

CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM

Board Members:
Randall Woodfin, Member No. 1
Martin P. Leonard, Member No. 2
Vacant, Member No. 3
Steven A. Schultz, Member No. 4
Linda Rhodes, Member No. 5
Otis Luke, Member No. 6
Dale Wyatt, Member No. 7
Phyllis Carr, Member No. 8
Nell Richards, Member No. 9

Meeting Time:
Wednesday, December 12, 2018 at
3:00 p.m. in Mayor's Conference Room "A"
Birmingham City Hall

Minutes:
Attached are the minutes of the November 14, 2018 meeting.

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1. Approval of the minutes for the November 14, 2018 meeting.
 2. Approval of the financial statements for the month of October 2018.
 3. Approval of the investment activity for the month of November 2018.
(BBVA Compass) – Richard Underwood
 4. Approval of the investment activity for the month of November 2018.
(Quantitative Management/Prudential) – Kevin McGrory
 5. Approval of the investment activity for the month of November 2018.
(FIS Group) – Charles Curry
 6. Approval of the investment activity for the month of November 2018.
(INVESCO Capital) – Sam Mosolino
 7. Approval of the investment activity for the month of November 2018.
(Lazard) – Anthony Dote
 8. Approval of the investment activity for the month of November 2018.
(Thornburg Investment Management) – Greg Whitaker
 9. Approval of the investment activity for the month of November 2018.
(Rhumblin Advisers) – Denise D'Entremont
 10. Approval of the investment activity for the month of November 2018.
(Penn Capital) – Steve Loizeaux

11. **Approval of the investment activity for the month of November 2018.
(Cooke & Bieler) – Thad Fletcher**
12. **Approval of the investment activity for the month of November 2018.
(Great Lakes Advisors) – Laurie Watson**
13. ****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.**
14. ****Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: discussion regarding the Work Session on November 27, 2018.**
15. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Brenda Ashford, an employee with Municipal Court, for SERVICE PENSION at the rate of \$740.21 per month, effective December 8, 2018 under the provisions of Article VI, Section 1 of the pension law.**
16. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of William E. Coleman, an employee with the Fire Department, for SERVICE PENSION at the rate of \$7,165.38 per month, effective January 6, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Coleman has been receiving a Supplemental Pension in the amount of \$4,283.02 since December 7, 2018.

17. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Gregory Elson, an employee with the Fire Department, for SERVICE PENSION at the rate of \$7,062.56 per month, effective January 6, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Elston has been receiving a Supplemental Pension in the amount of \$4,120.81 since December 28, 2018.

18. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Jerome Fleming, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,463.40 per month, effective November 8, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Fleming has been receiving a Supplemental Pension in the amount of \$2,194.88 since June 30, 2010.

****oral report to be heard by board**

19. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Annette Gamble, an employee with the Health Department, for SERVICE PENSION at the rate of \$2,182.20 per month, effective November 21, 2018 under the provisions of Article VI, Section 1 of the pension law.**
20. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Charles E. Gordon, Jr., an employee with the Fire Department, for SERVICE PENSION at the rate of \$9,801.09 per month, effective January 10, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Gordon has been receiving a Supplemental Pension in the amount of \$5,625.03 since December 28, 2018.

21. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Shirley J. Hasberry, an employee with the Human Resources Department, for SERVICE PENSION at the rate of \$1,593.41 per month, effective December 8, 2018 under the provisions of Article VI, Section 1 of the pension law.**
22. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Sandra V. Lee, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$5,170.69 per month, effective December 8, 2018 under the provisions of Article VI, Section 1 of the pension law.**
23. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Mark Nichols, an employee with Police Department, for SERVICE PENSION at the rate of \$3,463.40 per month, effective November 18, 2018 under the provisions of Article VI, Section 1 of the pension law.**

Mr. Nichols has been receiving a Supplemental Pension in the amount of \$2,202.06 since December 29, 2008.

24. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Donald Sanders, an employee with the Airport Authority, for SERVICE PENSION at the rate of \$563.78 per month, effective December 22, 2018 under the provisions of Article VI, Section 1 of the pension law.**
25. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Jesse L. Straiton, an employee with Police Department, for SERVICE PENSION at the rate of \$3,636.77 per month, effective October 7, 2018 under the provisions of Article VI, Section 1 of the pension law.**

Mr. Straiton has been receiving a Supplemental Pension in the amount of \$2,285.99 since October 24, 2008.

26. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Charlie W. Williams, an employee with Parks & Recreation, for SERVICE PENSION at the rate of \$706.52 per month, effective October 27, 2018 under the provisions of Article VI, Section 1 of the pension law.**

27. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Brenda I. Dees, an employee with Municipal Court, for VESTED SERVICE PENSION at the rate of \$409.99 per month, effective April 25, 2019 under the provisions of Article VI, Section 3 of the pension law “subject to the repayment of the pension loan”.**
28. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Cheryl Boissel, widow of Randy M. Boissel, a former employee with the Police Department, for WIDOW’S BENEFITS at the rate of \$1,592.36 per month effective November 8, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
29. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Robert Campbell, widower of Catherine Campbell, a former employee with the Police Department, for WIDOW’S BENEFITS at the rate of \$320.00 per month effective May 1, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
30. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Daphne Glaze, widow of James R. Glaze, a former employee with Planning & Engineering, for WIDOW’S BENEFITS at the rate of 2,001.04 per month effective December 1, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
31. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Nettie A. Robbins, widow of Leonard Robbins, a former employee with the Police Department, for WIDOW’S BENEFITS at the rate of \$954.11 per month effective November 1, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
32. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Deborah Smith, widow of Willie L. Smith, a former employee with the Finance Department, for WIDOW’S BENEFITS at the rate of \$1,141.67 per month effective November 1, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
33. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Emantic F. Bradford, Sr., an employee with the Arlington Museum, for ORDINARY DISABILITY at the rate of \$2,035.93 per month, effective October 27, 2018 under the provisions of Article VI, Section 7 of the pension law.**
34. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: litigation update.**

THE BOARD OF MANAGERS OF THE CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM met in Mayor's Conference Room "A" on November 14, 2018 at 3:00 p.m.

The following Board Members were present, namely:

- Mayor Randall Woodfin, Chairman**
- Martin P. Leonard Member No. 2**
- Steven A. Schultz, Member No. 4**
- Dale Wyatt, Member No. 7**
- Phyllis Carr, Member No. 8**
- Nell Richards, Member No. 9**

Chairman Randall Woodfin, Mayor, called the meeting to order.

Chairman Woodfin stated the City of Birmingham Retirement & Relief System has a new Board Member, Mr. Dale Wyatt. Chairman Woodfin asked Board Member Wyatt to introduce himself. Board Member Wyatt, Member No. 7, stated he has been with the Birmingham Fire & Rescue Department for almost twenty-eight years. Board Member Wyatt stated he previously served on the Retirement & Relief System Board in 2004 – 2008, and glad to be back. Chairman Woodfin stated the Board Members are glad to have Board Member Wyatt.

Chairman Woodfin asked for a motion to adopt the Amended R&R Board Agenda.

Board Member Martin P. Leonard made the motion adopt the Amended R&R Board Agenda. Board Member Nell Richards seconded.

Board Member Richards made the motion for the minutes of October 10, 2018 to be approved. Board Member Leonard seconded.

