

Minutes

DeKalb County Pension Board

November 5, 2020

The DeKalb County Pension Board met on November 5, 2020 through a Zoom teleconference session. The following members were present: James Hendrix, David Littlefield, Dianne McNabb, John McMullan, Benita Ransom, Robert Robertson, D'Lisa Stevens, and Edmund Wall. Others present: Rocky Joyner and Amy Timmons 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; Jeff Rader; and Paul Wright.

Ed Wall called the meeting to order.

Commissioner Jeff Rader provided an update of the proposed retiree COLA. The initial recommendation defining the terms of the COLA from the July Employee Relations & Public Safety (ERPS) Committee contained a five-year retirement eligibility period, a variable increase based on years of service, and an overall cap of no increase for those retirees receiving \$5,000 or more per month. The Board of Commissioners passed the measure on the first reading but withdrew it in the second reading on July 14 due to concerns about the eligibility period and complexity of the terms. The ERPS Committee then revised the terms to include a flat \$50 per month increase to all retirees and beneficiaries in pay status prior to January 1, 2020 and retroactive to January 1, 2020. The Board of Commissioners (BOC) is awaiting direction from the law department on when the Board will be able to approve the measure in two consecutive meetings. Comm. Rader requested that the Pension Board recommend the flat dollar proposal to help solidify the decision by the BOC. Robbie Robertson indicated that a percentage increase is the most equitable method to provide the increase by encompassing all service and contributions paid into the plan, and thus he does not support the flat dollar increase proposal. Comm. Rader responded that any increase is being funded entirely by the taxpayers and not something that is earned through employee contributions. He also indicated that the BOC is committed to reducing the unfunded liability with additional county contributions and is not able to support the cost of introducing an annual COLA. Rocky Joyner stated that he has seen both flat dollar and percentage increase COLAs, but the percentage increase is the more popular method. John McMullan expressed concern that the flat dollar increase is discriminatory. Mr. Joyner and Terri Taylor noted that there is great flexibility in discrimination rules for public pension plans, as long as the benefits are determined based on salary, service, etc. Mr. Joyner confirmed that the cost of the flat dollar increase and a 2% increase are the same. Mr. Wall indicated that the Pension Board generally supports a COLA and is not too particular about how it is structured. Mr. McMullan motioned, Mr. Eric Hendrix seconded, and the Board approved direction to the BOC supporting a COLA consisting of either a flat \$50 per month increase or a 2% increase.

Robert Robertson clarified the wording from the September 10, 2020 minutes around the COLA discussion. Kenny Pinkerton will also follow up securing a membership for each Board member to the Georgia Association of Public Pension Trustees. Robert Robertson motioned, Eric Hendrix seconded, and the Board approved the September 10, 2020 minutes.

Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved payment of the following invoices:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Management	3Q 2020	\$76,994.96
Earnest Partners	Investment Management	3Q 2020	122,228.12
Edgar Lomax Company	Investment Management	3Q 2020	42,174.19
Frontier Capital Management	Investment Management	3Q 2020	150,204.63
Gabelli Asset Management	Investment Management	3Q 2020	78,612.00
Income Research + Mgt.	Investment Management	3Q 2020	48,924.80
Loomis Sayles	Investment Management	3Q 2020	250,946.55
Segall Bryant & Hamill	Investment Management	3Q 2020	82,583.36
		Subtotal	\$852,668.61
Benefits Law Group	Legal Consulting	September 2020	\$1,425.00
Callan LLC	Investment Consulting	3Q 2020	24,000.00
DeKalb County Finance Dept.	Pension Administration	3Q 2020	128,400.94
Nichols, Cauley & Associates	Auditor	3Q 2020	4,919.00
Segal Consulting	Actuarial Consulting	3Q 2020	8,375.00
		Subtotal	\$167,119.94
Total			\$1,019,788.55

Brad Penter provided a summary of the financial marketplace. The third quarter continued to produce strong returns. The S&P Index was up almost 9% for the quarter. The small cap and international indexes both returned around 5% while fixed income assets increased 0.5%. Mr. Wall asked how the large cap assets compared to small cap assets. Mr. Penter responded that the large caps outpaced the small caps in the third quarter, primarily due to the mega technology companies such as Google and Facebook. There continues to be a large disparity between growth and value assets, with the Russell 1000 Growth Index up 25% for the year and the Russell 1000 Value Index down 12% for the year. Congress continues to consider another stimulus package, regardless of the election outcome.

