

AGENDA

CITY OF BIRMINGHAM FIREMEN'S AND POLICEMEN'S SUPPLEMENTAL PENSION SYSTEM

Board Members:

**William Parker, Chairman
Robert Webb, Member No. 1
William Lipscomb, Member No. 2
Marlon Tolliver, Member No. 3
Hazel Anthony, Member No. 4**

Meeting Time:

**Wednesday, January 8, 2020 at
1:30 p.m. in Mayor's Conference Room "D"
Birmingham City Hall**

Minutes:

**Attached are the minutes of the
November 13, 2019 meeting**

- 1. Approval of the minutes for the November 13, 2019 meeting.**
- 2. Approval of the financial statements for the months of October 2019 and November 2019.**
- 3. Approval of investment activity for the months of November 2019 and December 2019. (Regions Investment Management) – George McCurdy**
- 4. Approval of investment activity for the months of November 2019 and December 2019. (Lazard) – Anthony "Tony" Dote**
- 5. Approval of investment activity for the months of November 2019 and December 2019. (Cooke & Bieler) – Thad Fletcher**
- 6. Approval of investment activity for the months of November 2019 and December 2019. (Great Lake Advisors) – Laurie Watson**
- 7. Approval of investment activity for the months of November 2019 and December 2019. (Penn Capital) – Steve Loizeaux**

8. **Approval of investment activity for the months of November 2019 and December 2019. (Piedmont Investment Advisors) – Charles Curry**
9. **Approval of investment activity for the months of November 2019 and December 2019. (Blackstone) – Michael Cambias**
10. **Approval of investment activity for the month of November 2019 and December 2019. (Ithaka Group) – Scott O’Gorman, Jr.**
11. **Approval of investment activity for the month of November 2019 and December 2019. (Morningside Asset Management) – Yolanda Foreman**
12. **Approval of investment activity for the month of November 2019 and December 2019. (Energy Opportunities) – L. Farrell Crane**
13. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: payment of the 2020 National Association of Public Pension Attorneys (NAPPA) membership dues, and authorization and payment for related expenses for Board Counsel, James D. Love, to attend the Annual National Association of Public Pension Attorneys (NAPPA) 2020 Legal Education Seminar in Tempe, Arizona from February 18-22, 2020.**
14. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the appearances of Mr. Greg Burchell, Mr. Daymeon Fishback, and Ms. Whitney McDade of Morgan Stanley.**
15. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the ****CORRECTED APPLICATION** of Edward T. Hallmark, an employee with the Fire Department, for SERVICE PENSION at the rate of \$2,734.55 per month, effective November 9, 2019 under the provisions of Act 59-556, Section 6 of the pension law. *Mr. Hallmark was previously approved for SERVICE PENSION at the rate of \$2,728.59 per month, effective November 9, 2019 under the provisions of Act 59-556, Section 6 of the pension law on Wednesday, November 13, 2019.***

****Mr. Hallmark’s application is a revised calculation due to longevity payment processed on November 27, 2019.**
16. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Peter E. LaPoint, an employee with the Fire Department, for SERVICE PENSION at the rate of \$2,881.01 per month, effective January 4, 2020 under the provisions of Act 59-556, Section 6 of the pension law.**

17. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the ****CORECTED APPLICATION** of Merv McConico, an employee with the Fire Department, for SERVICE PENSION at the rate of \$2,735.55 per month, effective November 9, 2019 under the provisions of Act 59-556, Section 6 of the pension law. *Mr. McConico was previously approved for SERVICE PENSION at the rate of \$2,728.59 per month, effective November 9, 2019 under the provisions of Act 59-556, Section 6 of the pension law at the Board Meeting on Wednesday, November 13, 2019.***

****Mr. McConico's application is a revised calculation due to longevity payment processed on November 27, 2019.**

18. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of John A. Richard, an employee with the Fire Department, for SERVICE PENSION at the rate of \$2,863.77 per month (DROP AMOUNT \$111,443.04, DROP DATE 12/13/2016), effective December 14, 2019 under the provisions of Act 59-556, Section 6 of the pension law.**

19. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the ****CORRECTED APPLICATION** of Jerry D. Thomas, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,206.02 per month, effective November 12, 2019 under the provisions of Act 59-556, Section 6 of the pension law. *Mr. Thomas was previously approved for SERVICE PENSION at the rate of \$3,196.78 per month, effective November 12, 2019 under the provisions of Act 59-556, Section 6 of the pension law at the Board Meeting on Wednesday, November 13, 2019.***

****Mr. Thomas's application is a revised calculation due to longevity payment processed on November 27, 2019.**

20. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the ****CORRECTED APPLICATION** of Lisa Ann Turner, an employee with the Police Department, for SERVICE PENSION at the rate of \$2,533.43 per month, effective December 7, 2019 under the provisions of Act 59-556, Section 6 of the pension law. *Ms. Turner was previously approved for SERVICE PENSION at the rate of \$2,520.33 per month, effective November 23, 2019 under the provisions of Act 59-556, Section 6 of the pension law at the Board Meeting on Wednesday, November 13, 2019.***

****Ms. Turner's application is a correction because she changed her effective date, instead of leaving on the date she gave originally.**

21. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Christopher D. Whitfield, an employee with the Fire Department, for SERVICE PENSION at the rate of \$2,871.61 per month, effective November 10, 2019 under the provisions of Act 59-556, Section 6 of the pension law.**

THE BOARD OF MANAGERS OF THE CITY OF BIRMINGHAM FIREMEN'S AND POLICEMEN'S SUPPLEMENTAL PENSION SYSTEM met on Wednesday, November 13, 2019 in Mayor's Conference Room "D" at 1:30 p.m.

Chairman William Parker called the meeting to order: The following Board Members were present, namely:

- William Parker, Chairman**
- Robert Webb, Member No. 1**
- William Lipscomb, Member No. 2**
- Marlon Tolliver, Member No. 3**
- Hazel Anthony, Member No. 4**

Board Member Robert Webb made the motion for the October 9, 2019 minutes to be approved. Board Member William Lipscomb seconded.

The Board Members APPROVED the October 9, 2019 minutes.

Chairman Parker thanked Birmingham City Councilor Valerie Abbott, former Chairperson for the City of Birmingham Firemen's & Policemen's Supplemental Pension System, for joining the Board Members. Board Member Parker stated he wanted to make sure the transition goes smoothly, as they are in constant communication to make sure everything moves forward.

Councilor Abbott asked Chairman Parker if he had met the Board Members. Chairman Parker stated he has, and knows some of them directly and indirectly. Councilor Abbott stated all the Board Members are present, and that is unusual sometimes. However, Councilor Abbott stated everything will work out pretty well for Chairman Parker. Chairman Parker thanked Councilor Abbott.

Chairman Parker asked for the investment activity for the months of August 2019 and October 2019 to be approved. Board Member Lipscomb seconded.

Board Member Webb stated the Board Members did not have a meeting in September 2019. In October 2019, Board Member Webb stated he forgot to bring the investment activity report reflecting the August 2019 revenues but he brought them today. The Supplemental Pension System had a \$25,000.00 gain for the month of August 2019. For the month of September 2019, the Supplemental Pension System has a \$30,000.00 gain. The reports come from Regions Bank, which is the custodian for the pension fund.

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Cooke & Bieler) – Thad Fletcher

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Great Lake Advisors) – Laurie Watson

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Mesirow Financial) – Eugene Duffy

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Penn Capital) – Steve Loizeaux

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Piedmont Investment Advisors) – Charles Curry

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Blackstone) – Michael Cambias

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Ithaka Group) – Scott O’Gorman, Jr.