The Board Members APPROVED the minutes of October 10, 2018.

Board Member Leonard made the motion to approve the financial statements for the month of September 2018. Board Member Richards seconded.

The Board Members APPROVED the financial statements for the month of September 2018.

Board Member Leonard made a motion to approve the investment activity for the month of October 2018. Board Member Richards seconded.

The Board Members APPROVED the investment activity for the month of October 2018. (BBVA Compass) – Richard Underwood

The Board Members APPROVED the investment activity for the month of October 2018. (Quantitative Management/Prudential) – Kevin McGrory

The Board Members APPROVED the investment activity for the month of October 2018. (FIS Group) – Charles Curry

The Board Members APPROVED the investment activity for the month of October 2018. (INVESCO Capital) – Mark Blackburn

The Board Members APPROVED the investment activity for the month of October 2018. (Lazard) – Anthony Dote

The Board Members APPROVED the investment activity for the month of October 2018. (Thornburg Investment Management) – Greg Whitaker

The Board Members APPROVED the investment activity for the month of October 2018. (Rhumblin Advisers) – Denise D’Entremont

The Board Members APPROVED the investment activity for the month of October 2018. (Penn Capital) – Steve Loizeaux

The Board Members APPROVED the investment activity for the month of October 2018. (Cooke & Bieber) – Thad Fletcher

The Board Members APPROVED the investment activity for the month of October 2018. (Mesirow Financial) – Eugene Duffy

The Board Members APPROVED the investment activity for the month of October 2018. (Great Lakes Advisors) – Laurie Watson

There was an appearance by Mr. Greg Burchell of Morgan Stanley. Mr. Burchell referenced the Wealth Management handout, and stated Morgan Stanley looks at the different asset classes by year; ten-year average; and ten-year volatility. The 2018 Year-To-Date, through October 31, 2018 was led by US equities at a 3%. At present moment, the returns are negative. Emerging Market Equity is a negative 16%. With a contrarian approach to vesting, Mr. Burchell stated outperformance is made in the down markets. The decisions are made during volatile markets, e.g. how to weigh the portfolio and identifying opportunities made in times like what is going now. Last quarter, the Board Members made a strategic move to lower the allocation to growth stocks; overweigh in US value; lower the small-and mid-cap exposure; and slightly tilt the portfolio more into international. Market Leadership changes. It is good to look at past performance as an indicator of opportunity, but necessarily for future results.

Mr. Burchell stated the Price-To-Earnings Market is similar to a Price-Per-Square Foot in real estate. If a company earns a dollar in the US growth space, \$20.00 will be paid to that company. It has gotten higher in 2018, but it was pulled back recently. The economy is currently in the fair-market value across the board. In relation to historical valuations, Japan has a multiple of \$12.00. If a company in Japan earns \$1.00, \$12.00 will be paid when it was \$19.00 historically. Morgan Stanley uses the Price-To-Earnings Market as a barometer in terms of what they like in asset classes; if they think something is broken in a particular part of the economy or market they will take that into account. Clearly, the US is the best neighborhood on block and Morgan Stanley thinks a premium should be paid for it.

Mr. Burchell discussed how political positions impacted the overall economic cycle and market. Given the recent 2018 US Mid-Term Elections, there was no serious impact despite what the talking heads on television had said. Overall, the economy is in the expansionary phase that began 2011. There four phases the economy goes through: Downturn, Repair, Recovery, and Expansion. The economy has been in the expansionary phase since 2011; coming off the repair and recovery phases since 2008. The Democratic Administration was in the US Whitehouse the majority of that time, and mostly recently a Republican Administration. In the overall expansionary phase, the S&P return approximately 0.83% on a monthly basis. During the Republican Administration, it was 0.77% and 0.87% during the Democratic Administration. By and large, business cycles mattered more than the party that is in office.

Mr. Burchell stated the US has been in a rolling-bear market. Through November 9, 2018, the top line number for the S&P 500 was 5.74% returns Year-To-Date. However, energy was down at 2.76%; materials were down at 7.85%; industries were down at 3.1%; consumer discretionary was up 12%; consumer staples were positive but below the top line number; healthcare was the big winner; financials was down at 1.85%; information technology was up at 11%; telecom was almost down at 6%; utilities was up at 7%; and real estate was approximately at 3.2%. Despite the top-line number being pretty strong, there have been sectors throughout the entire US market that had been taken out and shot individually. Morgan Stanley has seen that opportunistic time for the money managers to buy those sectors when they have resorted to a better valuation. With Price-To-Earnings Multiple, Morgan Stanley thinks there is support at sixteen times. If a company in the US is earning a dollar, Morgan Stanley thinks there is support in the market in terms of volatility at sixteen times. However, Morgan Stanley does not that it is going to be much higher than that because interest rates continue to move higher. It is going to be harder for companies to expand their business and grow their earnings in an increasing interest rate environment. The competition for stocks is looking very attractive with bond yields. By and large, the multiple is where is it is currently and companies could continue their earnings. However, the stock valuation will go lower if multiples do not expand or go lower. Morgan Stanley is expecting the S&P earnings to be approximately \$178.00. From a valuation standpoint, the US markets are fairly valued and not slightly overvalued.

Morgan Stanley really thinks that there is opportunity in selected pockets of the US markets, specifically from a value standpoint. Value stocks are trading approximately at thirteen times the earnings vs. growth stocks. Morgan Stanley made that strategic rebalance last quarter to take from the overweight and put in a slight tilt to international.

Mr. Burchell stated there was not a single move in the market in the 3rd Quarter and he lost count in the current 4th Quarter; there was a tremendous amount of volatility. International continues to underperform. As the dollar strengthens, the local securities go down and depreciate in value as they are traded in relation to US investors. The US dollar has been very strong vs. emerging markets; this may present some opportunities. The Growth Domestic Product (GDP) at 2.9% is what Morgan Stanley is expecting for 2018 is an environment where the Global Growth Domestic Product is approximately 3.8%. The GDP is not the top-line grower, but there are other areas that are growing faster in the US. Profits were up 2.4%, and 16% as of 2018 2nd Quarter. The unemployment number was 3.9%; this will be a contributing factor in terms of wage inflation when competing for new employees.

Mr. Burchell stated the Retirement & Relief System's portfolio was primarily bonds ten years ago at 50% - 60%. When seeing the need to meet the actuarial requirement, there was not a lot of opportunity during that time. However, in the most recent decade, the allocation to bonds was lowered; dropping it down to 15% as reflected in the Investment Policy. The 15% is reflected in the twelve-month number; bonds were reflected in the high-yield bond market at 3.1%. The reflection is a spread between lower-quality, below investment-grade. Junk bonds are tightening their spread over treasuries. At the present moment, Morgan Stanley does not like high-yield bonds as much because the portfolio will not get paid to take risks. Morgan Stanley positioned the portfolio in a short duration, bank loan-type portfolio with Penn Capital. Penn Capital is currently navigating this particular interest-rate environment in a very short duration-type portfolio. Aside from that, there has not been a lot of opportunity. The task was nearly impossible with trying to get 7.5% yield with 40% - 50% bonds. The portfolio is currently okay given the current allocation in bonds.