Todd Carabasi provided a summary of the portfolio's returns. Fund assets total \$1,464,037,035 as of September 30, 2020. The portfolio returned 7.1% for the quarter, outperforming the total relative target by 1.1%, attributable to better money manager performance. Relative to peers over the past year, the fund performed in the top 2% with an 11.83% return. Year to date, the total fund return was 4.30%. The fund had a strong third quarter, with individual classes all outperforming their target returns. The one outlier was Frontier, whose assets have been hit hard with holdings in energy and airlines. In a call on September 30, Frontier was forthcoming in miscalculating some of their holdings that contributed to the recent underperformance. The performance of those stock selections is due more to the virus downturn rather than the strength of the companies

themselves. Based on the conversation, the Investment Committee recommends no change in Frontier at this time but will continue to monitor them over the next 9-12 months.

Mr. Hendrix motioned, Mr. Robertson seconded, and the Board approved a drawdown amount of \$14.5 million, 50% from Jennison and 50% from Loomis, to supplement payment of the December-January benefit payments.

Mr. Wall reviewed the continuing education credits for the Board members. Mr. McMullan made an observation from a recent Callan College seminar that Board members represent all plan participants, not just the contingency they represent. Ms. Taylor noted that the terms of the Pension Code govern the responsibilities of the Board. Mr. Robertson commented that he is the spokesperson for the retirees to the Board but that his fiduciary responsibilities encompass all plan participants. Mr. Wall requested that Bob Atkins reach out to the CEO's office regarding Michael Thurmond's continuing education credits. He also requested that Ms. Taylor contact the county Law Department regarding the continuing education provision and the consequences of not completing the requirements.

Larry Jacobs updated the status of new Oracle HCM software being approved by the BOC for the county's payroll, human resources, and health and welfare administration. The current PeopleSoft system, which the county has used for 20 years, is being replaced, and the new Oracle system does not have a pension administration component. As a result, the administration team would have to find a replacement system to perform all the calculations, payments, and data maintenance required to administer the plan. An expected timeframe of 12 months is needed for the county to migrate to the new payroll system, prompting an urgent need to find a replacement pension administration system. There are two options for finding an adequate system: conduct a search ourselves or use an outside consultant to facilitate a search for us. The administration team recommends using the assistance of an outside consultant, which would cost approximately \$65,000, and is seeking the Board's approval of such cost. Mr. Wall clarified that the county is investing more than \$8 million for the new payroll system, which does not include the cost for a new pension system. Mr. Jacobs indicated that the ongoing license fee cost of a new system is approximately \$250,000 per year plus a one-time conversion fee for migrating to the new pension system, which could be amortized over several years. Mr. Robertson inquired to the cost of using ADP and if that is a continuing cost under the new system. Mr. Jacobs responded that the county generates the checks and will continue to do so under the new system. ADP provides only the service for tax withholding, which also is expected to continue. Mr. Robertson asked who will own the new pension system – the county or the Board. Mr. Jacobs responded that there is no ownership involved but that the arrangement is more of a lease providing software as a service. Mr. Hendrix inquired about the possibility of the license fee increasing year after year. Mr. Jacobs responded that the contracts usually run for five years, so the cost is fixed during that time but could increase after that by approximately 3%. Mr. Jacobs also reported that the administration team made an informal review of three administration systems in the fall. All three have similar on-going costs, but that the implementation fee varied from \$500,000 to well over \$1 million. Mr. Robertson noted that the current annual county administration costs are \$500,000, and when including the costs of a new pension administration system, the administration costs would increase to \$850,000 per year.

