

**THE BOARD OF MANAGERS OF THE CITY OF BIRMINGHAM  
RETIREMENT AND RELIEF SYSTEM met via Webinar and Teleconference Call on  
October 14, 2020 at 3:00 p.m.**

**The following Board Members were present, namely:**

**Randall Woodfin, Member No. 1  
Martin P. Leonard, Member No. 2  
Michael Reese, Member No. 3  
Steven A. Schultz, Member No. 4  
Otis Luke, Member No. 6  
Dale Wyatt, Member No. 7  
Kasandra Brundidge, Member No. 8  
Ronald Vaughn, Member No. 9**

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

**Chairman Woodfin referenced the agenda, and stated he will go out of order to hear a presentation on the History and Options to address the R&R Pension Unfunded Liability.**

**There was an appearance by Mr. Lester Smith, Director of Finance. Mr. Smith stated improvements from the current City Administration have been substantial for the City of Birmingham Retirement & Relief System, and he wants to discuss possible plan changes that Finance Department is proposing for the pension fund.**

**Mr. Smith referenced the handout, and stated the Retirement & Relief System's funding has had highs and lows. The actuarial value takes those highs and lows, and spread them out over a five-year period. In 2002, the pension fund was funded at 105%. Over the years to 2019, the percentage declined approximately to 70%. Most of the deterioration in the funding status can be traced to investment returns and losses between 2008, 2009, and 2010. When looking at the actual value of the assets going back to 2002 through 2019, the actual values of the plan has risen. The actual values had increased somewhere around \$500 million dollars. If the system had returns at an average of 5.5%, the assets would have been \$1.3 billion dollars in 2019. During that time period of approximately seventeen years, the system had performed below 5.5%. In 2003, the pension fund was fully funded over 100%. During that time period, the contribution was shared 50/50 between the City and the employee at 6.5%. The Actuarially Determined Contribution (ADC) was 12.9%. The City was funding a little bit above the ADC. From 2003 to 2020, the total required rate climbed from 12.9% to 23.1%; most of this was due to underperformance relating to the decline in the market period of 2008 and 2009. Even though the ADC rose during that time period, both employer and employee continued to only contribute 13% per year. Both still shared the 50/50 split. In 2016, the percentages were increased from 6.5% to 7.0%; that stayed intact from 16% to 17%.**

**In 2018, the City's contribution increased from 7.0% to 7.25%. In 2019, the City's contribution increased from 7.25% to 8.5%. These increases were part of state legislation that required the City to increase its statutory rate. The City was also required to increase that rate to 9.0% effective July 1, 2021. However, everyone was aware that the City went above 8.5% in contribution to 12.0%. In the City's Budget for 2021 that was recently passed by the Birmingham City Council, the City has committed 14.5% in contributions. For the City and employee, this brings the Total Contributions to 21.5%; leaving a delta or deficit of 1.6% from the prior year's ADC of 23.1%. Over the last five years while the employee contribution had stayed flat at 7.0%, the City contribution has more than doubled from 7.0% to 14.5%. Over the last four years, the new legislation that started in 2017 is what really drove the increases in 2018 and 2019. In 2020, the City's contribution went from the planned 8.5% to 12.0%. In 2021, the City's contribution was increased to 14.5%. The City's goal is to get to the ADC, which is 16.1% as of July 1, 2019. This is a 70% increase in contributions from the City during the last two years, even in the phase of the current economic crisis caused by the pandemic. As Mr. Smith stated earlier, both the City and employee shared equally in the contribution. During the last few years, the City is now carrying the weight of 67% in contribution and the employee is contributing 23%. Again, the City's goal is to get to the 16.1% with the City increasing its contribution up to 14.5%; leaving a shortfall of 1.56%. When Mayor Woodfin took office, the actual funding of the ADC was approximately 54%. As a result of the passing of the FY2020-2021 Budget and the City's commitment to fund 14.5%, the City is now at 90% of the ADC. The amortization period of the unfunded liability was moved from infinity to seventy-five years. The 16.1% would further decreased down to forty years. The ideal situation is to have the unfunded liability over a thirty-year period. When looking at FY2009 to FY2016, the contributions by the City stayed flat. Upon Mayor Woodfin taking office in 2017, the City's contributions have doubled into Fiscal Year 2020-2021. The contributions when from \$14 million dollars to \$17 million dollars to \$28 million dollars projected through 2021.**

