

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
Vacant, 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, January 16, 2019 at
3:00 p.m. in Mayor's Conference Room "A"
Birmingham City Hall

Minutes: Attached are the minutes of the December 12, 2018 meeting; November 27, 2018 Work Session; and November 14, 2018 meeting.

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1. Approval of the minutes for the December 12, 2018 meeting.
 2. Approval of the minutes for the November 27, 2018 Work Session.
 3. Approval of the minutes for the November 14, 2018 meeting.
 4. Approval of the financial statements for the month of November 2018.
 5. Approval of the investment activity for the month of December 2018. (BBVA Compass) – Richard Underwood
 6. Approval of the investment activity for the month of December 2018. (Quantitative Management/Prudential) – Kevin McGrory
 7. Approval of the investment activity for the month of December 2018. (FIS Group) – Charles Curry
 8. Approval of the investment activity for the month of December 2018. (INVESCO Capital) – Sam Mosolino
 9. Approval of the investment activity for the month of December 2018. (Lazard) – Anthony Dote
 10. Approval of the investment activity for the month of December 2018. (Thornburg Investment Management) – Greg Whitaker

11. **Approval of the investment activity for the month of December 2018. (Rhumblin Advisers) – Denise D'Entremont**
12. **Approval of the investment activity for the month of December 2018. (Penn Capital) – Steve Loizeaux**
13. **Approval of the investment activity for the month of December 2018. (Cooke & Bieler) – Thad Fletcher**
14. **Approval of the investment activity for the month of December 2018. (Great Lakes Advisors) – Laurie Watson**
15. ****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.**
16. ****Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: discussion regarding the City's Unfunded Liability.**
17. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Janet L. Bell, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$2,240.61 per month (DROP Amount \$87,192.89, DROP Date 01/04/2016, effective January 5, 2019 under the provisions of Article VI, Section 1 of the pension law.**
18. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Mitchell D. Breasseal, an employee with the Police Department, for SERVICE PENSION at the rate of \$4,063.01 per month, effective November 9, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Breassel has been receiving a Supplemental Pension in the amount of \$2,647.22 since November 24, 2014.
19. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of William L. Brewer, an employee with the Police Department, for SERVICE PENSION at the rate of \$6,969.47 per month, effective November 9, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Brewer has been receiving a Supplemental Pension in the amount of \$3,954.86 since June 1, 2018.
20. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Alvin L. Collins, an employee with Traffic Engineering, for SERVICE PENSION at the rate of \$2,899.70 per month, effective January 19, 2019 under the provisions of Article VI, Section 1 of the pension law.**

21. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Jimmy D. Crews, an employee with Planning & Engineering, for SERVICE PENSION at the rate of \$6,548.10 per month (DROP Amount \$224,585.42, DROP Date 05/18/2016), effective January 19, 2019 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 Thomas V. Evans, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,482.43 per month, effective January 4, 2019 under the provisions of Article VI, Section 1 of the pension law.**

Mr. Evans has been receiving a Supplemental Pension in the amount of \$3,035.41 since November 20, 2018.

23. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Donald H. Ferris, an employee with Planning & Engineering, for SERVICE PENSION at the rate of \$4,071.30 per month (DROP Amount \$158,433.83, DROP Date 12/28/2015), effective December 29, 2018 under the provisions of Article VI, Section 1 of the pension law.**
24. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Tyrone Fornest, an employee with the Fire Department, for SERVICE PENSION at the rate of \$6,528.33 per month, effective January 4, 2019 under the provisions of Article VI, Section 1 of the pension law.**

Mr. Fornest has been receiving a Supplemental Pension in the amount of \$3,782.15 since December 28, 2018.

25. **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 ****CORRECTED RATE** of \$9,818.71 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.

*****NOTE: Mr. Gordon was approved for Service Pension in amount of \$9,801.09 per month, effective January 10, 2019 under the provisions of Article VI, Section 5 of the pension law at the Board Meeting on Wednesday, December 12, 2018. There were no changes in his Supplemental Pension information.***

26. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of James S. Hearon, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,141.44 per month, effective November 16, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Hearon has been receiving a Supplemental Pension in the amount of \$1,989.68 since November 19, 2008.

27. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Robert L. Lowery, an employee with Public Works Department, for SERVICE PENSION at the rate of \$1,754.58 per month, effective January 5, 2019 under the provisions of Article VI, Section 1 of the pension law.**
28. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of William Thomas Magee, an employee with Planning & Engineering, for SERVICE PENSION at the rate of \$5,677.00 per month (DROP Amount \$214,418.99, DROP Date 01/04/2016), effective January 5, 2019 under the provisions of Article VI, Section 1 of the pension law.**
29. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Claude McGee, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$1,675.72 per month, effective January 8, 2019 under the provisions of Article VI, Section 1 of the pension law.**
30. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Cynthia D. Paradise, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$1,136.73 per month, effective January 9, 2019 under the provisions of Article VI, Section 1 of the pension law.**
31. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Carey S. Pickett, an employee with the Finance Department, for SERVICE PENSION at the rate of \$5,154.60 per month (DROP Amount \$36,688.38, DROP Date 05/28/2018), effective December 29, 2018 under the provisions of Article VI, Section 1 of the pension law.**
32. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Yvonne D. Purdom, an employee with the Mayor's Office, for SERVICE PENSION at the rate of \$636.76 per month, effective January 5, 2019 under the provisions of Article VI, Section 1 of the pension law.**
33. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Alan Rene Thorton, an employee with the IMS Department, for SERVICE PENSION at the rate of \$4,352.24 per month (DROP Amount \$146,368.61, DROP Date 04/26/2016), effective December 27, 2018 under the provisions of Article VI, Section 1 of the pension law.**
34. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Benny T. Wilson, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$3,102.57 per month, effective January 3, 2019 under the provisions of Article VI, Section 1 of the pension law.**
35. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Diane L. Windham, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,080.98 per month (DROP Amount \$37,988.48, DROP Date 01/16/2018), effective January 17, 2019 under the provisions of Article VI, Section 1 of the pension law.**

36. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Lynda H. Woods, an employee with the Police Department, for SERVICE PENSION at the rate of \$5,700.82 per month, effective November 11, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Ms. Woods has been receiving a Supplemental Pension in the amount of \$3,500.42 since August 10, 2018.

37. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Suzanne Goodwin, widow of Lynn L. Goodwin, a former employee with the Fire Department, for WIDOW'S BENEFITS at the rate of \$904.84 per month effective December 1, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
38. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Mary Griffin, widow of E. G. Griffin, a former employee with the Fire Department, for WIDOW'S BENEFITS at the rate of 925.65 per month effective October 4, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
39. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Cynthia Petty, widow of Wiley Petty, a former employee with the Police Department, for WIDOW'S BENEFITS at the rate of \$2,053.01 per month effective December 12, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
40. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Mitchell Shoemaker, widower of Jo Ann Fleming, a former employee with the Public Works Department, for WIDOW'S BENEFITS at the rate of \$1,447.69 per month effective September 19, 2018 under the provisions of Article VI, Section 10(A) of the pension law.**
41. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of April Levins, an employee with the Fire Department, for EXTRAORDINARY DISABILITY at the rate of \$4,246.85 per month, effective January 3, 2019 under the provisions of Article VI, Section 8 of the pension law.**
42. **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 ****CORRECTED RATE** of \$2,044.38 per month, effective October 27, 2018 under the provisions of Article VI, Section 7 of the pension law. ****NOTE:** *Mr. Bradford was previously approved 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 at the Board Meeting on Wednesday, December 12, 2018.***

43. ****Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the appearance of Ms. Dorothy Childress. Ms. Childress will discuss being denied her pension benefits.**
44. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: discussion of litigation matters.**

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

THE BOARD OF MANAGERS OF THE CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM met in the Birmingham City Council Chambers on December 12, 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
Otis Luke, Member No. 6
Dale Wyatt, Member No. 7
Phyllis Carr, Member No. 8
Nell Richards, Member No. 9**

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

Board Member Martin P. Leonard made the motion for the minutes of November 14, 2018 to be continued until next month's Board Meeting. Board Member Dale Wyatt seconded.

The Board Members CONTINUED the minutes of November 14, 2018 until next month's Board Meeting.

Board Member Leonard made the motion to continue the financial statements for the month of October 2018 until next month's Board Meeting. Board Member Wyatt seconded.

The Board Members CONTINUED the financial statements for the month of October 2018 until next month's Board Meeting.

