

THE CITY OF DALTON
EMPLOYEES PENSION PLAN – BOARD OF TRUSTEES
REGULAR MEETING
MAY 26, 2020

The regular meeting of the Board of Trustees of the City of Dalton Employees' Pension Plan was held this afternoon at 3:00 p.m. in the Council Chambers of City Hall. Present for the meeting were Chairman Gary Hill, Trustees Mike Sloan, Dwayne Carvell and Vernon Ray. Chairman of the Water, Light & Sinking Fund Commission Joe Yarbrough, Mayor David Pennington and Council member Tyree Goodlett were absent.

MINUTES

The Trustees were presented written copies of the minutes of the meeting of January 28, 2020. On the motion of Trustee Carvell, second Trustee Sloan, the minutes were approved. The vote was unanimous in favor.

SEAS - INVESTMENT PERFORMANCE ANALYSIS – March 31, 2020

Hilda Thompson from SEAS reminded the Board the 2019 was an incredible year for investments. Thompson stated that due to the Covid-19 pandemic, the March 31, 2020 First Quarter Report Market Returns has been significantly impacted. Thompson stated that basically the market tanked in the month of March due to the pandemic. Thompson further reported that the S&P 500 was down nearly 20%, Small caps down nearly 31%, but the good news is there was positive fixed income numbers up 3.1% in the first quarter she stated. Thompson reminded the Board that the Plan is roughly 50% stock 50% bonds.

Thompson further reported that Market values beginning FY2020 was 122.6 million and at the end of March the Plan had lost 12 million, back down to 110.6 million which equates to a negative 10.1 percent lost for the Plan she stated. Thompson reminded that in one quarter in 2020 half of the gains earned in 2019 were loss.

Thompson further reported that as of April 30th, the Plan had gained some of the losses and was back up to 118.4 million, making up 8 million of the lost in one month. Thompson reported that the second quarter was an incredible equity market, stating that it has been one of the highest one month returns in stock market history outlining the Plan being up 12.9% large cap, 14.7% small cap and a positive bond market 1.8%. Thompson stated that the Plan had earned 7% of the negative 10% – YTD down 3.8% for April.

SOUTHERN ACTUARIAL SERVICES - CHUCK CARR

Chuck Carr of Southern Actuarial Services presented the FY2020 Employees Pension Plan Actuarial Valuation as of January 1, 2020. A copy of this Report is a part of these minutes. Carr stated to the Board that the Actuary Valuation as of January 1 2020, is used to calculate minimum required contributions for 2021. Carr stated that there are no Plan changes in the presented Valuation however he stated he did change the assumption regarding mortality to begin using the PUB-2010 Mortality Table. Carr further stated that the assumption change with mortality will add just under 4 million in unfunded liability to be paid for over 10 years.

SOUTHERN ACTUARIAL SERVICES - CHUCK CARR

Continued

After a lengthy discussion regarding the mortality assumption, Carr also presented the 2021 Minimum Required Contribution of \$7,335,354 or (53.14% of covered payroll) which represents a decrease of \$752,420 from the prior year. On the motion of Trustee Carvell, second Trustee Sloan, the report was approved. The vote was unanimous in favor.

ATTORNEY UPDATE

City Attorney Gandhi Vaughn briefed the Board of Trustees stating that he is continuing to work with the law firm Fisher and Phillips, HR Director Greg Batts and DU HR Director Kelly Jones to complete the draft Plan document. Vaughn stated the draft Plan document changes are nearly complete but the Atlanta Council needs direction from the board for the following questions:

