

## Minutes

### DeKalb County Pension Board

**July 13, 2023**

The DeKalb County Pension Board met on July 13, 2023 at the Marriott Hotel in downtown Decatur. The following members were present: Mike Goff, John McMullan, Dianne McNabb, Benita Ransom, Robert Robertson, D'Lisa Stevens, and Edmund Wall. Others present: Ginni Harris of Nichols Cauley, Malichi Waterman of Segal Consulting, Brad Penter and Weston Lewis of Callan LLC, Terri Taylor of Benefits Law Group, Bob Killorin of Faruqi & Faruqi LLP, Rachelle Christion, Larry Jacobs, and Kenny Pinkerton.

Ed Wall called the meeting to order.

Mr. McMullan motioned, Mr. Robertson seconded, and the Board approved the May 25, 2023 minutes.

Mr. Robertson motioned, Mr. Goff seconded, and the Board approved the following invoice payments:

Vendor	Service	Period	Amount
Benefits Law Group	Legal Consulting	May 2023	\$1,640.00
Robin Armenia, M.D.	Disability Evaluation	2Q 2023	1,500.00
Bridgeway Bft. Tech. (ISSI)	Software Support	March 2023	23,833.00
Bridgeway Bft. Tech. (ISSI)	Software Upgrades	May 2023	6,400.00
Callan LLC	Investment Consulting	2Q 2023	24,000.00
Marsh & McLennan	Legal Consulting	May 2023	67,010.00
Nichols, Cauley and	Audit Coverage	June 2023	14,000.00
Pension Benefit Information	Death Coverage	June 2023	9,847.05
Segal Consulting	Actuarial Consulting	2Q 2023	8,375.00
		<b>Total</b>	<b>\$154,965.05</b>

Ms. Harris presented the 2022 audit report. There were no findings. Ms. Harris reviewed the balance sheet which shows total assets of \$1.4 billion dollars as of December 31, 2022. Ms. Harris also reviewed the Statement of Changes in Fiduciary Net Position which showed a net decrease of \$383 million. The decrease is largely related to investment losses in 2022.-Ms. Harris reported that the plan had 5,854 retirees and beneficiaries and 5,891 actives, totaling 11,745 participants.

Mr. Wall briefly described the benefits associated with each of the three pension tiers. Mr. Wall asked about the Segal study which would estimate the cost of moving Group 3 Public Safety employees to the Group 2 plan. Segal estimated the cost to be \$2.3 million. Mr. Robertson asked how would the pension contributions be effected. Mr. Wall advised that if employees are moved to Group 2, they their contributions would increase to approx. 8.5%. Mr. Robertson stated he visited two firehouses and they both stated that what they get paid means a lot but what goes into retirement is the most important. Mr. Wall asked Mr. Jacobs to present all the findings at our next meeting.

Ms. Harris stated that our plan had a decrease in assets due to market losses. The plan was funded at 57%. This corresponds with the plan's net investment loss of 17% in 2022. Finally, Ms. Harris indicated that the report on Internal Control and Compliance found no issues. She mentioned that they do a lot of detail testing of the census data. She mentioned that her team also performs testing to ensure that compensation levels are validated. The report shows an unqualified opinion.

Mr. Wall did point out the variance in the rates used for valuing the plan. He showed the net pension liability would be \$1.448 billion at 5.75%, while at \$936 million if we used 7.75% as the discount rate. The board agrees that 6.75% is a good rate. Mr. Wall pointed out several assumptions we are using and asked about our upcoming reports. Mr. Waterman feels the inflation rate may increase. He indicated that a higher interest rate assumption might be used in future valuations.

Mr. Penter gave an overview of the financial market. It was a very strong quarter with most of the equities in the positive range. The S&P 500 was up 8.7% for the quarter, small caps were up 5%, international equities were up around 3%, and bonds were down slightly. Inflation, as measured by CPI, has decelerated to around 3%. Overall, the economy appears much better than it was last year.