Mr. Burchell stated US equities has 42% in the portfolio, but 27.7% is reflected in the Total Performance handout. Morgan Stanley does not have a specific allocation; there is some slight US exposure to non-US in the portfolio. Fixed Income has 21%, and global alternatives are a reflection of what is left in Mesirow Financial. For the quarter, the Retirement & Relief System made almost \$33 million dollars for the One-Year; \$80 million dollars reflected at 3.1% for the quarter; and \$7.76 million dollars for the year. Going back ten years, the Retirement & Relief System made approximately \$740 million dollars; the asset allocation changed over time is a point of reference.

Mr. Burchell stated Rhumblin Advisers, Great Lakes, Quantitative Management/Prudential, and Cooke & Bieler were the top contributors in the growth sector for the Total Fund Return. The detractors were the bond managers who had lower returns than the equity managers.

This was to be expected, and will be a typical situation over time with bond managers than with international/equity managers. The Board Members made some allocation decisions with Thornburg International Management, as the new managers come on. Mr. Burchell stated he will give an update in a moment.

Mr. Burchell stated it has been a tough quarter for active management, but five out of ten managers outperformed their benchmark. In the 4th Quarter, some of the managers who underperformed had outperformed; that is difficult to do. Since inception, all ten managers had outperformed their benchmark. In a ten-year period (example), it is very typical in market cycle that an active manager would underperform over a period of certain quarters. However, the Retirement & Relief System has a good portfolio line-up. Mr. Burchell feels very confident that the managers are going to continue to provide the returns.

Mr. Burchell stated the Retirement & Relief System started at \$644 million dollars in July 1997. Approximately \$672 million dollars was withdrawn between 1997 and 2009; \$425 million dollars was withdrawn between 2009 and 2018, which is three-quarters of that same time period as July 1997. Every municipality in the country is facing increasing liabilities and increasing pension withdrawals.

Chairman Woodfin asked Mr. Burchell if he has a number for the increasing liabilities. Mr. Burchell stated he believes it was \$378 million dollars in unfunded liability according to the last actuarial report. In terms of Total Liability, \$2 million can simply be added to the \$378 million dollars altogether when discounting it back to current rates. The discount of current rates is done over a twenty-year time period.

Board Member Leonard stated to Chairman Woodfin there are two different evaluations. One evaluation falls under the Governmental Accounting Standards Board (GASB), and the other falls under the General Business Standards (GBS). The significant differences between the two evaluations have to do with some of the requirements when evaluating the unfunded liability. Mr. Burchell stated that is correct.

Mr. Burchell stated if the Retirement & Relief System had made a zero return in 1997, it would have been a negative \$28,000.00. With the \$1.80 billion dollars plus the withdrawals at \$672 million dollars, the value added is \$1.753 billion dollars.

Board Member Leonard stated the two downward bumps is what got the Retirement & Relief System in trouble in 2002, and 2008-2009; it was disastrous. Mr. Burchell stated his agreement by adding that the increasing withdrawal rate has been difficult to deal with. The market can be volatile, while withdrawals are being taken on a regular basis. In 2008, approximately \$80 million dollars was taken out make pension payments. The market was down plus \$80 million dollars was taken out, and the Retirement & Relief System never did have to opportunity to recover those dollars.

Mr. Burchell referenced the Projects List, and stated Morgan Stanley has been forecasting increased volatility and lower returns from equities. The increase in interest rates is a challenging environment for fixed income; part of that process is trying to achieve the most efficient portfolio with the least amount of risk. Mr. Burchell stated he feels that the Retirement & Relief System's portfolio is at that point with fixed income at 15% according to policy; taken at a short duration, high-yield position. From a prudent standpoint, the portfolio is at that minimum point on fixed income. With regards to equity exposure Morgan Stanley thinks adding private market portfolios, specifically private equity; private real estate; private credit; and infrastructure would be the best course of action in order to add return. The portfolio currently does not have that exposure now, but legislation freed up that opportunity awhile back for it to be executed it. Mr. Burchell stated he believes Mr. James Love, Board Counsel, executed the documents for GCM Grosvenor and Hamilton Lane. The Board Members and Morgan Stanley are expecting capital calls at any day to make the first initial investment; it will be done over a period of years. The total in capital investment is expected to be up \$150 million dollars, if not less than that. It will depend on how those particular investments mature prior to the capital calls.

Mr. Burchell stated Morgan Stanley wants to further diversify the international portfolio; one with more of a blend and the other with a value tilt. The international developed manager should have a growth tilt and the small-cap manager would that as a source of funds. Thornburg continues to underperform their benchmark, and had some manager turnover. Mr. Burchell stated he has been talking with the Finance Department, and they are currently \$4 million dollars behind to fund pension payments. Mr. Burchell recommends moving the money from the current cash position that was formerly Mesirow Financial; there is currently \$64 million dollars in there. Mr. Burchell recommends moving \$15 million dollars from Mesirow to fund current pension payments.

Board Member Phyllis Carr asked Mr. Tom Barnett if he knows the total that the Retirement & Relief System funds to pensioners for the quarter. Mr. Aaron Saxton, Deputy Director of Finance, stated it is close to \$78 million dollars a month. Mr. Burchell stated he believes it is approximately \$90 million dollars a year; not counting payroll.

Chairman Woodfin asked if the Board Members need to vote on these transfers today, or if the Board Members need to have more discussion about it. Ms. Whitney McDade stated the transfer is already in cash, and it is sitting in the Mesirow account right now. The money will need to be transferred into a bank account for pension payments.

Board Member Steven A. Schultz stated for clarity the "\$4 million dollars behind" means that money will need to be put into the cash account to make pension payments. Mr. Saxton stated the Board Members typically approve additional distribution from the investment accounts to go into the operating account to pay for pension obligations. The cash balance is a negative \$4.4 million dollars because the Finance Department is a month and a half into the quarter.

Board Member Carr stated she always has a question about that. If the Retirement & Relief pays pension payments every three months at \$21 million dollars, why the \$21 million dollars cannot be taken from wherever it will come from? The Board Members will not worry about it at that point instead of pulling money each time. Mr. Saxton stated approximately \$15 million dollars is what the Finance Department projects every quarter.

Board Member Carr stated money is being pulled from other managers or somewhere else because the \$15 million dollars is not covering the whole payroll for three months. Ms. McDade stated she thinks the \$15 million dollars has been pretty consistent because that is what Morgan Stanley projects at the beginning of each quarter and say where the money will come from. When Morgan Stanley recently did the rebalance one or two months ago, they raised \$10 million dollars of the \$15 million dollars. The \$4.4 million-deficit comes from the \$10 million dollars being raised out of the \$15 million dollars; now the Finance Department needs \$15 million dollars. If the Board Members want to raise \$10 million dollars again to cover the rest of \$15 million dollars, they can do that.

Board Member Carr asked why the Board Members cannot just make the transactions cover it. Ms. McDade stated Morgan Stanley and the Finance Department will look it again in January 2019 for the next \$15 million dollars.

Mr. Burchell stated the sources of income are employee contributions, employer contributions, interest drawn from the bond managers, and securities lending income; these sources are used to make pension payments. Morgan Stanley keeps up with the numbers as reflected on the Projects List. Going back to July 1, 2018, the Retirement & Relief System paid \$10 million dollars in pension payments for the Fiscal Year-To-Date and securities income was approximately \$422,000.00. No interest in fixed income was drawn down this quarter, but it was drawn down in November 2018; the latter is not reflected in the October 2018 numbers.

