

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, February 13, 2019 at
3:00 p.m. in Mayor's Conference Room "A"
Birmingham City Hall**

Minutes: **Attached are the minutes of the January 16, 2019
Meeting.**

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- 1. Approval of the minutes for the January 16, 2019 meeting.**
 - 2. Approval of the minutes for the December 12, 2018 meeting.**
 - 3. Approval of the minutes for the November 27, 2018 Work Session.**
 - 4. Approval of the minutes for the November 14, 2018 meeting.**
 - 5. Approval of the financial statements for the months of November 2018 and December 2018.**
 - 6. Approval of the investment activity for the month of January 2019.
(BBVA Compass) – Richard Underwood**
 - 7. Approval of the investment activity for the month of January 2019.
(Quantitative Management/Prudential) – Kevin McGrory**
 - 8. Approval of the investment activity for the month of January 2019.
(FIS Group) – Charles Curry**
 - 9. Approval of the investment activity for the month of January 2019.
(INVESCO Capital) – Sam Mosolino**
 - 10. Approval of the investment activity for the month of January 2019.
(Lazard) – Anthony Dote**

11. **Approval of the investment activity for the month of January 2019. (Thornburg Investment Management) – Greg Whitaker**
12. **Approval of the investment activity for the month of January 2019. (Rhumblin Advisers) – Denise D'Entremont**
13. **Approval of the investment activity for the month of January 2019. (Penn Capital) – Steve Loizeaux**
14. **Approval of the investment activity for the month of January 2019. (Cooke & Bieler) – Thad Fletcher**
15. **Approval of the investment activity for the month of January 2019. (Great Lakes Advisors) – Laurie Watson**
16. ****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.**
17. ****Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: discussion regarding the City's Unfunded Liability.**

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

TRANSFERS

18. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Melton Alexander, an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,511.09 per month, effective January 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Alexander has been receiving a Supplemental Pension in the amount of \$2,203.18 since July 30, 2010.

19. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of John R. Boockholdt, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,800.98 per month, effective November 10, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Boockholdt has been receiving a Supplemental Pension in the amount of \$2,547.50 since September 30, 2016.

20. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Edward A. Bussey, an employee with the Police Department, for SERVICE PENSION at the rate of \$4,420.16 per month, effective May 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Bussey has been receiving a Supplemental Pension in the amount of \$2,896.81 since February 8, 2019.

21. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Eric J. Clark, an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,462.42 per month, effective January 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Clark has been receiving a Supplemental Pension in the amount of \$2,340.50 since February 8, 2012.

22. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Harry V. Collins, an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,801.01 per month, effective January 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Collins has been receiving a Supplemental Pension in the amount of \$2,389.27 since October 30, 2015.

23. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Karl L. Compton, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,437.11 per month, effective January 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Compton has been receiving a Supplemental Pension in the amount of \$3,048.78 since November 16, 2012.

24. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Ivor T. Dotson, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,980.32 per month, effective June 9, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Dotson has been receiving a Supplemental Pension in the amount of \$2,673.83 since July 1, 2016.

25. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Gregory Edge, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,514.24 per month, effective May 11, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Edge has been receiving a Supplemental Pension in the amount of \$2,303.54 since June 13, 2014.

26. **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 ****CORRECTED RATE** of \$6,545.52 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.

*****NOTE: Mr. Fornest was previously approved 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 at the Board Meeting on Wednesday, January 9, 2019.***

27. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Michael Goetzman, an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,462.42 per month, effective January 7, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Goetzman has been receiving a Supplemental Pension in the amount of \$2,313.34 since October 5, 2011.

28. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Roderick A. Gwin, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,222.72 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Gwin has been receiving a Supplemental Pension in the amount of \$2,817.60 since April 4, 2017.

29. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of William A. Hudson, Sr., an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,573.10 per month, effective January 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Hudson has been receiving a Supplemental Pension in the amount of \$2,876.87 since November 8, 2018.

30. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Cedric E. Hunt, an employee with the Fire Department, for SERVICE PENSION at the rate of \$6,031.13 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Hunt has been receiving a Supplemental Pension in the amount of \$4,086.06 since February 15, 2019.

31. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Ronald G. Jennings, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,332.44 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Jennings has been receiving a Supplemental Pension in the amount of \$2,857.34 since August 21, 2015.

32. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Victor Knight, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,090.95 per month, effective February 20, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Knight has been receiving a Supplemental Pension in the amount of \$2,707.15 since January 5, 2018.

33. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Timothy J. Love, an employee with the Fire Department, for SERVICE PENSION at the rate of \$7,698.23 per month, effective March 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Love has been receiving a Supplemental Pension in the amount of \$4,093.43 since August 7, 2015.

34. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of John W. Pennington, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,063.66 per month, effective March 2, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Pennington has been receiving a Supplemental Pension in the amount of \$2,680.38 since March 6, 2015.

35. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Charles S. Roberts, an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,676.03 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Roberts has been receiving a Supplemental Pension in the amount of \$2,403.65 since April 15, 2016.

36. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Jeffrey Rowlen, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,757.88 per month, effective January 6, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Rowlen has been receiving a Supplemental Pension in the amount of \$2,873.16 since January 5, 2018.

37. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of David M. Russell, an employee with the Fire Department, for SERVICE PENSION at the rate of \$7,724.07 per month, effective January 4, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Russell has been receiving a Supplemental Pension in the amount of \$3,945.91 since September 18, 2015.

38. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Jerry Sharp, Jr., an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,699.71 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Sharp has been receiving a Supplemental Pension in the amount of \$2,494.37 since October 26, 2018.

39. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of James D. Sims, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,391.49 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Sims has been receiving a Supplemental Pension in the amount of \$2,631.03 since November 3, 2015.

40. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Wayne S. Tyus, an employee with the Police Department, for SERVICE PENSION at the rate of \$3,812.74 per month, effective April 26, 2018 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Tyus has been receiving a Supplemental Pension in the amount of \$2,550.57 since November 18, 2011.

41. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Timothy L. Vest, an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,514.24 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. Vest has been receiving a Supplemental Pension in the amount of \$2,351.69 since April 17, 2015.

42. **Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Ronald M. White, an employee with the Fire Department, for SERVICE PENSION at the rate of \$3,718.70 per month, effective February 28, 2019 under the provisions of Article VI, Section 5 of the pension law.**

Mr. White has been receiving a Supplemental Pension in the amount of \$2,506.74 since January 17, 2016.

SERVICE PENSIONS

43. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Joe E. Autry, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$566.25 per month, effective February 1, 2019 under the provisions of Article VI, Section 1 of the pension law.
44. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Demitrus R. Dodds an employee with the Police Department, for SERVICE PENSION at the rate of \$1,714.84 per month (DROP Amount \$66,732.66, DROP Date 02/15/2016), effective February 16, 2019 under the provisions of Article VI, Section 1 of the pension law.
45. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Shirley J. Hasberry, an employee with Human Resources, for SERVICE PENSION at the ****CORRECTED RATE** of \$1,602.64 per month, ****EFFECTIVE** December 16, 2018 under the provisions of Article VI, Section 1 of the pension law. ****NOTE:** *Ms. Hasberry was previously approved for Service Pension at the rate of \$1,593.41 per month, effective December 8, 2018 at the Board Meeting on Wednesday, January 9, 2019.*
46. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Charles H. Simmons, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$1,864.60 per month, effective March 2, 2019 under the provisions of Article VI, Section 1 of the pension law.
47. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Jonathan Williams, an employee with Police Department, for SERVICE PENSION at the rate of \$1,525.09 per month, effective June 9, 2018 under the provisions of Article VI, Section 1 of the pension law.
48. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Terence O. Witherspoon, an employee with the Public Works Department, for SERVICE PENSION at the rate of \$1,859.56 per month, effective April 7, 2019 under the provisions of Article VI, Section 3 of the pension law.

