	41,218.59
Ivy Asset Management	Investment Management	2Q 2017	55,210.54
Jennison Associates	Investment Management	2Q 2017	150,174.63
Montag & Caldwell	Investment Management	2Q 2017	98,519.28
Southeastern Asset Mgt.	Investment management	2Q 2017	196,290.00
Subtotal			\$1,206,905.26
ASM Consulting	Website Maintenance	July 2017	\$300.00
Bates Carter	Pension Audit	May-July 2017	7,500.00
Benefits Law Group	Legal Consulting	July 2017	5,130.00
Benefits Law Group	Legal Consulting	August 2017	6,679.00
DeKalb County Finance Dept.	Pension Administration	2Q 2017	77,121.25
Elarbee, Thompson, et al.	Legal Consulting – C	June 2017	13,113.50
Elarbee, Thompson, et al.	Legal Consulting – S	June 2017	1,841.00
Elarbee, Thompson, et al.	Legal Consulting – C	July 2017	19,602.10
Elarbee, Thompson, et al.	Legal Consulting – S	July 2017	769.50
Emory Conference Center	Pension Board Retreat	July 13, 2017	48.39
Foster, John, MD	Disability Examination	June 27, 2017	800.00
State Street	Custodial Supervision	1Q 2017	40,211.16
State Street	Custodial Supervision	2Q 2017	36,713.88
Subtotal			\$209,829.78
Total			\$1,416,735.04

The Board then listened to Todd Carabasi of Callan Associates review the 2nd quarter investment results. The fund is slightly overweighted in domestic equity and slightly underweighted in fixed income and international equity. The fund had a strong quarter, returning 3.65%, resulting in a one-year return of 16.30%. The “fundamental research” managers – Southeastern, Gabelli, and Montag & Caldwell – had strong quarters. Frontier Capital was the only manager not to exceed their benchmark.

Brad Penter of Callan Associates then summarized a pre-trade analysis of three managers – BlackRock, Russell, and State Street – to transition the assets from Montag & Caldwell to Loomis Sayles. James Hendrix motioned, John McMullen seconded, and the Board engaged BlackRock to manage this transition.

Weston Lewis of Callan Associates presented suggested edits to Section 921 of the pension code to reduce inconsistency between State law, Section 921 of the pension code, and the Board’s existing investment policy statement. Mr. Lewis explained that new language would also more explicitly outline the Board’s fiduciary responsibility. Ed Wall stated that he prefers the Board’s investment options to be restrained to what is in the 1945 Pension Code. He further explained that not having real estate and private equity as investment options is a positive feature. Mr. Lewis clarified that the original 1945 Pension Code has been amended from time to time, most recently to remove the restriction that managers could purchase only those stocks that paid a dividend. He also made clear that these changes would still prohibit alternative investments like real estate and private equity by virtue of the fact that the O.C.G.A. code sections included in the proposed DeKalb ordinance pertain only to traditional investments. The Board took no action on this topic and tabled this discussion until the November meeting.

John McMullen motioned, David Littlefield seconded, and the Board approved \$7 million (\$3.5 million from Jennison and \$3.5 million from Gabelli) in benefit payment funding for October-November 2017.

Beth Grimes of Bates Carter was unable to attend the meeting, so the Board tabled her review of their 2016 audit until the November meeting. Robert Robertson asked the status of addressing Bates Carter’s findings stated in their report. Dianne McNabb reported that the Finance Department now reconciles fund assets more regularly. Paul Wright reported that Pension Administration maintains retirees’ files prudently and that the two files in question are undoubtedly missing only temporarily. John McMullen questioned the reporting and legality of the 2010 loan to DeKalb County. Patti Keesler stressed that the loan was legal, since it was structured as an additional benefit paid from the plan equal to the payment of annual leave to the employees who elected to retire under the early retirement window. Rocky Joyner reported that the annual loan repayments and associated liability are incorporated in the actuarial valuations. Ed Wall provided a brief history of the 2010 early retirement window and the associated loan to the County. Benita Ransom reported that the County has since reduced the cap on annual leave payouts to nine weeks for employees with more than ten years of service and six weeks for employees with less than ten years of service. Mr. Wall said he would ask Bates Carter to include more detail on the 2010 loan in future audit reports.

The Board then discussed monitoring the compliance of Section 921 of the code. State Street delivered a bid to monitor quarterly compliance; however, Bates Carter, being an external auditor, is not allowed to perform this service for the Board. Weston Lewis offered to include in each future Callan quarterly report an analysis of the top ten companies that domestic equity managers hold, domestic fixed income managers hold, and international managers hold. This analysis would show that the fund is not investing more than 5% in any single entity, thereby ensuring compliance with Section 921(c)(iii).

The Board then listened to a presentation by Bob Killorin, Lubna Faruqi, and Josh Wilson of Faruqi & Faruqi, a securities monitoring and litigation firm.

