

Minutes

DeKalb County Pension Board

September 9, 2021

The DeKalb County Pension Board met on September 9, 2021 via a Zoom teleconference session. The following members were present: David Littlefield, John McMullan, Dianne McNabb, Benita Ransom, Robert Robertson, D'Lisa Stevens, and Edmund Wall. Others present: Deborah Brigham, Robert Burrell, and Malichi Waterman 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; and Paul Wright.

Ed Wall called the meeting to order.

Mr. Wall welcomed Mr. Michael Goff as the new Pension Board member representing active employees. Mr. Goff cited the oath of office statement and was officially sworn in as a Pension Board member.

Robert Robertson motioned, John McMullan seconded, and the Board approved the July 8, 2021 minutes with an affirmative vote from all members except Mr. Goff, who abstained.

Mr. Wall expressed a desire, with Board member agreement, to continue meeting at the Hampton Inn as favorable health conditions allow. Robert Robertson motioned, John McMullan seconded, and the Board approved the following invoice payments:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Mgt.	2Q 2021	\$91,935.11
Earnest Partners	Investment Mgt.	2Q 2021	156,902.09
Edgar Lomax Company	Investment Mgt.	2Q 2021	57,410.61
Frontier Capital Management	Investment Mgt.	2Q 2021	215,934.40
Gabelli Asset Management	Investment Mgt.	2Q 2021	116,702.00
Income Research + Mgt.	Investment Mgt.	2Q 2021	50,625.79
Jennison Associates	Investment Mgt.	2Q 2021	184,740.82
Loomis Sayles	Investment Mgt.	2Q 2021	273,427.88
Segall Bryant & Hamill	Investment Mgt.	2Q 2021	77,825.30
		Subtotal	\$1,225,504.00
Benefits Law Group	Legal Consulting	June-July 2021	\$10,620.00
Caduceus USA	Disability Evaluations	2Q 2021	3,000.00
DeKalb County Finance Dept.	Pension Administration	2Q 2021	122,993.03
Hampton Inn	Board Meeting	July 2021	589.25
Nichols, Cauley, & Associates	Plan Audit	2Q 2021	17,500.00
Pension Benefit Information	Death Audit	2Q 2021	1,530.00
State Street	Custodian Services	2Q 2021	44,685.95
		Subtotal	\$200,918.23
Total			\$1,426,422.23

Mr. Wall announced the upcoming retirement of Deborah Brigham of Segal. Malichi Waterman will become the lead consultant with Robert Burrell serving as backup. Ms. Brigham then provided a summary of the 2021 actuarial valuation results. The recommended contribution for fiscal 2022 is \$71.5 million, or 20.92% of payroll, and the plan is in compliance with the state minimum funding standards. The plan funding status is 55.7% as of January 1, 2021 based on the actuarial value of assets and 63.9% based on the market value of assets. The funding status is the highest it has been since reducing the discount rate to 6.75% in 2018. Ms. Brigham noted that the 6.75% rate is one of the lowest rates used by public plans in the region. Mr. Wall commented that since the plan needs to withdraw around \$75 million from the assets each year to meet the retiree benefit obligations, the assets must earn at least 4%-5% and thus, is the rationale for lowering the discount rate to 6.75%. The closed amortization period of unfunded liabilities is down to 22 years. The plan experienced more retiree deaths than normal, but the increase was primarily limited to older participants with lower benefits which resulted in a small gain. For GASB reporting, the Fiduciary Net Position is 66.1% based on the market value of assets.

Mr. Waterman explained that a proposed change to the Actuarial Standards of Practice would disallow the use of the Ultimate Entry Age Normal funding method, which the county has long used. Using the Traditional Entry Age Normal funding method being proposed, the county's contribution for 2022 would be 24.41% of payroll versus the 20.92% using the current method – about a \$12 million increase in contributions. If the measure is passed, Segal will work with the county to explore ways to minimize the impact. Any change would not be effective until 2023 or 2024. Mr. Wall requested a summary of the change and its potential impact so he can inform the county budget director.

Brad Penter summarized of the financial market landscape through June 30. All sectors – domestic equity (S&P +8.5%), international equity (EAFE +5.2%), and fixed income (Bloomberg U.S. Aggregate Bond Index +1.8%) – had strong returns for the quarter. The Delta variant continues to weigh down economic revival with the GDP downgraded to 7% for 2021. Unemployment is at 5.2% with some 2 million job openings available. Inflation remains a concern at 5% over the past 12 months. One trend in the small cap value space is companies with less quality and more media attention; they are getting more price appreciation than stable companies with strong balance sheets. Some international markets continue to lag behind more developed countries in distributing the vaccination. In fixed income, interest rates declined in the second quarter after a sharp rise to start the year. There is speculation the Federal Reserve may raise rates sooner than expected. Mr. Robertson expressed concern about an on-going rise in inflation versus a temporary jump. Mr. Wall commented that a long-term rise in inflation would negatively affect the fixed income portion of the portfolio and could present a challenge in meeting the 6.75% discount rate target.