VESTED PENSION

49. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Valencia Chambers, an employee with the Police Department, for VESTED PENSION at the rate of \$2,376.89 per month, effective March 1, 2019 under the provisions of Article VI, Section 1 of the pension law.

WIDOW'S & SURVIVOR'S BENEFITS

50. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Tiphonie L. Carter, widow of Wytasha L. Carter, a former employee with the Police Department, for WIDOW'S BENEFITS at the rate of **\$2,720.38 per month effective January 14, 2019 under the provisions of Article VI, Section 10(A) of the pension law. ****NOTE:** *Payment of benefit will begin upon payment of outstanding pension loan balance.*
51. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Taelen L. Carter, dependent child of Wytasha L. Carter, a former employee with the Police Department, for SURVIVOR'S BENEFITS at the rate of **\$453.40 per month effective January 14, 2019 under the provisions of Article VI, Section 10(A) of the pension law. ****NOTE:** *Benefit is payable for unmarried children age 19 and under or unmarried full-time students under age 23.*
52. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Ola Mae Cogman, widow of Willis Cogman, Jr., a former employee with the Police Department, for WIDOW'S BENEFITS at the rate of \$2,402.61 per month effective January 20, 2019 under the provisions of Article VI, Section 10(A) of the pension law.
53. Lorren Oliver, Secretary, submits the following agenda item for discussion by the Board: the application of Christy Ezekiel, widow of Charles L. Ezekiel, Jr., a former employee with the Public Works Department, for WIDOW'S BENEFITS at the rate of \$765.91 per month effective January 2, 2019 under the provisions of Article VI, Section 10(A) of the pension law.

EXTRAORDINARY DISABILITY

54. 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.

THE BOARD OF MANAGERS OF THE CITY OF BIRMINGHAM RETIREMENT AND RELIEF SYSTEM met in the Birmingham City Council Chambers on January 16, 2019 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 December 12, 2018 to be postponed until the Board Members have the chance to read them. Board Member Dale Wyatt seconded.

The Board Members POSTPONED the December 12, 2018 to be postponed until the Board Members have the chance to read them.

Board Member Leonard made the motion to delay the passing of the November 27, 2018 Work Session Minutes. Board Member Nell Richards seconded.

The Board Members DELAYED the passing of the November 27, 2018 Work Session Minutes.

Board Member Leonard made the motion for the November 14, 2018 to be postponed until next month's Board Meeting. Board Member Steven A. Schultz seconded.

The Board Members POSTPONED the November 14, 2018 to be postponed.

Board Member Leonard made the motion to delay the financial statements for the month of November 2018. Board Member Wyatt seconded.

The Board Members DELAYED the financial statements for the month of November 2018.

Board Member Schultz asked the Board Members if Mr. Aaron Saxton, Deputy Director of Finance, or someone from the Finance Department taught them how to read the financial statements in the past. Board Member Phyllis Carr stated she previously asked for the financial statements to be revamped for understanding. At the present moment, no changes have been made because the forms look the same way each time.

Board Member Schultz asked Mr. Saxton if he taught the Board Members how to read the financial statements. Mr. Saxton stated he thinks it has been mentioned in a workshop for new Board Members, but it has not been done lately. The Finance Department will glad to talk with the Board Members individually or in a group. Board Member Schultz and Board Member Wyatt expressed interest.

Chairman Woodfin asked the Board Members to approve the investment activity for the month of December 2018.

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

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

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

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

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

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

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

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

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

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

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

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

Chairman Woodfin asked the Board Members to delay discussion regarding the City's Unfunded Liability due to the Board Members' inability to have conversations with the Retirement Systems of Alabama (RSA) on Monday, January 14, 2019 due to Governor Kay Ivey's Swearing-In Ceremony.

