

MINUTES

DEKALB COUNTY PENSION BOARD

May 5, 2011

The DeKalb County Pension Board held a meeting on May 5, 2011 in the Board of Commissioners Multi-Purpose Room. The following members were present: Thomas Brown, Joel Gottlieb, Anthony McBride, Benita Ransom, Robert Robertson (via telephone) Bemetra Simmons, Ed Wall, and Gale Walldorff. Others present: Eric J. Atwater of The Segal Company, Weston Lewis and Paul Troup of Callan Associates, Patricia Keesler of Benefits Law Group, Jelani Hooks, Larry Jacobs, Robert James, Jay Vinicki, and Paul Wright.

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

Anthony McBride motioned, Bemetra Simmons seconded, and the Board approved the minutes of the March 31, 2011 Pension Board meeting.

Robert Robertson motioned, Gale Walldorff seconded, and the Board approved the ratification of payment of the following invoices:

Vendor	Service	Period	Amount
Benefits Law Group	Legal Consulting	3/1/2011 - 3/31/2011	\$3,115.00
Caduceus Occupational Medicine	Disability Examination	March 17, 2011	\$310.55
Caduceus Occupational Medicine	Disability Examination	March 22, 2011	\$310.55
Decatur Capital Management	Investment Management	1/1/2011 - 3/31/2011	\$10,656.37
DeKalb County Finance Department	Pension Administration Expenses	1/1/2011 - 3/31/2011	\$82,788.20
Earnest Partners	Investment Management	1/1/2011 - 3/31/2011	\$98,973.00
The Edgar Lomax Company	Investment Management	1/1/2011 - 3/31/2011	\$30,098.62
Frontier Capital Management	Investment Management	1/1/2011 - 3/31/2011	\$89,772.19
Gabelli Asset Management	Investment Management	9/1/2010 - 12/31/2010	\$145,759.00
Jennison Associates	Investment Management	9/1/2010 - 12/31/2010	\$107,845.24
Jennison Associates	Investment Management	1/1/2011 - 3/31/2011	\$112,765.75
J.P. Morgan Asset Management	Investment Management	9/1/2010 - 12/31/2010	\$16,432.12
Mesirow Financial Investment	Investment Management	9/1/2010 - 12/31/2010	\$11,496.59
Mesirow Financial Investment	Investment Management	1/1/2011 - 3/31/2011	\$9,501.36
Montag & Caldwell	Investment Management	1/1/2011 - 3/31/2011	\$117,048.42
Southeastern Asset Management	Investment Management	1/1/2011 - 3/31/2011	\$207,888.00

Gale Walldorff motioned, Anthony McBride seconded, and the Board approved requests from the following employees to repay contributions withdrawn from the pension plan so as to receive accredited service for prior employment:

- Corey D. Whipple, an employee of Watershed Management
- Ordley Watts, an employee of Finance

Gale Walldorff motioned, Bemetra Simmons seconded, and the Board denied a disability pension application from one employee.

The Board then listened to the 1st quarter 2011 investment results by Callan Associates, with Weston Lewis and Paul Troup presenting. Mr. Lewis stated that there are three things that affect returns: market environment, policy specific to DeKalb County (Georgia law as well as the County Ordinance), and the implementation of the managers. It was a productive quarter across the board. Recovery is well underway, with the exception of housing; corporate profits have grown for eight continuous quarters. The S&P 500 rose 5.92% for the quarter. Small and midcap for both the quarter and the year, surpassed large cap. In the small cap area, growth outperformed value. Investors have an appetite for more risk. Junk bonds made 3.93% during the quarter. These types of bonds tend to do well when investors' appetite for risk increases. These are also restricted by Georgia law. Bonds are measured against the intermediate government credit index. Inflation remains fairly muted. Emerging markets rallied about 8%, just to churn out a 2% return. The fund is slightly overweight in equities but in acceptable ranges. For the quarter, the return was 5.15%; the unmanaged benchmark return was 4.19%. Over the last ten years, the Fund has outperformed the target. Earnest Partners returned 3.8% for the quarter. Gabelli has been performing well, outperforming their benchmark significantly. Gabelli is measured against large cap value, but their performance is in the mid cap range. Mr. Lewis suggested using the Russell 1000 Value as a secondary benchmark, with the primary being the S&P 400 Midcap Index. Montag & Caldwell has underperformed every quarter since 2009. Mr. Lewis stated that it was natural for that to happen. He added that this was a "sitting around and waiting" period. Equity returns tend to be positive in the third year of an election cycle.

