

# Minutes

## DeKalb County Pension Board

October 13, 2022

The DeKalb County Pension Board met on October 13, 2022 via a Zoom session. The following members were present: Mike Goff, David Littlefield, John McMullan, Benita ransom, Robert Robertson, D'Lisa Stevens, and Edmund Wall. Others present: Weston Lewis and Brad Penter of Callan LLC, Terri Taylor of Benefits Law Group, Bob Killorin and James Wilson of Faruqi & Faruqi LLP, Larry Jacobs, and Paul Wright.

Ed Wall called the meeting to order.

Mr. Littlefield motioned, Mr. Goff seconded, and the Board approved the August 11, 2022 minutes.

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

Vendor	Service	Period	Amount
Earnest Partners	Investment Management	2Q 2022	\$131,482.95
GAMCO Asset Management	Investment Management	2Q 2022	97,732.00
Loomis Sayles	Investment Management	2Q 2022	191,562.51
Segall Bryant & Hamill	Investment Management	2Q 2022	71,395.32
		<b>Subtotal</b>	<b>\$492,172.70</b>
Benefits Law Group	Legal Consulting	Aug-Sept 2022	\$1,400.00
Callan LLC	Investment Consulting	3Q 2022	24,000.00
		<b>Subtotal</b>	<b>\$25,400.00</b>
		<b>Total</b>	<b>\$517,572.78</b>

Weston Lewis reviewed the September 8 Investment Committee meeting, where the Committee continued discussing active vs. passive management, specifically in the large-cap domestic equity, where it is most difficult for active managers to shine. Most of the fund's large-cap managers, both growth and value, have had recent struggles. Callan provided two options: (a) invest 50% of large-cap assets in a passive S&P 500 index fund and the remaining 50% under active management, and (b) invest 60% of large-cap assets in a passive S&P 500 index fund and the remaining 40% under active management. Mr. McMullen question why the managers are not compared to the Russell 3000 Index. Mr. Lewis stated that most institutional investors use the Russell 3000 as their benchmark, because it represents the broad US Market; however, DeKalb County's investment policy statement mandates using the S&P 500 index and the Russell 2000 index as its benchmarks. Mr. Lewis stated that to change to the Russell 3000 index would promote a reduction in small-cap holdings.

Mr. Lewis then reviewed the flash report as of August 31, 2022. The fund declined 15.06% during the previous 12 months, as compared to the benchmarks' declining 12.56%. Mr. Wall expressed concern over the continual decline the managers have experienced. Mr. Penter reported that the 3<sup>rd</sup>-quarter returns are down approximately 5%, resulting in approximately -22% for the year-to-date, due mostly from the poor performance from the large-cap managers. The small-cap managers have performed much better than their targets.

The Board asked Callan to perform a search for an S&P 500 Index manager. Mr. Lewis stated they would present the results at the upcoming Investment Committee meeting.

Mr. Littlefield motioned, Mr. McMullan seconded, and the Board approved a drawdown of \$18 million from the State Street index fund to subsidize the September-November 2022 benefit payments.

Jeffrey Reeves and Rodney McCord of The Reeves Law Firm and Jeff Almeida of Grant & Eisenhofer made a presentation to the Board for portfolio monitoring services. Due to a potential conflict of interest, Mr. Wall exited the meeting before their presentation. The Board took no action after the presentation.

Mr. Wall then re-entered the meeting.

Mr. Jacobs updated the Board on the status of the retiree COLA. On October 6, the ERPS Committee deferred this item for two weeks, during which the Committee members discussed the type of COLA they want to support, i.e., whether it would be an across-the-board 2% raise or "targeted" raises to different retirees. Mr. Robertson again voiced his preference for an across-the-board COLA. Ms. Ransom questioned whether neighboring counties provide automatic COLAs. Mr. Wall said he would question Malichi Waterman, the plan's actuary, about this and report his findings to the other Board members. Mr. Jacobs reminded the Board members that the Law Department opined that the County could not provide an automatic COLA. Mr. Robertson cited several neighboring municipalities that provide a COLA each year, but Ms. Ransom clarified that such Boards must vote on the COLA each year, thus not making their COLAs "automatic." Mr. Jacobs reiterated the COLA will be paid retroactive to January 1, 2022.

Mr. Wall reported the updated continuing education requirements of the Board members. Mr. Wright stated he changed Mr. Goff's required total in the summary to 12 hours to reflect he is now on a two-year measurement period.

Mr. Robertson motioned, Mr. Littlefield seconded, and the Board approved one of the military service purchase applications from Thomas VanSant, a Police Services

employee. Mr. Wright explained that the payment periods expired on Mr. VanSant's other applications.

Mr. Robertson asked if the pension code should be changed to allow a longer period for military members to purchase military leave without pay. Mr. Wall stated he would ask the actuary and report on this issue at the next meeting.

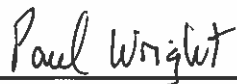
Mr. Littlefield motioned, Mr. Robertson seconded, and the Board approved the service buyback applications from three employees: Sonia Ladd (WorkSource DeKalb); Tachelle Shelton (Superior Court); and Ashley Trinh (District Attorney).

Mr. Wall then stated he has received numerous requests from employees to improve the Group 3 (for employees hired after 2015) plan provisions to a multiplier higher than 1% per year. This low multiplier is purportedly increasing turnover among such employees. Mr. Jacobs reminded the Board that the Group 3 employees also have a County-funded 401(a) savings account, thus boosting the retirement savings for the employees with the lowest multiplier defined benefit plan provisions. The previous actuaries designed the Group 3 provisions with the hybrid benefits (1% multiplier defined benefit formula and 3% contribution to a defined contribution account) to equate the retirement benefit to the Group 2 provisions (2.25% multiplier defined benefit formula with no defined contribution account). Mr. Wall suggested asking Segal to price the cost of three increases: raising the Group 3 multiplier to 1½%, raising the Group 3 multiplier to 2%, and changing the Group 3 participants to the Group 2 provisions. Ms. Taylor expressed concern whether the Pension Board or the County itself should pay for these actuarial fees; she views these as "settlor" functions, not administrative functions, and therefore should be paid by the County, not the Pension Board. The Board members agreed that the pension fund should not incur these costs. Mr. Wright expressed concern that if the County moved the Group 3 employees to the Group 2 provisions, such employees have contributed less to the pension fund than the Group 2 employees have. The County would basically be giving these employees a pass on what would have been a higher contribution rate, so these employees should pay a retroactive contribution of the ~2% shortfall if this plan change is enacted. Because they cannot engage Segal to price these changes, the Board took no action on this item.

Mr. Robertson asked if the Board's next meeting will be in December or January. Mr. Wright reminded the Board that the pension code requires the Board meet bimonthly. Mr. Wall asked Ms. Taylor to report on this topic.

Mr. Robertson motioned, Mr. Littlefield seconded, and the Board entered Executive Session to discuss litigation.

Upon return, with no further business, the Board adjourned the meeting.



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Paul Wright  
Employee Services Manager