

**MINUTES OF THE REGULAR RETIREMENT BOARD MEETING
HELD DECEMBER 13, 2019**

The meeting was called to order at 8:1 A.M.

PRESENT: Matthew Bartalino, Christopher Conti, Pete Kauffman, Therese Longe, Paul O'Meara, Joseph Valentine, Jeffrey Whipple

ABSENT: Pierre Boutros

ALSO PRESENT: Mark Gerber, Finance Director/Treasurer; Steve and David Gasper, UBS; Frank Pisano, Library Board; Ruth Rowland, Retiree Health Care Fund Investment Committee; Rich Koch and Mark Buis, Gabriel Roeder

22-2019

Chris Conti announced that Pierre Boutros was appointed as the new Commission Member of the Retirement Board.

23-2019

Motion by Valentine:

Second by O'Meara:

To approve the Consent Agenda:

To approve the Retirement Board minutes of September 13, 2019;

To approve the Birmingham Employees Retirement System Bills/Retirement Roll of \$1,949,481.41 for the period from September 1 through November 30, 2019;

To approve the Pension Administration Expenses of \$144,814.26 for the period from September 12, 2019 to November 4, 2019;

To receive the Summary of Assets for the period ending October 31, 2019, with a total market value of \$99,910,605.

ROLL CALL VOTE:

Bartalino:	Aye
Boutros:	Absent
Conti:	Aye
Longe:	Aye
O'Meara:	Aye
Valentine:	Aye
Whipple:	Aye

24-2019

Steve Gasper reviewed the November 25, 2019 Investment Consultant Report and Comerica Bank's Composite Performance Review for periods ending September 30, 2019 that were distributed at the meeting. The report includes recommendations to increase the allocation to fixed income; reduce the allocation to small-cap, mid-cap, and international equities; and increase the allocation to large cap equities.

David Gasper provided an update on Bahl & Gaynor, Westwood Holdings, Apex Capital, and Seizert Capital. Bahl & Gaynor's performance has been good; they provide good downside protection for the portfolio. Westwood's performance has been good; they are excellent stock selectors. Apex's performance has been down, but, as of September 30, 2019, their performance has been excellent. Seizert has made a change in ownership and has had poor performance. The Retirement Investment Committee has expressed a desire for the Gaspers to do a search for a replacement in the mid-cap area.

25-2019

Motion by Valentine:
Second by Conti:

To concur in the recommendation of the Retirement Investment Committee to agree and consent to the assignment of C. S. McKee's Advisory Agreement to CSM Advisors, LLC; to appoint CSM Advisors, LLC as an investment manager for the Birmingham Employees Retirement Fund; and the authorize Mark Gerber to sign the Consent to Assignment.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)

26-2019

Motion by Bartalino:
Second by Conti:

To concur in the recommendation of Investment Consultant Steve Gasper and the Retirement Investment Committee to recommend portfolio allocation changes for the Retirement Fund; to direct Comerica Bank to reduce the allocation in the small-mid cap growth equity account managed by Apex Capital by \$5,000,000; to direct Comerica Bank to reduce the allocation in the small-cap value equity account managed by Gabelli Asset Management by \$2,000,000; to direct Comerica Bank to reduce the allocation in the mid-cap value equity account managed by Seizert Capital Partners by \$1,000,000;

to direct Comerica Bank to reduce the allocation in the international equity account managed by Lazard Capital by \$3,000,000; to direct Comerica Bank to reduce the allocation in the emerging markets equity account managed by Lazard Capital by \$2,000,000; to direct Comerica Bank to transfer \$3,000,000 into the large-cap growth equity account managed by Bahl & Gaynor; to direct Comerica to transfer \$5,000,000 into the large-cap value equity account managed by Westwood Holdings Group; to direct Comerica to transfer \$1,000,000 into the fixed income fund managed by Bradford & Marzec; to direct Comerica Bank to transfer \$4,000,000 into the fixed income fund managed by C.S. McKee.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)

27-2019

There was discussion regarding the Retirement Investment Committee's recommendation to terminate the agreement with Seizert Capital partners and transfer those assets into a mid-cap index fund.