Ed Wall briefed Thomas Brown about a Sheriff's Office employee who applied for a disability pension. Sheriff Brown stated he did not know the employee and was not familiar with the circumstances, but would look into the situation.

The Board then discussed the designation of money managers to distribute benefit payments for June 2011 through November 2011. Jelani Hooks directed the Board to an e-mail from State Street Bank discussing the cash position. Mr. Hooks stated that the Plan has enough cash to subsidize May benefit payments, but needs \$34 million to finance June – November payments. Robert Robertson suggested taking the money from Montag & Caldwell. Joel Gottlieb stated that they have only \$1.7 million in cash. Ed Wall said that the pension fund counts on 60% from contributions and 40% from the Fund itself to make benefit payments. Mr. Hooks said that the Accounting department is drawing \$5.6 million per month. Ed Wall suggested taking two months, or \$11.2 million, from Earnest Partners. Paul Troup suggested taking \$5 million each from Jennison, Montag & Caldwell, Gabelli, and Southeastern, which would total \$20 million, plus \$11.2 million from Earnest, would equal \$31.2 million, plus \$7 million in cash. Robert Robertson stated that since a few managers are on a "short" list, the Board should allocate two months of payments, and re-visit the issue at the next meeting. Ed Wall agreed. Robert Robertson motioned, Gale Walldorff seconded, and the Board approved taking \$11.2 million from Earnest Partners to fund June and July benefit payments.

The Board then discussed the Investment Committee results and the date selection for interviews. Robert Robertson stated that the Committee narrowed the manager search to four managers: Ceredex, Columbia, Cornerstone, and Waddell & Reed. Mr. Robertson

stated that he had some concerns with Cornerstone but would see how they do in their presentation. Ed Wall mentioned T. Rowe Price and why they did not make the cut. Paul Troup stated that they were unwilling to discount their fees and that all of their credentials were inferior to the other four managers. The Board agreed that the managers would be interviewed on May 19.

The Board then listened to the presentation on the new Pension Board website (www.dekalbpension.com) given by Jelani Hooks. The website was designed to be user friendly and clutter free. Mr. Hooks spent a few moments pointing out highlights of the site. One item in particular is the shorter amount of time it will take to have meeting minutes available to employees and retirees. Employees and retirees can download necessary forms, as well as plan descriptions. Robert Robertson expressed his pleasure with the website. In addition, the website has a pension estimator, where employees can estimate their pension benefits.

David Holcomb, a retiree from the County, wanted to confirm that retirees would be aware of any changes to the meeting schedule via the website.

The Board then discussed the budget revenues and amendments to administrative expenses. Tony McBride requested that the balance sheet accounts are made separate from the expenses and revenue.

The Board then discussed Segal's contract review and cost comparison. Ed Wall pointed out the original Segal contract from 1990, and compared DeKalb County's rate to neighboring jurisdictions. Gale Walldorff asked about the last experience study, and Eric Atwater stated it was in 2008. Ms. Walldorff asked if a new experience study was needed, and Mr. Atwater said one would not be needed for a few more years. He stated that the assumptions are from an updated mortality table. In addition, Mr. Atwater mentioned that Segal recommended lowering the investment return assumption rate of 8% to 7.75%. Mr. Atwater believed that the Board is receiving a great deal on actuarial services since the fee has not changed in 21 years. Patricia Keesler stated that it was very important that the Board is being diligent about the Segal contract. Mr. Wall mentioned that the Board of Commissioners' Employee Relations and Community Services Committee has requested that Segal evaluate changes to be made to the pension plan for 2012 in order to save money. Mr. Atwater said that Segal could crunch numbers and provide reports between \$10,000 and \$12,000 per year. Gale Walldorff motioned, Thomas Brown seconded, and the Board approved authorizing Segal to work with the Employee Relations and Community Services Committee to develop a fee not to exceed \$12,500 per year. Robert Robertson's concern was that the Board of Commissioners would abuse Segal's services and the Pension Board would bear the expense. Mr. Atwater stated that the 2010 valuation will be ready for the next Pension Board meeting.

