

# Minutes

## DeKalb County Pension Board

January 13, 2022

The DeKalb County Pension Board met on January 13, 2022 via a Zoom teleconference session. The following members were present: Mike Goff, David Littlefield, John McMullan, Dianne McNabb, 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.

Mike Goff motioned, Robert Robertson seconded, and the Board approved the November 4, 2021 minutes.

Robert Robertson motioned, D’Lisa Stevens seconded, and the Board approved the following invoice payments:

Vendor	Service	Period	Amount
Todd Antin, M.D.	Disability Evaluation	4Q 2021	\$3,000.00
Benefits Law Group	Legal Consulting	Oct-Dec 2021	1,650.00
Callan LLC	Investment Consulting	4Q 2021	24,000.00
Segal Consulting	Actuarial Services	4Q 2021	8,375.00
<b>Total</b>			<b>\$37,025.00</b>

Brad Penter summarized the financial market landscape. The markets performed very well in the fourth quarter of 2022, with the S&P up 11% and up almost 29% for the full year. The mega stocks continued to dominate performance with large cap growth exceeding value. The opposite occurred in the small cap market, with value outpacing growth, primarily due to rising interest rates. The international markets returned 2.7% in the fourth quarter and 11.3% for the year. Initial concerns about the virus variants initially affected results but have now subsided. There is more focus on inflation where the CPI increased by 7% for the year, the highest in 39 years. There continues to be a record number of job openings, driving an increase in labor costs. The Fed is anticipating three to four interest rate hikes in 2022. Mr. Wall reminded the Board that the portfolio consists of about 25% in fixed assets. If interest rates rise the value of those fixed assets decreases, most likely resulting in negative performance for the calendar year 2022. Mr. Penter advised that the long-term outlook for fixed assets could benefit returns by receiving a higher yield. Weston Lewis noted that the current duration of the fixed income portfolio is around 6-7 years, with a shorter trend expected going forward as interest rates increase.

Mr. Penter reviewed Callan Capital Market summary, projecting returns across various asset classes over the next ten years. Although there is an uptick in the inflation component, Callan's analysis is similar to last year's 10-year portfolio projection of 5.93%. This analysis indicates the fund is 44% likely to earn at least the funding discount rate of 6.75% over the next ten years. Mr. Penter noted that Callan is not recommending any fund strategy changes at this time. He stressed that the returns of the fixed income assets will be key in achieving the 6.75% discount rate over the long term.

Malachi Waterman confirmed that the actuarial valuation uses a 2.50% inflation assumption and a 2.75% salary increase assumption and will continue to watch the inflation rate. Mr. Wall stated that the portfolio needs to earn at least 4.5% each year to meet its obligation to the retirees. With fixed income returns being so low, it puts a lot of pressure on the equity managers to earn enough to get the entire portfolio to 6.75% each year. He would consider lowering the discount rate to 6.50%. Dianne McNabb asked if future contributions are affected if the discount rate is too high. Mr. Wall responded that contributions would increase if the portfolio cannot earn the assumed discount rate. Mr. Robertson suggested that the Board look further into potentially lowering the discount rate assumption within the next six months.

Mr. Lewis reviewed the portfolio performance. He reported that the total portfolio balance on December 31, 2021 is \$1.77 billion, the highest ever. Callan will present the full 2021 report at the March meeting. In the large cap sector, Jennison returned 18.9% for the year while Loomis returned 19.5%, far less than the index of 27.6%. Gabelli gained 23.4%, below the index of 25.2%. Frontier made a strong comeback, returning 18.6%, far exceeding the index of 5.0%. T. Rowe Price performed well, up 12.4% for the year versus the index of 11.3%. Mr. Lewis noted that Loomis shies away from the big, expensive stocks and focuses more on quality, which benefited their return in December. Loomis is buying more common name equities, but many of those selections are outside the U.S. Mr. Waterman reported that the fund has \$212 million of unrealized gains exceeding the assumed discount rate of 6.75%. Mr. Lewis displayed the returns for ten years as being 11.1%. Mr. Wall noted that this amount can act like a reserve in the event of a big asset decline. He shared that Loomis' returns were as adversely affected by not owning Apple and Tesla and by owning Alibaba and Boeing. Callan recommends no manager changes and will continue to monitor Loomis and Frontier.

Mr. Lewis shared a brief recap of the December 6 Investment Committee meeting. The committee heard from managers at Loomis and Gabelli, where both managers provided satisfactory explanations regarding their performance and investment strategies. The committee also explored potentially adding a small-cap international fund. The committee decided on no immediate changes. Mr. Lewis confirmed that adding the international small-cap asset would not increase or decrease the portfolio's exposure to China. Mr. Wall requested another meeting to explore the asset option further.

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Mr. Littlefield motioned, Mr. Robertson seconded, and the Board approved drawdown amounts of \$10.0 million from Loomis, \$3.5 million from Frontier, and \$3.0 million from Earnest Partners.

Kenny Pinkerton reported that the county is undergoing a massive migration this weekend to a new payroll, benefits, and human resources system, including the new pension system with ISSI. The historical pension data was delivered yesterday to ISSI and they are converting it to their system. He does not anticipate problems in the data conversion and noted that his team is working through some final details with ADP. Mr. Pinkerton also reported that ISSI recently announced a merger with basys, a software vendor specializing in multi-employer and Taft-Hartley retirement plans. Mr. Robertson confirmed with Mr. Pinkerton that the January 1 retiree checks were processed from PeopleSoft, as well as the 1099R statements going out later this month. The February 1 retiree checks will be processed under the new ISSI system.

Mr. Robertson motioned, Ms. Stevens seconded, and the Board approved the service buyback application for Alcenda Allen, a Watershed employee.

Mr. Littlefield motioned, Mr. McMullan seconded, and the Board approved the service buyback application for Walter Williams, a Watershed employee.

Mr. Robertson inquired about a proposed 1% COLA for retirees in 2021 and the status of a potential 2% COLA in 2022. Ms. McNabb indicated she did not have any updates but noted there are a number of budgetary pressures with the BOC at this time. Mr. Jacobs replied that a 2021 COLA will not occur and that a 2% COLA for 2022, costing \$2.6 million, was presented to the budget office. Mr. Robertson indicated that the retirees' buying power has decreased by 40% over the past 15 years and the retirees have received only a 4% COLA during that time. He thanked everyone's efforts and asked that anything the county can do is greatly appreciated.

Mr. Robertson asked about a signed copy of the Administration Contract. Mr. Wall reported it had been signed and Mr. Pinkerton will send a copy.

Mr. Robertson reported that several firefighters notified him that the county is 6-8 months behind in making contributions to the Georgia Firefighters Pension Fund. Mr. Jacobs replied that the county is aware of this issue and is working with the Georgia Firefighters Pension Fund to reconcile the contributions. Mr. Jacobs also confirmed that both the county contributions and the employee contributions are made to the county pension plan by the 15<sup>th</sup> of each month.

Mr. Wall expressed his thanks to CEO Thurmond for his support of the proposed 2% COLA in 2022 as well as the COLA increases in 2019 and 2020.

Mr. Littlefield motioned, Mr. Robertson seconded, and the Board approved moving to Executive Session to discuss the disability application and legal items.

Upon returning from Executive Session, Mr. Wall reported that there is no action needed on litigation matters.

Mr. Robertson motioned, Mr. McMullan seconded, and the Board approved a 12-month disability benefit for Mr. Paul Williams.

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



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Kenny Pinkerton  
Clerk, The DeKalb County Pension Board