28-2019

Motion by Valentine:
Second by Conti:

To concur in the recommendation of the Retirement Investment Committee to terminate the agreement with the active mid-cap value manager Seizert Capital partners pursuant to Section 18 of the agreement; to direct Seizert Capital Partners to cease buying, selling, or otherwise trading in any asset of the account upon receipt of a written request to do so; to direct Seizert Capital Partners to work with representatives at Comerica Bank, as necessary, to accomplish the transfer of assets.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)

29-2019

Mark Gerber stated that the Retirement Investment Committee would prefer to review mid-cap index fund options with the Gaspers prior to making a recommendation to the Retirement Board.

30-2019

Motion by Valentine:
Second by Conti:

To concur in the recommendation of the Retirement Investment Committee to direct the Committee to schedule a special meeting to work with the Gaspers to review mid-cap index fund options and to prepare a formal recommendation for the Retirement Board.

Ayes: 6
Nays: 0
Absent: 1

30-2019

Motion by O'Meara:
Second by Valentine:

To grant final approval of John Connaughton's retirement from the Fire Department.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)\

31-2019

Mark Buis and Rich Koch from Gabriel Roeder were present to review the 75th Annual Actuarial Valuation of the retirement system.

The purpose of the report is to develop a recommended contribution number for the city to make for the fiscal year beginning July 1, 2020. The increase in the recommended contributions is driven mostly by the increase in the unfunded accrued liabilities. The funding level of the plan at June 30, 2019 is 84.1%, which is still above state averages.

Michigan Public Act 202 of 2017 also requires that the Board conduct a peer review or actuarial audit of the actuary every eight years. This is a third party who will review the current actuary. The Level 1 audit is for large statewide systems and requires that a second actuary reproduce all of the numbers in the valuation. The Level 2 audit requires that another actuary review the current actuarial valuation, sample data and test certain data. The Level 3 audit requires that another actuary review the valuation to make sure that the report complies with all the actuarial standards. They will also review the assumptions to make sure that they are reasonable. Gabriel Roeder would recommend the Level 3 audit for the retirement system.

32-2019

Motion by Bartalino:
Second by O'Meara:

To receive the 75th Annual Actuarial Valuation of the Birmingham Employees Retirement System for the fiscal year ended June 30, 2019; to concur in the recommendation contained in the actuarial valuation to transfer \$4,354,126 from the Reserve for Employer Contributions to the Reserve for Retired Benefit Payments as of July 1, 2019.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)

33-2019

Motion by Whipple:
Second by Conti:

To approve the fiduciary liability insurant policy from Cincinnati Companies for the period from January 2, 2020 through January 2, 2021 with a \$3,000,000 limit of liability and a \$10,000 deductible with a premium of \$11,255 for the Retirement Fund.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)

34-2019

Motion by O'Meara:
Second by Bartalino:

To approve the 2020-2021 Pension Administration budget as submitted.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)

35-2019

Motion by Whipple:
Second by Valentine:

To declare a vacancy in the office of general member on the Retirement Board effective July 1, 2020; to schedule a primary election on Friday, February 7, 2020 and a regular election on March 2, 2020, if necessary; to appoint Valentine, Bartalino and Gerber to an election committee to canvass the votes and report election results at the next regular board meeting.

Ayes: 6
Nays: 0
Absent: 1 (Boutros)

36-2019

During public comment, Mr. Pisano suggested that the Board undertake a RFI (Request for Information) process to review the investment consultant's performance compared to plans of similar size related to methodology, performance and fees in order for the Board to demonstrate its due diligence. Mayor Pro Tem Longe concurred with the suggestion. Mr. Valentine suggested that the Retirement Investment Committee research this and prepare a recommendation to the Retirement Board on how to proceed.

The meeting was adjourned at 9:06.

Respectfully submitted,

Thelma Golden
Treasury Consultant