Death/Survivor Benefit Scenarios Requiring Clarification

1. Potential Forfeiture of Contributions if Die While Active or Before Giving 6 Months' Notice Under Section 8.01 of the Plan, a non-vested Participant with less than 120 months of service who terminates employment for reasons other than Early Retirement prior to reaching Normal Retirement Date is not eligible for a pension benefit. However, the participant is entitled to a return of his or her contributions to be paid in a lump sum with interest upon providing 6 months' notice to the Board.
2. Forfeiture of Death Benefits if Die Before Election to Commence and Before Reaching Early or Normal Retirement Date Under Section 8.02, a vested participant with 120 months of service who terminates employment prior to reaching his or her Normal or Early Retirement Date is eligible to commence benefits at age 65 or elect an early reduced benefit commencing at age 55.
3. Possible Misapplication of Section 5.02 to Terminated Vested Employees
It is possible that the intent of Section 5.02 as initially drafted was only to cover the death of active employees who were still working after reaching their Early or Normal Retirement Date. This is because the death benefits under Section 5.02 align with the Early and Normal Retirement benefit payment form, which provides for the 55% survivor annuity for surviving spouses after the 120 month certain benefit is paid. In contrast, the normal form for a participant who terminates employment prior to reaching early or normal retirement age is a life annuity with 120 months certain and no 55% surviving spouse annuity. However, the language in Section 5.01 and 5.02 could be interpreted to support both positions.
4. Default Beneficiary Provisions Create Payment Issues Under Section 5.02, for example, if the participant designates his surviving spouse as his beneficiary for the 120 month certain benefit, there is a problem in the Plan if the surviving spouse dies prior to the end of the 120 month period. If there is no surviving contingent beneficiary named by the Participant, the remaining 120 month certain benefit would be payable to the estate of the Participant.

Per Gandhi

Vaughn stated that once the Board determines the direction it wishes to take regarding the death benefit provisions, he will work on recommended plan updates or administrative policies, if appropriate instead. On the motion of Trustee Sloan, second Trustee Carvell, the Board accepted the Report and City Attorney Vaughn will send each member a summary of the pending questions. The vote was unanimous in favor.

RETIREES

Leroy Terry – Dalton Utilities

(1) On the motion of Trustee Sloan, second Trustee Ray the Board ratified payment to Leroy Terry – Dalton Utilities. Copies of the application for retirement, retirement benefit calculations and Authorization to Commence Retirement Payment forms are a part of these minutes. The board noted there is no qualifying spouse. The vote was unanimous in favor.

Patricia Parker – Dalton Utilities

(2) On the motion of Trustee Carvell, second Trustee Ray the Board ratified payment to Patricia Parker – Dalton Utilities. Copies of the application for retirement, retirement benefit calculations and Authorization to Commence Retirement Payment forms are a part of these minutes. The board noted there is a qualifying spouse. The vote was unanimous in favor.

Rhonda James – Dalton Utilities

(3) On the motion of Trustee Sloan, second Trustee Carvell the Board ratified payment to Rhonda James – Dalton Utilities. Copies of the application for retirement, retirement benefit calculations and Authorization to Commence Retirement Payment forms are a part of these minutes. The board noted there is a qualifying spouse. The vote was unanimous in favor.

INVOICES

The Trustees reviewed the following invoices:

- Mitchell & Mitchell Invoice #13550 (\$1,335.00) - Pension Services
- Mitchell & Mitchell Invoice #13595 (\$120.00) - Pension Services
- Mitchell & Mitchell Invoice #13571 (\$645.00) - Pension Services

On the motion of Trustee Carvell, second Trustee Sloan the invoices were approved. The vote was unanimous in favor.

The Trustees reviewed the following invoices:

- Fisher Phillips Invoice #1353367 (\$5,115.00) for services review/update of pension plan document.
- SEAS Invoices #195, #196, #197, #198 for contract services.

On the motion of Trustee Sloan, second Trustee Carvell the invoices were approved. The vote was unanimous in favor.

REPORTS

Financial Statements January - April 2020

1st Quarter Minimum Balance Requirement - MetLife

Market Indices - January 31, 2020

Market Indices - February 29, 2020

Market Indices - April 30, 2020

Employee Pension Plan

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ADJOURNMENT

Chairman Hill thanked everyone for coming. There being no further business to come before the trustees, the meeting was adjourned at 3:55 p.m.

Gary Hill, Chairman

ATTEST:

Mike Sloan, Secretary

RECORDED

APPROVED