

MINUTES

DEKALB COUNTY PENSION BOARD

November 18, 2009

The DeKalb County Pension Board held a meeting on November 18, 2009 in the Finance Department conference room. The following members were present: Michael Bell, James Butler, Burrell Ellis, Andrella Kenner, Christopher Prickett, Joe Stone, and Ed Wall. Others present: Greg Bauer of Callan Associates, Eric Atwater and Jeff Johnson of The Segal Company, Keith Barker, Gordon Burkette, Nathan Fowler, Jelani Hooks, Louis McGregor, Michelle Thomas, and Paul Wright.

Ed Wall, Chairman of the Pension Board, called the meeting to order.

Burrell Ellis motioned, Christopher Prickett seconded, and the Board approved the minutes of the October 15, 2009 Pension Board meeting.

Burrell Ellis motioned, Christopher Prickett seconded, and the Board approved the minutes of the November 5, 2009 Pension Board meeting.

Burrell Ellis motioned, Christopher Prickett seconded, and the Board approved ratification of payment of the following invoices:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Management	6/1/09 - 9/30/09	\$54,691.64
Callan Associates	Investment Consulting	6/1/09 - 9/30/09	13,375.00
Crawford Investment Counsel	Investment Management	9/1/09 - 12/31/09	15,273.82
DeKalb County Finance Department	Pension Administration Expenses	6/1/09 - 9/30/09	71,229.30
Denver Investments (for Tattersall)	Investment Management	6/15/09 - 9/30/09	37,032.42
The Edgar Lomax Company	Investment Management	6/1/09 - 9/30/09	21,383.87
Gabelli Asset Management	Investment Management	6/1/09 - 9/30/09	111,483.00
Jennison Associates	Investment Management	6/1/09 - 9/30/09	95,426.19
Daniel L. Kingloff, M.D.	Disability Examination	October 16, 2009	862.00
Mazama Capital Management	Investment Management	6/1/09 - 9/30/09	63,436.54
Montag & Caldwell	Investment Management	6/1/09 - 9/30/09	99,947.10
Profit Investment Management	Investment Management	6/1/09 - 9/30/09	17,404.98
Southeastern Asset Management	Investment Management	6/1/09 - 9/30/09	155,577.00
State Street Bank & Trust Company	Account Custodial Fees	6/1/09 - 9/30/09	31,980.77

Christopher Prickett motioned, James Butler seconded, and the Board approved requests from the following employees to repay contributions withdrawn from the pension plan, so as to receive credit for prior service. All requests were submitted in the required timeframe after being rehired.

- (a) Anthony G. Hatten, an employee of Sanitation
- (b) Quenton R. Hoskins, an employee of Sanitation
- (c) Roger B. Miller, an employee of Sanitation
- (d) William Lockhart, an employee of Sanitation

Christopher Prickett motioned, James Butler seconded, and the Board approved a request from Richard L. Sanders to repay contributions withdrawn from the pension plan for his second period of employment and denied Mr. Sanders' request to repay contributions from his first period of employment, since that request did not come within six months of being rehired.

Christopher Prickett motioned, Burrell Ellis seconded, and the Board approved funding for a cardiologist to examine a disability retirement applicant examination. This would be the disability applicant's second medical examination that the Pension Board approved.

Christopher Prickett motioned, Ed Wall seconded, and the board denied an appeal for disability retirement from Matthew Zimmerman. Joe Stone stated that this employee had taken less sick leave in 2009 than he had taken in 2006, 2007, or 2008; he has used no FMLA leave; and the Police Chief was unaware that Sgt. Zimmerman had applied for disability. CEO Burrell Ellis abstained from the vote.

Burrell Ellis then spoke about the County's budget challenges for 2010. He stated that DeKalb County is not immune to the economic crisis facing the country. The County budget has fallen since 2008. CEO Ellis reported that DeKalb County is faced with a revenue decline of almost \$100 million from 2008-2010. The decline in revenues and property values requires that the County look at ways of reducing the budget. To avoid layoffs, CEO Ellis asked the Pension Board to explore an early retirement incentive option. Keith Barker requested that The Segal Company look at some early retirement incentive options and present the Board with the number of employees who would be eligible for early retirement. Since the 2010 budget is to be presented to the Board of Commissioners on December 15, CEO Ellis stressed the urgency in completing this study. Joe Stone suggested that Segal look at reducing the years of service with no penalty, for example, 25 years with no penalty. Michael Bell stated that a good "take rate" for an early retirement option is about 50%, but the poor economy may deter some employees to retire.

Ed Wall then engaged the Board about the increase in contributions. Eric Atwater of The Segal Company presented the Board with a projection of future years' pension contributions. The projected minimum required contribution for 2010 is approximately \$30.5 million and for 2011 is approximately \$47 million. Mr. Atwater proposed the contribution rates for 2010 to be 10% for the County and 5% for the employees and the 2011 rates to be 13% for the County and 6.5% for the employees. James Butler preferred a 1% increase in the employees' contribution rate in 2010 and 2011 instead of a sudden 2% increase in 2011. CEO Ellis stated that the Pension Board should recommend what they feel is in the best interest of the pension plan. Mr. Wall stated his desire to have The Segal Company design an early retirement incentive program that would not increase the pension contributions. Christopher Prickett motioned, Andrella Kenner seconded, and the Board approved engaging The Segal Company to propose early retirement incentive programs.