**Mr. Smith stated the 2019 Valuation Results reflects the ADC at \$32 million dollars. An employer normal cost \$4.2 million dollars. The additional \$27 million dollars is driven by the amortization of the unfunded liability. From a liability standpoint to an asset value standpoint, the actuarial value of assets is coming in at about \$1 billion dollars. However, the accrued liability is coming in at about \$1.5 billion dollars; that leaves the unfunded actuarial accrued liability of \$437 million dollars. Even though the City increased its contribution in the past, the funding ratio on both an actuarial value and market value has declined to approximately 2.0% year over year. Without correcting this issue going forward, it will continue to decline. The other potential issues that are impacting future results is the current net investment return assumption. The current net investment return assumption is used at a discount rate 7.50%. As referenced in the handout, the City did not earn anything near 7.5%. This is higher than the national averages, and it declined further in recent years. When looking at the funding basis if the plan was suspended today, how much would the liability be for current and future retirees? On a funding basis, it shows \$437 million dollars but keep in mind this funding basis takes into account the 7.50% discount rate.**

If the City uses just a blended rate of what happened over that same time period, the actual unfunded liability would be closer to \$1 billion dollars. Not only is this a concern as far as the unfunded portion of the pension to the employees and the City, it is also a concern for the citizens. It comes back in the form of how it impacts the City's credit rating. The handout illustrates three of the four credit ratings that City uses: S&P Global, Moody's, and Fitch. When Mr. Smith became Director of Finance in February 2019, he received two emails from Moody's and Fitch stating they were going to downgrade the City's credit rating. Moody's downgraded the City from an Aa2 to Aa3. The downgrade changed the City's outlook from stable to negative. Fitch downgraded the City from a credit rating of AA, which is a high grade, down to an upper-medium grade of A+. When looking at factors that could lead to an upgrade or a downgrade, the City does move in a direction of trying to change their rating to an upward direction. This is due to the result of the last two years relative to the City's significant sustained improvements in pension funding, going from 8.5% to 14.5%. However, given the current economic situation that the City finds itself in as a result of the pandemic, the City will experience a decline in reserves. The FY2021 Budget will have the City going into its general reserves to the tune of \$26 million dollars. The deterioration in the City's tax revenues are due to the pandemic. The February 2019 Report from Fitch mentioned the downgrade from AA to A+ reflects their expectation for diminished long-term affordability of the City's pension plan. When looking at the 2020 contribution change, the City's contribution rate is 14.50% effective July 1, 2020. The change would have made the amortization period less than fifty years, had all the assumptions been met. This means the amortization period is now set at seventy-five years. While it is finite at seventy-five years, it is still beyond the reasonable amortization period of thirty years. The additional contributions will increase the blended discount rate and improve the General Accounting Standards Board (GASB)-reported Net Pension Liability (NPL).

Mr. Smith stated the City is proposing some options to improve the funding of the Retirement & Relief System going forward. The proposed revisions will take the current R&R plan and move it from a 2002 history as being unfunded on an annual basis to being funded each year going forward. The following provisions to benefit revisions are as proposed:

- For new hires, excluding Police and Fire, lower the multiplier for all service. The multiplier is 2.25% if hired on or after July 1, 2017.

For purposes of this study, the multiplier for ordinary disability, currently 2.00%, has been set equal to the retirement multiplier. The City has also lowered the early retirement multiplier, to 1.45%. Minimum benefits are unchanged.

- For new hires, excluding Police and Fire, set a minimum age on Normal Retirement eligibility. Currently, participants can retire at any age with 30 years of service.
  - It will change to Age 55 with 30 years of service.

Retirement is also available at age 62 with 10 years of service for new hires on or after July 1, 2017, and that provision is unchanged.

- For new hires, including Police and Fire, remove the subsidized 60% Joint & Survivor provision. The married participants will have the option at retirement to accept a reduced benefit, which is actuarially equivalent to the life-only annuity payable for non-married participants.
- For all current participants and future hires, increase member contributions by 0.5% of pay – 7.00% to 7.50%.