Board Member Carr asked Chairman Woodfin if the Board Members are going to have a Special Call Meeting on Monday, February 11, 2019, prior to the regularly scheduled Board Meeting on Wednesday, February 13, 2019. Chairman Woodfin stated that is great question, but the Board Members do not have date. It would be great to get a date prior to the Board Members setting one without any cancellations; they should be respectful of each other's time and calendar management. The discussion regarding the City's Unfunded Liability is not an indefinite postponement, but today's conversation will be delayed today until the majority of the Board Members can agree on a date that works for them.

Board Member Leonard made the motion to delay the discussion regarding the City's Unfunded Liability. Board Member Richards seconded.

The Board Members APPROVED to DELAY the discussion regarding the City's Unfunded Liability. Board Member Wyatt OPPOSED.

Chairman Woodfin stated the MOTION PASSES.

Board Member Wyatt stated for clarity that the RSA is not the only item the Board Members are discussing as it relates to the City's Unfunded Liability. If the Board Members are delaying the discussion about the unfunded liability, RSA may never come. At some point, the Board Members will need to discuss the unfunded liability and any actions that have been taken so far to deal with it. Board Member Wyatt stated he thought the Board Members were going to have a discussion today about the unfunded liability, provided if RSA was not going to come and make their presentation. The motion was made and passed but Board Member Wyatt stated he hopes the Board Members will address this unfunded liability, regardless of RSA's dealings.

Chairman Woodfin stated he is always open and has some open-minded, flexible colleagues.

Chairman Woodfin asked the Board Members to make the motion if they want to open up the discussion regarding City's Unfunded Liability again, once they have finished the entire Board Agenda. Board Member Wyatt stated he does not think that is necessary; he just wants to clarify why he voted no.

Board Member Schultz stated the Board Members could do a Special Call Session if they have to; keep the City's Unfunded Liability as an agenda item. Board Member Wyatt stated that would not be a bad idea.

There was an appearance by Mr. Greg Burchell, Mr. Daymeon Fishback, and Ms. Whitney McDade of Morgan Stanley. Mr. Fishback referenced the Wealth Management handout, and stated in 2018 Morgan Stanley felt like the rolling bear market was ending and buyout opportunity was near. One of the reasons is the discussions about the 2018-2019 US Federal Government Shutdown or trade talks in China, but Morgan Stanley feels like there are three hurdles: 1) Earnings Revisions need to trough; 2) US Federal Reserve Chairman Jeremy Powell is sounding dovish now, but Morgan Stanley feels like Chairman Powell need to have some dovish actions as well; and 3) There is some technical resistance that the US economy has to overcome.

Mr. Fishback stated the year 2018 marked the beginning of a wide trading range. Morgan Stanley feels like this trading range will last several years. The trading range represents a cyclical bear market, but Morgan Stanley feel like it is a cyclical bear market within a secular bull market. Morgan Stanley feels like the secular bull market is still intact. However, the bull market got below at 2300 whereas the bear case was at 2400. Morgan Stanley feels like this new trading range is going to be between 2400 and 3000 with the base case being somewhere around 2750, i.e. they have to be much more cognizant about their entry points when making purchases in the equity market in 2019. With economic growth and earnings growth now deteriorating, Morgan Stanley feels like they have to pay attention to the decline that occurred in the Ten-Year Treasury Yields and Price to Earnings Multiples; this led to the highest risk premiums since 2016. Morgan Stanley also expects the global economy to trough, but the Federal Reserve took pause and began to taper the Quantitative Tightening by the end of the First Quarter 2019. The combination of economic growth troughing and economic revisions troughing, along with the hoping the Federal Reserve will change policy, is what is going to lead to opportunities for Morgan Stanley to make purchases in equities in 2019.