Weston Lewis summarized the returns in the portfolio. He noted that the portfolio has a strong bias toward domestic equity and an underweight in international equities. The fund performed well against its peers, scoring in the highest 3% of public funds over the past five years. The fund is also performing to expectations against asset class investments. For the quarter, the fund returned 5.44% versus the index of 5.90%. The difference is due to the managers' performance as well as the index returns of lower quality equities that are receiving media attention. One-year returns were 33.84% for the fund versus 31.53% for the index. Three-year returns were 13.46% versus 13.89% for the index.

Large cap funds collectively performed well over the past year, returning almost 43% versus 40.79% for the S&P 500 Index. In small caps, Frontier outperformed the index by 10% over the past year but underperformed for the quarter by 2% and remains on watch. Earnest Partners underperformed by 21%, primarily due to a bias toward quality equity selections. Fixed income funds returned 5.53% over the year versus 3.91% against the benchmark and beat the benchmark for the quarter, 2.12% to 1.73%. International funds, Marathon and T. Rowe Price, outperformed the index by almost 6% over the past year but underperformed for the quarter by 1%. Mr. Robertson noted that, despite the favorable returns, the plan is only 55% funded, so a sharp downturn will affect our funded status for years to come.

Todd Carabisi announced that he is making an internal move and will no longer be part of the DeKalb County service team. Mr. Wall commended his service and wished him well.

David Littlefield motioned, John McMullan seconded, and the Board approved drawdown amounts of \$10 million from Loomis and \$6 million from Jennison.

Mr. Wall explained that the DeKalb County Board of Commissioners adopted a resolution asking the Pension Board to add an Environmental, Social, and Governance (ESG) statement to the Pension Board's Investment Policy. He noted that the Pension Board's position is concern primarily for the investment return of assets versus the society change around the ESG policy. With Callan's assistance, the Pension Board introduced two statements to the Investment Policy expressing consideration of ESG factors but does not limit investment managers from selecting securities based solely on a company's ESG policy. Mr. Wall read the two proposed ESG statements, indicating that the Pension Board is sensitive to ESG factors but does not instruct the managers in how to select a certain stock equity. Mr. Robertson expressed that the Board should be focused on investment concerns of the fund and stay away any political requests or culture whims trying to dictate how the Board operates. Mr. Goff found the statements neutral but is concerned there is no measurable aspect included. Mr. McMullan motioned, Mr. Littlefield seconded, and the

Board approved adoption of the proposed statements into the Investment Policy as follows: Yes - Littlefield, McMullan, Stevens, and Wall; No - Robertson; Abstain - Goff.

Mr. Wall notified Board members of the new two-year cycle for continuing education, except for new member Mr. Goff who is to complete eight hours during the first year. He suggested working with Callan to attend the Callan College seminar as well as other instructional meetings and podcasts for obtaining credit.

Kenny Pinkerton shared that the administration staff is fully engaged with the system conversion of the PeopleSoft system into the new ISSI pension system. The focus has been providing the data and other information to all the various business partners and stakeholders.

Mr. Littlefield motioned, Ms. Stevens seconded, and the Board approved the service buyback application for Lendarius Farley, a Police Services employee.

Mr. Littlefield motioned, Mr. McMullan seconded, and the Board approved the military service purchase application for Guy Smith, a Police Services employee.

Ms. Stevens motioned, Mr. Robertson seconded, and the Board approved a 12-month disability for Larradus Burnett.

Mr. Robertson motioned, Mr. Goff seconded, and the Board approved Antwan Jackson for permanent disability.

Mr. McMullan motioned, Mr. Littlefield seconded, and the Board approved going to Executive Session for legal matters.

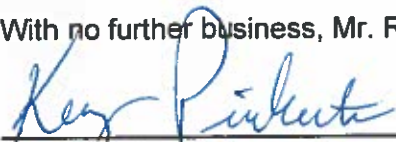
Mr. Wall left the meeting due to a prior commitment.

Mr. Robertson inquired about the status of the administration contract. Terri Taylor will follow up with the county's legal group with a final version.

Bob Killorin reported that DeKalb County was appointed lead plaintiff in the Allergan case.

Upon returning from Executive Session, the Board concluded Mr. Gregg Trieschman, Jr. did not meet the six-month requirement of applying for prior pension service and therefore denied his request for purchasing prior service.

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



Kenny Pinkerton
Clerk, The DeKalb County Pension Board