

# Minutes

## DeKalb County Pension Board

September 10, 2020

The DeKalb County Pension Board met on September 10, 2020 through a Zoom teleconference session. The following members were present: James Hendrix, David Littlefield, John McMullan, Benita Ransom, Robert Robertson, D'Lisa Stevens, and Edmund Wall. Others present: Deborah Brigham of Segal Consulting; Todd Carabasi, Weston Lewis, and Brad Penter of Callan LLC; Terri Taylor of Benefits Law Group; Bob Atkins; Larry Jacobs; Kenny Pinkerton; and Paul Wright.

Ed Wall called the meeting to order. Robert Robertson motioned, John McMullan seconded, and the Board approved the July 9, 2020 minutes.

Mr. Robertson inquired about the second quarter DeKalb County Finance expense. Kenny Pinkerton noted that the expense is lower due to efficiencies and other cost control measures made by the administration department. Mr. Pinkerton also confirmed that no invoice from the first quarter election was ever presented to the finance department. Mr. Robertson motioned, Mr. Eric Hendrix seconded, and the Board approved payment of the following invoices:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Management	2Q 2020	\$75,478.73
Earnest Partners	Investment Management	2Q 2020	118,304.95
Edgar Lomax Company	Investment Management	2Q 2020	42,020.77
Frontier Capital Management	Investment Management	2Q 2020	132,511.50
Gabelli Asset Management	Investment Management	2Q 2020	138,734.00
Income Research + Mgt.	Investment Management	2Q 2020	47,816.73
Jennison Associates	Investment Management	2Q 2020	200,236.55
Loomis Sayles	Investment Management	2Q 2020	180,336.67
Segall Bryant & Hamill	Investment Management	2Q 2020	81,408.13
		<b>Subtotal</b>	<b>\$1,016,848.03</b>
Benefits Law Group	Legal Consulting	June - Aug 2020	\$11,662.50
Brandon Dawkins, M.D.	Disability Examination	August 2020	1,800.00
Callan LLC	Investment Consulting	2Q 2020	20,500.00
DeKalb County Finance Dept.	Pension Administration	2Q 2020	119,477.00
Segal Consulting	Actuarial Consulting	2Q 2020	8,375.00
State Street	Custodial Services	2Q 2020	40,856.84
		<b>Subtotal</b>	<b>\$202,671.34</b>
<b>Total</b>			<b>\$1,219,519.37</b>

Brad Penter provided a summary of the financial marketplace. The second quarter returns for the portfolio were outstanding among all sectors – equity, international, and

fixed income. The S&P Index was up 20.5% for the quarter, one of the best ever, and is up 4.5% year-to-date. Retail sales improved, housing remains strong, and oil prices doubled during the quarter from historic lows. The markets remain volatile over the prospect of a virus vaccine as well as speculation about the presidential election. There continues to be a large disparity, more than 30%, between the one-year returns of large cap growth performance versus large cap value performance, due primarily to the demand for big tech names like Google and Amazon. A similar, long-term disparity exists between large cap and small cap stocks. However, small cap did outperform large cap during the quarter and could start a favorable trend toward small cap selections as the economy improves. Internationals made a strong recovery during the quarter but remains down around 6% for the year. Fixed income performed very well, up almost 3% for the quarter and 7% for the year. With interest rates so low, it will be a challenging environment going forward to achieve the target return of 6.75% in the portfolio. Mr. Robertson asked about the risk of approximately one-third of mortgages being held by the federal government as well as a potential cap on China's purchase of U.S. Treasuries. Weston Lewis indicated that one reason for active management in the portfolio is to help mitigate the risk of such potential exposure and does not believe there is anything actionable for the Board.

Todd Carabasi provided a summary of the portfolio's returns. The asset allocation on June 30, 2020 stood at 62.6% in domestic equities, 24.5% in fixed income, and 12% in international equities, all within the range of policy tolerance. The fund's managers outperformed the index by 2.65% for the quarter. The fund balance at quarter end was almost \$1.4 billion. Jennison was up almost 34% for the quarter, 6% above the benchmark. Loomis was up 24% for the quarter, 3½% below the benchmark. Edgar Lomax returned 11%, 3% below the benchmark. Gabelli increased 18.35%, 4% above the benchmark. Frontier was up 32.46% and has lagged the benchmark for several years. Also, there is an upcoming retirement in Frontier's organization at year-end; Callan will organize a call with Frontier to further discuss their investment strategy. Earnest Partners returned 20.22%, 1% above the benchmark. Segall Bryant & Hamill returned 4.42%, IR+M returned 4.76%, and Advent returned 12.1%, all exceeding their respective benchmarks by about 1½%. T. Rowe Price returned 17.9%, 3% above the benchmark, and Marathon increased by 13.85%, about 1% below the benchmark.

Mr. Lewis discussed the portfolio returns in July. He pointed out that Jennison and Loomis encompass about 60% of the 52% allocation in large-cap equities, making for a bias in growth-related stocks. Jennison has earned almost 40% since last July, and some of those returns were recently shifted to Loomis as part of the portfolio restructuring. The returns for August continued the upward trend with the fund balance near \$1.46 billion on August 31. Robert Robertson motioned, John McMullan seconded, and the Board approved a drawdown amount of \$13.5 million, 50% from Jennison and 50% from Loomis, to supplement payment of the October-November benefit payments.