Board Member Nell Richards made a motion to approve the investment activity for the month of November 2018. Board Member Wyatt seconded.

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

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

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

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

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

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

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

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

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

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

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

Chairman Woodfin asked for a motion for the Service Pension and Widow’s Benefits applications to be approved.

Board Member Leonard made the motion for the Service Pension and Widow’s Benefits applications to be approved. Board Member Otis Luke and Board Member Wyatt seconded.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED the application of Gregory Elston, 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED the application of Robert E. Lewis, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,296.55 per month, effective December 3, 2018 under the provisions of Article VI, Section 1 of the pension law.

Mr. Lewis has been receiving a Supplemental Pension in the amount of \$2,092.43 since December 4, 2008.

The Board Members APPROVED the application of Mark Nichols, 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 1 of the pension law.

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

The Board Members APPROVED 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.

The Board Members APPROVED the application of Jesse L. Straiton, an employee with the 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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”.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

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

Mr. Fishback stated Morgan Stanley will be covering five specific points about Morgan Stanley: 1) Introduction – who they are and how they work with the Board Members of the City of Birmingham Retirement & Relief System; 2) Genealogy – how they got to where they are now. The Board Members did a sensational job with Morgan Stanley; taking the pension fund from \$600 million dollars to over \$1 billion dollars. The process was done in spite of the worst credit crisis the United States had ever seen; involving multiple managers' searches and legislative changes; 3) Outperformance of Morgan Stanley over ten-year period vs. Retirement Systems of Alabama (RSA); particularly during the 2008 credit crisis. Morgan Stanley outperformed their peers by a minimum of 10%; bringing an additional \$100 million dollars to the pension fund; 4) Fees – discussions that took place in multiple news articles and difference places. The number that was reported was \$4.6 million dollars. The \$4.6 million dollars actually incorporates custodial fees, actuary fees, managers' fees, and Morgan Stanley's fee. However, Morgan Stanley's fee is \$380,000.00. The managers' fees that helped save the pension fund an additional \$100 million dollars in 2008 at \$3.3 million dollars was actually a third less than the peers of pension funds similar to the Retirement & Relief System or larger; and 5) Board Members' priorities being same as Morgan Stanley's priorities, i.e. wanting more successful finances for the pension fund and retirees. With that being said, Morgan Stanley is offering financial planning for retirees.

Mr. Fishback stated not only does Morgan Stanley cherish this Retirement & Relief System's account, they cherish the retirees. Ms. Fishback stated his mother taught Special Education for thirty years. Mr. Fishback's father is currently a pastor, but he retired as a parole and probation officer. Both parents depend on their pension. Along with the R&R Board Members, Mr. Fishback stated he and his Morgan Stanley team members will make sure they will do everything possible to make the retirees' pension safe.

Mr. Fishback introduced his Morgan Stanley team members, and stated the audience will hear from Mr. John Terry, Complex Manager. Mr. Terry stated Morgan Stanley appreciates the opportunity for him and his team members to speak before the Board Members.

Mr. Terry stated Morgan Stanley appreciates the partnership with the Retirement & Relief System; the pension fund is good hands. Mr. Terry stated he covers the entire State of Alabama and the Florida Panhandle. Morgan Stanley cannot ask for a better team than Mr. Burchell, Ms. McDade, and Mr. Fishback. When dealing with issues, Morgan Stanley wants approach the R&R Board Members' table as partners; bring creative ways to address some of the issues over the last few months. Mr. Terry extended his thanks to the Board Members, and stated Morgan Stanley is delighted to be present at today's Board Meeting.

Mr. Greg Burchell stated Morgan Stanley always serves at the pleasure of the Board Members. However, Mr. Burchell stated he wants to step back and reintroduce Morgan Stanley; discuss how their consulting model works and their partnership with the City of Birmingham, specifically with the pension system.

Mr. Burchell stated he and his team members make investment recommendations to the Board Members based on specific knowledge of the needs and resources of Retirement & Relief System. If the Board Members accept Morgan Stanley's recommendations, Morgan Stanley becomes the fiduciary on that decision; a hired expert. The fiduciary criteria require Morgan Stanley to give advice in the best interest on behalf of current City employees, retirees, and future employees by putting them front and center. The Board Members make their decision based on the merits, facts, and information presented to them with thoughtful consideration within the context of their responsibility to the pension fund. The foundation of public pension systems consists of firefighters, police officers, employees, retirees, volunteers, appointed personnel, and government officials. Morgan Stanley's fees are a small portion. Morgan Stanley is the adviser for the Board Members; introducing managers as seen fit and recommending them. Morgan Stanley considers it a privilege to sit and present at the table. Every individual investment manager has a direct contract with the pension fund itself.

Mr. Burchell stated Morgan Stanley is one large financial service firm with \$2.3 trillion dollars in assets. Morgan Stanley's hallmarks includes being able to identify the best in class asset managers; negotiate fees on Board Members' behalf; and bring the results to the Board Members. Morgan Stanley has 50+ dedicated analysts that do not anything but investment management research; they do not pick stocks or bonds. The analysts look at managers and conduct over 450+ on-site manager visits. The purpose of the visits is to make sure the managers' numbers are what they are supposed to be as an operating manager; look for any "red or yellow" flags. Several years ago, the head of Morgan Stanley's research team went to talk with an investment manager. The investment manager's performance was phenomenal, and the head of Morgan Stanley's research team asked the investment manager to show him how the results came to into being. The investment manager could not prove how they got their performance. Morgan Stanley decided to pass on that opportunity because they could not make any sense on the numbers. It was later revealed the investment manager was Bernie Madoff. Needless to say, those types of situations are the reason why R&R Board Members needs a firm like Morgan Stanley to go through and identify pension problems.

Mr. Burchell stated Ms. Lisa Shallet, Head of Wealth Management Investment Resources at Morgan Stanley and Mr. Mike Wilson, US Chief Equity Strategist at Morgan Stanley, appear regularly on CNBC. Not only does the R&R Board Members listen to advice and counsel of Ms. Shallet and Mr. Wilson, the world listens. Morgan Stanley's Global Investment Committee consists of seven members who have their own specific teams, and they put together ongoing recommendations that are "game plan-type" situations. Depending on where the economy is in market cycle, the members will give their recommendations. Mr. Burchell will communicate with the members and evaluate the recommendations to see how they relate to the specific needs for the Retirement & Relief System. Morgan Stanley is very compliant with over 1,000 professionals that work in the Investment Advisory Operations, and the Legal and Risk Compliance Departments; they look over the shoulders of members like Mr. Burchell to make sure he is doing what he is supposed to do. Morgan Stanley is global with offices around the world. One hallmark is quote given by Mr. James Gorman, Chairman and CEO of Morgan Stanley, that states "Diversity and Inclusion is Important"; a universal belief on levels within Morgan Stanley.

Mr. Burchell discussed the Genealogy/History of Morgan Stanley. Over the last few weeks, it was reported that the R&R Board Members have been idle, i.e. not embracing the unfunded liability. Mr. Burchell stated he has an issue with that statement because he had his sleeves rolled up working hand in hand with the Board Members over the last fourteen years. The Retirement & Relief System currently has over \$1 billion dollars; paid over \$600 million dollars in pension obligations; and has \$1.6 billion dollars in investments returns. Since 2004, several events occurred but the most notable event was the Great Recession in 2008 and 2009. In February 2009, the Board Members were asked to come to a Special Call Meeting and the idea was proposed to move the pension fund into a Certificate of Deposit (CD) [by former Mayor Larry Langford]. The idea went against the advice and recommendation of Morgan Stanley. Mr. Burchell [and his former colleague Mr. Randy Johnston] advised the Board Members to stick with the recommended allocation and rebalance it appropriately. To the credit of the Board Members, they made the decision not to move the pension fund into a CD. The Retirement & Relief System benefited in hundreds of millions of dollars in returns and benefits since that time period. The Board Members and Morgan Stanley had gone through eight legislative acts in last twelve years. The Board Members and Morgan Stanley are currently increasing the investment tools needed to return projections, along with decreasing and clarifying existing benefits. In 2017, the Board Members approved benefit changes that actually lowered the actuarially-determined employee contribution by \$2.2 million dollars. The processes were done in a prudent pace; a measured process to expand allowable investments options that included:

- Multiple Asset Allocations Studies**
- Identifying Appropriate Investment Options**
- Drafted, Sponsored, and Passed Eight Legislative Bills to Expand the Allowable Investments**
- Reduced the Required Contribution for the City of Birmingham**

Once the legislation has passed, it has to be implemented. An asset allocation study is conducted and the pension law changes are proposed. Upon expansion, the positions will need to be filled. Once the positions had been identified, the Board Members actually screened thousands of investment managers. Over the last fourteen years the Board Members listened to approximately one hundred different manager presentations and negotiated hundreds of contracts; always seeking the lowest fee. With each new manager allocation, the Board Members actually increased their probability of achieving the investment target return at 7.5% without unnecessary risk. The processes were done at a prudent pace that the Board Members were comfortable with adopting. The processes are the same for pension funds all over the country.