This is important for current retirees and future retirees of the City of Birmingham:

- The City shall contribute from its general fund an amount each month equal to the Actuarially Determined Contribution as determined by the actuary for the prior year.
  - Going forward, the City of Birmingham will be required to contribute the Actuarially Determined Contribution percentage as of the prior year.
  - In addition, the unfunded liability will be amortized over a closed thirty-year period starting July 1<sup>st</sup> from the adoption of this change.
  - The change WOULD NOT BE EFFECTIVE until July 1, 2021.

Mr. Smith stated as result of these changes from the City's perspective and employee's perspective, it will bring both up from where they are now at 0.21% of fully funding the ADC. Both will be on an amortization of forty-two years. Once this is adopted, the City would then be required to come in and fund that additional 0.21% to ensure 100% funding in a closed thirty-year amortization.

Mr. Smith turned the Board Meeting back over to Chairman Woodfin.

Board Member Steven A. Schultz made the motion to adopt the recommended changes outlined in Mr. Smith's presentation effective July 1, 2021, or as adopted by legislation. Board Member Dale Wyatt seconded.

Chairman Woodfin stated to the Board Members there is motion on the floor made by Board Member Schultz and seconded by Board Member Wyatt.

Chairman Woodfin asked the Board Members if they have any discussion.

Board Member Kasandra Brundidge stated she has been an employee with the City for twenty-four years. The term “unfunded” means somebody did not pay something. Board Member Brundidge stated when she looks at her check every two weeks, that money is automatically taken out of her check.

Board Member Brundidge stated she had heard that “the City pays each year” but when she became an R&R Board Member, she heard Board Member Leonard specifically say “It was agreed upon by the people on the board that the City did not pay for years”. If it is unfunded, that is the City’s unfunded liability. The City did not pay their share, and now it would be put on the back of new employees.

**NOTE:** The audio had briefly broken up during Board Member Brundidge’s discussion. At some point, Board Member Brundidge came back on.

Board Member Brundidge stated the Board Members just got this plan today. Each Board Member needs to have the opportunity to look at it.

**NOTE:** The audio had briefly broken up again during Board Member Brundidge’s discussion. At some point, Board Member Brundidge came back on.

Board Member Brundidge stated that the Board Members are now going to load what the City actually owes on the back of employees. This is not going to be an incentive for the citizens of Birmingham. It may be an incentive now for the City, but that is not going to be an incentive for any employee wanting to come work for Birmingham. Board Member Brundidge stated that is unfair, and she does not think the Board Members should be voting on that today. The Board Members should get that in hand, review it, and ask questions. The Board Members did not have a question period.

Board Member Brundidge stated she does not know if a Board Member received this before, but that motion was made too quick. If the Board Members vote on that today, it is going to be completely unfair.

Chairman Woodfin asked the other Board Members if they have any questions or discussion.

Board Member Wyatt stated these are the same, exact proposed changes that were discussed at a Board Meeting. Board Member Wyatt stated he cannot remember the exact date, but there was a quorum. Chairman Woodfin stated his agreement. None of this information is new to the Board Members.

Chairman Woodfin thanked Board Member Wyatt for clarifying and sharing factual information.

Chairman Woodfin asked if there are other Board Members who have any questions or discussion.

**Chairman Woodfin stated he thinks Board Member Brundidge is talking, but she is on mute.**

**Chairman Woodfin stated to Board Member Brundidge this will be her second round of talking and once she is done, Chairman Woodfin stated he will allow other Board Members to talk.**

**Board Member Brundidge stated the Board Members may have seen a portion of this, but some of the information that was just submitted has changed. Board Member Brundidge stated she understands that the Board Members may have been at a meeting before, but if this was the plan that was going come before the Board Members...(audio went out)...“hey, this is what is coming”. It is absolutely emphatically not right, because information presented today is not the same information that was presented at a Board Meeting before.**

**Board Member Brundidge thanked Board Member Wyatt for providing that information, but stated it is not the same information.**

**Chairman Woodfin thanked Board Member Brundidge.**

**Chairman Woodfin asked again if there are other Board Members who have any questions or discussion.**

**Board Member Martin P. Leonard called for question.**

**Chairman Woodfin stated he will do a roll call vote based on the recommendations on floor, as presented in a motion by Board Member Schultz and seconded by Board Member Wyatt.**

**Mr. Kevin Moore, Chief of Operations, stated to Chairman Woodfin there is another Board Member trying to call in but having trouble doing so. Mr. Moore stated he will send the Board Member another link. Chairman Woodfin stated that is fine.**