Mr. Fishback stated Morgan Stanley discussed opportunities in internationals last year. From an international standpoint, Morgan Stanley did not see internationals do extremely well until the latter part of 2018; the outperformance was seen in internationals and emerging markets where there was a lot of volatility. Morgan Stanley feels like it is still going to be a huge opportunity in 2019, particularly with treasury rates going down. When the treasury rates go down, Morgan Stanley feels like the dollar is going to down as well; there may be a 10% opportunity in the US markets is going to be like a 25%+ opportunity when it comes to international markets or other emerging markets in 2019.

Morgan Stanley wants to avoid long duration due to the end of Quantitative Easing this year; make sure they have positive correlation between the stocks and bonds that they actually have. Morgan Stanley believes there will be an overweight in energy, utilities, staples, and financials. There will be an underweight in technology and consumer discretionary.

Mr. Burchell referenced the Projects List, and stated the 2018 was a terrible year for the overall asset allocation since 1901. From an historical context, every single category that was basically allocated had underperformed in inflation.

Mr. Burchell stated the US had seen the worst drop in the equity market on December 24, 2018 since the Great Depression, but Morgan Stanley think that it was overdone. The markets were pricing a three things: 1) The talk of a trade war with China; 2) The missteps by the Federal Reserve Board possibly raising interest rates faster and further than they needed to; and 3) The possibility of going into an economic recession. Two of those three really worked themselves out, but Morgan Stanley does not believe the US will go into an economic recession. However, Morgan Stanley thinks the US will do into an earnings recession. The US had peaked earnings in the Third Quarter in 2018, Morgan Stanley thinks the US will go into an earnings trough. In a recession, there is year over year growth in corporate earnings and it has been pretty healthy recently. However, Morgan Stanley thinks there will be some contraction for the first time in long time in earnings; the markets have already priced that in.

Mr. Burchell stated Morgan Stanley still thinks the US is in a longer-term bull market, but there were times where the markets had gotten ahead of themselves. In 2018, Morgan Stanley had seen the rolling bear market go through, and no sector was avoided. The US is currently in a cyclical bear market. There will be a possible struggle with earnings in the first two quarters, but Morgan Stanley thinks things are going to improve towards the back end.

Board Member Schultz asked Mr. Burchell about the expectation for 2019. Mr. Burchell stated Europe, Japan, and the emerging markets will really do well. With the Federal Reserve Board being more dovish in their stance, the US is not going to see a lot of price movement in bonds. It was Catch-22 i.e. when rates go high, bonds will earn more. However, the current bonds will go down in value. Bond prices are going to stabilize, but the return opportunity will not be there; a continued weight on the portfolio.

Ms. McDade discussed a packet that was distributed that comprises the money managers' contact information; blank note pages for writing; recent Segal Company's actuarial report; Morgan Stanley's Asset Allocation; Investment Policy Stanley; and the Pension Law changes dating back 2006. The Board Members thanked Ms. McDade.

Mr. Burchell referenced the Projects List, and stated Victory Tri-Valent and the Capital Group had conference calls with Mr. James Love, Board Counsel. Mr. Burchell and Mr. Love are working through those issues pertaining to both firms, and hope to be finalized soon.

Mr. Burchell stated Morgan Stanley does an Annual Managers' Conference, whereas all the money managers are invited to give an opportunity to present their outlook on their particular piece of investment to the R&R Board Members. The conference also gives the Board Members an opportunity to get to know the money managers; sometimes an educational meeting is held the night before. The suggested format for the conference is have on a pension board meeting date; saving the Board Members to come in for a separate Board Meeting. The suggestion is to have the Board Members possibly meet prior to the conference, have the managers' conference, and Board Members of the City of Birmingham Firemen's & Policemen's Supplemental Pension System can have their meeting afterwards. The conference is a joint meeting between both pension boards; the money managers for the Supplemental Pension System will be presenting as well. The Supplemental Pension System Board Members recently hired managers that works with the Retirement & Relief System. Mr. Burchell stated he will go into much detail about the conference, but the Board Members can think about it and have a discussion about it at next month's Board Meeting.

