

MINUTES

DEKALB COUNTY PENSION BOARD

March 31, 2011

The DeKalb County Pension Board held a meeting on March 31, 2011 in the Board of Commissioners Multi-Purpose Room. The following members were present: Thomas Brown, Joel Gottlieb, Anthony McBride, Benita Ransom, Ed Wall, and Gale Walldorff. Others present: Jeffrey Johnson of The Segal Company, Weston Lewis of Callan Associates, Patricia Keesler of Benefits Law Group, Jelani Hooks, Larry Jacobs, Robert Lundsten, Jabari Simama, Jay Vinicki, and Paul Wright.

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

Thomas Brown motioned, Anthony McBride seconded, and the Board approved the minutes of the March 3, 2011 Pension Board meeting.

Gale Walldorff motioned, Thomas Brown seconded, and the Board approved the ratification of payment of the following invoices:

Vendor	Service	Period	Amount
Benefits Law Group	Legal Consulting	2/4/2011 - 2/28/2011	\$3,710.00
Caduceus Occupational Medicine	Disability Examination	February 16, 2011	\$310.55
The Segal Company	Consulting	12/1/2010 - 2/28/2011	\$8,375.00

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Anthony McBride seconded, and the Board approved requests from the following employees to repay contributions withdrawn from the pension plan so as to receive accredited service for prior employment:

- Adarius E. Buckner, an employee of Watershed Management
- John A. Matthews, an employee of Watershed Management

Thomas Brown wanted to know why John A. Matthews did not have to pay any interest. Jelani Hooks explained that he probably worked less than three years and was refunded his total principal.

Thomas Brown wanted to know if Leonard B. Witherspoon was on military leave without pay because he had exhausted all of his allowable time. Jelani Hooks verified that it was. In addition, Sherriff Brown stated that he understands there is a difference between a military leave order and a request for military leave. He wanted to know if the Board could differentiate between military leave orders and voluntary leave. Patricia Keesler stated that the law does not differentiate between the two types of military leave, and the amount they are required to pay back is based on their salary when they left.

Gale Walldorff motioned, Thomas Brown seconded, and the Board approved a request from Leonard B. Witherspoon, an employee of Fleet maintenance, to pay contributions for employment on military leave without pay, so as to receive accredited service for the employment.

Dr. Jabari Simama, Chief of Staff for CEO Burrell Ellis, inquired as to whether or not he may vote in the CEO's absence. Ed Wall stated that the question had come up in the past, and it was determined that no one can vote in the CEO's place.

Thomas Brown motioned, Gale Walldorff seconded, and the Board approved a one-year disability pension for Edwin C. Castleberry.

Thomas Brown motioned, Gale Walldorff seconded, and the Board approved a one-year disability pension for Charles G. Andrews.