**Chairman Woodfin stated the Board Members will briefly table this item. The item will be brought up once the Board Member works their technical issue out. The rest of the Board Members will clear the other items on the agenda, unless the Board Members want to wait patiently for the other Board Member to work their technical portion out.**

**Board Member Brundidge made the motion to table the item until the Board Member can get into the meeting. Board Member Otis Luke seconded.**

**Two Board Members said “AYE”.**

**Chairman Woodfin asked if there any Board Members who oppose.**

**Board Member Leonard OPPOSED.**

**Board Member Leonard stated he had asked the question to take a vote.**

**Chairman Woodfin did a roll call vote:**

**Board Member Martin P. Leonard: NO**

**Board Member Steven A. Schultz: NO**

**Board Member Otis Luke: YES**

**Board Member Dale Wyatt: YES**

**Board Member Ronald Vaughn: YES**

**Board Member Kasandra Brundidge: YES**

**Chairman Randall Woodfin: YES**

**Chairman Woodfin stated the motion passes to TABLE the vote on the item.**

**Chairman Woodfin stated the item is tabled until the Board Member works out their technical issues.**

**Board Member Wyatt made the motion to approve the September 9, 2020 Board Minutes. Board Member Schultz seconded.**

**The minutes of September 9, 2020 Board Meeting were APPROVED.**

**Board Member Leonard made the motion to approve financial statements for the month of August 2020. Board Member Wyatt seconded.**

**The Board Members APPROVED the financial statements for the month of August 2020.**

**Chairman Woodfin stated the Board Member who had technical difficulties is prepared to speak.**

**Chairman Woodfin asked for a motion to take item “History and Options to address the R&R Pension Unfunded Liability” off the table. Board Member Michael Reese is prepared to be speak.**

**Board Member Schultz made the motion to take item “History and Options to address the R&R Pension Unfunded Liability” off the table.**

**Board Member Wyatt seconded.**

**Chairman Woodfin stated the item is off the table, and back before the Board Members.**

**Chairman Woodfin stated Board Member Michael Reese would like to speak.**

**Board Member Reese stated he listened to the gentleman who talked earlier. Board Member Reese stated he agrees with Board Member Brundidge about the payments. If he stated the City is putting in half, where is the money if the City is in a deficit? The Board Members need to have a meeting in person vs. over the phone because there too much [phone] breakup, and Board Member Reese stated he had trouble trying to get through to voice his opinion. This is not right, and it was not done in a timely manner as well. Board Member Reese stated he thinks the Board Members have twenty-four hours or whatever. The Board Members did see certain parts of the last paperwork, but it looks like something has changed since then. The Board Members need to be face to face instead of over the phone, so they can put eyes on this.**

**Chairman Woodfin asked if there are other Board Members who have questions or discussion in regards to this matter. The Board Members did not say anything.**

**Chairman Woodfin asked for a roll call vote:**

**Board Member Martin P. Leonard: YES**

**Board Member Michael Reese: NO**

**Board Member Steven A. Schultz: AYE**

**Board Member Otis Luke: ABSTAIN**

**Board Member Dale Wyatt: YES**

**Board Member Kasandra Brundidge: NO**

**Board Member Ronald Vaughn: YES**

**Chairman Randall Woodfin: YES**

**Chairman Woodfin stated the motion PASSES.**

**Board Member Wyatt made the motion to approve the investment activity for the month of September 2020. Board Member Leonard seconded.**



**The Board Members APPROVED the investment activity for the month of September 2020. (BBVA Compass) – Richard Underwood**

**The Board Members APPROVED the investment activity for the month of September 2020. (Quantitative Management/Prudential) – Kevin McGrory**

**The Board Members APPROVED the investment activity for the month of September 2020. (Xponance, Inc.) – Charles Curry**

**The Board Members APPROVED the investment activity for the month of September 2020. (INVESCO Capital) – Mark Blackburn**

**The Board Members APPROVED the investment activity for the month of September 2020. (Lazard) – Anthony Dote**

**The Board Members APPROVED the investment activity for the month of September 2020. (Thornburg Investment Management) – Greg Whitaker**

**The Board Members APPROVED the investment activity for the month of September 2020. (Rhumblin Advisers) – Denise D’Entremont**