Mr. Burchell referenced a page in the handout called the Efficient Frontier. The Efficient Frontier was developed by Dr. Harry Markowitz, a professor at the University Of Chicago School Of Business. No one realized how genius the Efficient Frontier was until Dr. Markowitz won a Nobel Prize in the 1990's. Between the annualized return percentage and the standard deviation – a common measure for risk, Morgan Stanley tries to figure out what is the best combination of stocks and bonds in order to get the most efficient return for the Retirement & Relief System, i.e. the best bang for the buck. Prior to 2006, the return opportunity was attractive and efficient. After 2013, the Board Members started looking at other asset classes outside of stocks and bonds; it required a lot of education. The Board Members looked at several alternatives such as private equity. Afterwards, Morgan Stanley conducted an asset allocation. The most current allocation is to target 9.8% return over the next twenty years. If the Board Members are going to accomplish 9.8% or 2%, that is an extra \$20 million dollars added to the investment return.

Mr. Burchell stated the Retirement & Relief System participated fully in the up market capture during a three, five, and ten-year period at 1%. When the markets goes down, the Retirement & Relief System does not participate in the down market capture. When comparing the Retirement & Relief System to its peers with over \$1 billion dollars, the pension fund took on less risk; accomplishing a better return than the median group and certainly better than benchmark. During the Ten-Year Period, the Retirement & Relief System performed much better with much less risk; having outperformed the majority of the pension funds in its peer group. When the median return was 26.8% in 2008 for pension funds of similar size as the Retirement & Relief System or larger, the Retirement & Relief System went down only 16%; approximately a \$100 million dollar-difference when calculating 10% on a \$1 billion dollar-fund. How was this done? Morgan Stanley looked at the client goal of 7.5% and the Global Investment Committee put together a portfolio and manager selection. The return was increased incrementally above the benchmark and 7.5% goal; it was base hits and not big swings.

Mr. Burchell referenced the handout, and stated he heard a lot of conversation about the RSA and City of Birmingham. Going through the history and genealogy of both pension funds' asset classes, Morgan Stanley knows each fund has its own life; just like a individual person.

The R&R Board Members had taken the pension fund from where it was twenty years ago to where it is today. It is really difficult to compare a pension fund directly, but Morgan Stanley did comparisons on the fixed income portfolio; the global equity portfolio; and the real estate portfolio. The 10-Year Time Period represents a common investment option, and the Retirement & Relief System significantly outperformed RSA in the eight years out of a ten-year time period.

Chairman Woodfin referenced a disclaimer in the handout stating “the above summary/price/statistics have been obtained from sources believed reliable but are not necessarily complete and cannot be guaranteed”. Mr. Burchell stated Morgan Stanley can provide the data to the Board Members. The disclaimer is provided by Morgan Stanley’s Compliance Department. Morgan Stanley’s information comes from their performance reports and RSA’s information comes from its website.

Board Member Steven A. Schultz referenced the handout, and stated for clarification that the Total Fund for both pension systems is at the bottom [of the handout]. Over a three-year period, The R&R’s Total Fund is 6.95% and the RSA’s Total Fund is 7.92%. Over the five-year period, the R&R’s Total Fund is 8.54% and RSA’s Total Fund is 10.04%. Over the ten-year period, the R&R’s Total Fund is 6.10% and RSA’s Total Fund is 4.88%. Mr. Burchell stated that is correct. The City of Birmingham was not allowed to invest in asset classes like the RSA was able to. RSA outperformed the City of Birmingham on a three and five-year basis. The Ten-Year number includes the downturn and the 2008 financial crisis.

Board Member Schultz stated his numbers were taken from RSA’s website also, and it appears that the RSA outperformed the City of Birmingham since 2001. Board Member Schultz agreed that it is hard to compare apples to apples, but the RSA’s pension plan outperformed the Retirement & Relief System in thirteen years out of seventeen years. Board Member Schultz asked Mr. Burchell if it made sense. Mr. Burchell stated it makes sense because Morgan Stanley was hired at the end of 2004. Morgan Stanley was not a part of the study that Board Member Schultz referenced. Morgan Stanley started its own work upon hire; trying to get to a similar allocation for the Retirement & Relief System that RSA was allowed to do. The R&R Board Members did not always take Morgan Stanley’s recommendation. Some investments are different and it takes education. If the Board Members were not comfortable with it, Morgan Stanley continued to educate them until the recommendation was adopted. Of the comparable assets between RSA and the Retirement & Relief System, the latter had significant outperformance. RSA uses a passive strategy as opposed to an active strategy; thus the reason why the R&R has active managers that provide a significant benefit.

Mr. Burchell stated the Retirement & Relief System's Current Traditional Fee Structure helps with the unfunded liability as follows:

- **By far the most common way investment managers are compensated.**
- **Pays manager a percentage of assets based on quarter ending values.**
- **A percentage remains constant, but the fee amount goes up or down depending on where the fund goes up or down.**
 - **Managers are independent of the pension fund.**
 - **Some managers get paid more if the fund goes up & some get paid less if the fund goes down.**
 - **The manager's fee is not based on the benchmark.**

Compared to other larger pension funds, the blended rate for the investment managers for the City of Birmingham is approximately thirty-three basis points. The blended rate is favorable on average compared to other pension funds at approximately fifty basis points, which is seventeen basis points lower on a \$1 billion dollar fund; a million dollars lower annually than the City pension fund's larger peers.

Mr. Burchell stated Morgan Stanley is introducing a new structure called Out-Performance Fee Structure. Morgan Stanley reached out to Retirement & Relief System's asset managers; always looking for ways to do that constantly. The reason why Morgan Stanley had not done it before is because: 1) They knew the pension fund had a really good competitive rate relative to its peers; 2) Only 21% of the traditional market uses this structure; 3) The structure pays the manager only a minimum index/passive-like base fee; and 4) It allows the manager to earn a higher fee than the base fee, but only if the manager outperforms their benchmark.

Mr. Burchell stated Morgan Stanley included a high watermark for the Retirement & Relief System's protection, i.e. the manager cannot earn a performance fee unless they are making new money. Morgan Stanley will cap their manager's fee, so that the manager cannot make an excessive amount. Not all managers are willing to do an outperformance fee, but most are considering.

Mr. Burchell referenced an Illustration of the Out-Performance Fee in the handout and stated the "Free Lunch" is where the manager adds money above the benchmark, but below the current manager fee. If a manager performs 7.5% (example), that is \$75 million dollars in returns needed to meet the actuarial rate. If a manager outperforms by 1.5% based on 20% participation (example), they will earn 15% and the R&R pension fund gets 12%. The fees are capped; a savings of \$300,000.00 in management fees.

The manager will be able to fully participate up to the benchmark; getting \$75 million dollars in returns. If the manager outperforms, an additional \$12 million dollars will be added to the Retirement & Relief System.

Under the Traditional/Outperformance Fee Structure, Mr. Burchell stated:

- **10 of the 11 investment managers agreed to adjust their fee structure.**
- **5 managers agreed to lower their traditional fee.**
- **5 managers agreed to consider the outperformance fee structure.**
- **1 manager is being reviewed to expand their mandate.**
- **1 new manager is being reviewed for recommendation due to performance and lower fee structure.**
- **1 manager has a fee that is almost half of their competitors.**
- **Morgan Stanley Consulting Fee proposes a reduction by 10% to (0.034%) if the Board Members agree to that.**

Mr. Burchell stated the Current Blended Fee is thirty-three basis points and the Proposed Blended Traditional/Base Fee would move down to fourteen basis points; a fee reduction in nineteen basis points. At Benchmark Returns, the savings will be \$1.9 million dollars above the current fee.

