

MINUTES

DEKALB COUNTY PENSION BOARD

June 22, 2010

The DeKalb County Pension Board held a meeting on June 22, 2010 in the Finance Department conference room. The following members were present: James Butler, Christopher Prickett, Bemetra Simmons, Ed Wall, and Gale Walldorff. Others present: Jelani Hooks, Larry Jacobs, Patricia Kessler of The Benefits Law Group, and Paul Wright.

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

Christopher Prickett motioned, Bemetra Simmons seconded, and the Board approved the termination of Mazama Capital Management's contract. Ed Wall stated that there were too many instances where Mazama's performance fell short of expectations.

The Board then discussed the date of the special Pension Board election. The Pension Board is responsible for calling the election. Ed Wall stated that he would like Patti Kessler to investigate what the Pension Code requires as far as having an election because two of the employee representatives have retired. Christopher Prickett stated he would like to remain on the Board and finish his term. Ms. Kessler stated that the Code was unclear on many things, including what happens to an employee Board member's position when they retire. She further stated that her interpretation was that when an employee retires, the position has to be replaced with another employee. It is clear as to the procedure when a retiree fulfills his term. There would be inconsistencies with holding an immediate election versus holding one in January, which is when the Board normally holds elections. Christopher Prickett added that he has the experience to remain on the Pension Board, and that he would be willing to serve as retiree representative. Ms. Simmons said she believed that the employees should be represented properly. Ed Wall restated that the Code is not clear about elections. Gale Walldorff suggested that the Board wait until January to hold elections. James Butler stated he wanted to step down so that employees could be represented the way the Code intended it to be. Mr. Prickett stated he will serve at the will of the Board but he would serve the employees of DeKalb better than a new employee member because of his experience. He also added that new Pension Board members should receive some form of training, and he would help the replacement for James Butler get up to speed, serve out the remaining of his term, then run for the retiree representative position. Mr. Prickett stated that Robert Robertson has moved to Chicago and does not know if he will run for the retiree representative, but if he does he will support him. Bemetra Simmons and James Butler stressed the importance of having employees accurately represented on the Board.

Gale Walldorff motioned, Bemetra Simmons seconded, and the Board approved allowing the two new retirees on the Board serve as employee representatives until January, when a special election will be held to have employees replace them. Ed Wall opposed the motion.

The Board then discussed various legal issues with Patti Keesler. The first topic was non-assessable dividend stock. Ms. Keesler stated that a company cannot go to the stockholder and require more money than the stockholder has already put into the company. The Code states that the Plan cannot hold any mortgage-backed securities. Ed Wall suggested that Tattersall Advisory Group may have illegally purchased mortgage-backed securities. Ed Wall mentioned having Ms. Keesler bring Home Rule Amendments for the July meeting to modernize the Code, which was originally written in 1945.. Christopher Prickett also stated that if Tattersall did buy those securities illegally, then the Board should be able to sue. Christopher Prickett motioned, Gale Walldorff seconded, and the Board approved filing suit against Tattersall Advisory Group if the Board found that Tattersall illegally purchased mortgage-backed securities.

Christopher Prickett suggested the Board stay away from mortgage-backed securities until consulting with Callan. He also suggested that the Board look for every opportunity to invest and make money for the Plan. Ed Wall wanted Patti Keesler to also look at the fact that salaries of the pension administrators are partially paid by the pension plan. Mr. Wall stated that the Board currently approves expenses after they are paid, rather than before. Ms. Keesler stated that the Board has the discretion to pay reasonable expenses so the questions that arise are: what is reasonable, and what kind of due diligence does the Board have. The Plan, though not subject to ERISA, can get a lot of guidance from it. Furthermore, reasonable expenses can include the salaries of those who administer the plan, and there is no language indicating that the expenses need to be approved in advance. She also stated that she does not believe there is anything wrong with what has been done in the past. Christopher Prickett felt that the County was “doing business as usual.” Ed Wall stated he didn’t realize how much money the pension fund pays in expenses. Mr. Hooks stated that the cost of an outside company to administer the plan would be about three times as much as what the fund is paying now. Ed Wall asked for a detailed budget by the July meeting and a comparison to what other counties are paying for administrative expenses.

Ms. Keesler then advised the Board that the pension fund does not have a plan document, and there is only a set of ordinances that state what the benefits are. In order to have a qualified plan, there must be a plan document with very specific wording about the plan, which the code does not have. If the plan is disqualified by the IRS, every current participant that has a vested accrued benefit is potentially taxable on the benefit before they receive it. The IRS does not disqualify plans anymore, because it harms the participants. If they disqualify the plan and taxed all the participants on the value of their vested accrued benefit, the IRS would assess a tax penalty of 40% on that value. The Board questioned whether a home rule ordinance would be necessary to create a plan document. Some modification to the Code may have to be completed before the Board could create a plan document. Christopher Prickett stated if the Board took time to revise the Code to get it compliant ready for the IRS, the Board of Commissioners would be more accepting towards the home rule amendments. Ed Wall stated that he needed home rule amendments to add mortgage-backed securities with qualifications. The Board also stated concern about

the disability policy and the clarity thereof. The current policy allows both new and old plan members to qualify for a disability with five years of service, even though the new plan members are vested in seven years. James Butler stated that the Board wants to grant disability to those who are truly disabled.

Patti Keesler stated she believes that the entire investments section of the Code needs revision, because the Code should reference State law. Changing the investment language in the Code requires a vote from the participants; this vote can be put on the ballot during the special election for Pension Board members. Ms. Keesler proposed creating an outline of all of the items in the Code that need to be changed to be compliant ready and all of the items that the Board has asked her to address.

The Board then discussed the contract with Frontier Capital Management LLC. Patti Keesler explained that State law basically prohibits investments for public funds with limited partnerships. Ed Wall suggested that the Board tell Frontier that the fund cannot invest in limited partnerships, and then find out if Frontier could deliver the kind of returns through another investment vehicle they had promised when they were hired. Ms. Keesler recommended that the Board not sign the agreement, even if some amendments could be made, because the contract is not in compliance with State law. Ed Wall asked Ms. Keesler if she could change the contract to fit what the Board can do, and then directed Jelani Hooks to conference call him with Frontier, and then the Board can decide how to address the contract at the July meeting. Ed Wall committed not to sign the contract until all legal issues are finalized.

Christopher Prickett went on record stating that Ms. Keesler has been a big help to the Pension Board in the past two months. The other Board members agreed with Mr. Prickett.

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

Jelani K. Hooks
Clerk, The Pension Board of DeKalb County