**The Board Members APPROVED the investment activity for the month of September 2020. (Penn Capital) – Steve Loizeaux**

**The Board Members APPROVED the investment activity for the month of September 2020. (Cooke & Bieber) – Thad Fletcher**

**Chairman Woodfin asked Ms. Tina Goree, Recording Secretary, if the items Holiday Furloughs and Pension Loans during Furloughs requires a vote to delay discussion. Ms. Goree stated those items are withdrawn from the agenda, and no vote is needed.**

**Board Member Leonard made the motion to approve the Early Service Pension applications. Board Member Luke seconded.**

**The Board Members APPROVED the application of Tressa R. Fancher, an employee with the Birmingham Public Library, for EARLY SERVICE PENSION at the rate of \$2,136.20 per month, effective October 10, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Andrei T. Jones, an employee with the Birmingham Public Library, for EARLY SERVICE PENSION at the rate of \$3,122.08 per month, effective October 10, 2020 under the provisions of Article VI, Section 1 of the pension law.**

The Board Members APPROVED the application of Phillip D. Wright, an employee with the Public Works Department, for EARLY SERVICE PENSION at the rate of \$1,488.05 per month, effective October 16, 2020 under the provisions of Article VI, Section 1 of the pension law.

Board Member Luke made the motion to approve the Service Pension applications.

The Board Members APPROVED the application of Lee C. Anderson, an employee with Parks & Recreation, for SERVICE PENSION at the rate of \$978.72 per month, effective October 10, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Marilyn Y. Billups, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$3,069.00 per month (DROP Amount \$57,481.14, DROP Date 03/25/2019), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Debra M. Bonner, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$3,117.00 per month, effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Rosalind Brooks, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$3,056.40 per month (DROP Amount \$118,939.19, DROP Date 09/25/2017), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Nancy L. Cleckler, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$2,978.70 per month (DROP Amount \$115,915.51, DROP Date 09/25/2017), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Teresa A. Ceravolo, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$4,749.09 per month (DROP Amount \$179,599.58, DROP Date 09/11/2017), effective September 12, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED with the Public Works Department, for SERVICE PENSION at the rate of \$2,751.00 per month (DROP Amount \$48,560.38, DROP Date 04/25/2019), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

**The Board Members APPROVED the application of Rosemary Gray, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$4,158.00 per month (DROP Amount \$16,805.80, DROP Date 05/25/2020), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Edwina A. Hampton, an employee with Parks & Recreation, for SERVICE PENSION at the rate of \$3,225.67 per month (DROP Amount \$125,526.30, DROP Date 09/11/2017), effective September 12, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Hugh R. Hardy, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$1,600.27 per month, effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Yolanda R. Hardy, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$4,790.10 per month (DROP Amount \$186,405.78, DROP Date 09/25/2017), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Irene Harve, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$2,978.70 per month (DROP Amount \$115,915.51, DROP Date 09/25/2017), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Darius A. Hatcher, an employee with the Police Department, for SERVICE PENSION at the rate of \$9,269.72 per month (DROP Amount \$258,250.36, DROP Date 06/25/2018), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Vicki W. Hatcher, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$2,282.10 per month (DROP Amount \$55,194.64, DROP Date 10/25/2018), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of Albert H. Henderson, an employee with the Birmingham Museum of Art, for SERVICE PENSION at the rate of \$770.44 per month, effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.**

**The Board Members APPROVED the application of George R. Jemison, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$759.34 per month, effective September 12, 2020 under the provisions of Article VI, Section 1 of the pension law.**

The Board Members APPROVED the application of Arthur King, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$570.23 per month, effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Kelly M. Laney, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$3,052.38 per month, effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Annette Lee-Tinker, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$2,717.20 per month (DROP Amount \$19,339.94, DROP Date 02/11/2020), effective September 12, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Wanda W. McGinnis, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$2,036.49 per month, effective September 12, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Doreen M. Mitchell, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$1,287.67 per month (DROP Amount \$50,109.42, DROP Date 09/25/2017), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Eve J. Parker, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$479.52 per month, effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Cynthia C. Phillips, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$2,245.39 per month (DROP Amount \$56,787.93, DROP Date 09/11/2018), effective September 12, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Robert E. Scott, an employee with Parks & Recreation, for SERVICE PENSION at the rate of \$816.22 per month, effective September 12, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Diane R. Thomas, an employee with the Police Department, for SERVICE PENSION at the rate of \$4,723.70 per month (DROP Amount \$179,716.33, DROP Date 09/25/2017), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Carla R. Threats, an employee with the Birmingham Public Library, for SERVICE PENSION at the rate of \$2,990.40 per month (DROP Amount \$109,438.77, DROP Date 11/25/2017), effective September 26, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Benjamin A. Treadaway, an employee with the Birmingham Police Department, for SERVICE PENSION at the rate of \$8,844.30 per month, effective October 3, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Gary C. Walker, an employee with the IMS Department, for SERVICE PENSION at the rate of \$2,400.32 per month, effective October 10, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Rickey J. Williams, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$2,698.58 per month (DROP Amount \$105,014.70, DROP Date 09/30/2017), effective October 1, 2020 under the provisions of Article VI, Section 1 of the pension law.