Amy Timmons joined the call. She indicated that there are a number of software vendors that can administer pension plans and interface with the Oracle system. She also stated the fees associated with full outsourcing of the administration have wide variability depending on the complexity of the plan provisions and what the vendor is expected to do, including data sharing between the county and the vendor. To find a new software vendor, Ms. Timmons' team would review our plan and all of our pension processing procedures, data interfaces with vendors, discuss administration with the staff and with the IT group to discover pain points and deficiencies, create an RFP listing of all the necessary requirements to administer the plan, provide a list of potential vendors to consider, summarize the RFP responses to facilitate a decision or any final review of demos or services with the vendor, and work with the county legal department to review contractual items with the winning vendor. To find an outsourcing vendor, an RFP is not as technically detailed as the software RFP but can be accomplished for around \$35,000. Ms. Timmons offered to complete a feasibility study for \$15,000 to analyze the cost of full outsourcing versus purchasing a system for pension administration. This summary includes the pros and cons of each approach. Mr. Wall appointed D'Lisa Stevens, David Littlefield, and Mr. Robertson to form a committee to work with Ms. Timmons to complete the feasibility study. The committee will present the study to the Board in the January 2021 meeting with a recommendation. Mr. Hendrix motioned, Mr. McMullan seconded, and the Board approved the feasibility study with Segal for \$15,000.

When reviewing the proposed 2021 schedule of Board meetings, Mr. Wall requested that the March 2021 meeting be changed to March 25. Mr. Littlefield motioned, Mr. Hendrix seconded, and the Board approved the 2021 Pension Board meeting schedule with the change to March 25.

Mr. Robertson questioned a service buyback request for one participant of more than \$30,000, clarifying that that their purchased service will apply to the Group 3 formula. Mr. Pinkerton confirmed that the buyback service would apply to the Group 3 formula. Mr. Hendrix asked if the participants are buying back prior service at the same rate of contributions as they originally contributed. Paul Wright commented that participants are purchasing the service at the same original rate. Due to the variety of historical contribution rates, the Board determined there should be no change in the Pension Code pertaining to buyback procedures. Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved the service buyback applications for Ms. Cherilyn Davis, a Sheriff's Office employee; Mr. Brooks Farmer, a Fire Rescue employee; and Ms. Kyra Solomon, a Property Appraisal employee. Mr. Hendrix motioned, Mr. Robertson seconded, and the Board approved the military service purchase application for Ms. Elveria Shaw, a Tax Commissioner employee.

Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved moving to Executive Session to discuss litigation matters and disability reevaluations.

Upon returning from Executive Sessions, Mr. Robertson motioned, Mr. Littlefield seconded, and the Board approved Faruqi & Faruqi to file a lead plaintiff motion for litigation against Teva Pharmaceutical.

DeKalb County Pension Board

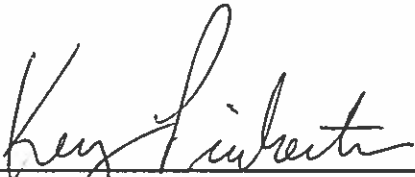
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Mr. Hendrix motioned, Mr. Robertson seconded, and the Board approved a 12-month disability for Mr. Antwan Jackson, with the understanding that he will continue efforts with his attorney to obtain Social Security Disability benefits.

Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved a 12-month disability for Ms. Erica Nowells, with the understanding that she will continue efforts with her attorney to obtain Social Security Disability benefits.

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

A handwritten signature in cursive script, appearing to read "Kenny Pinkerton", written over a horizontal line.

Kenny Pinkerton

Clerk, The DeKalb County Pension Board