Mr. Burchell stated again \$10.422 million dollars was taken out Fiscal Year-To-Date beginning July 1, 2018. In 2015, the Board Members previously approved to take out \$8 million dollars a quarter; the number had progressively gone up to where they agreed to take out \$15 million dollars a quarter to make pension obligations. If the funding was kept at \$15 million dollars a quarter, the Board Members would have been approving an additional \$15 million dollars; bringing the total to \$30 million dollars. If the current total is \$15 million dollars, the total would be \$25 million dollars (if the Board Members were to approve the \$10 million dollars) plus securities and any fixed income cost.

Board Member Leonard made the motion to approve the transfer \$15 million dollars from Mesirow Financial to fund pension payments. Board Member Wyatt seconded.

The Board Members APPROVED to transfer \$15 million dollars from Mesirow Financial to fund pension payments.

Ms. McDade stated Mesirow Financial has been completely liquidated; 5% is in an audit holdback fund that is going to stay designated as Mesirow. Morgan Stanley would like to move the remaining amount of approximately \$61 million dollars, minus the \$15 million dollars that was just approved for pension payments, into a capital call holding account. The Board Members will see it as a separate line item; it will be seen as cash. It will be a capital call holding account that will show funds readily available to fund capital calls from Hamilton Lane and GCM Grosvenor. The Board Members and Morgan Stanley had talked about this before, but Ms. McDade stated she does not know if an actual motion is needed from the Board Members to move that cash.

Chairman Woodfin asked Ms. McDade if she remembers why there was no motion, e.g. if there was any un-readiness or questions. Ms. McDade stated she believes the Board Members and Morgan Stanley were waiting on the capital call account to open.

Mr. Burchell stated the rationale is that a capital call could come in at any time. The timeframe is usually a two-week notice minimum to raise the funds for GCM Grosvenor and Hamilton Lane; this is unlike the traditional money managers where the account is funded and the managers buy the investments. There are going to be times where the capital calls will happen in between R&R Board Meetings, and Morgan Stanley and the Finance Department will need to fund those particular opportunities.

Board Member Leonard stated he is going to assume the capital fund income is going to produce some income-producing investments. Mr. Burchell stated there are some income-producing investments, specifically in the private credit space. Private equity investments will be funded also for maturity.

Board Member Leonard stated in the interim the Board Members would transfer the difference between the \$61 million dollars and the \$15 million dollars that is transferred to the City, and the money will be put into an interest-bearing holding account.

Board Member Wyatt stated for clarification the money will be used for capital ventures. Ms. McDade stated that is correct; it will not be cash.

Mr. Burchell stated he believes the current money market rates are approximately 2.4% or 3%.

Board Member Leonard made the motion to transfer the difference between the \$61 million dollars and the \$15 million dollars that is transferred to the City to be put into an interest-bearing holding account. Board Member Wyatt seconded.

The Board Members APPROVED transfer the difference between the \$61 million dollars and the \$15 million dollars that is transferred to the City, to be put into an interest-bearing holding account.

Mr. Burchell stated the Board Members previously approve to hire Capital Group to manage \$70 million dollars and Victory Tri-Valent to manage \$30 million dollars in the small-cap space. It is Mr. Burchell's understanding that the investment management agreement is being finalized with a side letter between Mr. James Love, Board Counsel, and both firms. Mr. Love stated the letters are for both firms.

Mr. Burchell stated the finalization for both Capital Group and Victory Tri-Valent, and Mr. Love is expected to be completed prior to next month's Board Meeting. Mr. Burchell stated he would like the Board Members to authorize Morgan Stanley to liquidate Thornburg Investment Management, once everything has been finalized; specifically move securities from Thornburg's account to Capital Group. The portfolio will be transitioned, and liquidate the remainder to fund the collective investment trust for Victory Tri-Valent.

Board Member Carr asked Mr. Burchell if the extra million dollars will go into the holding fund as well. Mr. Burchell stated yes.

Board Member Leonard stated made the motion to transfer investments from Thornburg Investment Management, upon completion of the contractual arrangements with Capital Group and Victory Tri-Valent.

Board Member Wyatt stated for clarification that Thornburg will be liquidated completely. Board Member Leonard stated yes.

Board Member Richards seconded.

Board Member Wyatt asked Mr. Love if everything is ready to go. Mr. Love stated there is a side letter.

Board Member Wyatt asked Mr. Love what the side letter addresses. Mr. Love stated the letter addresses jurisdiction.

Board Member Wyatt stated jurisdiction for... Mr. Love stated in case there is a lawsuit. Board Member Wyatt stated he understands.

The Board Members APPROVED to transfer investments from Thornburg Investment Management, upon completion of the contractual arrangements with Capital Group and Victory Tri-Valent.

Mr. Burchell stated the Board Members were sent a copy of the Investment Policy for their review last month. There were some discussions at last month's Board Meeting about the changes made to the policy, and Mr. Burchell stated he would like for the Board Members to approve the Investment Policy. Mr. Burchell stated he and Mr. Love discussed the changes, and they are agreement with those changes.

Board Member Schultz asked Mr. Burchell if there were any further changes since last month's Board Meeting. Mr. Burchell stated no, other than what was recommended.

Board Member Leonard made the motion to adopt the Investment Policy. Board Member Wyatt seconded.

The Board Members APPROVED the adoption of the Investment Policy.

Mr. Burchell thanked the Board Members for their time.

Chairman Woodfin referenced the Board Agenda regarding the City's Unfunded Liability, and introduced Mr. Daniel Coleman. Mr. Coleman wants to go into a little detail about the unfunded liability, as mentioned earlier by Mr. Burchell. The City's Unfunded Liability is \$378 million dollars.

Mr. Coleman thanked the Board Members for allowing him to talk with them. Mr. Coleman stated he is a citizen of Birmingham, AL. Mr. Coleman stated he was raised in Birmingham; moved away after high school; worked on Wall Street in New York, NY for thirty-two years as a whole; and commuted between New York and Birmingham periodically. Since 2017, Mr. Coleman stated he has been in Birmingham full time and was involved in Mayor Woodfin's transition team as Co-Chair of the Transparency and Efficiency Committee. As Co-Chair, Mr. Coleman stated he focused mainly on the finances for the City with the other committee members. After the committee's work was done, the committee asked Mayor Woodfin asked him if they could keep working with the City. The committee believed there were a lot of opportunities to make the City's finances better, more stable, and ultimately better for the citizens and employees.

Mr. Coleman stated the numbers jumped out when the committee looked at them; jumping out in a way that threatens the City's future and employees' financial stability. The numbers were the deficit in the Retirement & Relief System. The committee may have understood why the numbers did not jump out three years ago, because the numbers were [considered] a footnote. For those who love reading CalPERS (the California Public Employees Retirement Systems), one would have to look really hard to see that footnote but it is pretty obvious. The GASB (General Accounting Standards Board) numbers are even bigger. However, the committee focuses on the business number, i.e. actuarial number because it is the right number to focus on; it is still big at \$378 million dollars. To put in perspective, when looking at the value of all the assets the City owns and put them against the \$378 million dollars, the City is worth \$3 million dollars.