Mr. Burchell stated Morgan Stanley is still working with the asset managers to finalize the addendums to their contract relating to managers' proposed performance fee and their base fee reduction. Once Morgan Stanley has that finalized and Mr. Love is comfortable with it, Morgan Stanley will make a full presentation in regards to that.

Board Member Richards stated to Mr. Burchell for clarity that it was mentioned that Morgan Stanley would reduce their fee. Mr. Burchell stated that is correct.

Board Member Richards asked Mr. Burchell when will Morgan Stanley present their fee reduction information. Mr. Burchell stated the presentation will happen once Morgan Stanley finalizes their contract. Once Morgan Stanley does, Mr. Burchell will have the information available at next month's Board Meeting.

Mr. Burchell thanked the Board Members, and encouraged to the Board Members to contact him if needed.

Chairman Woodfin asked for a motion for the Service Pension applications to be approved.

Board Member Leonard made the motion for the Service Pension applications to be approved. Board Member Richards seconded.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED the application of James Coleman, an employee with the Fire Department, for SERVICE PENSION at the rate of \$4,500.10 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 \$3,042.30 since December 28, 2018.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

Chairman Woodfin asked for explanation regarding the rate change to Mr. Charles E. Gordon, Jr.'s Service Pension Application. Ms. Sandy Roberts of Pension & Payroll Administration stated Mr. Gordon's longevity rate was added.

Chairman Woodfin asked for a motion to approve Mr. Charles E. Gordon, Jr.'s Service Pension Application with correction.

Board Member Wyatt made the motion to approve Mr. Charles E. Gordon, Jr.'s Service Pension Application with correction. Board Member Richards seconded.

The Board Members APPROVED 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.*

Chairman Woodfin asked for a motion to approve the Service Pension and Widow's Benefit applications.

Board Member Leonard made the motion to approve the Service Pension and Widow's Benefit applications. Board Member Richards seconded.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED the application of Alan Rene Thornton, 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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 9, 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.

The Board Members APPROVED 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.

The Board Members APPROVED 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 \$586.66 per month effective October 4, 2018 under the provisions of Article VI, Section 10(A) of the pension law.

The Board Members APPROVED 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.

The Board Members APPROVED the application of Mitchell Shoemaker, common-law 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 "pending payment of outstanding pension loan".

Chairman Woodfin asked for explanation regarding the rate change to Mr. Emantic Bradford, Sr.'s Extraordinary Disability Application. Ms. Sandy Roberts of Pension & Payroll Administration stated Mr. Bradford's longevity rate was added.

Board Member Schultz made the motion to approve Mr. Emantic Bradford's Extraordinary Disability Application with correction. Board Member Leonard seconded.

The Board Members APPROVED 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.*

Chairman Woodfin referenced the agenda, and asked if the appearance of Ms. Dorothy Childress requires going into Executive Session. Ms. Rachele Christian, Pension & Payroll Administrator, stated Ms. Childress is an Airport Authority employee. A letter from the Ms. Childress to the Board Members stated the correction did not affect her pension benefits, but it did affect her pension loan. Ms. Childress was denied a pension loan because she missed two and a half payments; they were past the ninety-day window. According to the pension law and the promissory note that was signed, Ms. Childress could not get a pension loan until that pension is paid out.

Board Member Wyatt stated for clarity “another pension loan”. Ms. Christian stated yes.

Board Member Wyatt stated for clarification that Ms. Childress was denied another pension loan because she failed to make all the payments from the first original loan. Mr. Christian stated that is correct.

Board Member Leonard stated he does not think the Board Members have any jurisdiction in that.

