

Minutes

DeKalb County Pension Board

November 4, 2021

The DeKalb County Pension Board met on November 4, 2021 via a Zoom teleconference session. The following members were present: Mike Goff, David Littlefield, John McMullan, Dianne McNabb, Benita Ransom, Robert Robertson, D'Lisa Stevens, and Edmund Wall. Others present: Malichi Waterman of Segal Consulting, 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.

Robert Robertson motioned, D'Lisa Stevens seconded, and the Board approved the September 9, 2021 minutes.

Robert Robertson motioned, John McMullan seconded, and the Board approved the following invoice payments:

Vendor	Service	Period	Amount
Advent Capital Management	Investment Management	3Q 2021	\$92,013.84
Earnest Partners	Investment Management	3Q 2021	148,063.87
Edgar Lomax Company	Investment Management	3Q 2021	57,045.93
Frontier Capital Management	Investment Management	3Q 2021	196,850.10
Gabelli Asset Management	Investment Management	3Q 2021	112,657.00
Income Research + Mgt.	Investment Management	3Q 2021	48,924.80
Jennison Associates	Investment Management	3Q 2021	194,724.06
Loomis Sayles	Investment Management	3Q 2021	258,889.15
Segall Bryant & Hamill	Investment Management	3Q 2021	77,869.02
		Subtotal	\$1,187,037.77
Benefits Law Group	Legal Consulting	Aug-Sept 2021	\$6,650.00
Callan LLC	Investment Consulting	3Q 2021	24,000.00
DeKalb County Finance Dept.	Pension Administration	3Q 2021	138,031.85
DeKalb Voter Registration	Board Election	2Q 2021	3,800.00
ISSI	System Conversion	3Q 2021	146,000.00
Segal Consulting	Actuarial Services	3Q 2021	8,375.00
Segal Consulting	Implementation Support	3Q 2021	16,568.75
State Street	Custodian Services	3Q 2021	41,610.61
		Subtotal	\$385,036.21
Total			\$1,572,073.98

Brad Penter provided a summary of the financial market landscape. The markets became choppy in September due to the emergence of the Delta virus. The S&P 500 Index was down 0.6% for the quarter, with small caps declining the most as the Russell 2000 was down 4.4%. Overseas markets were down with MSCI EAFE index retreating

0.5% and emerging markets declining 8.1%. The fixed income sector was flat with little movement of interest rates during the quarter. There was a significant drop in growth for the quarter with the GDP estimated at 2% at the end of the quarter. Inflation remains a concern with a one-year increase ending September 30 of 5.4%. The labor is very tight with 11 million job openings and 8 million persons seeking employment. Wages are also up, having increased around 5% during the past year. The Federal Reserve is expected to begin its tapering process before the end of the year. China continues to exert regulatory pressure on some practices and industries. Mr. Robertson inquired about the status of Evergrande financial position. Mr. Penter responded that Evergrande has a 30-day window to raise capital and noted that some other real estate developers in China had defaulted on their debts.

The fund portfolio continues to be overweighted in domestic equity at 63.7%, with fixed income at 22.1% and international equity at 13.0%. For the quarter, the fund was down 0.82% versus the target of -0.18%. Over the past year, the fund has increased by 23.93% compared to the target of 23.84%, with Gabelli, Loomis, and Earnest Partners being the largest detractors in performance. The fund ranks in the top 14% over the past year against other public plans and has been in the top 7% of public plans in three of the past five years. Loomis was down 1.89%, more than 3% below the benchmark. Their performance was primarily due to exposure in Alibaba. Mr. Penter commented that Loomis is still a good balance to Jennison, as they are biased toward quality companies with strong earnings versus organizations having more popular names and capital exposure. Mr. Wall requested a separate call with Loomis to further discuss their investing strategy. Gabelli retreated 3.46% for the quarter while the benchmark was down only .78%. Although they have beat the benchmark over the past year, their long-term performance is not adding value. Mr. Penter noted that some of Gabelli's holdings are much smaller in market cap than a typical large cap fund, and that composite is distorting their performance. Mr. Wall requested to speak with Gabelli regarding their fund makeup. In the small cap sector, Frontier and Earnest Partners both beat the benchmarks for the quarter by approximately 1% each, even though their one-year returns still trailed the benchmark by a significant amount. The small cap managers are adding value, but the large cap managers are lagging the benchmarks, mostly due to the managers who have been terminated in the last two years.