Mr. Coleman stated the committee is aware that the Retirement & Relief System currently has a little more than \$1 billion dollars, according to Morgan Stanley. Mr. Coleman referenced a slideshow presentation regarding the City's Unfunded Liability, and stated the City owes almost \$1.4 billion dollars in today's dollars. How does that work? The Segal Company of Atlanta, GA figures out these numbers by trying to guess when people retire, how long they are going to live, and how much money the City will have to pay; the guess work is pretty complicated. The Segal Company looks out into the future at these big numbers and brings them back into today's dollars; using a discount rate at approximately 5.4%. Unfortunately, the numbers reflected in the slideshow are from a year ago but they are the best numbers the committee has. To put in perspective, if someone were to give Mr. Coleman \$100.00 twenty years from now, it would be worth approximately \$35.00 today. If the 5.4% was moved around, the \$35.00 would go up and down a lot. The 5.4% does move around with different assumptions, but this is the best number the committee has. Right now, it looks like the City has a big problem with \$378 million dollars. It is not just a problem for the City, but is a problem for the employees in particular. From a GASB approach, which is a little more aggressive but something that the rating agencies focus on, the pension will run out in twenty-nine years. What does that mean? Provided if these numbers are accurate, a fifty-year old employee will receive Social Security only at eighty years old. Provided if these numbers are accurate, a thirty-five-year-old employee will not get a pension when they turn sixty-five.

Board Member Wyatt stated for clarification that is under GASB. Mr. Coleman stated yes.

Board Member Wyatt stated that is under the assumption that the Retirement & Relief System does not have any more contributions coming into it. Mr. Coleman stated that is correct, and it is not too far off actuarially. The information reflected in the slideshow is not meant to scare employees.

Board Member Wyatt stated the information is scary. Mr. Coleman stated the information is scary in its own right, but the committee uses GASB because the rating agencies will come after the City again through GASB. Mr. Coleman stated it is important to understand the broad causes of the deficit. In 2005 and forward, the City did not put in the actuarial amount required that was needed. The numbers reflected on the slides are raw numbers, as Mr. Coleman did not want to get caught up with the complications of interest rates. Over a twelve-year period, the City underfunded the pension by \$100 million dollars.

Board Member Leonard stated for clarification the City did pay the required contribution at one time. However, the law was changed fifteen – twenty years ago to make the City's payment and employees' payment equal. At that particular time, those two amounts did cover the actuarial amount. Over a period of time, the required contribution went up. It was written in stone that this is what the contributions are going to be. When the tables turned, no additional contributions were made. That is what happened. Mr. Coleman stated he appreciates Board Member Leonard's perspective.

Mr. Coleman stated he is addressing where the City stands now, and how it got there; explaining where the number comes from. Board Member Leonard's perspective is very helpful. The other issue is the expectation of how much is made in assets as reflected in the portfolio. The City underperformed their actuarial expectation by approximately \$135 million dollars over the same time period. Mr. Coleman stated he does not know what happened, but he can imagine that the City was shell-shocked just like everyone else in 2008 and 2009, and moved to bonds; thus the reason for underperformance. Mr. Coleman stated he does not know if that was the case, but it would have been a very rational thing to do at the time. The main point is about a third of this problem comes underperformance in the assets. The other \$90 million of the problem comes from actuarial slippage and some accounting changes. The assumptions made when people retire, how long they live, etc. change over time and the change accumulates.

Mr. Coleman stated he just explained the \$325 million of the \$378 million. The Board Members should keep in mind the numbers come previous years. If the numbers were moved forward to 2017, it would have explained most of the \$378 million dollars more than likely.

Chairman Woodfin asked Board Member Leonard if he had a question. Board Member Leonard stated he still says that differences stemmed from those two troughs. Not only did the Retirement & Relief System absolutely lose 20% in one period and 30% in another period, but the pension fund lost the ability to earn additional income on what was lost. Board Member Leonard stated he had done some figures, and it was concluded that the Retirement & Relief System lost approximately \$300 million dollars over those two troughs. If the pension fund had had \$300 million dollars and it earned 5%, it would have had \$600 million dollars more. Board Member Leonard stated he and Mr. Coleman are both in agreement that there is a problem, but Board Member Leonard recalls vividly how the deficit got there.

Board Member Schultz stated Board Member Leonard's recollection is not too far off from what Mr. Coleman is presenting. The underfunding is combination of factors that got the Retirement & Relief System to where it is now. Board Member Leonard stated yes.

Mr. Coleman stated another issue is what will happen if the Board Members do not do anything. In January 2017, the rating agencies downgraded the City. The rating agencies made it very clear that they will downgrade the City again if the City does not shore up that hole, i.e. it will cost the City more money to borrow. The City primarily borrows money for capital expenditures such as police cars, fire trucks, road pavement and equipment for Parks & Recreation. The City will have to borrow less going forward effectively. If the rating agencies lower the City again and again after this, it will become harder to borrow at all. It will be at that point that the City will hit financial distress, and they will need to avoid this.

Mr. Coleman stated the problem can be fixed. The Segal Company stated it will cost the City \$12 million dollars a year for over thirty years. The information is good enough for the rating agency; looking at it like a bond that goes away in thirty years. If the City comes up with \$12 million dollars to put towards the underfunding, the problem will be dealt with.

Mr. Coleman stated if the City dealt with the problem today, over \$40 million dollars is the amount needed for the Retirement & Relief System. The amount is close to 10% of the City's budget; the equivalence of almost three library systems. If the City waits or is still fixing the pension system thirty years from now, the underfunding will go up a lot. If the City waits ten years, \$12 million dollars will become \$30 million dollars; causing the City to spend 14% of its budget. If the City waits twenty years, \$12 million dollars will become \$90 million dollars; causing the City to spend 21% of its budget. Both scenarios will cause financial distress for the City.

Mr. Coleman stated the City can address the underfunded in four ways only. If the City pays on the underfunding for forty years or fifty years, it will not solve anything. The rating agency told the committee it will be acceptable if the City pays underfunding off "tomorrow", but the City has to start "tomorrow" in order to pay it off in thirty years. The four ways are:

- 1) Cut the expenses of running the pension fund.**
 - Every dollar that is spent running the pension fund comes out of the investment returns; a possibility the City needs to think about.**
- 2) Increase contributions made by employees.**
- 3) Increase contributions made by the City.**
- 4) Decrease the benefits received by employees when they retire.**

Mr. Coleman stated the City can do a combination of all four, but these are the only four levers the City has. Three of the four levers require an act from the State of Alabama. If there are any changes that need to be made in a reasonable amount of time in the first half of 2019, the City needs to be prepared with legislation by the end of 2018.

Mr. Coleman referred back to the expenses by stating every dollar the City saves on expenses could go towards pension. The City can figure out ways to: 1) Service the employees as well as they are now or better; 2) Get investment returns just as good as they are now or better; and 3) Keep control of the benefits as usual. If all three can be done for less than \$4 million dollars, the City should do it.

Mr. Coleman stated again that he is not an employee with the City, but he is a concerned citizen for the employees and very concerned for the City.

Mr. Coleman asked the Board Members as a courtesy to work with the City's Financial Advisory Committee to protect the pension. The Board Members and the committee do not have a lot of time to get legislation ready by the end of 2018. The committee consists of four members who are willing to work with the Board Members. The Board Members can look at all opportunities or options the committee has with the different levers. Unfortunately, there are only four levers.