Board Member Wyatt stated to Ms. Christian for clarification that the law and promissory note speaks for themselves. Ms. Christian stated that is correct. The Pension & Payroll has the promissory note and paperwork.

Chairman Woodfin asked the Board Members if there is any further discussion regarding Ms. Childress’s denial of a pension loan. Board Member Wyatt stated no action needs to be taken.

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

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

The Board Members APPROVED to resume the Board Meeting.

Board Member Leonard made the motion to follow the doctor's recommendation by sending Ms. April Levins, an employee with the Fire Department, to a specialist for independent evaluation of her medical condition. Board Member Richards seconded.

The Board Members CONTINUED 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 until next month's Board Meeting.

Board Member Wyatt made the motion to ratify legal counsel's decision to move forward as lead plaintiff and appoint Scott + Scott as lead counsel for Fannie Mae and Freddie Mac. Board Member Schultz seconded.

The Board Members APPROVED to ratify legal counsel's decision to move forward as lead plaintiff and appoint Scott + Scott as lead counsel for Fannie Mae and Freddie Mac.

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

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

ATTEST:

**Lorren Oliver
Secretary**

**Mayor Randall Woodfin
Chairman**

February 13, 2019

City of Birmingham Retirement & Relief System

Project 1:

Raise funds for 1st Quarter Pension Payments

Recommendation: Great Lakes, SMID Cap \$15,000,000

Project 2:

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. – **ASSET ALLOCATION STUDY COMPLETED Nov. 2018**

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.
 - Grosvenor - approximately \$1.9 million
 - Hamilton Lane - \$30 million in near-term investments
- 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. **CONTRACTS 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 3:

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 4:

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. **PENDING WITH ASSET MANAGERS AND LEGAL**

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 January 31, 2019

		<u>Net Asset Values</u>	
	Loans*	\$9,297,033 *	1%
Fixed Income	Distressed Collateral	Fixed Income	\$841,366 0.08%
	Cash Flow	Cash	\$232,333 0.02%
	Penn Capital	Short Term High Yield	\$41,084,639 4%
	BBVA	Core Fixed Income	\$58,798,127 6%
	Piedmont	Core Fixed Income	\$122,982,436 12%
		TOTAL FIXED INCOME	\$233,235,933 23% **
Equity			
	Cooke & Bieler	Large Value - Active	\$178,132,787 17%
	Quantitative	Large Core - Index	\$93,928,033 9%
	Rhumblin	Large Growth - Index	\$67,662,308 7%
	Great Lakes	SMID Core - Active	\$113,723,681 11%
	Thornburg	International Equity	\$103,743,100 10%
	Lazard	International Value	\$173,518,601 17%
	Cap Group	International Growth	\$0 0%
	Victory Trivalent	International Small Cap	\$0 0%
		TOTAL EQUITY	\$730,708,510 71%
Alternative Investments			
	Invesco	REITS	\$12,729,412 1%
	Mesirow Financial (Termed)	Cash Hold Back	\$3,202,485 *** 0%
	Capital Call Funding	Capital Call Cash Reserve	\$44,478,996 4%
	Hamilton Lane	Private Markets	\$0 0%
	Grosvenor	Private Markets	\$1,893,945 **** 0%
		TOTAL ALTERNATIVES	\$62,304,838 6%
TOTAL FUND BALANCE		TOTAL FUND	\$1,026,249,282 100%
TOTAL FISCAL YTD WITHDRAWALS			
		Pension Payments	(\$25,000,000)
		Securities Lending Income	(\$653,499)
		Fixed Income Interest	(\$718,293)
		TOTAL WITHDRAWALS	(\$26,371,792) Fiscal Year to Date
			(\$50,628,682) 2018 Calendar Year
			(\$61,424,079) 2017 Calendar Year

Morgan Stanley

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

** Total fixed income allocation, including cash held in equity mandates is 29.4%

*** 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	-26,371,792	30,138,072	2.49%
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 January 31, 2019

*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.