Patricia Keesler then discussed the Georgia General Assembly. Several times during the year, bills are sent from the Legislature to Ms. Keesler to examine to determine if they affect the Plan. Three bills that affect retirement made it through both houses, and none of those bills affect local pension plans. One of them is a change that affects fiduciaries of plans.

The second is called “dead peasants insurance,” where a pension fund may buy individual life insurance policies on retirees, and when the retiree dies, the pension fund becomes the beneficiary. The bill covers active employees and retirees. The IRS states that this would affect private sector plans as well. The individual would have to consent to the company purchasing a policy on their life.

Robert James, DeKalb County District Attorney, updated the Board regarding an update to a recent fraud case. A motion was made, Anthony McBride seconded, and the Board approved entering Executive Session.

Bemetra Simmons said that with ACH, they see fraud happen with several of the clients. You can pay for a service that will alert you if any fraud is going on in your account. Thomas Brown expressed that he didn’t like keeping cash at the jail, because when an inmate was released and had money in their accounts, they would write them a check, but over time those checks were altered. To resolve that, Sheriff Brown now gives them a printout showing what they are due, and they take that to the bank, and the bank pays them. Ed Wall then briefed the pension board and members of the public on the details of the 2009 fraud case.

The Board then discussed the Pension Board retreat. Ed Wall requested a change of venue from the Druid Hills Golf Club. Benita Ransom suggested Agnes Scott College. Joel Gottlieb suggested the Holiday Inn. Robert Robertson indicated that the quality of the food at Holiday Inn is not very good. Sheriff Brown declared that the Board should go to Agnes Scott. Thomas Brown motioned, Bemetra Simmons seconded, and the Board approved holding their annual retreat at Agnes Scott College, provided that the cost does not exceed \$1,600.00.

The Board then entertained member comments. Gale Walldorff asked about the loan to the County from the pension fund. Patricia Keesler spoke of the Ordinance with an amortization schedule attached. Joel Gottlieb asked if the amounts can be prepaid. Ms. Keesler stated that they could be. Gale Walldorff motioned, Thomas Brown seconded, and the Board approved the Ordinance in its current form. Anthony McBride requested that the Board not post the Ordinance on the website until it is approved by the Board of Commissioners. In addition, he requested that the Budget be placed on the website after it is formatted to his liking. Jelani Hooks stated that the website has the Summary Plan description, but not the Code. Ed Wall stated that the CEO gave him a proposal from the law firm Hagens Berman in Seattle, Washington. This law firm wants to check and see if the Board is entitled to any proceeds from foreign transaction fees. Ed Wall wants to contact the firm to find out their fee would be and if they could save the Board any money, or even if foreign transaction fees apply to the Board. Joel Gottlieb said that in some cases where US dollars convert to foreign dollars, excess fees have been applied. Benita Ransom wanted to know if the Board will take action on the pension options being considered by the Board of Commissioners. Ed Wall replied that the Pension Board will take action. The BOC historically asks the Pension Board to make their recommendation before any changes are implemented. Mr. Wall stated that the Pension Board would rather allow the BOC to use Segal to crunch numbers rather than another firm which Segal would have to double

check. Anthony McBride wanted to know how does the Pension Board benefit from the employee bearing the 2/3 cost of the pension plan and the County bearing the 1/3 cost. Ed Wall stated that as a representative elected by the Board, his concern was that the pension was funded, not necessarily where the money came from. The pension plan is indifferent. Anthony McBride disagreed. Patricia Keesler said that the Board is not supposed to represent any individual's interests. Every board member is supposed to act in the best interests of plan participants and beneficiaries; this is a fiduciary responsibility. Ed Wall stated he believed that the Board of Commissioners is looking for a way to save money, and not have to contribute the \$48 million this year to the pension fund. Bemetra Simmons stated that the BOC's using a different firm could cause conflict as to which analysis was correct, which could increase costs. Gale Walldorff indicated that the Board has to consider what would keep the plan healthy.

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



Jerani K. Hooks

Clerk, The Pension Board of DeKalb County