

Minutes

DeKalb County Pension Board

January 14, 2021

The DeKalb County Pension Board met on January 14, 2021 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.

John McMullan motioned, Robert Robertson seconded, and the Board approved the November 5, 2020 minutes.

David Littlefield motioned, Eric Hendrix seconded, and the Board approved payment of the following invoices:

Vendor	Service	Period	Amount
Jennison Associates	Investment Mgt.	3Q 2020	\$200,787.98
Subtotal			\$200,787.98
Benefits Law Group	Legal Consulting	Oct - Nov 2020	\$2,250.00
Callan LLC	Investment Consulting	4Q 2020	24,000.00
GAPPT	Membership Dues	2021	200.00
Nichols Cauley	Audit Fee	2021	17,500.00
Segal Consulting	Actuarial Consulting	4Q 2020	10,477.50
Subtotal			\$54,427.50
Total			\$255,215.48

Mr. Robertson began a summary of an Administration Feasibility report by Segal regarding the options and costs of administering the pension plan at the county with new software versus outsourcing the administration to a third party. He noted that the cost of both options is high, and the committee believes it is in the best interest of the fund for the county to administer the plan with an agreement of services going forward. Mr. Wall stated that the county is moving to a new payroll system, thus forcing change a change in how the pension plan is administered – either by utilizing new software that “talks” to the new county payroll system or by outsourcing the administration to a third party. Amy Timmons reported that the expected cost to administer the plan at the county with a new system is \$1.0 million per year versus an expected cost of \$1.484 million per year to outsource the administration.

She indicated that these costs are in line with other plans of similar size as DeKalb County. Based on approximately 11,700 total active and retired participants, the cost to administer the plan averages \$85 per participant. Ms. Timmons indicated this average cost per participant varies greatly depending on the level of service provided, website capability, and plan complexity. Mr. Robertson indicated that these costs are similar to a quote the Board obtained a couple of years ago. Mr. Littlefield expressed concern that going to a third-party

administrator has the risk of no return to the county if their service is not acceptable. He supports having a general guiding document outlining the expected services. Kenny Pinkerton commented that he is open to a working arrangement where everyone provides input and can agree to certain core functions. Dianne McNabb stated that the county is open to a service level agreement with the Board. Ms. Timmons quoted a price of \$50,000 to start the RFP process of finding a system solution for administering the plan, selecting a vendor, and assisting with contract negotiations. Mr. Robertson stated that it seems like a lot but believes it is worth the cost to have a thorough search done correctly. Mr. Littlefield agrees and feels that the county or the Board is not able to adequately perform this type of search. Terri Taylor confirmed that since this search is for a professional service, the county is not required to obtain bids.

Later in the meeting, Ms. Timmons mentioned that the \$50,000 quote was an old quote from 2018, and the cost has since increased to \$55,000. Mr. Robertson suggested that, due to the long-standing relationship that the Board has with Segal, he would like Ms. Timmons to revisit the cost estimate and see if there is any flexibility in the price. Mr. Wall asked the Administration Committee to continue working with the county to ensure the Board receives the best price for securing a search for a software vendor.

Brad Penter provided an overview of the investment marketplace. 2020 finished very strong with the S&P 500 increasing 12% in the fourth quarter while the Russell 2000 increased almost 32%, the international markets (MSCI EAFE) gained 16%, and fixed income (Bloomberg Barclays Aggregate) rose 0.7% for the quarter. For the full year 2020, the S&P 500 was up 18%, Russell 200 increased 19%, international markets were up 7.8%, and fixed income increased 8%. The superior results are mainly attributable to very low interest rates, monetary stimulus into the marketplace per COVID-19 relief packages, and the virus impact on the hardest hit sectors such as local restaurants, travel industries, etc. make up a small piece of the overall economy. The virus has strengthened the big tech companies such as Google, Amazon, etc., which hold about 22% of value of the S&P 500 Index. Going forward, the rollout of the vaccine should provide improved areas of economic activity late in the year, even though cases are currently continuing to rise. The new Biden administration is expected to roll back some of the Trump tax cuts, increase corporate taxes, eliminate some tariff restrictions, and possibly introduce healthcare reforms. Looking ahead, Mr. Penter indicated that without interest rates going negative, it is hard to see how the fixed income component will provide an increase to the portfolio.

Todd Carabasi provided a summary of the portfolio's return through November 30, 2020. The December returns were even better but not yet fully tabulated. Mr. Wall commented that the fund balance of \$1.582 billion is the highest he's ever seen. The overall portfolio returned 13.4% since January 1, about 2.5% better than the target benchmarks. He pointed out that the 15-year return for the portfolio is 8%, a good long-term result which exceeds the plan discount rate of 6.75%. He mentioned that Frontier made a strong comeback in November, exceeding the benchmark by 2.3%.

Weston Lewis indicated that there is no need for formal rebalancing at this time. Callan recommends continuing to rebalance the portfolio to pay for benefit payments with funds that are overweight to the allocation target. Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved a drawdown of \$4.0 million from Jennison and \$4.0 million from Loomis.

Rocky Joyner provided an update on the COLA proposal. On January 12, 2021, the Board of Commissioners passed the first reading of the COLA defined as a 2% increase for retirees and survivors in pay status as of January 1, 2020. There are approximately 5,000 retirees and beneficiaries eligible for the increase who currently receive \$150 million annually in benefit payments. The COLA will add about \$3 million in expected benefit payments in 2020. The additional liability for the increase is \$33 million and is expected to be paid in the remaining closed amortization period over 23 years. This change increases the county's required contribution in 2021 from \$68.4 million to \$70.6 million. Mr. Robertson noted that in the 15 years he has been retired, he has experienced only one COLA and is hopeful the BOC will not only pass this increase but will consider more increases in the future. Mr. Wall confirmed that he requested the summary from Segal to ensure the county would contribute enough to fund the increase. Paul Wright noted that the 2021 benefit payments will be slightly inflated because the COLA is retroactive to January 1, 2020, thus creating a 14-month, one-time payment to eligible retirees and beneficiaries on March 1, 2021, the target date of the increase.

Mr. Wall reviewed the educational hours status of the Board members. He noted that he and the pension administration team have reached out to the CEO regarding the educational requirement. Ms. Taylor indicated that if the requirement is not met, the statute declares that he cannot serve on the Board or vote on Board matters. There is a dilemma on what the state statute mandates versus what the county Pension Code requires for the Board make-up. The Pension Board does not have the authority to remove the CEO from the Board. Larry Jacobs indicated that he has reached to Zach Williams to try to determine if the CEO has been able to earn credits through any means such as self-study, various webinars, etc.

Mr. Hendrix motioned, Mr. McMullan seconded, and the Board approved the military service purchase application for Mr. Ashton Cuttino, a Police Services employee.

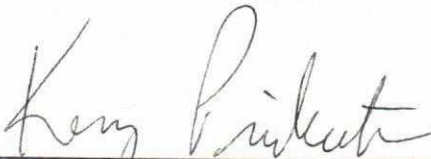
Mr. Hendrix motioned, Mr. Littlefield seconded, and the Board approved moving to Executive Session to discuss litigation matters and a disability application and disability reevaluation.

Upon returning from Executive Sessions, Mr. Wall reported that the Board received an update on securities litigation, and there is no action needed on this topic for voting.

Mr. Wall indicated that the disability reevaluation for Ms. Erica Nowells requires no action for the Board and that the administration staff will follow up with her.

Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved a permanent disability for Ms. Laura Simpson upon the condition that she formally request the benefit.

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



Kenny Pinkerton
Clerk, The DeKalb County Pension Board