Mr. Penter provided a summary of the international small cap marketplace. The current international portion in the portfolio has only a small exposure to the small cap market, which has performed well the last several years. One strategy is to add a manager that is directly exposed to the international small cap marketplace. These companies operate primarily within the countries they reside and typically have a higher prospect for growth versus larger organizations that may have plateaued out. These are developed countries with a focus on Europe, Australia, and Japan. Mr. Wall inquired about exposure to China. Weston Lewis indicated that some exposure to China is found within the large cap managers, but it is far less likely with the small cap managers. The trade-off for this type of investment is more risk. Fees with these managers can exceed 60 basis points. Mr.

Wall requested this item to be addressed during an upcoming Investment Committee meeting.

David Littlefield motioned, John McMullan seconded, and the Board approved drawdown amounts of \$9 million from Jennison and \$6 million from Loomis.

Malichi Waterman summarized the cost of a 1% COLA to retirees and beneficiaries. This would increase the county's contribution to the pension plan by \$1.2 million in 2022, or 0.35% of payroll. Larry Jacobs indicated that he is not currently aware if a COLA will be requested in the 2022 budget. Mr. Robertson noted that CEO Thurmond stated two years ago that the retirees' buying power had decreased 25% since 2006 due to inflation; now, that decrease has gone to 40%, while retirees have received only a total of 4% in COLA increases. He mentioned that his medical premiums have tripled since he retired in 2006. Given the increases in gasoline, groceries, and utility costs, any increase the county can award the retirees is welcomed and long overdue. He appreciates CEO Thurmond's support for all retirees as well as the local retiree group also advocating for a COLA.

Mr. Wall noted that the Board needs to complete 12 hours of continuing education credits within the 2-year cycle ending in June 2023. New board member Mike Goff is to complete 8 hours by August 2022. Credit is granted for attending Investment Committee meetings. Mr. Robertson asked Callan's vaccination policy for attending Callan seminars and whether any virtual seminars are included in DeKalb's fees. Mr. Lewis will double-check vaccine policy and indicated the virtual classes are covered as part of the contract fees.

David Littlefield motioned, John McMullan seconded, and the Board approved the proposed meeting calendar for 2022.

Kenny Pinkerton updated the transition to the new pension system. He is comfortable with the big data conversion from PeopleSoft taking place in mid-January 2022 and does not know of any current major roadblocks. He noted that is the same time the entire county is moving to the new Oracle HCM system for payroll, HR, and benefits. He is concerned about the numerous data files flowing among the new systems as well as the huge effort involved of testing and training on the new systems. Dianne McNabb inquired about the new method for withholding federal income tax and if retirees need to complete the new withholding form as the active population is doing. She also indicated that a communication is being distributed to the active population regarding a potential net change in their pay due to the system transition. Mr. Pinkerton indicated he was aware of the potential variation in the withholding amounts and will perform a full, parallel analysis of the payment data to review the differences. Amy Timmons indicated the data are in place and training will begin next week. She also noted the concern around the infrastructure needed in moving data among the various systems, which is not unexpected. Mr. Pinkerton will work with Mr. Jacobs to determine any communication

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notice to send to the retirees regarding pay differences. Mr. Pinkerton also announced that due to the system changes, no refunds will be paid in January and February. He is working with HR and all the field offices to capture as many terminations as possible in December. Mr. Robertson inquired about the security capability with the new systems. Ms. Timmons responded that the security provision was included in the ISSI agreement and is part of all the system set-up and functionality of transporting data between systems.

Mr. Robertson motioned, Mr. Littlefield seconded, and the Board approved the service buyback application for Willie Lyman, a Watershed employee.

Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved the application for purchasing prior leave without pay for Quentia Caldwell, a Roads & Drainage employee.

Mr. Gregg Trieschman, a Fire Rescue employee, made an appeal to the Board to purchase prior pension service. He indicated that he was employed in the State Probation Office from May 1994 to November 1998 and is requesting to purchase that service. When he returned to the county in November 2003, he signed a form indicating his knowledge of applying to purchase prior service within six months of being rehired. He is requesting that he be allowed to purchase the State Probation service because he was not aware that he was eligible to purchase that service when he was rehired. Mr. Wall notified Mr. Trieschman that the Board will consider his request in Executive Session, and Mr. Pinkerton will contact him with any decision.

Mr. Robertson inquired about the status of the pension administration agreement between the Board and the county. Mr. Wall responded that he signed it and that Chief Operating Officer Zach Williams signed it.

Bob Killorin reported that there are three cases underway – Allergan, Mesa Air, and Teva Pharmaceutical. He will contact Mr. Pinkerton soon regarding the Mesa Air discovery process.

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

Upon returning from Executive Session, the Board made no change from the earlier decision regarding Mr. Gregg Trieschman, Jr. to deny his eligibility to purchase prior service due to his break in service and not applying for the service repurchase within six months of being rehired.

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



Kenny Pinkerton
Clerk, The DeKalb County Pension Board