Chairman Woodfin thanked Mr. Coleman for his presentation, as it is isolated towards the problem. Chairman Woodfin stated that he does not think the Board Members are prepared to make any decisions at today's regular scheduled Board Meeting. The Board Members do not know what the details are for those four options. However, Chairman Woodfin stated he does not personally believe in increasing any amount the employees are paying into the pension fund; it will not be good sale to the employees anyway.

Chairman Woodfin stated he wants to have a discussion with the Board Members about presentation given by Mr. Coleman.

Board Member Leonard stated he mentioned [at last month's Board Meeting] about having Mr. Rocky Joyner of the Segal Company to come to a Board Meeting to discuss the unfunded liability issue. The state legislature will start on the first week of March 2019. Board Member Leonard stated he will pledge all the time he can give to have a discussion about the unfunded liability, but he is wondering if the first of March 2019 may be a little hard to meet. However, Board Member Leonard thinks the Board Members are willing to try.

Chairman Woodfin stated he thinks the issue is serious enough for the Board Members to deviate outside of the meeting once a month. If additional meetings are needed without putting too much taxation on one Board Member's or the Board Members' time, it can be done. Board Member Leonard stated his agreement.

Board Member Richards asked Mr. Coleman if he was aware that one part was already approved and taken effect. Mr. Coleman stated he is sorry that he does not understand the question. Board Member Richards stated the City has another percent to put in to get to the 9%. Mr. Coleman stated that is included in the numbers.

Chairman Woodfin stated the 9% is included in the numbers, but he heard Mr. Coleman mentioned that the City has a minimum threshold of \$12 million dollars a year. The 9% trigger alone does not get to \$12 million dollars. Board Member Richards and Board Member Leonard stated their agreement.

Board Member Schultz stated for clarification the \$12 million dollars assumes the 9% is already in there. Mr. Coleman stated that is correct.

Board Member Leonard stated Mr. Joyner will need to come to a Board Meeting. Chairman Woodfin stated his agreement.

Chairman Woodfin stated he and the Board Members are required to solve problems. As Board Members', it is their over-arching job is to make sure there is a solvent pension. Chairman Woodfin stated he is new to the Retirement & Relief System Board, along with at least three new Board Members and an empty seat. As long as Chairman Woodfin has been coming to the Board Meeting since 2018, he does not think the problem has been detailed until he saw Mr. Coleman's presentation. The Board Members are being told that if the City and the Board Members do not do anything about this problem, it will spiral.

Chairman Woodfin stated he wants to meet with the Board Members on November 28, 2018; this meeting is prior to the regular scheduled meeting on December 12, 2018. The Board Members will look at the four options, and hear some details on how to get to the \$12 million dollars. Board Member Leonard stated the Board Members will need to have a Special Call Meeting to keep their options open if they are going to make a decision on November 28, 2018.

Board Member Leonard made the motion to have a Special Call Meeting on November 28, 2018 to discuss the unfunded liability and invite Mr. Rocky Joyner of the Segal Company to the meeting.

Chairman Woodfin stated he listened to what Board Member Leonard mentioned earlier about March 2019 being the default-line date for the legislative session. If the Board Members decided on one of those four options, it will require interaction with the state legislators in Montgomery, AL. In order to make it happen, the Board Members will need to work "backwards", i.e. March 2019; February 2019; January 2019; December 2018; and two remaining meetings November 2018 to get towards a solution quickly. However, the meetings should not be isolated to one monthly Board Meeting.

Board Member Leonard stated he would like to think the Board Members could, but he is not totally optimistic. Chairman Woodfin stated his agreement.

Chairman Woodfin stated the November 28, 2018 Special Call Meeting says two things to him: 1) There is a problem and 2) Find a solution. The Board Members should get some solutions in front of them.

Board Member Leonard made the motion to have a Special Call Meeting on November 28, 2018 with Mr. Rocky Joyner of the Segal Company to start working on some solutions.

Board Member Schultz asked Board Member Leonard to hold up on his motion.

Board Member Schultz stated he is not sure that Mr. Joyner can help the Board Members until they know more about what they have in mind. Once the Board Members have something in place, they can ask Mr. Joyner if it makes sense or can it get them where they need to go. Board Member Leonard stated the only reason why he wants Mr. Joyner to be at the meeting is because if the Board Members come up fifteen items and these fifteen items are going to solve the problem, it will take Mr. Joyner two or three weeks to get back with the Board Members. Mr. Joyner may say “No, you (Board Members) have not accomplished anything. Go back to the drawing board”. Mr. Joyner should be at the meeting with his expertise, if he can make it. Mr. Joyner can guide the Board Members to see if they are going in the right direction; making some headway to solving the problem.

Chairman Woodfin stated for clarity the over-arching request if for Mr. Joyner to be engaged at November 28, 2018 Special Call Meeting. Chairman Woodfin stated he thinks that could happen, whether it is in person or video conference. Board Member Leonard stated his agreement.

Chairman Woodfin stated he wants to make sure he gets Board Member Leonard’s motion right. Chairman Woodfin asked the Board Members if they are comfortable with a Special Call Meeting on November 28, 2018 to entertain a solution or solutions toward making the Retirement & Relief System more solvent; whether it is more questions or sharing with Mr. Joyner and moving from there.

Chairman Woodfin asked Board Member Leonard if he heard Board Member Leonard correctly. Board Member Leonard stated yes. It may be a case where all the Board Members may not be in agreement, but they will not know until they meet and put their heads together. Chairman Woodfin stated he understood.

Board Member Wyatt seconded Board Member Leonard’s motion, and stated he would to speak on the motion.

Board Member Wyatt stated he thinks it is a great idea that the Board Members need to meet as often as they have to, whether it is informal or not. Board Member Wyatt stated his assumption that Mr. Coleman had spoken with the Board Members about the presentation. Board Member Wyatt stated today was his first time seeing presentation, and he was not expecting it. When the Board Members meet on November 28, 2018, Board Member Wyatt stated he does not want a whole platter of information that needs digesting in a one-hour meeting. Board Member Wyatt stated he wants to digest the same information, like Mr. Coleman’s committee has done already, prior to the Board Members making a decision within two hours.

Chairman Woodfin stated there currently eight members on the Retirement & Relief System Board working together to solve this issue. This tells Chairman Woodfin two things: 1) Communication and 2) Transparency.

Chairman Woodfin stated Board Member Wyatt made a request, and asked Mr. Coleman to share any information with Board Members prior to November 28, 2018. Mr. Coleman stated absolutely.

Board Member Schultz stated the Board Members will need to have a work session to discuss the options that were presented by Mr. Coleman. The Board Members will need to discuss what they will or will not entertain, and try to put some parameters around it or get some information together. Once that is completed, the Board Members will have something to discuss with Mr. Joyner.

Board Member Leonard stated to Board Member Schultz stated he thinks Board Member Schultz's team and the Mayor's team looked at this thing more than the Board Members have. Today's Board Meeting is the first, real discussion the Board Members has had.

Chairman Woodfin asked how long it has been since the Board Members had a discussion about the unfunded liability. Board Member Leonard stated the Board Members have not had any discussion.