Under the Results of Restructuring to Performance Fees, Mr. Burchell stated:

- **If the managers just perform with or below the benchmark, the fund will have \$1.9 investment management fee in savings.**
- **If the managers outperform at twenty-five basis points net, they will add \$2.5 million dollars above the benchmark.**

Board Member Phyllis Carr asked Mr. Burchell to repeat what he said about saving money to the audience; they might not be familiar what he is saying. Mr. Burchell stated Morgan Stanley wants to do their part by lowering their fee or lower the fees of the investment managers; allow the managers to continue to outperform. According to their belief, Morgan Stanley put in place an asset allocation that will outperform the actuarial target of 7.5% for the next twenty years. In the end, Morgan Stanley believes it is an opportunity for the Retirement & Relief System to remain under the City of Birmingham's control and allow it to have better funding performance.

Mr. Burchell stated the City has \$19 million dollars traded with Morgan Stanley, and Morgan Stanley does not charge any commission on that. The other managers trade \$16 million dollars through other brokers and platforms. The Total Pension Fund Estimate of shares traded is \$35 million dollars. The approximate blended commission rate on all shares traded is \$215,000.00; approximately less than one half of a penny per share. According the 2017 Comprehensive Annual Financial Report, the RSA paid commissions at blended rate of \$3.63 million dollars; 35 million shares is approximately \$1.27 million dollars. The Commissions would be paying approximately \$1 million dollars more than what the Retirement & Relief System participates in.

Mr. Burchell stated there was no discussion about the securities lending program that is currently provided by the custodians, Regions Bank and Bank of New York Mellon. Mr. Burchell stated he will go into more detail after the Board Meeting, but he wants to make the Board Members and employees aware that the securities lending program produces another investment income of \$1.2 million dollars.

Mr. Burchell referenced the Estimated Total Cost Comparison of RSA and the R&R, and stated the RSA has an estimate of thirty-five million shares traded annually; the commission would be \$1.27 million dollars. The R&R currently pays \$215,000.00. Even though this has not been verified, Mr. Burchell stated he heard the expenses related to the investments for the RSA is a little over \$700,000.00.

Mr. Burchell stated the current structure of fees for the Retirement & Relief System is \$3.78 million dollars. Under RSA, the securities lending income is included the performance but it is not accounted in any report other than to pay for pension benefits and expenses. For the Retirement & Relief System, Morgan Stanley is going to allocate \$1.2 million dollars for expenses. If Morgan Stanley is successful, the amount would be \$1.9 million dollars in compression savings. For the R&R, the Total Investment Expenses at Index Returns would be \$895,000.00 net and the additional operating expenses (custodian, actuary, etc.) is \$800,000.00; bringing the total to \$1,695,000.00 for Investment and Operating Services. The RSA's Investment and Operating Services is \$1,981,000.00. The City would save \$286,000.00 in Estimated Annual Total Cost Savings over RSA.

Mr. Burchell closed by stating Morgan Stanley offers Comprehensive Financial Planning for City employees at no cost. It is a dynamic program, and employees are welcome contact Morgan Stanley Wealth Advisory in Birmingham, AL.

Chairman Woodfin thanked the Morgan Stanley team members for their presentation.

Chairman Woodfin stated to Board Member Carr that she made some comments regarding Morgan Stanley and also had some questions at the Work Session on November 27, 2018. Chairman Woodfin asked Board Member Carr to expound on those again. Board Member Carr stated she had mentioned that she has been on the Retirement & Relief System Board since 2012, and has been asking for a Request for Proposal (RFP).

Chairman Woodfin stated for clarity Board Member Carr has been asking for an RFP or a Request for Quote (RFQ). Board Member Carr stated the Board Members did not have the votes to do it.

Board Member Carr stated the RFP would send out applications to companies that do the same thing as Morgan Stanley. The Board Members would compare the companies with Morgan Stanley to see if Morgan Stanley is giving the Retirement & Relief System the best business or not. Since 2012, Board Member Carr has been asking for an independent audit also. Mr. Tom Barnett, Director of the Finance Department, told the Board Members that Banks, Finley, White & Company always does the audit for the City. The Retirement & Relief System never had an RFP or an audit done independently.

Chairman Woodfin asked the Board Members if they would like to speak on what Board Member Carr shared with them.

Board Member Leonard stated he has his own ideas, but it would be a long debate. Board Member Leonard stated he will pass and not say anything at this time.

Board Member Schultz stated he is a little confused about the total cost comparison presented by Mr. Burchell. Board Member Schultz referenced in the handout and asked Mr. Burchell if the commission, under the RSA's structure, is related to what is charged to the City.

Board Member Leonard answered by stating he will make this simple without getting into any technical language. The Board Members pay Morgan Stanley and it was two contracts at the time. One of the contracts was for Morgan Stanley's advisory service, manager search, etc. The other part of Morgan Stanley's contract allowed the R&R's money managers to use Morgan Stanley's commission desk to buy and sell stocks and bonds. When a company goes to the market to buy and sell stocks and bonds, they would have to pay a commission. For a flat fee, the R&R's money managers do not have to pay a commission to sell stocks and bonds. According to the information presented in today's handout, the RSA pays three cents or three and a half cents a share. For example, a person buys and sells twenty million shares of stock. At three cents a share, that is \$900,000.00. The \$900,000.00 does not come out of the R&R's investments.

Board Member Leonard asked Board Member Schultz if he is following what Board Member Leonard is saying. Board Member Schultz stated yes.

Board Member Leonard stated if the Board Members pay Morgan Stanley \$300,000.00 or \$400,000.00 for advisory services along with selling and buying stocks and bonds and save \$900,000.00, he would think "Hey, these people are not costing the Board Members any money. Actually, they are saving them money".

Board Member Schultz asked Board Member Leonard how does that compare to the return if the RSA outperforms the R&R in the one-year, three-year, and five-year time horizons. According to today's handout, it was during the ten-year period that the RSA did not outperform the R&R; that was the only time. Does the commission show up in the investment return?

Mr. Burchell answered by stating the commission shows in the traditional investment return. When looking at comparable assets - fixed income, equity, and real estate - the actual return numbers for the Retirement & Relief System shows significant outperformance for those three asset classes. Part of the component for R&R's outperformance is the ability to execute trade at a significant level. When looking at RSA's performance in relation to their equity managers, RSA has below benchmark returns. However, Mr. Burchell stated he has not done an attribution on RSA.

Board Member Schultz asked Mr. Burchell how would RSA's return be higher than the R&R's return. Mr. Burchell stated the Retirement & Relief System is investing in alternative asset classes that they were not allowed to invest in previously.

Board Member Schultz stated for clarity it is not an "apples to apples" comparison in the sense of getting it passed through. It does not really matter in comparisons to what the commissions are paid, if the returns are higher. Mr. Burchell stated he agrees with Board Member Schultz, up to a point in Morgan Stanley's history.

Board Member Schultz stated that is fine. In Morgan Stanley's fee structure, they are proposing... Mr. Burchell stated the R&R Board Members are allowed to invest in asset classes that are equal to the RSA. The Retirement & Relief System was restricted by the state legislation.

Board Member Schultz stated that is correct; that is the problem with the "apples to apples comparison" of returns. Mr. Burchell stated that is correct. Morgan Stanley pulled the common assets of the RSA and the common assets of the R&R, and compared them.

Board Member Schultz stated Morgan Stanley did not compare the entire returns. Mr. Burchell stated Morgan Stanley did compare the entire returns; it is reflected on the page that Board Member Schultz is referencing in the handout. Even with that, Morgan Stanley has done more with less. Over the ten-year time period and even during the most critical time period, Morgan Stanley preserved and protected the Retirement & Relief System. Morgan Stanley significantly outperformed not only the RSA, but the entire universe of other pension funds.

Board Member Schultz stated for clarification the \$3.7 million-dollar total number does not include the almost million-dollar more in ancillary fees that are not part of Morgan Stanley. Mr. Burchell stated that is correct; it brings clarity to Morgan Stanley's coverage over investment managers' portion and Morgan Stanley's fee itself.

Board Member Leonard stated he and Board Member Schultz did a number of comparisons. Both bantered back and forth, but it was friendly. Board Member Leonard did a ten-year comparison and Board Member Schultz did a seventeen-year comparison, but the biggest factor is that it is not an “apples and oranges” comparison. In 2011, a significant change occurred in the state law that allowed the Retirement & Relief System to invest in foreign stocks. Prior to 2011, the Retirement & Relief System was totally in domestic stocks. The change in the state law allowed the Board Members to invest in alternatives and high-yield bonds. Board Member Leonard and Board Member Schultz can do comparisons all day long and still not draw any absolute, meaningful conclusion. Board Member Schultz stated his agreement.

