MINUTES

DEKALB COUNTY PENSION BOARD

July 15, 2010

The DeKalb County Pension Board held a meeting on July 15, 2010 at the Druid Hills Golf Club. The following members were present: Reginald Banks, Michael Bell, James Butler, Robert Robertson, Ed Wall, and Gale Walldorff. Others present: Eric Atwater of The Segal Company; Weston Lewis, Betty Lovett, and Paul Troup of Callan Associates; Patricia Keesler of The Benefits Law Group; Gordon Burkette; Jelani Hooks; Larry Jacobs; Louis McGregor; and Paul Wright.

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

Robert Robertson motioned, James Butler seconded, and the Board approved the minutes of the May 26, 2010 Pension Board meeting.

Gale Walldorff motioned, James Butler seconded, and the Board approved the minutes of the June 22, 2010 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
Callan Associates	Investment Consulting	4/1/2010 - 6/30/2010	$13,750.00
Denver Investments	Investment Management	1/1/2010 - 3/31/2010	43,911.76
Denver Investments	Investment Management	4/1/2010 - 4/9/2010	2,564.76
Gabelli Asset Management	Investment Management	1/1/2010 - 3/31/2010	125,962.00
Jennison Associates	Investment Management	1/1/2010 - 3/31/2010	101,496.70
The Segal Company	Consulting Services	3/1/2010 - 5/31/2010	8,375.00
Southeastern Asset Management	Investment Management	1/1/2010 - 3/31/2010	172,696.00

The Board then discussed the Frontier Capital Management Limited Partnership Contract. Frontier was hired as a small cap manager; however, they want to invest in limited partnerships. Georgia law does not allow investments in limited partnerships. Patti Keesler has been in discussions with Frontier to obtain contracts that do not enter into limited partnerships. Mazama is still holding pension funds. The second choice would be Wells Capital Management, provided Frontier cannot provide a contract that does not apply to limited partnerships. Robert Robertson motioned, Gale Walldorff seconded, and the Board approved allowing Patricia Keesler and Paul Troup to negotiate an acceptable contract with Frontier Capital Management, and to the extent they cannot, approve Wells Capital Management as a second choice to be a small cap manager.

Paul Troup of Callan Associates reviewed the 2nd quarter 2010 investment results. The market was down 11% for large cap stocks and 10% for small cap stocks. Treasury bonds were down 3.6% last year; last quarter they were up 4.7%. International stocks were down 11%. The value of the total fund is $974 million, a decrease of approximately $100 million. Two new managers, J.P. Morgan and Mesirow, were funded. Mazama Capital and Lord Abbett will be deleted from the portfolio. Southeastern was the best performing equity manager. Convertible bonds continued to struggle. The fund will need $24 million to pay the "in lieu of annual leave benefit" payments and annuity payments. Paul Troup suggested taking cash from Southeastern to pay benefits from September through November. Ed Wall stated the fund is over weight with fixed income assets and funding for benefit payments should come from a fixed income manager. Robert Robertson was against taking cash from Southeastern and suggested taking cash from Mesirow. The total fund was better for the quarter; the relative return was 3% better than the benchmark. Ed Wall then summarized the performance of each individual manager. Paul Troup stated that the index for fixed income managers would be changed to the Barclays Capital Intermediate Government/Credit Index, which reflects investing only in government-backed mortgage-backed securities.