Mr. Lewis discussed the plan's current asset allocation and returns. In looking at the weights to each asset class, he mentioned that the fixed income component on the handout was at 22% but the cost basis is still above the 25%. This means the plan's allocation to fixed income remains above the statutory minimum. Jennison and Loomis produced strong results the portfolio's return and the rest of the funds were in line with expectations. For the month of June alone, all the funds returned \$79 million. When looking at both absolute and relative returns, this report is about as good as he has seen in some time. For the past year, the total return of plan assets was almost 17% and 14% during the past six months. The one outlier was Edgar Lomax, returning only 5% for the quarter. Mr. Lewis and Mr. Penter indicated they would have a follow up discussion with Edgar Lomax to discuss the soft results. The plan's goal was to have enough to fund the 6.75% discount rate as well as fund the plan based on last year's cost. Frontier was up 18% this year and the Board's patience with them has benefited the plan. Jennison had one of its worst years ever in 2022 but turned around their stock for a 36% increase in a half-year. Loomis is another who returned 39% while Gabelli returned almost 20% in the last year. Overall, the report is great.

Mr. Jacobs shared the drawdown summary for everyone. It showed the current amounts added to pay benefits as well as the amount needed the rest of the year. He will be getting together with Ms. McNabb to determine the amounts needed to the end of the year. Mr. Penter believes all \$17 million should be taken from Loomis. Mr. Robinson motioned, Mr. McMullen seconded, and the Board approved a withdrawal of \$17 million for benefit payments.

Mr. Wall reviewed the educational credits. Everyone has enough hours except Ms. McNabb and Ms. Ransom. Mr. Lewis did offer us three seats in their Callan College,

which Mr. Wall graciously accepted. This will satisfy the full educational requirement for 2023-2024.

Mr. Wall discussed the pension administration agreement. The current annual amount is \$535,000 for plan administration. Mr. Jacobs advised that operating expenses have increased over the last two years. Most of the increased costs stem from higher payroll costs and healthcare increases. Additionally, the pension administrator position was double-filled for a period of time. He is requesting that the Board consider increasing the annual agreement amount to cover these higher costs. Mr. Wall stated that he asked a couple of outsourcing firms about their fees and they were twice as high as ours and that \$575,000 is really a bargain. Mr. Robertson brought up the point that the price is set and any changes to that contract price is subject to the Board's approval. Mr. Wall suggested that the details be outlined for the next meeting to be voted on.

Mr. Wall indicated that we have a pension board election coming up. The election was originally scheduled for the second Tuesday in January to elect two active members and one retiree representative to the Board. Mr. Jacobs stated that the elections office asked if we could delay the pension board election for one week due to potential conflicts with run-off elections. Terri Taylor advised that we would be out of compliance but did not see any negative repercussions. Mr. Robinson motioned, Mr. McMullen seconded, and the Board approved having the election on January 16 and the qualifying period the week of December 11.

Mr. McMullen motioned, Mr. Goff seconded, and the Board approved buying back the retirement time for Mr. Carl Morris.

Mr. Robinson motioned, Mr. Goff seconded, and the Board approved Mr. Christopher Williams for a 12-month pension disability.


Mr. Bob Killorin indicated that the Mesa case is progressing well. The Alegran case has an appeal that is due on July 26.

Mr. Wall stated that we will have a retreat for our meeting in September. He indicated that the fund's managers will attend, even if they are hybrid.

Ms. Taylor indicated that the Callan contract is fine.

Mr. Heermans indicated that he has tried to get the retirees a pay raise for 2023. Mr. Wall indicated that there was no raise the first half of 2023 and he reached to the county about having a raise the 2<sup>nd</sup> half of the year. The estimated cost is \$2.6 million for a 2% COLA. The Administration has not acted on this request. He suggested reaching out to the county and trying to get on the mid-year budget.

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

  
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Kenny Pinkerton  
Clerk, The DeKalb County Pension Board