Chairman Woodfin thanked the Board Members for this continued conversation. With the inclusion of today’s Board Meeting, Chairman Woodfin stated he received a lot of information after attending several Board Meetings and the Work Session on November 27, 2018.

Chairman Woodfin stated he wants to continue a discussion that took place at the November 27th Work Session. During the Work Session, the Board Members were comfortable with exploring the City contributing a little over \$4 million dollars. The Board Members discussed what current employees do and what new employees could do [pertaining to state law]. With regards to new employees, the Board Members discussed an amount of \$6 million dollars in employee contributions. The discussion started with the City finding ways to come up with \$12 million dollars a year to close the unfunded gap; leaving about \$4 million dollars - \$6 million dollars that the City wants to fund. The Board Members addressed long-term issues with the pension fund as it relates employees who have one year or five years with the City.

Chairman Woodfin stated the Board Members need to have a discussion today about the expenses. In Mr. Burchell’s presentation, the expenses are deemed to be approximately \$4.5 million dollars. Chairman Woodfin stated he does not view RSA with a conspiracy theory, nor Morgan Stanley as the devil. Chairman Woodfin stated he wants the Board Members to be very, very open-minded. The Board Members should have questions such as “Are the expenses too high?”, “Should they question the expenses?”, or “Should they be open to an RFP, RFQ, or an RFI (Request for Information) from other vendors?” The Board Members need to see where they can cut expenses in order to find a solution for this \$12 million-dollar shortfall. These are the questions the Board Members should ask. The questions are not meant to coerce the Board Members, but they should have a conversation about it. Chairman Woodfin reminded the Board Members to be open-minded, and talk about it.

Board Member Leonard asked Chairman Woodfin if the Board Members are going to have a discussion about expenses as a whole. Will the Board Members discuss the consulting services, payments to firms managing the money for the Retirement & Relief System, custodial services, and actuary’s services? Chairman Woodfin stated all of the above, which is approximately \$4.5 million dollars.

Board Member Leonard stated it will probably take more than one RFP because he cannot think of any company in the world that could provide all of the services under one umbrella. However, if the Board Members are going to entertain putting out a bid Board Member Leonard is not opposed to it. It is going to be very complicated to bid the services, but he agrees with Chairman Woodfin.

Chairman Woodfin stated there is a lot of institutional knowledge among the Board Members, and asked how Morgan Stanley was chosen from an historical standpoint. Chairman Woodfin stated he asked the question because he finds it interesting that some of the information presented to the Board Members is coming across as reactionary; it is probably based on the ongoing discussion from the November 2018 Board Meeting and Work Session.

Chairman Woodfin stated he is hearing one Board Member stating she had been requesting an RFP for years and one Board Member stating he is open to what she has been requesting. However, it would be nice to hear from other Board Members regarding the City of Birmingham's pension expenses.

Board Member Leonard stated he may say some things that he should not say, but Chairman Woodfin asked and Board Member Leonard will answer. Board Member Leonard stated he came on the Retirement & Relief System Board thirty-three years ago. For the first thirteen years, the pension board was controlled by former Mayor Richard Arrington, Jr. During that time, the Retirement & Relief System was five-member Board and the Mayor had three votes out of five. The Board Members were hiring the money managers. One manager had never managed money, and the Retirement & Relief System was his first customer. One money manager was given a raise without the knowledge of the Board Members; it was later discovered that it was approved by the Legal Department. Mr. James Love, current Board Counsel, was not working with the Board Members back then. One money manager went to jail. The Board Members did not have any advisers at all. The Board Members finally hired an adviser, and they worked with the Board Members for approximately two years. It was later discovered that the adviser falsified his educational background and the Board Members let them go. One day, Morgan Stanley [formerly Smith Barney] came knocking on the Board Members' door. Morgan Stanley appeared confident, and one of the things the Board Members liked was that Morgan Stanley was local. Morgan Stanley had a heck of a team, and good people behind them at their headquarters. As mentioned earlier by Mr. Burchell, Morgan Stanley helped the Board Members with a number of legal changes that enhanced the Retirement & Relief System to be competitive with any pension fund including the RSA. In a nutshell, that is how Morgan Stanley got here. It is a heck of a lot better compared to what Board Member Leonard was dealing with thirty-three years ago.

Chairman Woodfin asked how long Morgan Stanley has been working with the Board Members. Board Member Leonard stated approximately fourteen years.

Chairman Woodfin acknowledged Board Member Nell Richards.

Board Member Richards stated in the past there were some good decisions made that helped the employees out. However, Board Meeting Richards stated she is having difficulty with an issue and the Board Members needs to have a discussion about phasing it out.

Chairman Woodfin asked Board Member Richards what part she is referring to. Board Member Richards stated the Deferred Retirement Option Plan (DROP).

The Board Members and audience were stunned.

Chairman Woodfin addressed the audience by stating the Board Members are having a meeting. The audience should refrain from making any comments.

Board Member Richards stated she is the Retirees' Representative. As a retiree herself, she did not get the DROP. Board Member Richards stated she did not say the DROP should be cut flat on day one. Board Member Richards had stated the DROP should be looked at to phase out. Last fiscal year, the Retirement & Relief System had paid out a little less than \$5 million dollars in DROP payments. The Retirement & Relief System does not have that money to grow through investments. When Chairman Woodfin mentioned cutting \$4.5 million dollars in expenses, Board Member Richards stated she thinks the DROP should be looked at somewhere down the road by the Board Members. The City had an early buyout [in 2010] and those employees were not replaced. Several things happened with the City over the years, but the DROP is a lot of money that the Retirement & Relief System does not have to help it grow.

Chairman Woodfin asked Board Member Richards to repeat the amount. Board Member Richards stated the DROP payments were a little less than \$5 million dollars. To be exact, it was \$4.9 million dollars because she did the calculation. From July 2017 to June 2018, the Board Members had approved \$4,943,804 in DROP payments.

Board Member Carr asked Board Members Richards how long did she worked for the City. Board Member Richards stated she worked at the City for thirty-one years, four months, and five days.

Board Member Carr asked Board Member Richards if she received a DROP for those thirty-one years, four months, and five days. Board Member Richards stated no.

Board Member Carr stated for clarity that Board Member Richards did not get a DROP. Board Member Richards again stated no.

Board Member Carr asked Board Member Richards if the DROP was in place when she retired. Board Member Richards stated she does not think so.

Board Member Richards stated she is not prejudiced because she did not get the DROP. Board Member Richards stated she is looking at numbers and the City is wanting to cut out \$4.5 million dollars in expenses. The City is looking to have someone guide the Board Members in what they need to do. The Board Members need to look at some of the things that the Board Members had put in place when times were good; when pension was making a lot of money. Board Member Richards stated she is not picking on the police officers or firefighters, but the Board Members should look into phasing out the DROP down the line.

Board Member Carr asked Board Member Richards if she referring to phasing out the DROP or putting a cap on it. Board Member Richards stated putting a cap on DROP could be an alternative.

Board Member Wyatt stated to Board Member Richards that the DROP does not affect the actuarial obligation. The Retirement & Relief System is obligated to give that DROP payment, whether it is a monthly installment over three years or in one big lump sum. The DROP does not change the actuarial obligation to the pension fund. Board Member Richards stated okay, but the pension fund does not have that money in hand to grow.

Board Member Wyatt stated he could have left three years ago and started drawing a DROP payment immediately; the money would be in the pension fund if it is kept three more years. Board Member Richards stated the DROP payments would be drawn during a person's lifetime.

Board Member Wyatt stated as an example if thirty employees wait three more years and retire afterwards, they would draw monthly checks. When adding all those numbers on those thirty employees that left three years ago, the money would be exactly the same except for the interest the pension fund pays on it. The actuarial obligation to the pension fund is exactly the same.

Board Member Carr stated to Board Member Richards the retirees get less money on the DROP in their retirement check. Board Member Richards stated she knows that.

Board Member Wyatt stated the eliminating the DROP will not change that \$378 million-dollar number at all.

Board Member Schultz asked why RSA eliminated their DROP. Board Member Wyatt stated RSA did a Back DROP. If no payments are going into the fund, the money goes into an escrow account on behalf of those employees who were in the DROP program. Over a period of time, the fund was not getting any DROP money and RSA eliminated it.

Board Member Wyatt stated if he stays on the payroll and wait to do his DROP, he is still putting into the pension fund every month because he is not drawing a retirement check. Board Member Richards stated that is true. Once Board Member Wyatt leaves and draws a DROP for those years, the City will do the figures on that total amount and it will go somewhere else. The money will not stay in the pension fund and earn more money.

