

Minutes

DeKalb County Pension Board

November 9, 2023

The DeKalb County Pension Board met on November 9, 2023 at the Marriott Hotel in downtown Decatur. 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: Brad Penter and Weston Lewis of Callan LLC, Bob Killorin of Faruqi and Faruqi, Terri Taylor of Benefits Law Group, Rachelle Christion, Larry Jacobs, and Kenny Pinkerton.

Mr. Wall called the meeting to order.

Mr. Wall called out a few typos in the prior minutes document. After concluding, Mr. McMullan motioned, Mr. Littlefield seconded, and the Board approved the September 21, 2023 minutes.

Mr. Littlefield motioned, Ms. Stevens seconded, and the Board approved the following invoice payments:

Vendor	Service	Period	Amount
Advent Capital Mgt.	Investment Mgt.	2Q 2023	\$89,591.63
Earnest Partners	Investment Mgt.	2Q 2023	118,987.49
The Edgar Lomax	Investment Mgt.	2Q 2023	60,201.46
Frontier Capital Mgt.	Investment Mgt.	2Q 2023	155,000.27
GAMCO Asset Mgt.	Investment Mgt.	2Q 2023	117,002.00
Income Research + Mgt.	Investment Mgt.	2Q 2023	46,452.95
Jennison Associates	Investment Mgt.	2Q 2023	157,658.68
Loomis Sayles	Investment Mgt.	2Q 2023	257,416.04
Segall Bryant & Hamill	Investment Mgt.	2Q 2023	72,209.00
		Subtotal	\$1,074,519.52
Benefits Law Group	Legal Consulting	May, June, Aug 2023	\$3,480.00
Koenig Law Group	Legal Consulting	July 2023	6,615.00
Segal Consulting	Actuarial Consulting	3Q 2023	8,375.00
State Street	Custodial Fee	2Q 2023	44,130.81
		Subtotal	\$62,600.81
Total			\$1,137,120.33

Mr. Lewis provided an overview of the capital market results. Inflation has come down from the 9.1% peak in June 2022 to around 3.7% in September. Fears of recession appear to be moved further out and fewer than half the economists expect a recession in the coming year. The US 3rd quarter GDP growth came in at 3.9%, signaling strong economic growth. Large cap stocks continue to outperform small cap stocks. Much of this is concentrated in a small handful of stocks (Magnificent Seven), driving almost the entirety of the positive

returns in the broader index year-to-date. Small cap stocks have more reasonable valuations than the Magnificent Seven stocks which could bode well for future returns. Energy stocks provided most of the gains for the quarter while other sectors were negative. On international markets, small cap stocks outperformed large cap.

Mr. Wall inquired about the government shut down expected on November 17. Mr. Lewis sees some volatility in the short term but does not see much happening with this over the longer term. He also said that he is setting client market expectations and they are expecting to raise the fixed income forecasts by 1% for the next year while stocks are not expected to increase by that much. Mr. Wall asked if we should have a meeting to discuss a larger allocation to fixed income. He stated that years ago the plan held 40% of its assets in bonds and now it is 25% and he wants to know if we should move that number up some. For now, Mr. Lewis recommended moving the fund back to its target ranges. This plan needed a lot of return to gain back some of that funded status, which is still needed.

Mr. Littlefield asked for a rundown of the asset classes we have missed out on. Mr. Lewis said that real estate is one where you have seen the returns decline but not very much. Clients holding these values cannot rebalance from real estate. Private equity has seen losses this year and is expected to see more. One bright spot is the private credit area, primarily due to middle market lending. Mr. Wall suggested that we have a meeting and Mr. Pinkerton will set one up.

Mr. Penter discussed the plan's assets. The plan is showing a slight decrease in 9/30/2023 assets, coming in at \$1.49 billion in assets. Among public funds, we ranked in the top percentile of plans over the last year, as the pension plan has no alternatives dragging down the portfolio. Mr. Wall expressed satisfaction that we had an overweight in domestic equity by design and it was a conjunct decision to do that. The fund had losses of 3.2% for the quarter but had a positive active manager performance with 25 basis points of outperformance. For the past year, the fund is up 18.8%. The fund is experiencing the good fortune of having a lot in the equity market but also the equity managers are outperforming their benchmarks. All of this has created tail wind in the portfolio over the past year or so. The plan made the decision to let the active small cap, fixed income, and international markets drive out/underperformance, rather than in large cap where markets are more efficient.

Over the past year the fund has returned 18.8%, ranking us in the top percentile against other public funds. Mr. Wall stated that has to do with us being overweight in domestic equity. But every dog has its day and we will go down with it when it goes down. Mr. Penter stated further that the plan's active managers have performed very well and their stock selections have performed well over the past year. All of this resulted in a tail wind for the fund and it has performed very well over the past year. He also stated that we have transitioned 50% of the large cap portfolio to a new fund, SSGA S&P 500.

Mr. Penter explained that small cap managers have performed very well for the past year or so. These funds have returned 19% over the past year as compared to the benchmark of 9%. For funds not doing as well, Edgar Lomax continues to under perform but no action was recommended.

Mr. Littlefield asked if we need to discuss the wars going on throughout the world. Mr. Lewis explained that these developments do not have a great amount of influence on the stocks we select. He went on to say that in the short term the market is driven by sentiment but longer term the market is driven by valuation. Mr. Wall explained that is important that the managers stay on course and remain committed to their investment strategies.

Eddie Bailey and Adrian Williams requested to buy back their pension service. Mr. Goff motioned, Mr. McMullan seconded, and the Board approved both requests.

The Board reviewed the proposed 2024 Board meeting dates. Mr. McMullan motioned, Ms. Stevens seconded, and the proposed dates were approved.

The pension valuation was not available. However, Mr. Wall indicated that the employer contribution is expected to increase by \$2 million to \$76 million for 2024. The increase was driven by the previous COLA, rising payroll and retirement rates.

Mr. Wall asked Callan to recommend the money managers from which to draw cash for benefit payments. Mr. Penter suggested taking \$9 million from Jennison and \$6 million from Loomis. Mr. Wall indicated that this would be the final amount needed to cover benefits payments for the year, bringing the total drawdown to \$85 million in 2023. Mr. Littlefield motioned, Ms. Stevens seconded, and the Board approved the drawdown amount.

Mr. Wall made the motion to move to executive session to discuss litigation. Mr. Littlefield motioned, Mr. Goff seconded, and the Board approved moving the meeting to executive session.


The Board meeting resumed with no action taken in executive session.

Mr. Wall requested that 3.5 hours be granted for CE credits for the September 21st board retreat.

Mr. Wall discussed the pension board election material. He suggested that members contact staff with any concerns regarding the election. Mr. Robertson requested the Retiree website be used to advertise the election. The website will include the candidates' qualifications. Mr. Pinkerton said he can put the materials on the website.

Comments from the public: Mr. Holcomb thanked the pension Board for helping him to get a better understanding of convertible bonds.

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



Kenny Pinkerton
Clerk, The DeKalb County Pension Board