

MINUTES

DEKALB COUNTY PENSION BOARD

July 9, 2015

The DeKalb County Pension Board held a meeting on July 9, 2015 at the Emory Conference Center Hotel. The following members were present: Gwen Brown-Patterson, Lee May, John McMullan, Robert Robertson (via telephone), Edmund Wall, Gale Walldorff, and Cornelius Yarbrow. Others present: Eric Atwater of The Segal Company; Patricia Keesler of Benefits Law Group; Weston Lewis, Cody Chapman and Todd Carabasi of Callan Associates; and Jeff Rader.

Ed Wall motioned, Cornelius Yarbrow seconded, and the Board approved the June 4, 2015 Pension Board minutes.

Ed Wall motioned, Cornelius Yarbrow seconded and the Board approved payment of the following invoices:

Vendor	Service	Period	Amount
ASM Consulting	Website Management	June 2015	\$225.00
Benefits Law Group	Legal Consulting	3/1/15-4/30/15	1,232.00
Callan Associates	Investment Consulting	2Q 2015	16,729.00
Elarbee, Thompson, Sapp & Wilson	Legal Consulting	May 2015	5,363.40
The Segal Company	Actuarial Consulting	2Q 2015	8,375.00
Total			\$31,924.40

The Board listened to Cody Chapman provide an economic and market update. Year-to-date small cap equity has outperformed large equity, and growth has outperformed value. He also provided an update on the economy, namely housing, inflation, and interest rates, an update on Greece and China as well as an update on Puerto Rican debt issues. Weston Lewis reviewed the fund performance through 5/31/15, and the target fund will be updated in Callan's 6/30/15 report to reflect 15% allocation to international equity. The Board discussed the County's CAFR. There is an external audit that is done annually; John McMullan suggested the Board meet with the Auditor to present an executive summary. Ed Wall will schedule someone to present at the next Board meeting. Weston Lewis pointed out the plan has a value bias in their domestic equity allocation; this has caused a recent headwind for performance with growth outperforming value in the near term. Highlighted in the 12-month return number, with the Plan returning 6.73% vs. the target 8.83% are the drivers of underperformance:

- (1) Large Cap Value bias coupled with poor performance by managers against their respective benchmarks. Mr. Chapman discussed Southeastern and Dell exposure's drag on performance as well as an overweight to energy; Gabelli had a solid 2013 but performance has been lacking since; Montag & Caldwell's not owning Apple has hurt performance, but expect good performance in 2Q15; and Frontier has 1/3 of its portfolio allocated to Information Technology.
- (2) GMO has been challenged by European Value exposure coupled with Energy exposure.

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Ed Wall pointed out that 60- and 36-month performances are acceptable, but recent performance is poor. Ed asked if any managers should be on watch, and Weston Lewis said that 10-year performance for all managers has been in line with expectations. The Board discussed 10-year performance had the County had been 100% passively invested; Callan pointed out that active large cap managers have offered solid outperformance.

Todd Carabasi then reviewed Equity Trading Cost Analysis as of 3/31/15. Seven out of nine of DeKalb's domestic equity managers had total trading costs below median for the quarter. Five of nine managers were in the bottom quartile of total trading cost (a good thing for trading costs). Two of the nine managers were above median for the quarter:

- (1) Montag and Caldwell continues to have high commission costs, roughly 4 cents a share across most trades. The Board mentioned they would like to see better transparency for any soft dollars being used. Montag's execution costs were also high for the quarter; this has been seen in the past based on M&C following their investment process and sometimes selling securities at times when good execution cost is difficult to achieve. Callan will monitor next quarter and Ed will discuss with them at their next meeting.
- (2) Waddell & Reed had higher than usual execution costs for the quarter, driving total costs above median; Callan will monitor.

Callan will discontinue its Trade Cost Analysis reporting on a firm-wide level and will have a final 2Q15 report to present to the Board. Callan will provide the names of firms that can continue this service.

Callan then discussed the differences between a mutual fund (which the Plan currently is invested in, and has a higher fee) and a Separate account (which the Plan is considering due to the lower fee) for international equity. They discussed the administrative costs of Separate accounts and will also need to update their Investment Policy Statement. John McMullan motioned, Lee May seconded, and the Board approved moving to a separate vehicle for the T. Rowe International Core Strategy.

The Board then discussed the \$7.9 million needed for August and September benefit payments. John McMullan motioned, Ed Wall seconded, and the Board approved \$7.9 million in payments funded from Southeastern (\$4.9 million) and Earnest Partners (\$3 million).

John McMullan motioned, Gale Walldorff 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:

- Gerald T. Freeman, an employee of Sanitation
- Demetrius A. Kendrick, an employee of Police Services
- Kareem A. Rhone, an employee of Police Services
- Brenda R. Johnson, an employee of the Sheriff's Office

Gale Walldorff motioned, Cornelius Yarbrow seconded, and the Board approved Cathy H. Trice's

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request to pay contributions for employment on leave without pay, so as to receive credit for that service.

The Board listened to the LBO Tribune Company Case from 2008. The Pension held shares through one of its investment managers; creditors are suing all shareholders and claiming they inflated the share price. The Elarbee law firm is monitoring the situation. It is a civil lawsuit; the creditors are claiming the shareholders made too much money at the expense of the creditors. DeKalb County (and not the DeKalb County Pension Plan) is named in the lawsuit. John pointed out that the statute of limitations may run out. Gale Waldorff motioned, John McMullan seconded, and the Board instructed the Elarbee law firm to follow up on the Tribune lawsuit.

The Board listened to questions from the public. David Holcombe asked about retiree increases (prior to 2008, the County awarded a 3% increase approximately every three years). Ed Wall pointed out that the Board has asked the County to approve a 3% increase in 2016. DeKalb CEO Lee May said that the 2016 budget is currently being finalized, the County is currently doing a compensation study, and confirmed that 1-3% increase will be in the 2016 budget.

The Board then entered executive session. Afterward, the Board took no action.

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



Jelani K. Hooks

Clerk, The DeKalb County Pension Board