The Board Members APPROVED the application of Charles P. Hubbard, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,463.40 per month, effective October 7, 2020 under the provisions of Article VI, Section 5 of the pension law.

Mr. Hubbard has been receiving a Supplemental Pension in the amount of \$2,177.48 since October 14, 2010.

The Board Members APPROVED the application of Kecia Jones Merkerson, an employee with the Police Department, for SERVICE PENSION at the rate of \$4,004.35 per month, effective October 14, 2020 under the provisions of Article VI, Section 5 of the pension law.

Ms. Merkerson has been receiving a Supplemental Pension in the amount of \$2,569.93 since July 29, 2011.

The Board Members APPROVED the application of Keith Moore, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,982.19 per month, effective September 17, 2020 under the provisions of Article VI, Section 5 of the pension law.

Mr. Moore has been receiving a Supplemental Pension in the amount of \$2,625.28 since October 28, 2016.

The Board Members APPROVED the application of Scott E. Praytor, an employee with the Police Department, for SERVICE PENSION at the rate of \$7,883.91 per month, effective September 11, 2020 under the provisions of Article VI, Section 5 of the pension law.

Mr. Praytor has been receiving a Supplemental Pension in the amount of \$4,263.99 since September 4, 2017.

Board Member Luke made the motion to approved the Vested Pension application for Ms. Vickie J. Richard. Board Member Leonard seconded.

The Board Members APPROVED the application of Vickie J. Richard, an employee with the Finance Department, for VESTED PENSION at the rate of \$1,630.18 per month, effective March 22, 2024 under the provisions of Article VI, Section 3 of the pension law “subject to the repayment of the pension loan”.

Board Member Brundidge made the motion to approve the Widow’s Benefits applications. Board Member Luke seconded.

The Board Members APPROVED the application of Julia H. Brown, widow of Joseph Brown, an employee with the Public Works Department, for WIDOW’S BENEFITS at the rate of \$504.11 per month, effective August 5, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Rita Gadsden, widow of Roderick Gadsden, an employee with the Public Works Department, for WIDOW’S BENEFITS at the rate of \$420.23 per month, effective August 21, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Tewana D. Gulley, widow of Jeffrey B. Gulley, an employee with the Police Department, for WIDOW’S BENEFITS at the rate of \$2,319.71 per month, effective July 24, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Wanda Hyatt, widow of Robin D. Hyatt, an employee with the Fire Department, for WIDOW’S BENEFITS at the rate of \$1,917.69 per month, effective August 9, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Kenneth Johnson, widower of Arleen Johnson, a non-sworn employee with the Public Works Department, for WIDOW’S BENEFITS at the rate of \$452.83 per month, effective June 26, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Martha B. Lawrence, widow of Robert S. Lawrence, an employee with the Public Works Department, for WIDOW'S BENEFITS at the rate of \$1,057.13 per month, effective August 31, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Donna F. Paul, widow of Donald G. Paul, an employee with the Fire Department, for WIDOW'S BENEFITS at the rate of \$1,621.35 per month, effective July 15, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Richard W. Tellis, widower of Angeanette M. Tellis, a non-sworn employee with the Police Department, for WIDOW'S BENEFITS at the rate of \$394.89 per month, effective July 24, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Karen Thornton, widow of Allen W. Thornton, an employee with the Police Department, for WIDOW'S BENEFITS at the rate of \$320.00 per month, effective July 29, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Tommy Walthall, widower of Cathy Robinson, an employee with the Health Department of Jefferson County, for WIDOW'S BENEFITS at the rate of \$2,231.58 per month, effective September 15, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED the application of Ester Williams, widow of Eddie Miller, an employee with the Public Works Department, for WIDOW'S BENEFITS at the rate of \$1,025.03 per month, effective September 13, 2020 under the provisions of Article VI, Section 10(A) of the pension law.