Burrell Ellis left the meeting at this time.

Greg Bauer of Callan Associates reviewed the 3rd quarter 2009 investment results. The

fund increased 12.69% during the quarter and 22.99% in 2009. Crawford, Decatur Capital, and GMO have underperformed. Mr. Bauer recommended that Callan search for an international manager specializing in emerging markets to supplement the fund's international exposure. James Butler motioned, Andrella Kenner seconded, and the Board approved engaging Callan Associates to search for a small cap growth manager to replace Mazama Capital.

The Board reviewed the October 28, 2009 Investment Committee meeting results. The Committee confronted Eugene Profit about his company's recent issues. The Investment Committee decided that these issues were not significant enough to warrant firing Profit but placed them on a watch list. Ed Wall reported that Lord Abbett's lead analyst working with the Pension Board has left that firm. Mr. Wall recommended that the Board terminate Lord Abbett and allot their \$50 million to the new international manager. Christopher Prickett motioned, James Butler seconded, and the Board approved terminating Lord Abbett.

Andrella Kenner motioned, James Butler seconded, and the Board approved engaging Callan Associates to search for a new international equity manager with exposure to emerging markets.

The Board aimed to furnish a three-year recommended schedule of pension contribution rates. However, market fluctuations could greatly affect future years' required contribution rates, so the Board elected to present only a one-year recommendation. Christopher Prickett motioned, James Butler seconded, and the Board approved recommending a ½% increase in employee and county contributions for 2010, thereby increasing the County rate to 10% and the employee rate to 5%. Ed Wall reiterated his desire to have the Board in the future recommend a three-year contribution rate schedule.

The Board then discussed the upcoming meeting at which Segal would present the early retirement incentive options to the County staff. Ed Wall suggested that one of the Pension Board members attend that meeting. James Butler expressed his interest in attending. Eric Atwater and the Board discussed basic plan designs that could be part of a window, namely 25-and-out and a DROP plan. Jeff Johnson recommended that Segal entertain all options instead of limiting their study to a few choices. Joe Stone observed that a lump sum cash payment would entice many employees to retire. Gordon Burkette expressed concern about the loss of talent the County would experience after a window. The Board understood that many scenarios that Segal will design would not fit all employees. The County may need to backfill certain positions after the window.

The Board then discussed a retiree cost of living increase, a subject the Board is required to discuss annually. The last increase was granted in 2007. Ed Wall stated his desire to grant an increase to the retirees but that the fund does not currently have the money to grant an increase. The Board took no action on this item.

The Board then discussed the travel and expense reimbursement home rule amendment that the Law Department had drafted. Ed Wall stated that he does not believe that Chitwood Harley should cover the expenses of any Board member traveling with them to testify.

Michelle Thomas stated that because the travel purpose was for testimonies and court appearances, it would be covered under legal expenses. Mr. Wall also stated that there should not be a \$1,000 cap on expenses, that travel and lodging expenses should be reimbursed, and that the Pension Board Chairman should pre-approve the expense, and the Board must approve the expense before reimbursement to the Board member. James Butler motioned, Andrella Kenner seconded, and the Board approved tabling the amendment with changes until the next Pension Board meeting.

The Board then reviewed disability pensions. Currently, the pension code states that an employee must not be able to do his current job for at least 12 months; after that, the individual must not be able to do any job for which he is reasonably qualified by education, training, or experience. Therefore, Michelle Thomas stressed that an employee who is incapable of performing his job but is still able to do another job within his department satisfies the strict definition of disability retirement. Joe Stone reported that employees often change jobs within a department because of physical limitations. Christopher Prickett requested that the service requirement for disability retirement eligibility be changed from five years to vested (three years or seven years, depending on hire date). Ms. Thomas observed that the term “vested” is not defined in the pension code. Paul Wright observed that such a redefinition of the disability retirement service requirement would immediately qualify those employees hired before September 2005 with less than five years of service; he suggested that the Board revisit this topic after September 1, 2010, when the window of opportunity for this select group disappears. The Board asked Michelle Thomas to draft a change in the disability rules, including a definition of vesting, to present to the Board at their next meeting.

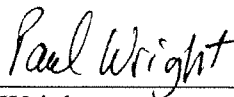
James Butler asked about a pension estimator tool. Paul Wright reported that it is still in the works and emphasized that programming an online pension benefit estimator will be a complex job.

Paul Wright then introduced Jelani Hooks, the new Pension Administrator, to the Board. Mr. Hooks spoke briefly of his background and then assumed responsibility for the online pension estimator.

James Butler motioned, Christopher Prickett seconded, and the Board approved requiring disability retirees who has been disabled for more than one year who do not have disability letters from Social Security to be reevaluated by a Pension Board doctor.

Michelle Thomas asked that all requests from the Pension Board related to drafting home rule ordinances be written and directed to the County Attorney. Paul Wright agreed to this.

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



Paul Wright

Clerk, The Pension Board of DeKalb County