Larry Jacobs provided an update on the Board of Commissioners' (BOC) progress for approving the retiree COLA. The first reading of the ordinance occurred on September 8, and the Commissioners are considering a modified COLA that provides a larger increase for retirees and beneficiaries who have lower than average benefits and who attained 20

years of service with the county. All retirees must have been retired for five years and have a monthly benefit less than \$5,000 per month to receive any COLA. The ordinance passed and if it passes the second reading on September 22, the increase will occur in the November 1 payments, including a retro amount to January 1. Mr. Robertson expressed his appreciation for the COLA and confirmed that the Pension Board cannot approve COLAs because they must come from the BOC to bear the cost of the increased benefits. He expressed a desire for the COLA to apply equally to all retirees and suggested an automatic COLA every year. Mr. Hendrix commented that the recent retirees paid substantially more in contributions the last several years and should be eligible for the COLA. Mr. McMullan asked if the increased cost is paid by the county. Deborah Brigham indicated that the cost is funded as a county expense over the next 23 years. Mr. Robertson commented he would rather receive a smaller COLA benefit that benefited everyone versus a larger increase for a COLA that partially benefited the retiree population. He asked about the possibility of the measure's not passing the second reading. Mr. Jacobs responded that the COLA would then be delayed to next year due to the time necessary to reintroduce another ordinance. Mr. Pinkerton noted that there are approximately 1,100 retirees who retired in the last five years who received the 2019 COLA but would not receive the COLA this year, regardless of their benefit amount, and who could contact the county to question their eligibility. Mr. Robertson and Paul Wright confirmed a previous partial COLA from 2007 where many participants contacted the county in complaint of being ineligible for that COLA.

Mr. Wall reviewed the education status of the Board members. He mentioned that he notified CEO Thurmond in July of his educational status and the state requirements for serving as a pension board trustee. Ms. Benita Ransom will contact the CEO's assistant regarding the education credits. Mr. McMullan inquired about the Board's policy for attending educational seminars, and Mr. Wall confirmed that the Board will reimburse the costs of anyone attending the conference but not travel expenses. Mr. Lewis offered six complimentary seats for attending this year's Callan College in October. Mr. McMullan motioned, Mr. Robertson seconded, and the Board approved the purchase of an annual group membership to Georgia Association of Public Pension Trustees for \$180.

Mr. Jacobs provided an update on the upcoming change to the county payroll system. The county is moving to a new human resource and payroll system that does not provide capability for administering the pension benefits. As a result, one option is to find a software vendor with pension functionality which can interface with the new payroll system and accommodate the needs of continuing to administer the plan by the county. The estimated cost of utilizing a new pension system is \$200,000 per year in license fees. The new pension system will offer greater efficiencies in administering the plan and more access to pension information for all participants. The new payroll system is expected to be deployed in late 2021, so a new pension system must be functional by then. Mr. Jacobs has requested a meeting with the county administration to discuss including the cost of the new pension software system with the county's cost of the new payroll system. Mr. McMullan expressed concern over using an outside vendor to administer the plan. Mr. Robertson expressed his opinion of the long-standing pattern of the Board's not being timely notified or included in decisions around the administration of the plan. Mr. Wall

stated his desire of local representation where issues and problems can be addressed quickly and in person. He also stated that the change in pension system is prompting the desire to look at all costs involved for administering the plan and how to make the best decision possible going forward. Mr. Robertson commented it would be difficult to find a vendor to administer the plan at a lower fee but suggested moving forward with the RFP process to compare vendor costs. Mr. Wall concluded to hold the RFP until the next meeting and to set up a call with the administration group to determine a way for the Board to work more constructively with the county finance and administration departments.

Mr. Wall announced that the Pension Board will meet via a Zoom call for the November meeting and that the 2020 investment manager retreat will be cancelled.

Mr. Littlefield motioned, and Mr. Robertson seconded, and the Board approved James Hendrix's request to purchase eight months of service at the Sheriff's Office prior to transferring to the State Court Probation office (under State retirement) since no break in employment occurred by the following vote: Yes, Littlefield, McMullan, Robertson, Stevens, Wall; No – none; Abstain, Hendrix.

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

During Executive Session, Mr. Wall left the meeting due to another commitment.

Upon returning from Executive Sessions, the Board heard testimony from Jacynth Hall, the wife of retiree Tony Hall. Mr. McMullan motioned, Mr. Robertson seconded, and the Board denied Ms. Hall's request for Mr. Hall's changing his form of payment.

The Board requested a letter be sent to disability retirees Ms. Erica Nowells and Mr. Antwan Jackson regarding their disability status.

Mr. Hendrix motioned, and Mr. McMullan seconded, and the Board denied Judge El-Amin's request to participate in the pension plan as a Group 1 participant by the following vote: Yes, Hendrix, Littlefield, McMullan, Robertson, Wall; No – none; Abstain, Stevens.

The Board denied Judge Stroud's request to participate in the pension plan as a Group 1 participant. The Board's attorney will notify her in writing.

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



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Kenny Pirkerton  
Clerk, The DeKalb County Pension Board