

# Minutes

## DeKalb County Pension Board

March 25, 2021

The DeKalb County Pension Board met on March 25, 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 of Segal Consulting; Todd Carabasi, Weston Lewis, and Brad Penter of Callan LLC; Terri Taylor of Benefits Law Group; Bob Killorin of Faruqi & Faruqi, LLP; Bob Atkins; Larry Jacobs; Kenny Pinkerton; Jeff Rader; and Paul Wright.

Ed Wall called the meeting to order.

Robert Robertson complimented Mr. Wall on his leadership of the leading the Pension Board and nominated him to be reappointed as Chair of the Pension Board. With no additional nominations made, Mr. Robertson motioned, John McMullan seconded, and the Board approved Mr. Wall as Pension Board Chair.

David Littlefield volunteered to serve a Secretary of the Pension Board. With no other nominations made, John McMullan motioned, James Hendrix seconded, and the Board approved Robert Robertson as Pension Board Vice-Chairman and David Littlefield as Pension Board Secretary.

Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved the January 14, 2021 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	4Q 2020	\$81,574.9
Earnest Partners	Investment Management	4Q 2020	151,789.5
Edgar Lomax Company	Investment Management	4Q 2020	48,980.03
Frontier Capital	Investment Management	4Q 2020	174,790.9
Gabelli Asset Management	Investment Management	4Q 2020	97,992.00
Income Research + Mgt.	Investment Management	4Q 2020	49,010.61
Jennison Associates	Investment Management	4Q 2020	191,148.1
Loomis Sayles	Investment Management	4Q 2020	263,381.5
Segall Bryant & Hamill	Investment Management	4Q 2020	82,853.00
		<b>Subtotal</b>	<b>\$1,141,520.74</b>
Benefits Law Group	Legal Consulting	Dec. 20-Feb. 21	\$3,337.50
Brandon Dawkins, MD	Disability Evaluation	Jan. 2021	2,000.00
Decatur Atlanta Printing	COLA Mailing/Supplies	Feb. 2021	2,054.72
DeKalb County Finance Dept.	Pension Administration	4Q 2020	131,593.0
Segal Consulting	Actuarial Consulting	1Q 2021	8,375.00
State Street	Custodial Services	3Q/4Q 2020	83,352.04
		<b>Subtotal</b>	<b>\$230,712.28</b>
<b>Total</b>			<b>\$1,372,233.02</b>

Weston Lewis provided a summary of the February 18, 2021 Investment Committee meeting. Due to the superb returns of the large cap growth funds during 2020, the portfolio has become out of balance against the policy standard. As a result, rebalancing is necessary. Mr. Hendrix motioned, Mr. McMullan seconded, and the Board approved reducing Jennison by \$34 million, reducing Loomis by \$18 million, adding \$16 million to the State Street Global Advisors Value Index fund, adding \$12 million to Income Research + Management, adding \$12 million to Segall Bryant & Hamill, and retaining \$12 million in the plan's cash account for benefit payments.

Mr. Wall reviewed the Objectives of the plan's Investment Policy as a prelude to following potential environmental, social, and governance (ESG) guidelines. Mr. McMullen warned that ESG investing could lead to investing with companies that are not strong. He does not want the managers to be required to invest in junk stocks. Dianne McNabb noted that the county is starting to receive questions on ESG.

Brad Penter provided a summary of Callan's ESG educational guidance. He reviewed the main definitions of the environment, social, and governance guidelines and how those guidelines could be considered in developing investment policies around ESG. Mr. Wall noted that the pension board does not pick stocks; therefore, it is the investment managers that would have to comply with any new policy regarding ESG. Mr. Penter indicated that there are some ESG data providers in the marketplace now, and rating agencies are starting to assign ESG ratings for companies. Callan believes that ESG factors can affect the returns of a security and should be considered when evaluating companies. Mr. Lewis commented that all the managers, except for Edgar Lomax and SSGA, are incorporating some type of ESG policy. For example, oil companies are moving away from fossil fuels and developing more climate friendly methods for conducting business.

Mr. Robertson expressed that he was not in favor of adding an objective to the Investment Policy because the Board should not be subject to any political or social pressure on how to invest the fund's assets. D'Lisa Stevens supports the ESG concept but agrees that the Board should not be under political pressure to accommodate it as an investment. Mr. Hendrix is concerned about using ESG manipulating the markets. Ms. McNabb sees a trend in the direction of ESG, especially from the rating agencies, and believes there should be consideration of a statement. Mr. Littlefield would like more discussion over next year before defining a more formal policy statement. Mr. Penter confirmed that 36% of Callan's public plan clients implement ESG into their process in some way. Mr. Lewis recommended not inserting an ESG statement as an Objective item in the policy but rather adopt a more general ESG statement as part of the investment philosophy.

Mr. Wall directed Callan to review Mr. McMullan's draft ESG statement and derive a recommended statement for the fund's investment policy. He is leery of a hard policy statement that would handicap the investment managers but also believes that the Board should make some type of ESG statement. Benita Ransom supports a modification of Mr. McMullan's draft of the ESG statement to demonstrate that the county is socially responsible in its consideration of investment assets if it does not confine the pension board in its duties. Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved

holding an Investment Committee meeting to further discuss adding an ESG statement to the investment policy.

Mr. Lewis noted that the portfolio is also out of balance in the small cap sector. As a result, a rebalancing is needed. Mr. Robertson motioned, Mr. Hendrix seconded, and the Board approved taking \$1 million now, in total, from Earnest Partners and Frontier and another \$19 million, in total, later in the year from Earnest Partners and Frontier for benefit payments.

