

# Minutes

## DeKalb County Pension Board

July 9, 2020

The DeKalb County Pension Board met on July 9, 2020 through a Zoom teleconference session. The following members were present: James Hendrix, David Littlefield, John McMullan, Dianne McNabb, Benita Ransom, Robert Robertson, D'Lisa Stevens, and Edmund Wall. Others present: Deborah Brigham of Segal Consulting; Ginni Harris of Nichols, Cauley and Associates LLC; Todd Carabasi, Weston Lewis, and Brad Penter of Callan LLC; Bob Killorin of Faruqi & Faruqi; Terri Taylor of Benefits Law Group; Larry Jacobs; Kenny Pinkerton; Jeff Rader; and Paul Wright.

Ed Wall called the meeting to order. Robert Robertson motioned, John McMullan seconded, and the Board approved the May 14, 2020 minutes.

Mr. Robertson commented that the first quarter State Street fee was higher than normal. Mr. Pinkerton clarified that the increase was due primarily to the Southeastern transition in January. Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved payment of the following invoices:

Vendor	Service	Period	Amount
Benefits Law Group	Legal Consulting	May 2020	\$5,587.50
Brandon Dawkins, MD	Disability Evaluations	2Q 2020	3,000.00
Callan LLC	Asset Study	2Q 2020	25,000.00
Nichols Cauley & Associates	Audit	1Q 2020	3,627.00
Pension Benefit Information	Death Audit	2Q 2020	1,530.00
State Street	Custodian Services	1Q 2020	55,011.02
<b>Total</b>			<b>\$93,755.52</b>

Bob Killorin provided an update on the status of litigation filings. In the case against Mesa Air Group, Inc., a judge was finally assigned, and the court ordered Faruqi & Faruqi to confer with the defendants to begin investigative work. Any amended complaint is due by August 14. The Mattel case has been dismissed and is under appeal. A motion to dismiss the Allergan case was denied and investigation is underway.

Ginni Harris provided a summary of the 2019 Pension Plan audit. The auditor's opinion reflected the fiduciary net position, and changes in the fiduciary net position during the year are in accordance with generally accepted accounting principles. Mr. Wall inquired about the custodian and other fund items. Ms. Harris responded that the custodian items reflect investments made during the year based on trade date, not settlement date. The other fund amount reflects amounts due to the county's general fund for reimbursement of benefit payments. She also stated the 2010 early retirement incentive amount of \$705,796 reflects the final payment to the fund from the county. For GASB purposes, the total change in position for the year is an increase of \$209,509,102, bringing the net position percentage to 61.05% of the total pension liability. During the year, the county contributed 20.91% of payroll, resulting in \$4,705,852 more than the minimum required.

The assets returned 22.50% as a weighted rate of return. The audit did not find any deficiencies in internal controls that are considered material weaknesses or any instances of noncompliance. Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved acceptance of the audit report as factual and accurate.

Brad Penter provided a summary of the financial marketplace. The fund made a very strong comeback in the second quarter following the sharp decline in the first quarter due to the COVID-19 outbreak. It was the best quarterly return in the marketplace since the late 1990s. The S&P 500 Index was up 20.54% during the quarter while the Russell 2000 Small Cap index was up approximately 25%, the MSCI index was up almost 15%, and the Bloomberg Aggregate index increased by 2.90%. First quarter GDP was down 5% and the second quarter GDP is expected to decline in excess of 20%. The virus outbreak continues to drive a volatile market and economic commerce. There is speculation over another stimulus package in the third quarter, and the Federal Reserve indicated it does not expect to raise interest rates until at least 2022. Growth continues to outperform value. The FAANG (Facebook, Amazon, Apple, Netflix, and Alphabet (Google)) stocks represent 30% of the increase of the S&P 500 during the quarter. The Treasury yield is down to .66% as compared to 1.92% on January 1, which could make it more difficult to hit the funding target percent of 6.75%.

Todd Carabasi discussed the estimated returns for the quarter. All managers, including fixed income, had very strong earnings. Jennison had the largest increase by returning almost 34%, 6% more than the benchmark. Loomis returned 24%, about 4% less than the benchmark, primarily due to the valuation component of their stocks. Gabelli returned 18%, 4% more than the benchmark, while Edgar Lomax returned 11%, 3% behind the benchmark, and State Street Global Advisors mirrored the large cap value index at 14.3%. In small caps, Earnest Partners exceeded the benchmark by 1%, returning 20%, and Frontier returned 32%, only slightly behind the benchmark. In fixed income, Income Research & Management returned 4.76% and Segal Bryant & Hamill gained 4.49%, both ahead of the 3% benchmark. Advent Capital returned 12%, 1% more than the benchmark. The international managers performed well with T. Rowe Price returning 18%, about 3% above the benchmark, while Marathon was up 14%, 1% behind the benchmark. The overall portfolio returned 18.25%, about 2% more than the fund's policy index. The total fund balance on June 30, 2020 is \$1.373B, an increase of \$186M for the quarter but still down about \$94M from January 1.