The Board then listened to a request from three former law clerks – Berryl Anderson, Viviane Ernstes, and Melanie Wilson – to purchase prior service from the State retirement plan because of misleading information that administration provided to them upon hire. Ed Wall informed Judge Anderson and Ms. Wilson the Board would discuss this topic during Executive Session and take action on it afterwards.

Ed Wall stated the Board would discuss Joyce Hill's request to restore prior credited service in Executive Session.

James Hendrix motioned, David Littlefield 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:

- Armicle Bradley, Jr. an employee of Watershed Management
- Orren J. Clay, an employee of Roads & Drainage
- Terrick D. Dukes, an employee of Roads & Drainage

The Board then listened to Rocky Joyner of Segal Consulting discuss the discount rate assumption. He reported that the plan's discount rate of 7.5% is consistent with other public plans. Ed Wall's purpose in lowering the discount rate is to force the County to increase contributions to the plan. Mr. Joyner reported that lowering the discount rate to either 7.25% or 7% would not necessarily increase the County's contribution level, because the County is currently contributing more than the required level. Lowering the discount rate below 7% would force higher contributions. He presented projections of future funding levels based on different discount rate assumptions and achieving those respective returns. The Board asked Mr. Joyner to present at the November meeting projections of the funding levels at different discount rates but assuming the fund consistently returns 7.5%. James Hendrix suggested that the Board adopt the policy that the County contributes the dollar amount of the recommended contribution instead of the recommended percentage of payroll, since the budgeted payroll is consistently higher than the actual payroll. Mr. Joyner assured the Board that the County is moving in the right direction by contributing more than the annual required amounts.

The Board then discussed the three changes in the proposed home rule ordinance. Paul Wright reported the Law Department's hesitancy to recommend the permanent COLA,

because it would place a burden on future legislators. Patti Keesler reiterated that the Law Department will not support a permanent COLA but would support a one-time 1% COLA. Robert Robertson requested the following comments be stated verbatim in the minutes:

Robert Robertson: I've been doing some research, and even though the Law Department has their opinion, we all have ours as well. The City of Atlanta Fire, the City of Atlanta Police all have an automatic COLA put in their plan based on the CPI, by a minimum of 1½% per year. You know, it's been 12 years... 1% raise is a joke, it's a slap in the face, and it says that the County does not care about the retirees. The County has already taken advantage of the retirees, from the avenue of the medical insurance going up for the retirees' being put in a separate pool of medical insurance without the retirees' even knowing it, had I not questioned it. You know, I'm very aggravated with the entire situation. But there needs to be something that's automatic, because the County has proven that they're not going to give a cost-of-living raise. We've asked several CEOs now. We've asked for it to be put in the budgets, year after year. It keeps getting dropped and nothing happens. Enough is enough – this is a joke!

Ed Wall: I don't know how to make them do it. How do you do it? I can't make the County Attorney's Office fix something for the Board of Commissioners. I'm stuck; I don't know what to do.

Robert Robertson: I understand that, but you know, enough is enough! I mean there is nothing we can do but be very outspoken, and you know, I guess the next step will be to go political and get all the union and employer organizations, etc. to go out and speak out against all the elected officials. But a 1% is a joke; I mean, that's one twelfth of a percent for the last 12 years with no raise.

Ed Wall then told Krys Branham, who is appealing the Board's decision to terminate her disability retirement benefits, that the Board would hear her appeal during Executive Session in order to keep her medical condition private.

The Board then discussed the eight securities litigation firms with whom they have engaged or is considering doing business. Ed Wall recognized Robert Robertson as being the most knowledgeable member on this topic. Mr. Robertson proposed retaining Scott + Scott; Faruqi & Faruqi; Labaton; and Bernstein, Litowitz, Berger and Grossman. Mr. Robertson suggested terminating relationships with the other four firms: Chitwood Harley, Motley Rice, Robins Geller Rudman & Dowd, and Spector Roseman & Kodroff. Mr. Robertson then reminded the Board about their policy that when a litigation opportunity arises, the Board would engage the first firm to alert the Board about alleged wrongdoing. James Hendrix motioned, David Littlefield seconded, and the Board adopted Mr. Robertson's proposal.

James Hendrix motioned, David Littlefield seconded, and the Board approved entering Executive Session to discuss disability applications, pending litigation, and personnel issues.

Upon returning from executive session, James Hendrix motioned, David Littlefield seconded, and the Board approved a 12-month disability retirement for Janaya A. Davis.

James Hendrix motioned, David Littlefield seconded, and the Board approved a permanent disability retirement for Anthony D. Leonard.

James Hendrix motioned, David Littlefield seconded, and the Board denied continuing disability retirement benefits for Tracy Pitts.

David Littlefield motioned, James Hendrix seconded, and the Board denied Krys Branham's appeal of the Board's decision to cease her disability retirement benefits.

Viviane Ernstes thanked the Board for considering her application to purchase prior service.

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



Paul Wright
Clerk, The DeKalb County Pension Board