The Board Members APPROVED the investment activity for the months of August 2019 & October 2019. (Morning Asset Management) – Yolanda Foreman

Board Member Webb referenced the September 2019 financial statements, and stated pension contributions received were \$724,000.00; pension fringe costs were \$27,000.00; and \$1.498 million dollars were spent for pension expenses. As a result, the Supplemental Pension System was \$800,000.00 in the hole for September 2019.

Board Member Webb asked Mr. Aaron Saxton, Deputy Director of Finance, if he had any comments on what the Board Members need to do to fund the deficit for the City of Birmingham. Mr. Saxton stated the deficit for September 2019 was largely due to a large pay out in Deferred Retirement Option Plan (DROP) benefits in the amount of \$460,000.00 approximately; that is roughly where the pension fund stands for the year when money is coming in and going out regarding benefits. For the year, it is approximately \$1.5 million dollars.

Board Member Webb stated for clarification the \$460,000.00 involves the DROP and expenditures, or one-third of that. Mr. Saxton stated the Supplemental Pension System is fine, as far as cash is concerned. The Board Members had set some money aside; it will fund the deficit in the operating account.

Board Member Webb stated to Chairman Parker that the Board Members will sometime have to pull money out to cover the deficit.

Board Member Webb stated he would like to make the motion to approve the financial statements for the month of September 2019. Board Member Lipscomb seconded.

The Board Members APPROVED the financial statements for the month of September 2019.

Board Member Lipscomb made the motion to approve the Service Pension and Survivor's Benefits applications.

The Board Members APPROVED the application of Edward T. Hallmark, an employee with the Fire Department, for SERVICE PENSION at the rate of \$2,728.59 per month, effective November 9, 2019 under the provisions of Act 59-556, Section 6 of the pension law.

The Board Members APPROVED the application of Cory S. Hardiman, an employee with the Police Department, for SERVICE PENSION at the rate of \$4,108.94 per month (DROP Amount \$159,898.58, DROP Date 11/01/2016), effective November 3, 2019 under the provisions of Act 59-556, Section 6 of the pension law.

The Board Members APPROVED the application of Merv McConico, an employee with the Fire Department, for SERVICE PENSION at the rate of \$2,728.59 per month, effective November 9, 2019 under the provisions of Act 59-556, Section 6 of the pension law.

The Board Members APPROVED the application of Jerry D. Thomas, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,196.78 per month, effective November 12, 2019 under the provisions of Act 59-556, Section 6 of the pension law.

The Board Members APPROVED the application of Lisa Ann Turner, an employee with the Police Department, for SERVICE PENSION at the rate of \$2,520.33 per month, effective November 23, 2019 under the provisions of Act 59-556, Section 6 of the pension law.

The Board Members APPROVED the application of Dorothy L. Montgomery, widow of George Montgomery, a former employee with the Police Department, for SURVIVOR'S BENEFITS at the rate of \$1,398.67 per month, effective July 27, 2019 under the provisions of Act 59-556, Section 8 of the pension law of the pension law.

There were appearances by Mr. Greg Burchell, Mr. Daymeon Fishback, and Ms. Whitney McDade of Morgan Stanley. Mr. Fishback welcomed Chairman Parker to the Supplemental Pension System Board.

Mr. Fishback referenced the Wealth Management handout, and stated Morgan Stanley's Global Investment Committee and Mr. Mike Wilson, Chief Investment Officer, stated the recent stock market's performance is premised on positive sentiment and reflationary rebound driven mostly by central bank policy and positive trade outcomes. The comment is based on changes in recessionary activity, but what has changed? Monetary policies had changed when full-time jobs were cut last year.

The US economy had a tough time in December 2018. The US Federal Reserve Board Members has been more relaxed, and more conducive to the economy. The European Central Bank also cut rates as well. A Corporate Tax Rate occurred in India. However, the biggest change is a verbal agreement between China and US; that is important because China will not increase tariffs in December 2019. But, that is all verbal. Mr. Wilson had stated he does not feel like it will change. Until liquidity seeps back into the economy, the likelihood of inflation will be felt in asset prices. At present moment, Morgan Stanley is trying to keep its eyes open not only on the escalation of the China wars but on what happens in the US from a fundamental standpoint. Is there still slow growth? Is the consumer still able to maintain its strength? Will US companies lay off workers, or allow them to stay on?