Board Member Wyatt made the motion to approved the application of Ordinary Disability for Ms. Mae Harvey. Board Member Leonard seconded.

The Board Members APPROVED the application of Mae B. Harvey, an employee with the Public Works Department, for ORDINARY DISABILITY at the rate of \$1,315.64 per month, effective October 31, 2020 under the provisions of Article VI, Section 7 of the pension law based on staff and doctor's recommendations.

Board Member Schultz made the motion to approved the Corrected Service Pension application for Mr. Carl K. Harris. Board Member Luke seconded.

The Board Members APPROVED the application of Carl K. Harris, an employee with the Fire Department, for a **\*\*CORRECTED SERVICE PENSION** at the rate of \$5,605.89 per month, effective September 15, 2020 under the provisions of Article VI, Section 5 of the pension law. **\*\*NOTE: Mr. Harris' previous service amount was \$5,604.32 when his application was approved at the Board Meeting on Wednesday, August 12, 2020.**

Mr. Harris has been receiving a Supplemental Pension in the amount of \$3,727.20 since July 7, 2020.

There were appearances by Mr. Greg Burchell, Mr. Daymeon Fishback, and Ms. Whitney McDade of Morgan Stanley.

Mr. Fishback stated the four reasons why the Retirement & Relief System is remaining bullish in the market: 1) the bull market begins when a recession ends; 2) the health crisis that triggered the recession brought on an unprecedented monetary physical stimulus; 3) the economic data surprised its earnings revisions to support the V-shape recovery that Mr. Mike Wilson, Chief Information Officer at Morgan Stanley, had talked about earlier than anyone else in the market; and 4) the sentiment in the market position has remained remarkably susceptible considering the size of the persistence in this equity rally.

Mr. Fishback stated a correction in the market is needed because: 1) the rally surprises in the economic data has deteriorated; 2) Mr. Steven Mnuchin, US Secretary of Treasury, and Ms. Nancy Pelosi, US Speaker of the House of Representatives, had stated today they did not think the stimulus package would be approved before US Presidential Election on November 3, 2020; 3) higher backend rates are to be expected in the market; and 4) the uncertainty of the US Presidential Election and the possibility of it being contested.

Mr. Fishback stated Morgan Stanley feels like the V-shape recovery had happened faster than they expected. Morgan Stanley likes the barbell growth cyclicals with a skew towards small- and mid-caps; their US sector and style recommendation reflects that. Morgan Stanley likes small- and mid-caps over large-cap. Morgan Stanley believes inflation is the key to the secular bull market for stocks and the secular bear market for bonds. Morgan Stanley continues to recommend an overweight to equities and credit, and underweight in the interest rate risk. Depending on who wins the US Presidential Election, the possibility of a second wave of COVID-19 and the Trade War between the US and China are flareups. Morgan Stanley would use the pullbacks to actually purchase these stock prices at a discount.

Ms. McDade discussed the savings due to outperformance in the portfolio. Ms. McDade stated Morgan Stanley presented solutions to the R&R Board Members to help cap the unfunded liability, and one of the solutions is a negotiation of performance fees for the existing money managers.



If the managers outperform their benchmark, they are able to participate in that outperformance up to a predetermined cap. From June 30, 2019 to June 30, 2020, Morgan Stanley was able to look at the impact itself.

Ms. McDade referenced a handout, and discussed the savings and performance of each manager.

Mr. Burchell stated the disbarment account for the quarter needs funding. Mr. Burchell asked Mr. Aaron Saxton, Deputy Director, to speak on this issue.

Mr. Saxton stated Mr. Burchell is correct. The current balance is 4.00% of \$3.01 million dollars.

Mr. Burchell stated Morgan Stanley has set a predetermined account of \$15 million dollars per quarter, based on the actual projects and what is needed. The source of funds should come from Cooke & Bieler at \$4 million dollars; Rhumblin Advisers at \$7 million dollars; and Lazard at \$4 million dollars.

