

MINUTES

DEKALB COUNTY PENSION BOARD

September 2, 2010

The DeKalb County Pension Board held a meeting on September 2, 2010 at the Board of Commissioners Conference Room. The following members were present: Reginald Banks, James Butler, Joel Gottlieb, Christopher Prickett, Bemetra Simmons, Ed Wall, and Gale Walldorff. Others present: Rocky Joyner of The Segal Company; Paul Troup and Gwelda Swilley-Burke of Callan Associates; Patricia Keesler of The Benefits Law Group; Nicole Davenport and Meryl Roper of Chitwood Harley; Gordon Burkette; Jelani Hooks; Larry Jacobs; Louis McGregor; and Paul Wright.

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

Joel Gottlieb read the oath of office to become a member of the Pension Board.

Gale Walldorff motioned, James Butler seconded, and the Board approved the minutes of the July 15, 2010 Pension Board meeting.

Reginald Banks read the oath of office to become a member of the Pension Board.

Christopher Prickett motioned, Bemetra Simmons seconded, and the Board approved the ratification of payment of the following invoices:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Management	2Q 2010	\$58,548.22
Benefits Law Group	Legal Consulting	June - July 2010	15,771.00
Crawford Investment Counsel	Investment Management	3Q 2010	14,902.69
Decatur Capital Management	Investment Management	2Q 2010	7,397.12
DeKalb County Finance Department	Pension Administration Expenses	4/1/2010 - 6/30/2010	109,156.18
Earnest Partners	Investment Management	2Q 2010	79,355.00
The Edgar Lomax Company	Investment Management	2Q 2010	26,534.80
Gabelli Asset Management	Investment Management	2Q 2010	114,954.00
Jennison Associates	Investment Management	2Q 2010	100,013.77
Kiley, James D., MD	Disability Examination	July 22, 2010	350.00
Mazama Capital Management	Investment Management	2Q 2010	62,498.06
Montag & Caldwell	Investment Management	2Q 2010	96,657.54
OnPoint Document Solutions, LLC	Supplies for Early Retirement	1Q 2010	3,024.00
The Segal Company	Special Consulting	Feb. - June 2010	16,707.50
Southeastern Asset Management	Investment Management	2Q 2010	162,858.00

Paul Troup of Callan Associates reviewed the 2nd quarter 2010 investment results. Three factors affect investment results: Georgia law restrictions on the amount of equity related securities, the strategies of the investment managers, and the investment environment. The S&P was down 11%. Small cap managers fared better than their large cap counterparts. A flight to quality will force bond prices to increase. Twenty-six percent of actively managed portfolios had better returns than the aggregate. The best performing stock market overseas was Japan; the worst was France. The asset mix of the fund is an important determinant for

two things: the rate of return and volatility of the fund. The target asset allocation can be changed but would require an action of the Board. The recommendation is 70% equities and 30% fixed income. James Butler motioned, Christopher Prickett seconded, and the Board approved re-balancing the portfolio, taking 5% from fixed income and placing it in domestic equity, so that the split would be 60% and 30%, and 10% international equity. In domestic equity, only 12% of other public funds had better results than DeKalb County; in fixed income, it was 28%. GMO did not start to rally until after the June quarter and has been underperforming most of the year. Lord Abbett will be deleted from the portfolio, and T. Rowe Price will be added as an international manager. Target returns create an index for the domestic equity portfolio. Equity managers gave the fund 64 basis points of return. Convertible bonds had negative performance. The total fund had a -5.89% performance; had the fund been indexed, it would have been -6.31%. Paul Troup stated that in six months, the fund could not make up -5.89% plus an additional 7.75% rate of return. At best case, the fund will break even. Ed Wall suggested a meeting with the Investment Committee. Jelani Hooks suggested the Board reassess its current cash position because the fund has had a cash balance over \$20 million for the last eight months.

The Board then discussed the designation of the Pension Board member to attend the Chitwood Harley Arthrocare Mediation. Maxim Integrated Products has settled earlier this year. The settlement was for \$173 million. Over and above the claim, the fund will receive an additional \$17,250.00. Preliminary hearings were completed in June. The MGM case is on hold for now. James Butler motioned, Bemetra Simmons seconded, and the Board approved entering Executive Session for the purpose of litigation.