Board Member Wyatt stated the total amount will go to him because the City kept it. The employee would get what they could have gotten in a monthly installment over the last three years. If Board Member Wyatt retires today...

Board Member Richards asked Board Member Wyatt what the percentage of interest would be if the City pays him. Board Member Wyatt stated it is either 5% or 6%.

Board Member Richards asked if the Retirement & Relief System really earned 5% or 6% on the interest. Board Member Wyatt stated the Retirement & Relief System earned 10% in some years, and also 20%. Board Member Richards stated the Retirement & Relief System is not earning that right now.

Chairman Woodfin asked Board Member Wyatt about his thoughts on the pension fund's current expenses. Board Member Wyatt stated if someone comes and makes a presentation i.e. meets the qualifications; has a track record of proven performance; etc., he is not going to say that he will not look at. However, Board Member Wyatt stated he does know if the Board Members are going to find somebody with all those "eggs in one basket." Board Member Wyatt stated he would take a look at the proposal.

Board Member Richards asked Board Member Wyatt about his thoughts on capping the DROP amount. Board Member Wyatt stated it does not change that \$378 million-dollar number. All the City would be doing is giving Board Member Wyatt the money that he would have gotten if he had left three years ago. If Board Member Wyatt retires today, the City would pay him a check over the next three years. In the meanwhile, Board Member Wyatt would stay on the payroll; continue to pay into the fund; and three years from now get what the City would have given him if he had left three ago.

Board Member Otis Luke stated for clarification the DROP is like depositing money into an account that the employee does not draw any interest on. The City keeps the interest. For example, Board Member Luke invests six years extra at the police department to achieve a DROP. Board Member Luke would deposit that money in an account over a six-year period into the fund. However, Board Member Luke is not able to pull the interest that the fund grows from the money he added to the fund because the City keeps the interest.

Board Member Luke stated the City is gaining money from what employees invests in the DROP. Instead of employees going to another jurisdiction or working somewhere else, they would deposit six years extra into a fund that they are not going to draw interest on. The employees would be getting that small portion. The City keeps money that gains from the interest to the fund on the DROP. The City actually makes money off the DROP than losing money.

Board Member Wyatt stated it is the fund. Board Member Luke stated the fund makes money on the money that is going into the DROP.

Board Member Leonard stated the Board Members were told by the actuary that the DROP is cost-neutral because the retirees take a reduced pension. Once the retiree passes away, their survivor will get part of that reduction. However, Board Member Leonard stated he does not believe the DROP is part of the solution to the problem that Board Members are trying to solve.

Chairman Woodfin asked the Board Members if there is any action they would like to take, since the discussion is about expenses.

Board Member Wyatt stated he does not have any.

Board Member Carr stated the Board Members would have to do the RFP; send it to all four financial services that Retirement & Relief System currently has. The process is time-consuming; the Board Members would have to come to Special Call Meetings to hear presentations from everyone they accepted the RFP from. The companies would send something like a resume to the Board Members. The Board Members would have to set up a time and place for the companies to come and present.

Board Member Leonard stated he is glad that he is not going to be in charge of doing the RFP because it is going to be very, very difficult.

Board Member Carr stated the Board Members have Morgan Stanley as a guide. The Board Members would look at what the companies are bringing, and compare them to what Morgan Stanley is doing. Board Member Leonard stated the process would require finding someone that is going to do the trades. As explained earlier, part of Morgan Stanley's contract is allowing the money managers to use Morgan Stanley's zero commission desk that saves the Retirement & Relief System perhaps up to or close to \$1 million dollars a year.

Board Member Carr stated if other managers are making more money or doing better than the Morgan Stanley's managers, the Retirement & Relief System would be gaining. The Board Members would still have to do an RFP; find out what else is out there.

Board Leonard stated he is through.

Board Member Schultz stated he thinks Morgan Stanley has done a great job of putting almost \$2 million dollars on the table from a realistic time standpoint and an operational standpoint, i.e. cutting their fees by \$2 million dollars. The Board Members can agree that Morgan Stanley did a really good job with their returns for the Retirement & Relief System over the years. However, the RSA is the only other option for the Retirement & Relief System because they do it all. The Board Members are not going to be able to put a certain number of RFPs each for the custodian, actuary, auditor, and consultant.

Board Member Carr asked Board Member Schultz if he saying only the RSA and Morgan Stanley can do all four services. Board Member Schultz stated no. Board Member Schultz is referring to putting out RFPs from a time standpoint. Morgan Stanley does not do administration; go from \$3.7 million dollars to \$4.5 million dollars. The only other entity that does it all under one roof is the RSA. If that is not something the Board Members are not willing to consider, Board Member Schultz stated he is not sure it can get any better than a \$2 million-dollar cut in fees for the Retirement & Relief System. The cut is thirty-three basis points or something in that neighborhood; that is strong. However, that does not take into consideration the other \$1 million dollars that the Board Members got to find. In RSA's return, they have all those costs involved. In relation to securities lending, Board Member Schultz stated he is not sure about that because he could not follow their CAFR (Comprehensive Annual Financial Report) all the way through to find where Retirement & Relief System is in their investment returns upon hearing two different things about that. In terms of administrative cost relating to commission from RSA's investment, one of the "apples to apples" comparisons that can be made is the RSA's fund return versus what the Retirement & Relief had done under Morgan Stanley's guidelines. Other than that, the Board Members are spinning their wheels.

Board Member Luke stated everyone is mentioning the RSA, but he has not seen anyone from the RSA. RSA has not made a presentation to the R&R Board Members. Board Member Schultz stated the Board Members have not asked RSA to come and present.

Chairman Woodfin asked if the Board Members if they are willing to hear a presentation from the RSA; being open-minded as mentioned earlier.

Board Member Luke stated the Board Members can mention fees [about Morgan Stanley], but the Board Members do not know what RSA's fees are if they have not seen a presentation. Would RSA be willing to come and make a presentation before the R&R Board Members?

Chairman Woodfin stated he is open to RSA making a presentation, based on wanting to know if expenses will be saved. Chairman Woodfin referenced a handout he received that has over 200+ Cities in Alabama under RSA; it cannot be too much of a deal if they have it. At a minimum, the Board Members should allow RSA to present to them.

As a Board if they do not like it, they will stick with Morgan Stanley or open it up to see what other firms offer. At a minimum, it is about Board Members having an open mind to receive information. If the Board Members are going to talk about expenses, it should be done in an objective, mutual way. Once the Board Members receive valuable, factual information from an entity or entities, they will make an informed decision.

Board Member Leonard stated there are some specific questions that he wants to ask the RSA. When something like this goes on, there are all kinds of rumors, i.e. Chicken Little saying “The Sky is Falling”. There have been some rumors that RSA would take over the Retirement & Relief System; one of them is new City employees falling under RSA’s Tier II upon hire. Under Tier II, the City employees will not be under the same rules and benefits as the Retirement & Relief System. For new employees under Tier II, their multiplier is 1.65%. For new employees under the Retirement & Relief System, the multiplier is 2.25%. Other than just the management of the Retirement & Relief System, there are a lot of questions that the Board Members and employees will need to know the answers to.

Chairman Woodfin stated the RSA needs to come before the Board Members, and ask RSA those questions.

Board Member Carr stated another rumor is that if the City does not make the obligation to RSA, RSA can do whatever they want.

Chairman Woodfin stated the difference between the Board Members and City employees is that the Board Members have a fiduciary duty to make informed decisions that are not based on rumors; that is important. The Board Members respects the employees, and want to make the best decisions for them because the Board Members represent them. The City and Board Members do not have the luxury to deal with rumors. Every rumor, question, idea, comment, suggestion, frustration, and fear that is out there should be thrown at RSA to see what their response is. The same thing should be done to Morgan Stanley; it does not have to be isolated to one organization. These two organizations: 1) Morgan Stanley: A firm that has represented the Retirement & Relief System for fourteen years and 2) RSA: the organization that the Board Members have been talking about.

Chairman Woodfin stated he is open to having the RSA present, and the Board Members can ask them any questions and allow RSA to respond.

Chairman Woodfin stated he will entertain the Board Members thoughts on having RSA giving a presentation.

Board Member Wyatt stated Chairman Woodfin mentioned all the cities that fall under RSA, and most of them are small. The reason why they do not have their own pension system is because they probably do not have the size or capability.