Todd Carabasi provided a summary of the performance returns through February 2021. Both domestic equity and international equity performed well. Fixed income was down slightly but still ahead of the benchmark. Gabelli performed best by returning 10.5% for the year, exceeding the benchmark by more than 5%. Frontier increased by 9.1%, exceeding the benchmark by 3%. Total return for the fund is 2.59%, ahead of the benchmark by .71%. Returns for March are also positive, so the fund should experience a strong first quarter.

Mr. Wall introduced a draft contract between the Pension Board and the county for performing pension administration services. Currently, no contract exists. Mr. Robertson suggested completing the contract prior to pursuing a software solution. Mr. Pinkerton inquired about the salary expense of \$400,000. Mr. Wall responded that it was an estimated amount. Mr. Pinkerton presented a general list of duties and deliverables that Mr. Littlefield requested in the January 2021 meeting for the Board to consider in lieu of a contract. Mr. Littlefield stated the drafted contract is helpful but that the contract process is on-going and there are timing constraints for determining a software solution. Mr. Wall indicated that the list of duties is not in contract form, so it cannot be considered. Mr. Robertson commented the administration of the plan should be subject to a contract with the Board just as each of the other vendors who support the plan. Larry Jacobs noted that contract negotiations with the county could take weeks, if not months, to complete. Mr. Wall noted that this is only the first draft and that the Board wants to work with county to complete the contract. Mr. Robertson indicated there is sufficient time to complete a contract agreement prior to the May Board meeting. Mr. Littlefield commented that the contract should be one of goodwill and not contain booby traps, etc. Mr. Wall asked to set up a separate call with the county staff to discuss the contract with the goal of providing a final version by the May meeting.

Mr. Jacobs described a software option of working within the constraints of the new HCM payroll system. Deloitte Consulting could deliver a Phase 1 solution by January 1, 2022 that provides the ability to make retiree payments and process refunds. The cost of this solution is \$800,000 to \$900,000, with an estimated additional \$100,000 per year in on-going support. Phase II would encompass a calculation program and Phase III would provide website services, both of which would be at additional costs. Deloitte cannot promise delivery of the Phase I solution for any start work date after May 1.

Mr. Jacobs also provided an update on two consultants to assist the county in conducting an RFP to find a software solution. He noted that Segal Consulting's cost was slightly less than Provaliant and that Segal knows the county plan very well. He indicated that there is an estimated Oversight fee of up to \$200,000 when the implementation begins with the new

vendor to provide support during the platform transition. Mr. Jacobs expressed concern that any software vendor would be able to deliver by January 1. He does not know if a vendor can meet the January 1 target until companies respond to the RFP. Mr. Pinkerton commented that any solution by January 1 would be only a partial solution to make payments, with a lot of residual work and additional phases in 2022. Mr. McMullan questioned the higher hourly fee by Segal for the Oversight cost. Mr. Jacobs noted the fee is higher, but they know the county plan better. Mr. Littlefield motioned, Mr. Hendrix seconded, and the Board approved Segal to conduct a software vendor search for a cost not to exceed \$50,000.

Mr. Pinkerton updated the Board on the recent COLA paid to retirees on March 1, 2021. There was also a one-time payment of the retro amount back to January 1, 2020. Mr. Robertson commented the COLA was well received and complimented the administration staff for delivery. Mr. Wall indicated that any future COLA would come in 2022 or later.

Mr. Wall responded to a meeting attendee inquiring about the Group 3 pension benefit. He explained the pension benefit formula is enacted by the Board of Commissioners (BOC), not the Pension Board.

Mr. Wall reviewed the continuing education requirements of the board members. He indicated that he has not been successful reaching the CEO to discuss his education status. Terri Taylor agrees that the plan has a contradiction with the new state law on whether the CEO can be removed as a Board member. Mr. Robertson expressed concern about potentially violating state law after June if the Board cannot resolve his status. Ms. Taylor will contact the Georgia Attorney General's office to inquire about the contradiction and the options for the CEO to serve on the Board.

Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved the service buyback applications for the following employees:

- Renae Allison McNease, an Emergency Management employee
- Cornelius Rodgers, a Watershed employee

Mr. Hendrix motioned, Mr. McMullan seconded, and the Board approved Ms. Erica Nowells for permanent disability.

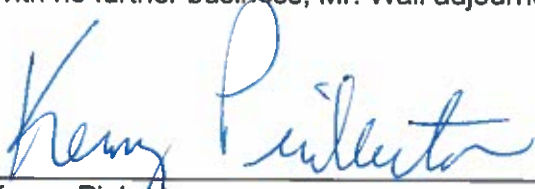
Bob Killorin provided an update on fund security litigation.

Public attendee David Holcombe inquired if there is any movement toward meeting in person again. The Maloof building is still closed to non-employees so the Board cannot meet there. Mr. Pinkerton will research other nearby venues to secure a conference room.

Mr. Wall read comments from the Zoom chat room. Karen Taylor inquired about increasing the Group 3 benefit, which was addressed earlier to contact the BOC. T. Robinson indicated support for Ms. Taylor's question and noted that he is considering leaving the county due to the Group 3 pension benefit and wants to know if there are any plans to improve the benefit. This question again needs to go to the BOC.

Ms. Ransom thanked everyone for allowing the Leadership program participants to attend the meeting.

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

A handwritten signature in blue ink that reads "Kenny Pinkerton". The signature is written in a cursive style with a large initial "K".

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Kenny Pinkerton  
Clerk, The DeKalb County Pension Board