

MINUTES

DEKALB COUNTY PENSION BOARD

September 18, 2014

The DeKalb County Pension Board held a meeting on September 18, 2014 in the Board of Commissioners Conference Room. The following members were present: Gwendolyn Brown-Patterson, James Hendrix, Lee May, John McMullan, Benita Ransom, Robert Robertson (via telephone), Edmund Wall, Gale Walldorff, and Cornelius Yarbrow. 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; Stefan Jaskulak; Louis McGregor; and Paul Wright.

Cornelius Yarbrow took the oath of office as a new Pension Board member.

James Hendrix motioned, Gale Walldorff seconded, and the Board approved the July 17, 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	2Q 2014	\$72,063.02
Benefits Law Group	Legal Consulting	July - August	4,851.00
Callan Associates	Investment Consulting	2Q 2014	55,000.00
Crawford Investment Counsel	Investment Management	3Q 2014	19,724.89
DeKalb County Finance Department	Pension Administration	2Q 2014	65,444.47
Denver Investment Advisors	Investment Management	2Q 2014	80,719.60
Earnest Partners	Investment Management	2Q 2014	116,162.60
Edgar Lomax Company	Investment Management	2Q 2014	33,231.92
Frontier Capital Management	Investment Management	2Q 2014	130,304.86
Gabelli Asset Management	Investment Management	2Q 2014	210,514.00
Jennison Associates	Investment Management	2Q 2014	122,537.10
J.P. Morgan – Intermediate Bond Fund	Investment Management	2Q 2014	59,461.27
Montag & Caldwell	Investment Management	2Q 2014	106,439.67
The Segal Company	Actuarial Consulting	June - August	8,375.00
State Street	Custodial Supervision	2Q 2014	39,730.26
Waddell & Reed	Investment Management	2Q 2014	49,153.24
Total			\$1,173,712.90

The Board then listened to Patricia Keesler's discussion of the Attorney General's letter regarding investment in mutual funds. The Assistant State Attorney General Alkesh B. Patel sent a letter to the State Auditor David Pennington suggesting that mutual funds were not a permissible investment. Every plan with the exception of ERS and TRS has mutual funds. Ms. Keesler said that the Board does not have to do anything at this point. Gale Walldorff asked if Ms. Keesler would monitor the legislation regarding this opinion. John McMullan asked if the plan had any mutual funds; Weston Lewis replied that there are two, T. Rowe Price International Equity Fund and GMO International Equity Fund.

Technically, money market funds are mutual funds. Ms. Keesler added that this was an opinion, not law.

The Board then discussed a proposed amendment to the DeKalb County Pension Code's disability provision. The suggested change would apply to new hires entering the pension plan as revised to provide for the hybrid benefit plan. This would prevent disability retirement benefits from exceeding the normal retirement benefit for the hybrid plan, which is capped at 30% of salary. The provision would allow for a reduction from 50% of salary (currently) to 20% of salary. Ed Wall asked the employee representatives if they had any comment on the provision. James Hendrix agreed that a disability retiree should not be able to receive more than a normal retiree. Cornelius Yarbrow added that he does not have enough information about the item to make an informed decision. Ed Wall suggested tabling the discussion until the following meeting. James Hendrix motioned, Cornelius Yarbrow seconded, and the Board approved tabling the discussion until the next meeting.

James Hendrix motioned, Gale Walldorff seconded, and the Board approved a request from Kevin L. Adams, an employee of Watershed Management, to pay contributions for employment on leave without pay, so as to receive credit for that service.

Gale Walldorff 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:

- Ronald G. Autry, an employee of Sanitation
- Gregory M. Hertik, an employee of Police Services
- Ramiah J. Howard, an employee of Fire Rescue

Ed Wall informed the audience that the Board has a lengthy Executive Session and that he wanted to address their concerns right away, if any.

The Board then discussed benefit payment funding for November. Jelani Hooks said that \$4.5 million was needed to fund benefit payments. Weston Lewis recommended taking \$1.5 million from Advent Capital and \$3 million from Southeastern Asset Management. Ed Wall asked why he chose those two managers. Mr. Lewis replied that Advent Capital is slightly overweight on their target of 5% (they are at 5.5%), and Southeastern is overweight on cash, as well as its being the Board's largest manager. John McMullan motioned, James Hendrix seconded, and the Board approved taking a total of \$4.5 million from the managers outlined above. Mr. Hendrix wanted to know why the Board voted only on funding for November. Mr. Hooks replied that funding was already completed for October. James Hendrix motioned, John McMullan seconded, and the Board approved entering Executive Session for the purpose of discussing litigation and personnel matters.

James Hendrix motioned, Gale Walldorff seconded, and the Board approved hiring Elarbee Thompson Sapp & Wilson to represent the Pension Board in the lawsuit filed against them (the "Shoenthal Litigation"). John McMullan motioned, James Hendrix seconded, and the

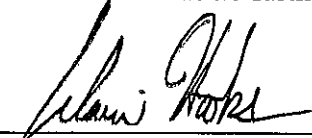
Board approved hiring Scott & Scott to represent them as co-lead plaintiff in the securities litigation against FireEye, Inc.

The Board then discussed the Domestic Equity Manager Structure Study by Weston Lewis and Cody Chapman. Montag & Caldwell buys companies that consistently grow earnings and have good earnings prospects. Ed Wall pointed out the earnings of the Fund as follows:

	Last Month	Last 3 Months	Last 12 Months	Last 60 Months
Total Fund	2.47%	2.60%	18.52%	13.41%
Total Fund Target	2.89%	3.09%	18.46%	12.70%

Montag & Caldwell underperformed the Russell 1000 Growth benchmark in the last three months (1.37% versus the benchmark of 4.99%). Stefan Jaskulak asked if the numbers are available for the last ten years, since that time period would include a recession. Weston Lewis noted that small cap stocks outperformed the benchmark consistently over the last five years. Active management is when a manager picks the stocks based on their judgment. Passive management is accepting what the broad market is going to do, hence the lower fees. The study had three objectives: 1) introduce some form of passive management into the Plan, 2) reduce the number of managers, and 3) reduce costs. The U.S. market is essentially 80% large cap stocks and 20% small / mid cap stocks. Cody Chapman stated that typically the market structure they recommend is 80% large cap, 10% mid cap, and 10% small cap. Some funds like to overweight small cap to large, trying to seek larger returns. A passive manager is a much cheaper option. The plan could benefit from fewer managers. Callan's recommendation is an allocation to passive management. Jelani Hooks asked if Callan has reviewed the domestic fixed income allocation to see if it is adequate. Weston Lewis replied that there is not really much the Board can do with fixed income, due to State law. The plan prohibits buying anything below investment grade, and there are two managers that buy investment grade securities. The Board has no desire to invest in emerging markets. Ed Wall stated that he would like the Investment Committee to make a recommendation to the Board about the equity structure, and whether or not there should be increased exposure to international stocks.

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



Jelani K. Hooks
Clerk, The DeKalb County Pension Board