Board Member Wyatt stated he serves on the State of Alabama Legislative Committee and the State Association for Firefighters. The latter group is actively pursuing to change the bill right now from Tier II back to Tier I for future employees; it has been that big of an issue for other employees. For jurisdictions that fall under RSA, the employers pay approximately 13% - 15% in payroll and it goes towards pension obligations. The City of Birmingham has not done that. If the City says 13% - 15% of the payroll is going towards pension obligations today, they would be close to that required contribution with coming up with \$12 million dollars. Board Member Wyatt stated he is not opposed to listening to the RSA.

Board Member Schultz stated he agrees with Board Member Wyatt. There are probably numerous reasons why it might not work to go with RSA. The Board Members will have to figure out how to handle several things, but that should not be the reason why they should not listen to the RSA and then say "Yeah, that works" or "No, that does not work", and be okay with that.

Board Member Leonard stated he has always had his own opinions, but he will also listen.

Board Member Leonard made the motion to invite RSA to come and talk with Board Members. The Board Members will have the opportunity to ask RSA questions, and the RSA will tell the Board Members what they can do for the Retirement & Relief System. The Board Members will then have the opportunity to ask RSA questions as to what is going to happen, if the Retirement & Relief System goes to RSA. Board Member Wyatt seconded.

Chairman Woodfin stated there is a motion on the floor, and stated to Board Member Leonard for clarity that the motion is feasible for the Board Members to entertain a presentation from RSA; hear what services they provide or could provide for the Retirement & Relief System.

The Board Members APPROVED to invite RSA to come and talk with Board Members. The Board Members will have the opportunity to ask RSA questions, and the RSA will tell the Board Members what they can do for the Retirement & Relief System. The Board Members will then have the opportunity to ask RSA questions as to what is going to happen, if the Retirement & Relief System goes to RSA.

Board Member Wyatt stated he wants RSA's proposal to include more than what their fee structure; tell what is going to happen to the City employees; what is going to happen for the new City employees coming in at this 1.65% multiplier; why Tier II does not have a DROP in the state system; etc. When RSA comes and presents, the Board Members will need to know the whole picture.

Board Member Carr asked Chairman Woodfin if the Board Members need to have another Special Call Meeting. When a manager comes to do a presentation for the Board Members [at a regular scheduled Board Meeting], the Board Members gives them fifteen – twenty minutes. For the RSA’s presentation, the Board Members will need more time.

Chairman Woodfin stated his agreement, but he serves at the pleasure of the Board. Based on what he is hearing from the majority of the Board Members about being open to having a Special Call Meeting, they can look at some possible dates. Once a date has been confirmed, it will be communicated to the employees.

Board Member Leonard stated it would be better to hear a presentation from RSA in a Special Call Meeting.

Chairman Woodfin stated the Board Members will multi-task by continuing today’s discussion and look at some dates to have a Special Call Meeting.

Chairman Woodfin stated at the Work Session on November 27th, he ended the meeting by sharing an email address for the Board Members and employees to submit any questions, suggestions, or comments regarding the pension. In regards to being transparent, Chairman Woodfin stated he will read aloud what was sent:

Number 1

- Unfair to reduce the benefits to existing employees.
- Hard to hire new people who are willing to take pay reduction to work for the City.
- Move all investments to an unmanaged index fund because of low fees if it saves money.
- Move to the RSA if makes sense from a money and performance standpoint.
- Do not raise taxes. City is already overtaxed. Taxes should be less than nearby big cities. Need to encourage business and industry to move to Birmingham.
- People do not move to Birmingham because of crime and bad schools. Consolidate recreational services into regional destinations. Spend too much time trying to be equitable to 9 City Councilors and 99 neighborhoods instead of doing what is good for the City.
- Eliminate Recreation Centers, Pools and Community Centers and focus on creating Regional Destination Centers, like Railroad Park and Avondale area. If the Rec Centers or other attractions, (Boutwell, Sloss, Legion Field, etc.) cannot generate enough money to be self-sustaining, they should be closed.
- The City should not borrow money unless it is an emergency. Pay off the existing bonds and use all that money that is now used for bond payments to pay down the unfunded liabilities.

Number 2

- Increase the transportation rate of citizens/patients to emergency rooms to the industry average. Earmark the first \$3 million from this fee to go to fund the R&R Pension Fund. Most of the new funds would come from Medicare/Medicaid or private insurance.
- Only municipality that does not charge a garbage pickup fee. A nominal fee would generate a great deal of revenue. The fee should be at a level that could fund at least \$3 million a year to the R&R pension and excess to the General Fund.
- Increase the building permit fees to take advantage of the construction going on. Earmark part of the increase to go to the R&R pension.
- Increase the fees that are issued by the Police Department for various infractions within our city limits. Identify a combination of these and increase the fines to a level that would generate an additional \$3 million. This would only affect the citizens that have broken the law or committed some type of infraction.

Number 3

- Put a cap on the maximum benefits received. Don't need someone making \$135,000.00 a year to make \$100,000.00 a year in retirement; that is three times the median income in Alabama which is \$31,324.00 a year.

Number 4

- Additional sources of Revenue: The City should collect a fee for garbage. May not be popular but [Birmingham] is the only city in Jefferson County that does not charge a garbage fee. Have lived in the City of Irondale for twenty-years and have always paid a garbage fee of \$20.00 a month (\$240.00 a year). Birmingham needs to cut back to once a week pickup and still pay \$20.00 a month.

Number 5

- As an incentive for employees to accept the transfer to the plan assets to the RSA, the City would adopt the provisions of 36-26-36.1 Code of Alabama 1975 that would allow employees to convert unused sick leave to reach their retirement age.

Chairman Woodfin stated again these comments were submitted, and he thought it would be appropriate to be transparent by sharing everything that was submitted. The retirees are welcome to share as well.

Chairman Woodfin stated the next scheduled Board Meeting is Wednesday, January 9, 2019. Chairman Woodfin asked the Board Members if they would like to have a Special Call Meeting on Tuesday, January 8, 2019 at 3:00 p.m. or Monday, January 7, 2019 at 3:00 p.m.

The Board Members discussed the dates for a Special Call Meeting.

Chairman Woodfin stated the Board Members will need to submit any questions or concerns to the RSA, prior to them coming to make a presentation; that is four weeks prior to the January 9th Board Meeting. The RSA's presentation can be a Work Session or a Special Call Meeting, one or two days prior to the January 9th Board Meeting. The Board Members will need to be diligent with forwarding the questions that were raised today. The questions can be sent to Chairman Woodfin or to the person that helps the Board Members with their meetings; to ensure that RSA comes fully prepared with their information.

Board Member Carr stated she thinks the Board Members need to hit RSA off guard; they should know the Board Members will ask and be prepared for it.

Chairman Woodfin stated to Board Member Carr that he hears what she is saying and he heard what Board Member Wyatt said. Based on what both Board Members had said, it does not match.

Chairman Woodfin asked Board Member Wyatt if that was fair. Board Member Wyatt stated he is not trying to surprise the RSA with anything; he has real questions and will be as honest as he can be. Board Member Wyatt stated he worked really hard around the State of Alabama to help his fellow firefighters get Tier II fixed. Board Member Wyatt stated he will be as blunt as can be with RSA. If RSA comes here and say "All new employees hired, from the day we make this transition, will be Tier II employees", Board Member Wyatt stated he cannot support that move.

Chairman Woodfin stated the Board Members can keep it as open and objective as possible for those who would like to submit questions, prior to RSA's presentation. Chairman Woodfin stated he will make sure the questions will be given to whomever they will need to go to. If the Board Members do not want to submit questions but want to put RSA on the hot seat, the Board Members will have some fun as well.

The Board Members further discussed the dates for the Special Call Meeting.

Chairman Woodfin stated the Board Members will get a date in mind once they looked at their calendars to see what works for them. However, today's Board Meeting is not done.

Mr. Love stated the Board Members needs to go into Executive Session for Item Numbers 34 & 35.

Board Member Carr made the motion to go into Executive Session. Board Member Richards 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 Luke made the motion to approve the Ordinary Disability application for Mr. Emantic F. Bradford, Sr. Board Member Carr seconded.

The Board Members APPROVED 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 based on doctor's recommendation.

Board Member Leonard made the motion to notify Saxena-White that the Board Members will allow them to represent the Board Members as Lead Plaintiff in the case against Synchrony Bank. Board Member Luke seconded.