Board Member Leonard stated he was on the R&R Board several years ago when the law was changed to create a second tier. Board Member Leonard stated he looked at the numbers Mr. Joyner produced, and the problem was not solved. Not only that, the problem got worse over a period of time. Board Member stated he and the Board Members had a discussion about the unfunded liability in 2014 (it was also his last discussion prior to being voted off the board in early 2015). When Board Member Leonard came back on the Board (in 2017), the law had been changed already; whatever was done was totally ineffective.

Board Member Leonard stated the Board Members are back now on the issue regarding unfunded liability. Board Member Leonard stated to Board Member Schultz that if his team has come up with some ideas already, it might be best to share them with the Board Members. Board Member Schultz stated absolutely.

Chairman Woodfin stated he was an eight-year employee prior to being Mayor. As much as the Board Members expressed a timeline or "deadline" to deal with the state legislature i.e. whether they choose between one and three of the options, process is important too. The presentation of the unfunded liability is an over-whelming amount of information to take in; it is a big problem. As a body, it is not only important for the Board Members to communicate among themselves but this information has to be shared with employees too. Board Member Leonard stated he himself would expect that because Board Member Wyatt and Board Member Otis Luke are responsible for two very large employee groups: the firefighters and police officers respectively. Board Member Leonard stated he would not expect Board Member Wyatt or Board Member Luke to vote on things without their people knowing what is going on. Chairman Woodfin stated his agreement.

Board Member Wyatt stated he represents the firefighters, but his first obligation is to the Retirement & Relief System. Firefighters are not protected if the pension fund is not here in forty-five or fifty years; he gets it.

Board Member Wyatt stated to Chairman Woodfin that he is speaking to him as a twenty-year employee. As a whole, the employees had a 1% raise over the years. The employees live and deal with those 1% raises because of they have a good, sound pension fund that will protect them into perpetuity; they expect that. However, when talking about changes, that is a very scary aspect for an employee who has not gotten a significant pay raise in a long time. The employees live and deal with those; knowing this is coming at the finish line when doing their time. Board Member Wyatt stated he understands the unfunded liability is a problem, as the Board Members move forward with talking about tweaking benefits. However, firefighters and police officers do not get Social Security. When talking about cutting benefits, Board Member Wyatt stated he will not get a retirement check if that were to happen; that is all he has.

Chairman Woodfin stated that Board Member Wyatt's comments do not go unnoticed. As it relates to the purpose of this conversation, special consideration has to be given to the City's two largest employee groups. All the Board Members are pretty much saying the same thing, and they can entertain the conversation as long as they want.

Board Member Wyatt stated he is willing to meet as often as the Board Members want; whether it is an informal work session where no action will be taken but information is passed or a formal work session where some action gets passed and start moving forward.

Chairman Woodfin stated there is a motion on the floor, and it has been seconded. Chairman Woodfin asked the Board Members if there is any more discussion.

Board Member Schultz asked if it is possible to amend the motion stating the Board Members will have another meeting before November 28, 2018, which is the formal meeting date. Board Member Schultz stated he likes the idea of an informal meeting.

Board Member Wyatt stated he will defer that to Mr. Love, but he does not think a motion is needed as long as no business takes place. Mr. Love stated the Board Members will need to have a meeting on whatever they had talked about.

Board Member Schultz stated he is not worried about that. The purpose of the informal meeting would be different. Board Member Schultz stated he does not want to be here on November 28, 2018 ready to vote on something, when he is not exactly sure on what it is he voting on.

Board Member Carr stated the Board Members can have a Special Call Meeting next week or week after next; it does not matter. If the Board Members put it on the table that they want to have a Special Call Meeting next week, the ones that want to come are going to come. If there is no quorum, that is it.

Chairman Woodfin stated next week is a blackout due to the Thanksgiving Holiday. However, if the Board Members want to have a meeting where no action or voting is taken place...

Board Member Leonard asked Mr. Love if the Board Members can do that. Mr. Love stated if the Board Members are going to be discussing something, it has to come back before the Board.

Chairman Woodfin stated to Mr. Love that the Board Members are not saying that is a closed meeting. It will be a public meeting.

Chairman Woodfin stated there is a motion that is currently on the floor for a Special Call Meeting to discuss solutions that need to be voted on. The Board Members can move on that motion, and vote on it. If a Board Members wants to entertain another motion to have another public meeting prior to November 28, 2018, such November 26th or November 27th for discussion purposes only on solutions, someone can bring that motion.

Chairman Woodfin asked Mr. Love if he is correct. Mr. Love stated yes.

Chairman Woodfin stated there is a motion on the floor with regards to a Special Call Pension Board Public Meeting on November 28, 2018 at 3:00 p.m. to discuss solutions to the problem that was presented today, and possibly vote on that. The motion was made by Board Member Leonard, and seconded by Board Member Wyatt.

The Board Members APPROVED to have to a Special Call Pension Board Public Meeting on November 28, 2018 at 3:00 p.m. to discuss solutions to the problem that was presented today, and possibly vote on that.

Chairman Woodfin asked the Board Members if there was any opposition to have a meeting on November 27, 2018. The Board Members stated no.

Board Member Leonard made the motion to have a Work Session Meeting on November 27, 2018 at 3:00 p.m. Board Member Schultz seconded.

Mr. Love asked if the Work Session is a Special Call Meeting. Board Member Wyatt stated it is just a Work Session, and a not a Special Call Meeting; the Board Members are going to take any action.

Chairman Woodfin stated it is Special Call Work Session.

Chairman Woodfin stated there is a motion on the floor for a Special Call Work Session/Public Meeting Remix for Tuesday, November 27, 2018 at 3:00 p.m.

The Board Members APPROVED to have a Special Call Work Session/Public Meeting Remix for Tuesday, November 27, 2018 at 3:00 p.m.

Board Member Schultz asked if any expenses are going to be generated by whatever the Board Members will do. Board Member Schultz stated he is trying to anticipate...

Chairman Woodfin deferred to Mr. Coleman, but stated to Board Member Schultz for clarification that the presentation showed three out of four solutions will require the Board Members to interact with Montgomery, AL; drafting legislation. The draft would state if the City does not have resources internally with the Legal Department, the City would have to outsource the work.

Chairman Woodfin asked Board Member Schultz if he understood Board Member Schultz's question correctly. Board Member Schultz stated no, but Chairman Woodfin is close.

Board Member Schultz asked Mr. Coleman if there was some discussion about... Mr. Coleman asked Board Member Schultz if he is referring to the discussion about communication being a broad problem. Board Member Schultz stated he was thinking about creating some reasonable and agreed upon expenses for Board Members' consideration.

Board Member Leonard stated the Board Members stated they could vote on that at one of the November 2018 meetings. If it is a meeting where the Board Members are allowed to vote on any expenses, they could probably approve those expenses.

Board Member Schultz asked Chairman Woodfin if that will work. Chairman Woodfin stated yes.

Chairman Woodfin stated he is taking off his "pension board hat", and will put on his "Mayor's Hat" to share this problem with the employees probably today. In full transparency, the employees will need to know everything the Board Members are doing i.e. their discussions.

Board Member Wyatt asked Chairman Woodfin if he is going to show the chart referencing the pension fund going to zero in fifty years, as presented by Mr. Coleman. Chairman Woodfin stated communicating to the employees that the pension fund has a \$378 million-dollar unfunded pension needs to be shared because it is a fact. The employees need to know the Board Members are looking at being on the solutions-end of solving this.