The Board then discussed the 2011 Pension Board budget. Ed Wall noted a current appropriation for Callan Associates of \$87,500. He recommended adding \$30,000 to include any manager searches that may occur during the year. Jelani Hooks advised that he included \$30,000 for the manager search in that amount and that Callan's annual base fee is approximately \$57,000. In addition, Denver Investment Advisors' budget was reduced from \$316,421 to \$160,549 largely in part because they do not manage as much money for the Board as formerly. Advent Capital's portion of the budget increased even though they do not have any more assets. Their assets in 2010 were \$62 million, and in 2009, it was \$58 million. Mr. Wall also noted a \$172,520 appropriation for Lord Abbett, which should be removed. Jelani Hooks said that the Board had made all payments to Lord Abbett and that the line item would be deleted. Mr. Wall commented on how the payment appropriations changed significantly from 2010 to 2011, and Joel Gottlieb stated that the Board has no control over market behavior or benefits paid. Anthony McBride wanted to know if it was typical to spend funds when they have not been appropriated. Gale Walldorff replied that there has never been a budget. Mr. McBride wanted to see revenue to the pension fund as a line item. Between employees and the County, the income to the fund is about \$70 million. The budget, however, is \$118 million. Mr. Wall further stated that the contributions are not enough to pay benefits for the plan, and the Board picks one manager to pull money from to pay the remaining benefits. Mr. Gottlieb stated the County pays 17% to the pension fund, and .25% of that is for the annual leave repayment. Mr. Wall asked that the staff bring back a budget at the next meeting to include revenues as well as expenses. The Board noted that Caduceus Occupational Medicine would be serving as the new doctor for the Board; Dr. James D. Kiley sold his practice to Piedmont Hospital. The Board will continue to use Patricia Keesler for legal services. Actuarial expenses for the Segal Company exceeded \$140,000 in 2010, due largely in part to the Early Retirement program. The budget for their services in 2011 is just over \$95,000. The basic quarterly fee of \$8,375 covers attending meetings and producing the annual valuation. Jeff Johnson stated that the last three years do not represent the fees that Segal normally charges due to several special projects that the Board requested. Some of these projects include the Early Retirement window and modeling different structures for the pension plan. Mr. Johnson advised that the annual base fee is competitive to other municipalities in the Metro Atlanta area. Ms. Walldorff stated that the Segal contract was 20 years old and asked if there have been any revisions to the contract. She suggested that the contract should be reviewed and updated from time to time. She said the fee is not representative of the contract the Board has with Segal. The Board wanted to see the contracts of other actuarial firms. In addition, the Board wanted to consider using venues other than the Druid Hills Golf Club to host the annual retreat. The training budget is \$5,000, but there is no provision in the pension code to receive reimbursement for travel and lodging. Benita Ransom stressed that training is essential for new Pension Board members, and she served on previous pension boards that allotted \$2,500 per member. Sherriff Brown wanted to know why the 2011 interfund and interdepartmental charges were less than the 2010 amounts.

Jelani Hooks explained that the administrative fees were much higher because of the Early Retirement incentive. Ed Wall mentioned that Robert Robertson suggested the Board “bid out” the administration of the pension plan, to have a private company handle it instead of the County. Gale Walldorff agreed, stating that we should discuss that at the end of the meeting, based on some things that have been in the press. Ed Wall stated the Board has a \$118 million budget.

Thomas Brown motioned, Gale Walldorff seconded, and the Board approved the 2011 Pension Board budget, with changes and revisions.

The Board then listened to comments from Board members. Anthony McBride confirmed that the new budget would include revenues as well as expenses. In addition, he wanted to know about the news story that broke for the second time about money stolen from the pension fund. Joel Gottlieb explained two years earlier, the Finance Department found suspicious ACH transactions out of the pension fund. This information was given to the police and the District Attorney, and the pension fund was reimbursed by the bank. He acknowledged that one suspect worked for Workforce Development. Gale Walldorff said that the District Attorney’s office should give a report about the incident to the Pension Board. She insisted that the Chairman should have been informed about it. Sheriff Brown stated that the Board should decide how they receive news about these kinds of situations. Ms. Walldorff said that the Finance Department and the administrator knew about this. Jelani Hooks denied any previous knowledge of the case. [*The transactions took place between August 2008 and February 2009, with the story breaking in March 2009. Mr. Hooks started his employment with DeKalb County in November 2009.*] Mr. Gottlieb stated that former Finance Director Michael Bell brought the information to the Board. By the time it was discovered, SunTrust Bank had paid the fund back, and the matter had been settled.