Board Member Schultz stated for clarity the disbursement amount is \$3 million dollars in the hole, and the Board Members are to raise \$15 million dollars. Should the disbursement account be \$18 million dollars? Mr. Burchell stated that is certainly a viable option, but it is not something Morgan Stanley allocated for today. Mr. Burchell stated he would more than happy to increase to \$18 million dollars; it seems reasonable. In addition to the funding today, income can also be drawn down from bonds' portfolio and the additional income from securities lending; that is two other sources funding as well.

Board Member Schultz asked if the Board Members need to wait until next month to see where the disbursement account is. Mr. Burchell stated it is at the pleasure of the Board Members, however he stated he would like to raise the funds now. Mr. Burchell stated he is not opposed to raising \$18 million dollars; it would be simply taking an additional \$1 million dollars from all three managers. If that was the case, it would be \$5 million dollars from Cooke & Bieler; \$8 million dollars from Rhumblin Advisers; and \$5 million dollars from Lazard.

Board Member Brundidge asked what the impact would be since Mr. Burchell stated \$15 million dollars. Mr. Burchell stated he does not see an additional impact. It is like having a negative balance in one's checking account, just like the disbursement account. It would be simply adding the additional \$3 million dollars as Board Member Schultz suggested; bringing the account to zero and funding an additional \$15 million dollars for the second quarter of this next fiscal year.

Chairman Woodfin asked the Board Members if is any more discussion, or have any questions for the Morgan Stanley team.

**Board Member Schultz stated the disbursement account is at the high end of the market value, based on Mr. Burchell's analysis. Board Member Schultz recommends the Board Members raising the \$18 million dollars; taking it off the table just in case the market does something screwy in the next quarter.**

**Board Member Wyatt stated he agrees with Board Member Schultz. There will probably be some volatility with the US Presidential Election and everything that is going on the country right now. While the market is at a little peak, Board Member Wyatt stated he supports getting the \$18 million dollars now.**

**Board Member Brundidge stated if Mr. Burchell looked at \$15 million dollars, the Board Members should stay with the \$15 million dollars. The Board Members do not know what the market is going to do, according to Board Member Schultz and Board Member Wyatt. Mr. Burchell does this every day, and that is his area of expertise. The Board Members should stay at \$15 million dollars.**

**Board Member Leonard made the motion approve \$18 million dollars. Board Member Luke seconded.**

**The Board Members APPROVED \$18 million dollars.**

**Board Member Otis Luke: AYE**

**Board Member Martin P. Leonard: AYE**

**Board Member Steven A. Schultz: AYE**

**Board Member Dale Wyatt: AYE**

**Board Member Kasandra Brundidge: OPPOSED**

**Chairman Woodfin stated the motion CARRIES.**

**Mr. Burchell stated for clarification that \$5 million dollars will be taken from Cooke & Bieler; \$8 million dollars from Rhumblin Advisers; and \$5 million dollars from Lazard based on Board Members' vote.**

**Ms. McDade stated there was a discussion at last month's Board Meeting about having a speaker once a quarter. Ms. McDade stated she will be providing a schedule for the upcoming year. At the November 2020 Board Meeting, there will be a Morgan Stanley Analyst. This will be timely since it will be post-election, and there will be additional managers that will speak at other Board Meetings going forward.**

**Mr. Burchell stated the actuary does an experience review periodically. Morgan Stanley also does an experience review through their asset allocation and asset liability studies. Morgan Stanley believes the market is in a multi-year normalization period, i.e. lower bond prices and lower than expected equity yields. Morgan Stanley thinks that it is a good time to evaluate for the potential new contributions coming back into the pension fund, as it relates to withdrawals. Morgan Stanley would put scenarios together to compare them with other potential portfolios to create the most efficient portfolio. It will be happening this fiscal year, and the Board Members will see that in the coming months once Morgan Stanley receives the data from the actuary.**

**Ms. Goree reminded the Board Members that next month's Board Meeting will be Wednesday, November 18<sup>th</sup>, because November 11<sup>th</sup> is Veteran's Day.**

**Chairman Woodfin thanked the Board Members for their time and leadership today. The Retirement & Relief System will continue to become more solvent.**

**Board Member Leonard made the motion to adjourn. Board Member Schultz and Board Member Wyatt seconded.**

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

**ATTEST:**

**Lorren Oliver  
Secretary**

**Randall Woodfin  
Chairman**