The Board Members APPROVED to notify Saxena-White that the Board Members will allow them to represent the Board Members as Lead Plaintiff in the case against Synchrony Bank.

Chairman Woodfin asked the Board Members if they are opposed to moving the regular scheduled Board Meeting to Wednesday, January 16, 2019 at 3:00 p.m. The Board Members stated no.

Chairman Woodfin stated the RSA will present on Monday, January 14, 2019 at 3:00 p.m. The Board Members stated that will be fine.

Board Member Schultz asked Chairman Woodfin who will contact RSA. Chairman Wood stated "we" will contact Mr. Love to make sure proper notice is given to RSA. Upon RSA's response, the Board Members will be notified.

Board Member Luke asked if RSA can send their presentation in advance to the Board Members. Chairman Woodfin stated absolutely. The Board Members' questions can be submitted to Chairman Woodfin.

Board Member Carr asked Chairman Woodfin if there could be a roll call vote going forward. Chairman Woodfin stated that is fine.

Board Leonard made the motion to approve the Wells Fargo Settlement. Board Member Wyatt and Board Member Carr seconded.

The Board Members APPROVED the Wells Fargo Settlement.

Board Member Leonard 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**

January 16, 2019

City of Birmingham Retirement & Relief System

Project 1:

Morgan Stanley's Global Investment Committee believes that we are in a multi-year rate normalization period, with low expected bond total returns. We also expect increased volatility from equities, yet with lower returns. To deal with these issues we have updated the asset allocation study with the new actuarial projections, reflecting the projected liability withdrawal schedule as a result of the change in projected benefits and increased contributions. – **COMPLETED**

Results: Legislation passed to lower the fixed income minimum threshold to 15%.

Recommendation:

- Diversify alternative investments by introducing additional asset classes, including Private Market investments.
 - 2/14/18: The Board voted and approved \$150 million of invested capital to be equally split 50% Hamilton Lane and 50% Grosvenor. Currently there is approximately \$1.9 million invested in private equity.
- Diversify Developed International Equity Investments further into style-specific mandates.
 - 9/12/18: The board voted and approved to hire Capital Group to manage \$70 million in their International Large Cap portfolio and Victory Trivalent to manage \$30 million in their International Small Cap portfolio at the September meeting. **PENDING LEGAL REVIEW**
 - Source of funds for consideration: Thornburg International Value has been on the watch list due to a manager transition since December 2015 and has consistently underperformed the benchmark during the past two years.

Project 2:

Discussion: Investment Manager Conference

- The purpose of the conference is to discuss investment strategy and outlook from the Retirement Systems' asset managers. Open to the City of Birmingham Pension trustees and the public system members. **Suggested date is May 8, 2019.**
- Educational meeting May 7th at 6:00 pm

Project 3:

In the December board meeting, we discussed our efforts to collectively negotiate and reduce the base management fees by \$2 million annually across all of the board's existing and potential asset managers. The new fee structure would only pay managers above the base management fee if the manager outperforms their comparison benchmark.

Watch List: **Thornburg, Pending Reallocation,** – Due to poor performance
December 9, 2015 – Due to manager transition. Presented at February 2016 Board Meeting. Attended August 9, 2017 meeting. September 2018 - Board approved to reallocate Thornburg's assets into the new Capital Group and Victory Trivalent accounts once set up.

Piedmont/FIS Group, on Watch, June 13, 2018 – Due to manager transition. Attended August 2018 board meeting

Birmingham Retirement & Relief

Values as of December 31, 2018

		<u>Net Asset Values</u>	
	Loans*		\$9,374,988 * 1%
Fixed Income	Distressed Collateral	Fixed Income	\$834,897 0.09%
	Cash Flow	Cash	\$164,670 0.02%
	Penn Capital	Short Term High Yield	\$41,084,639 4%
	BBVA	Core Fixed Income	\$58,104,056 6%
	Piedmont	Core Fixed Income	\$121,916,414 13%
		TOTAL FIXED INCOME	\$231,479,664 24% **
Equity			
	Cooke & Bieler	Large Value - Active	\$160,665,992 17%
	Quantitative	Large Core - Index	\$86,390,369 9%
	Rhumblin	Large Growth - Index	\$62,095,053 6%
	Great Lakes	SMID Core - Active	\$104,109,051 11%
	Thornburg	International Equity	\$93,746,893 10%
	Lazard	International Value	\$162,519,300 17%
	Cap Group	International Growth	\$0 0%
	Victory Trivalent	International Small Cap	\$0 0%
		TOTAL EQUITY	\$669,526,659 70%
Alternative Investments			
	Invesco	REITS	\$11,473,269 1%
	Mesirow Financial (Termed)	Cash Hold Back	\$3,202,485 *** 0%
	Capital Call Funding	Capital Call Cash Reserve	\$44,424,993 5%
	Hamilton Lane	Private Markets	\$0 0%
	Grosvenor	Private Markets	\$1,893,945 **** 0%
		TOTAL ALTERNATIVES	\$60,994,693 6%
TOTAL FUND BALANCE		TOTAL FUND	\$962,001,015 100%
TOTAL FISCAL YTD WITHDRAWALS			
		Pension Payments	(\$25,000,000)
		Securities Lending Income	(\$508,515)
		Fixed Income Interest	(\$718,293)
		TOTAL WITHDRAWALS	(\$26,226,808) Fiscal Year to Date
			(\$50,550,937) 2018 Calendar Year
			(\$61,424,079) 2017 Calendar Year

Morgan Stanley

* Value of loans is from the October 2018 Balance Sheet provided by the Birmingham Finance Dept.

** Total fixed income allocation, including cash held in equity mandates is 30.9%

*** Funds are currently in cash. 5% is to remain at Mesirow Financial through next audit

**** Value of Private Equity is delayed and reflects Capital Call amounts only

The above summary/prices/statistics have been obtained from Regions and are believed reliable but are not necessarily complete and cannot be guaranteed.

Retirement & Relief Expected Actuarial Fiscal Cashflow vs Actual

Year Beginning	Expected Benefit Payments	Expected Total Contributions - 14% of Payroll*	Expected Administrative Expenses	Expected Cashflow	Actual Withdrawals Fiscal YTD*	Difference Fiscal YTD	Annual Rate of Withdrawal (%)
2014	75,896,100	27,146,135	144,630	-48,894,595	-59,836,295	-10,941,700	5.75%
2015	79,250,383	30,334,686	168,314	-49,084,011	-65,622,946	-16,538,935	6.42%
2016	82,098,472	31,093,053	172,521	-51,177,940	-51,441,107	-263,167	5.27%
2017	86,786,345	31,870,379	176,834	-55,092,800	-57,213,630	-2,120,830	5.61%
2018	88,995,747	32,667,138	181,255	-56,509,864	-26,226,808	30,283,056	2.48%
2019	95,048,722	33,483,817	185,787	-61,750,692			
2020	98,404,261	34,320,912	190,431	-64,273,780			
2021	103,147,558	35,178,935	195,192	-68,163,815			
2022	107,160,232	36,058,409	200,072	-71,301,895			
2023	110,004,921	36,959,869	205,074	-73,250,126			
2024	114,414,267	37,883,865	210,201	-76,740,603			
2025	117,233,543	38,830,962	215,456	-78,618,037			
2026	119,689,802	39,801,736	220,842	-80,108,908			
2027	123,639,599	40,796,780	226,363	-83,069,182			
2028	126,819,841	41,816,699	232,022	-85,235,164			
2029	128,863,133	42,862,117	237,823	-86,238,839			
2030	131,859,201	43,933,669	243,768	-88,169,300			
2031	133,811,884	45,032,011	249,862	-89,029,735			
2032	134,976,740	46,157,811	256,109	-89,075,038			
2033	136,258,408	47,311,757	262,512	-89,209,163			
2034	138,104,672	48,494,551	269,075	-89,879,196			
2035	138,520,395	49,706,914	275,801				

*Actual Withdrawals FYTD as of December 31, 2018

*The contributions in the first year of the projection for the Retirement & Relief Plan are based on 13% of payroll. The 14% total contribution rate became effective July 1, 2015.

Note: These projections are based on the July 1, 2015 actuarial valuations for the Plans, and have not been adjusted to account for actual cash flows in the 2015-2016 year.

The contributions for both plans include expected contribution transfers from F&P to R&R for F&P retirees. The R&R contributions reflect matching contributions from the City.

The above summary/prices/statistics have been obtained from sources believed reliable but are not necessarily complete and cannot be guaranteed. Past performance is no guarantee of future results.