The Board then reviewed the annual contribution levels. Eric Atwater of The Segal Company presented. Mr. Atwater stated that initially, the goal of the County was to have 600 employees accept the Early Retirement Option. Michael Bell stated that the total of 673 employees in the tax fund that took the window (Segal's data) may have been overstated. In total, 841 employees accepted the offer. He went on to state that both the economy and the lump sum option may have induced many employees to take the window. The cost of the program was $43 million ($20 million increase in the UAAL due to the enhancements in benefits and $23 million attributed to allowing participants to retire immediately). The savings will not be realized if employees are rehired. The overall increase to the County for fiscal year 2011 is $100,000. Robert Robertson stated that the plan's unfunded liability will be higher, because of 842 fewer people paying into the pension plan. Patti Keesler stated that annual leave is not a "pension" benefit, unless leave is converted to a pension benefit. Dr. Bell added that the documents drafted described annual leave as a payment "in lieu" of annual leave. Ms. Keesler stated that she would like to see the plan amendment documents. Ed Wall stated that the effect on future benefit payments from the plan shows that after the early retirement window, savings are negated due to rehiring of employees. Robert Robertson recommended that the Board not consider rehiring any retirees. Ed Wall stated the new recommendations would not allow any rehired employees to accrue additional service. Robert Robertson stated that it is a "good old boys" system, and that the Pension Board does not need to be politically involved. Patti Keesler stated that there is the potential for age discrimination with the new class of part-time employees who are not accruing benefits, because other part-time employees accrue benefits. In addition, the Board has a fiduciary responsibility to protect the pension fund and should consider that what the County does can affect the fund. In addition, the Board should be concerned with the solvency of the plan, not necessarily the rehiring of retirees. Gale Walldorff stated that the Board should understand how many positions have been approved. Gordon Burkette wanted clarification as to if Gale Walldorff was talking about the first responders.

Robert Robertson argued for a cost-of-living adjustment (COLA) for the retirees. However, Ed Wall did not want to vote for an automatic fixed COLA for retirees. He stated he could vote for a 1-2% raise. Patti Keesler said the Board should consider the ability of the plan to sustain the increase in benefit payments and all participants involved. Eric Atwater stated that a 1-2% increase would increase the UAAL by about $17 million. Ed Wall would only vote for a 1% increase for retirees. Robert Robertson motioned, Gale Walldorff seconded, and the Board agreed to have Segal look at the cost of a 1%, 2%, and 3% cost-of-living adjustment.

Robert Robertson motioned, James Butler seconded, and the Board approved a request from Nicole Cromartie-McNair to repay contributions withdrawn from the pension plan, so as to receive accredited service for prior employment.

Robert Robertson motioned, Gale Walldorff seconded, and the Board denied a request from Donald Jackson, an employee of Property Appraisal, to repay contributions withdrawn from the pension plan, so as to receive accredited service for prior employment. The Pension Board previously approved this request, but Mr. Jackson did not complete repayment within the required 24 months. Patti Keesler affirmed that the Pension Code requires that the repayment period does not exceed 24 months.

Robert Robertson motioned, James Butler seconded, and the Board approved a request from Anson B. Evans, to pay contributions for employment on leave without pay while serving in the military, so as to receive accredited service for his employment. Sgt. Evans requested purchasing two periods of service.

Robert Robertson motioned, James Butler seconded, and the Board approved a request from David Hall to pay contributions for employment on leave without pay while serving in the military, so as to receive accredited service for his employment.

The Board then discussed the attorney's outline of items to update the Pension Code. Patti Keesler stated that the County plan doesn't have a written plan document; one could argue that the Home Rule Amendments are the plan documents, and do cover what is required by the plan. Ms. Keesler stated that the IRS could disqualify the plan, since it has not been timely amended, which would hurt the employees because of the unwanted tax burden. Ms. Keesler suggested that in addition to penalties, these are sufficient reasons to create a plan document. Section 415 limits benefits to $195,000 per year per participant, and no more than $245,000 in earnings can be considered. There is nothing that states the plan assets have to be held in trust. Definition of an employee or plan year is not stated. Actuarial factors need to be specified, and USERRA language needs to be clarified. Ed Wall would like clarity on what the Plan can and cannot invest in, and there is also no provision for amendments. Robert Robertson motioned, James Butler seconded, and the Board approved Patti Keesler's drafting comprehensive home rule ordinance of the pension plan. The approximate cost would be $20,000. Ms. Keesler stated she would try to have a draft by the September meeting.

James Butler spoke about "parking" funds until the Board is able to fund Frontier Capital. Paul Troup stated that the liquidation could be started, and the cash could be held. James Butler motioned, Ed Wall seconded, and the Board moved to immediately liquidate the Mazama account.

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

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