Weston Lewis summarized the recommendations of the June 18, 2020 Investment Committee meeting. The goal includes rebalancing the assets to provide the managers a consistent exposure to their target allocation. The Investment Committee recommendation is as follows: move \$56M from Jennison to Loomis, move \$71M from Gabelli to the State Street Global Advisors Index, and move \$28M from T. Rowe Price to Marathon. Mr. Littlefield motioned, Mr. Robertson seconded, and the Board approved the recommendations of the Investment Committee.

Mr. Hendrix motioned, Mr. Littlefield seconded, and the Board approved a drawdown amount of \$12.5 million from Jennison for the August and September benefit payments.

Deborah Brigham provided a preliminary summary of the January 1, 2020 actuarial valuation. Segal will finalize the valuation based on approval of a cost-of-living (COLA) increase for retirees by the DeKalb County Board of Commissioners. These preliminary values do not reflect any COLA. The recommended contribution in 2021 is \$66,422,711 representing 20.42% of payroll. The plan's funded status increased slightly from 54.1% to 54.7%, with the unfunded amount being amortized over a closed 23-year period. The actuarial value of assets uses a 10-year smoothing period, resulting in a 7.96% return on an actuarial basis versus the plan's discount rate of 6.75%. Active employment increased to 6,234, the highest in a decade. Commissioner Rader commented that the Board of Commissioners is currently reviewing seven different options for the COLA. The primary difference in the options pertains to the eligibility of retirees receiving the COLA, with length of years as a retiree being considered. A second consideration pertains to how the COLA will apply to retirees with lower benefit amounts. Mr. Robertson commented that he supports an increase for all retirees due to their participation in the pension plan. He also supports an automatic, or annual, COLA which can be built into each year's budget. Commissioner Rader responded that the closer the plan gets to being 100% funded the easier it will be to make those decisions. Ms. Brigham noted that there are still 23 years to complete payment of the unfunded liability. Looking at further projections for the plan as related to what effect the virus could have on earnings, she indicated that there will be a slight increase in future year contribution rates if the plan's earnings for 2020 are 0%.

Mr. Robertson inquired which group participants fall into when they buy back service after having previously received a refund of contributions. Mr. Pinkerton responded that they return to the plan as a Group 3 participant and are eligible to buy back the previous service if they apply with six months of being rehired. He also noted a trend that many participants do not buy back the service after being approved by the Board due to the expense of the repurchase. Mr. Littlefield motioned, Mr. Robertson seconded, and the Board approved the service buyback applications for Mr. Keyron Smith, a Fire Rescue employee and Ms. Iris Velez, a Juvenile Court employee.

Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved retiree Jonathan Senter for permanent disability.

Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved retiree Laraddus Burnett for another 12-month disability.

Mr. Hendrix motioned, Mr. Robertson seconded, and the Board approved retiree Anderson Hood for another 12-month disability.

Mr. Wall discussed the renewal of the service contract with Callan. The contract includes attendance at all Board meetings, availability for consultation, and production of the quarterly green book of performance. Mr. Lewis also agreed to include up to three attendees to the annual Callan College seminar each year. Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved the Callan contract.

Mr. Wall suggested a letter to CEO Thurmond notifying him of the rules for continuing education as a trustee of the Pension Board. Mr. Pinkerton will draft a letter and work with

Mr. Wall for delivery.

Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved the 2020 Pension Budget.

Mr. Wall expressed a desire to have a permanent home for Pension Board meetings. Mr. Pinkerton has identified a few options, but due to the virus some of the venues are closed. Mr. Wall suggested an in-person retreat at the Decatur Marriott with adequate Zoom capability for any Board members or money managers who are able to attend.

Mr. Robertson expressed concern and displeasure of the Board not being notified of a recent change of placing the pension website under the banner of the county's website. He stated that although the new website is well done, the lack of notification followed a long-held pattern of the Board not being informed of certain administration and staffing decisions. Mr. Robertson motioned, Mr. Littlefield seconded, and the Board approved that the Board's attorney draft a request for proposal for the administration of the pension plan to be reviewed at the next meeting.

Mr. Wall motioned, Mr. Littlefield seconded, and the Board approved moving to Executive Session to discuss litigation matters.

Ed Wall had another appointment and left the meeting during Executive Session.

Upon returning from Executive Session, the Board took no further action.

With no further business, Mr. Robertson adjourned the meeting.

A handwritten signature in black ink, appearing to read "Kenny Pinkerton", is written over a horizontal line.

Kenny Pinkerton  
Clerk, The DeKalb County Pension Board