Mr. Fishback stated over the past two months Morgan Stanley has seen nearly fifty basis points back up in the Ten-Year Treasury which is key because back in September 2019 the treasury yield got down to 1.46; one of the key signs of an inverse yield curve that Morgan Stanley thought was going to lead into recessionary measures. The changes come from increased conversations about the China wars but Morgan Stanley is anxious to see if the fundamentals and lack of growth will now begin to pick up, as this has not happen in Mr. Wilson's eyes yet.

Board Member Webb asked if the US is out of the inverse curve. Mr. Fishback stated the inverse yield curve is longer-term interest rates are going to be higher than shorter-term interest rates. Morgan Stanley is anxious to see if that will continue, as the US Federal Reserve Board Members is still contemplating to reduce rates.

Board Member Webb asked Mr. Fishback about the effect of the inverse yield curve if the US Federal Reserve Board Members reduces the rates at the beginning of the fourth quarter. Mr. Fishback stated when the US Federal Reserve Board Members were reducing rates it was because the US was the best shop in town unfortunately. Morgan Stanley thought interest rates were going to go down continuously, but they did not. China and other countries were continuing to buy US yield, which allowed the yield to go up even more. As the US Federal Reserve Board Members continue to reduce interest rates, they want the shorter-term interest rates to be lower than the longer-term interest rates.

Mr. Burchell discussed the charts illustrated in the Wealth Management handout.

Board Member Webb asked Mr. Burchell if the tariff wars will affect the equity market greater than the bond market. Mr. Burchell stated yes. Morgan Stanley is seeing a lot of companies that had manufacturing operations in China move to Southeast Asia, but the companies are not as profitable. China lowered their currency also. China is one of the only major economies in the world that peg their current to a certain level. If a company cannot use cheap labor in China, an impact will ensue.

Mr. Burchell referenced the handout, and stated the portfolio has 37% in US equities; 31% in international equities; and 20% - 22% in cash. For the quarter, it was flat at three basis points. For the One Year, it was up 3.1%. For the Three Year, it was up 7.49%. For the Five Year, it was up 6.53%. For the Ten Year, it was up 8.1%.

Mr. Burchell referenced the Three-Year number in Cashflow History, and stated the Supplemental Pension System had a lot of cashflow to go out. Beginning at the Three-Year number, the pension fund had \$43 million dollars; \$19 million dollars was taken out; and the pension fund made \$9 million dollars. For the next ten years, cashflow will be challenging.

Mr. Burchell discussed the money managers' performance.

Board Member Webb asked Mr. Burchell for his opinion about the impending recession. Mr. Burchell stated the US Federal Reserve Board Members are going to be sensitive to interest rates. The most current rate cuts have been tied to the global economy, which is historical. The recessionary issues need to be softened, as the US Federal Reserve Board Members do not cut rates for no reason. The US Federal Reserve Board Members see some softening in the economy. The Supplemental Pension System will be challenged to make a lot of money in the next eighteen months.

Board Member Webb stated the Supplemental Pension System has done well this year. Mr. Burchell stated his agreement.

Board Member Webb stated Mr. Burchell made mention about the global economy. Board Member Webb stated when he was a Board Member ten years ago, even twenty years ago, the fixed income was not influenced by the global economy. Mr. Burchell stated the US made up close to 50% of the world economy during that time. Now, the US represents approximately 24% of the world economy.

The Board Members thanked Mr. Fishback and Mr. Burchell for their presentations.

Chairman Parker made the motion to adjourn. Board Member Lipscomb seconded.

There being no further discussion, the Board Members APPROVED to be adjourned.

ATTEST:

**Lorren Oliver
Secretary**

**Robert Webb
Chair Pro – Tem**