Board Member Schultz stated when he brought up the subject at last month's Board Meeting, he had stated it was a real problem the Board Members cannot put their heads in the sand any longer; it gets worse unfortunately. Board Member Wyatt stated his agreement.

The Board Members CONTINUED the discussion regarding a letter from Ms. Mary Collins, former employee with the City Council Office, distributed by Ms. Sandy Roberts of Pension & Payroll for Board Members' review until next month's Board Meeting.

Board Member Leonard made the motion that the Service Pension, Widow's Benefits, and Vested Service Pension applications to be approved. Board Member Richards seconded.

The Board Members APPROVED the application of Samuel L. Bonner, an employee with the Airport Authority, for SERVICE PENSION at the rate of \$400.00 per month, effective December 1, 2018 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Constance E. Echols, an employee with the Police Department, for SERVICE PENSION at the rate of \$5,855.43 per month, effective November 8, 2018 under the provisions of Article VI, Section 5 of the pension law.

Ms. Echols has been receiving a Supplemental Pension in the amount of \$3,540.22 since October 12, 2015.

The Board Members APPROVED the application of Fernando George, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,463.40 per month, effective November 9, 2018 under the provisions of Article VI, Section 5 of the pension law.

Mr. George has been receiving a Supplemental Pension in the amount of \$2,129.65 since March 13, 2009.

The Board Members APPROVED the application of Darren Holmes, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,463.40 per month, effective November 18, 2018 under the provisions of Article VI, Section 5 of the pension law.

Mr. Holmes has been receiving a Supplemental Pension in the amount of \$2,233.34 since November 1, 2010.

The Board Members APPROVED the application of Rita B. Johnson, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$2,709.85 per month (DROP Amount \$27,727.46, DROP Date 11/19/2017), effective September 20, 2018 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Robert D. Miller, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,688.80 per month, effective November 9, 2018 under the provisions of Article VI, Section 5 of the pension law.

Mr. Miller has been receiving a Supplemental Pension in the amount of \$2,502.39 since November 2, 2018.

The Board Members APPROVED the application of Roderick L. Reynolds, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,296.55 per month, effective November 22, 2018 under the provisions of Article VI, Section 5 of the pension law.

Mr. Reynolds has been receiving a Supplemental Pension in the amount of \$2,099.64 since December 29, 2008.

The Board Members APPROVED the application of Debra E. Riffe, an employee with the Mayor's Office, for SERVICE PENSION at the rate of \$2,089.94 per month, effective November 10, 2018 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of John L. Russell, an employee with Equipment Management, for SERVICE PENSION at the rate of \$2,152.20 per month (DROP Amount \$83,752.43, DROP Date 11/02/2015), effective November 3, 2018 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Terizian Tolbert, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,463.40 per month, effective November 11, 2018 under the provisions of Article VI, Section 5 of the pension law.

Mr. Tolbert has been receiving a Supplemental Pension in the amount of \$2,188.61 since November 12, 2008.

The Board Members APPROVED the application of Gregory C. Willis, an employee with Parks & Recreation, for SERVICE PENSION at the rate of \$1,812.44 per month (DROP Amount \$12,900.22, DROP Date 02/26/2018), effective October 27, 2018 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Lashunda F. Scales, Member of the City Council, for VESTED SERVICE PENSION at the rate of \$543.31 per month, effective January 3, 2031 under the provisions of Article VI, Section 3 of the pension law “subject to the repayment of the pension loan”.

The Board Members APPROVED the application of Sheila D. Tyson, Member of the City Council, for VESTED SERVICE PENSION at the rate of \$400.00 per month, effective March 8, 2021 under the provisions of Article VI, Section 3 of the pension law “subject to the repayment of the pension loan”.

The Board Members APPROVED the application of Rebecca L. Hanks, widow of Dewey W. Hanks, a former employee with the Police Department, for WIDOW’S BENEFITS at the rate of \$1,022.38 per month effective October 5, 2018 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Elizabeth Miller, widow of James H. Miller, a former employee with Planning & Engineering, for WIDOW’S BENEFITS at the rate of \$767.56 per month effective October 1, 2018 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Mildred Price, widow of James Price, a former employee with the Airport Authority, for WIDOW’S BENEFITS at the rate of \$508.05 per month effective October 9, 2018 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Ann E. Walker, widow of Clyde R. Walker, a former employee with the Fire Department, for WIDOW’S BENEFITS at the rate of \$1,604.40 per month effective October 22, 2018 under the provisions of Article VI, Section 10(A) of the pension law.

Board Member Wyatt made the motion to deny Kristy L. Foster’s Extraordinary Disability Benefits based on doctor’s report. Board Member Leonard seconded.

The Board Members DENIED the application of Kristy L. Foster, an employee with the Police Department, for EXTRAORDINARY DISABILITY at the rate of \$3,120.51 per month, effective May 26, 2018 under the provisions of Article VI, Section 8 of the pension law based on doctor’s report.

Board Member Leonard made the motion to approve Kristy L. Foster’s Ordinary Disability Benefits based on doctor’s recommendation. Board Member Schultz seconded.

The Board Members APPROVED the application of Kristy L. Foster, an employee with the Police Department, for ORDINARY DISABILITY at the rate of \$1,019.76 per month, effective May 26, 2018 under the provisions of Article VI, Section 7 of the pension law based on doctor’s recommendation.

Board Member Carr made the motion to approved Shoudu Green's Extraordinary Disability Benefits based on doctor's recommendation. Board Member Richards seconded.

The Board Members APPROVED the application of Shondu F. Green, an employee with the Fire Department, for EXTRAORDINARY DISABILITY at the rate of \$3,646.07 per month, effective September 7, 2018 under the provisions of Article VI, Section 8 of the pension law based on doctor's recommendation.

Board Member Carr made the motion to approved Sharlene Jackson's application for Extraordinary Disability Benefits based on doctor's recommendation, not to exceed six months. Board Member Wyatt seconded.

The Board Members APPROVED the application of Sharlene Jackson, an employee with the Police Department, for ORDINARY DISABILITY at the rate of \$1,196.54 per month, effective July 7, 2018 under the provisions of Article VI, Section 7 of the pension law based on doctor's recommendation, not to exceed six months.

Mr. Love stated the Board Members will need to go into Executive Session.

Board Member Wyatt made the motion to go into Executive Session. Board Member Leonard seconded.

The Board Members APPROVED to go into Executive Session.

Mr. Love stated he hereby certify that the reasons to go into Executive Session are reasons consistent with the State of Alabama Open Meetings Law, and he certifies that he is an attorney in good standing.

The Board Members went into Executive Session.

The Board Members emerged from Executive Session.

Board Member Richards made the motion to approved Robbins Geller Rudman & Dowd LLP to represent the Board Members concerning securities litigation with Ryanair. Board Member Wyatt seconded.

The Board Members APPROVED Robbins Geller Rudman & Dowd LLP to represent the Board Members concerning securities litigation with Ryanair.

Board Member Wyatt made the motion for Scott + Scott to move forward with litigation with Libor. Board Member Carr seconded.

The Board Members APPROVED for Scott + Scott to move forward with litigation with Libor.

Board Member Wyatt made the motion to adjourn. Board Member Schultz seconded.

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

ATTEST:

**Lorren Oliver
Secretary**

**Mayor Randall Woodfin
Chairman**