Christopher Prickett motioned, Bemetra Simmons 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. Mr. Barry Smith is requesting to purchase service for two periods of employment but did not submit the request within the required time frame after returning to work the first time. This will apply only to his more recent period of employment.

- Barry D. Smith, an employee of Sanitation
- Howard A. Smith, an employee of Sanitation

The Board then listened to the summary of changes to the Pension Code for IRS requirements by Patricia Keesler. Ms. Keesler stated that the plan had to be formatted in the form of an ordinance rather than a plan document. The Board discussed the possibility of having a user-friendly plan document. Ms. Keesler stated that the private sector is required to have a summary plan description (SPD), which is user friendly. Jelani Hooks stated that the plan does have an SPD. Ed Wall stated he would like to have some form of document to govern the Plan. Ms. Keesler reviewed the ordinance with the Board. One proposal was that a participant would become eligible for disability when he was 100% vested. Ed Wall asked if someone must be considered disabled if an equivalent job can be found for them, rather than their normal job. Joel Gottlieb stated that one way to resolve this issue would be for departments to be able to accommodate light-duty functions, which would not be possible if an employee had a terminal illness. Ms. Keesler indicated another portion of the

Code that needs to be clarified is language for minimum distribution and that the benefits need to be paid by age 70½. Ed Wall mentioned the next topic of amending the rollover rules to expanding the definition of plans eligible to accept rollovers and non-spouse beneficiaries being able to roll over benefits. Ms. Keesler stated that this section of the code expands the plan to include lump sum payout provisions for rolling over benefits. Lump sums can now be rolled over to other qualified plans such as a 457(b). Ed Wall mentioned the HEART (Heroes Earnings Assistance and Relief Tax) Act. Ms. Keesler stated that it doesn't have to be in the plan until 2012. The HEART Act requires that the plan treat qualified participants as if they had come back to the County for one day and died. It allows the plan to give the person credited service while in the military. Ms. Keesler then stated that the investment policy statement has to comply with State law and that non-assessable stock was removed from the code, as well as prohibiting investments commercial mortgage-backed securities.

The Board then considered the appeal by Ricky Williams to participate in the 2010 Retirement Plus incentive. Christopher Prickett motioned, Gale Walldorff seconded, and the Board denied the appeal (upheld his original decision not to accept the early retirement incentive).

Bemetra Simmons motioned, Gale Walldorff seconded, and the Board approved entering Executive Session to discuss disability.

James Butler motioned, Christopher Prickett seconded, and the Board approved a one-year disability pension for Cyrena I. Gibson.

James Butler wanted to know the Board's stand on the 12-month re-evaluation as it pertains to disability pensioners. He believed that they need to be re-evaluated and come back before the Board. The policy is not written in the Code. Joel Gottlieb stated that it can be at the discretion of the Board after the first 12 months.

Ed Wall inserted an item from Segal, the cost of a 1% and 3% COLA for current retirees. Rocky Joyner presented the Board with the facts. He stated that the effect of a 1% increase would be about \$8 million amortized over 30 years, or \$600,000 per year. He described it as "not monstrous" for the plan, but "measureable," "discernable," and "significant." Christopher Prickett stated that many retirees did not benefit from the Early Retirement Option. He feels that now is the time to address the cost of living adjustment. James Butler stated he would rather wait until he was not on the Board to address the COLA. Ed Wall motioned, Bemetra Simmons seconded, and the Board approved a recommendation to the Board of Commissioners that the contribution rates for the County and employees be increased to 17% and 8.38% respectively.

James Butler requested information about the Pension Estimator. Jelani Hooks stated that it was tied up with the Law Department. They feel that since they are no longer representing the Pension Board, that the outside counsel should provide disclaimers for the estimator. Joel Gottlieb said he would check with the County attorneys. He also stated that a home rule amendment is not needed for the contribution increase. Ed Wall stated that without the increase, the County would not meet minimum funding levels for next year.

Jelani Hooks stated that he needed authorized signers for the T. Rowe Price account.

Gale Walldorff motioned, James Butler seconded, and the Board approved forwarding the Pension Budget to the Board of Commissioners for approval.

Ed Wall stated that he would sign the authorization, but he refused to authorize any trades on the T. Rowe Price account. Paul Wright stated that the signers historically have been the Chairman, the Finance Director, the Assistant Finance Director, the Clerk of the Pension Board, and the Deputy Director of Risk Management. Any two of the preceding can sign.

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

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