Gale Walldorff wanted to ask Patricia Keesler about the County’s obligation to reimburse the pension fund for the payments in lieu of annual leave that were disbursed as part of the Early Retirement incentive. Ms. Keesler spoke with Eric Atwater of The Segal Company and had come up with two scenarios: level payments, and level percent of payroll annual payments. Ms. Keesler stated the level payments are easy to compute. The percent of payroll is not based on exact payroll; it is loosely based on what Segal assumes the payroll would be in those future years. It is still a flat dollar amount that has to be paid back each year. The home rule ordinance would attach one of these amortization schedules. Jeff Johnson stated that if the approach to paying back the loan is going to be on a level percent of pay, attaching the schedule to a home rule ordinance might be problematic. He said in the future, the projected figures may not match what is in the ordinance. The level dollar payments would match the ordinance, because that is a fixed amount in the calculation. The others are variables. In the level percent of pay, the dollars are variables based on how much payroll is. Ms. Keesler said that it shouldn’t be based on payroll each year since that is a large variable. Mr. Johnson stated that the percent of payroll is fixed. The dollar amount is a variable; in addition, the change in investments could also affect that. Benita Ransom wanted to know the connection between payroll and the loan to the County. Joel Gottlieb said the contributions come from every department’s payroll, and it is done based on percentage of payroll, and the money is transferred every month; there is no separate line item. Ms. Walldorff stated the Board expects the loan to be repaid, but how it is repaid should not be the Board’s concern. She also stated the Board has a fiduciary duty to the fund. Mr. McBride wanted to know how to demonstrate to employees that the County is repaying the loan. Mr. Gottlieb stated that there are two ways: level percent of payroll and set

dollar amount. Gale Walldorff stated that the County could pay the loan off in one payment. Mr. Gottlieb insisted that the County is paying the level percent of payroll method. Sheriff Brown wanted the payments to the pension plan from the County shown as a separate line item. The Board wants the payments to the plan to be simple, as in the level dollar payment. The County does not have the funds to pay the higher amount. The County agreed to pay the actuarial amortized amount.

Gale Walldorff spoke about funding levels. She stated that DeKalb was funded at 70% or 75%, and was that calculated the “real” way, or the “smoothing” way; and Ed Wall replied it was the “smoothing” way. Ed Wall stated if it was calculated without smoothing assets, the Plan would be about 60% funded.

Robert Lundsten, Chief of Staff for Commissioner Elaine Boyer, stated that one year ago, Ms. Boyer requested a complete list of names and addresses of all the retirees. She does not want any confidential information. Ed Wall stated he is OK with the request, as long as it is legal. Thomas Brown wanted to know for what purpose she wanted that information. Mr. Lundsten emphatically replied that he was just passing on that request. Sheriff Brown then asked on behalf of the Board the purpose for the information she requests. Mr. Lundsten replied that he was not sure and what difference does it make. Sheriff Brown stated it makes all the difference in the world, and he would like to know. Benita Ransom stated she could get the information from an Open Records request. Mr. Lundsten stated that if the BOC member is going to be held to a legal standard of requesting the address list, then he has no problem filing a letter to Lisa Chang requesting the information. He added that he does not think that a BOC member should go through those steps. Mr. Gottlieb stated that certain information can and should be redacted. Mr. Lundsten replied and advised that all the names and address of all retirees should be sent to Commissioner Boyer without the redacted information, and if she has a problem with that, then they can take it up with the County Attorney. Ed Wall stated he felt that the Board should “move heaven and earth” to give the information to the Commissioner, but at the same time he doesn’t want to be sued by giving out information that he was not supposed to. Furthermore, he said that he would like to comply with the request but would ask the Pension Administrator to seek counsel before doing so.

Kenneth Mincey, a County retiree, wanted to know how the County benefited from loaning the money to the pension fund. Ed Wall replied that the County was under financial strain, and rather than terminating many people, they opted to offer the Early Retirement incentive. The Pension Board loaned the County \$12.5 million for the payment in lieu of annual leave. The County benefited by a \$30 million reduction in payroll through the 841 retirements. Joel Gottlieb added that the retirees benefited by the enhanced annual leave payments. Mr. Wall added that the pension fund will benefit from repayments with interest, adding that there is no bankruptcy statute for the County under Georgia law.

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



Jelani K. Hooks

Clerk, The Pension Board of DeKalb County