

**MINUTES OF THE REGULAR VIRTUAL RETIREMENT BOARD MEETING
HELD JUNE 12, 2020**

The meeting was called to order at 8:19 A.M.

PRESENT: Matthew Bartalino, Pierre Boutros, Christopher Conti, Bruce Johnson, Therese Longe, Joseph Valentine

ABSENT: Pete Kauffman, Jeffrey Whipple

ALSO PRESENT: Mark Gerber, Finance Director/Treasurer; Steve and David Gasper, UBS; Richard Aginian, Retirement Investment Committee; Frank Pisano, Library Board; Ruth Rowland, Retiree Health Care Fund Investment Committee; Matt Lasko, Megan Smith Meredith Farber, Flagship Financial Services; Annette Pascarelli

05-2020

Steve Gasper announced that this would be the last formal meeting with the City of Birmingham that he would attend. He added that it has been a pleasure to work with such a dedicated group of employees and plan participants. The Board thanked him for his service.

David Gasper announced that the Gasper Group has been working with Flagship Financial Services for the past five years. In March of 2020 the Gasper Group and Flagship Financial Services merged. Flagship will add institutional capital and expertise to the City. In Steve's absence, he and the members from Flagship will continue to support Birmingham's retirement and retiree health care plans. He introduced the new Flagship members: Matt Lasko, Megan Smith and Meredith Farber.

06-2020

Motion by Valentine:
Second by Conti:

To approve the consent Agenda:

To approve the Retirement Board minutes of March 13, 2020;
To approve the Birmingham Employees Retirement System Bills/Retirement Roll of \$1,952,720.36 for the period from March 1, 2020 through May 31, 2020;
To approve the Pension Administration Expenses of \$101,438.90, for the period from January 1, 2020 to June 30, 2020;
To grant final approval of the retirement of Phil Webb from the Police Department;
To receive the Summary of Assets for the period ending April 30, 2020, with a total market value of \$91.335.712.

ROLL CALL VOTE:

Bartalino: Aye
Boutros: Aye
Conti: Aye
Longe: Aye:
Valentine: Aye
Whipple: Absent
Johnson: Aye

07-2020

Matt Lasko reviewed the first Quarter 2020 Investment Consultant Report that was distributed in the agenda. He indicated they do not feel the recent downturn in the market is the start of a new sell off. The market is 74% correlated to the easing of mobility restrictions around the U.S. and the world. The market has focused on the upside scenario presented in their report. He stated that asset allocation is very important, diversification is key, and we want to mitigate risk as much as possible.

Joe Valentine expressed his appreciation for the level of detail in the reports that Flagship has provided.

08-2020

Motion by Longe:
Second by Conti:

To approve the revised Retirement Board minutes of December 13, 2019.

ROLL CALL VOTE:

Bartalino: Aye
Boutros: Aye
Conti: Aye
Longe: Aye:
Valentine: Aye
Whipple: Absent
Johnson: Aye

09-2020

Matt Lasko reported that they recommend making a change in the large cap growth area by replacing Bahl & Gaynor whose returns have disappointed and in the international space by replacing Lazard's equity and emerging markets strategies with a

diversified mutual fund. As of April 30, 2020, the Retirement Fund held 10.6% in large cap equities and 10.5% in international equities.

Megan Smith stated that they have built a detailed investment monitoring methodology to evaluate the performance of the investment managers. She reviewed fund comparisons for the large-cap growth equity area that was included in their report. They recommend replacing Bahl & Gaynor with Polen Capital's Polen Focus Growth strategy. Polen has delivered higher returns with less standard deviation relative to Bahl & Gaynor. They buy only high quality companies and companies that own their market position.

Ms. Smith reviewed the fund comparisons for the international equity area that was included in their report. They recommend replacing Lazard's equity and emerging market strategies with MFS International Diversification I Fund. MFS is a fund-of-funds structure that offers greater diversification, less risk and exposure to five MFS international equity funds: Research International, International Growth, International Intrinsic Value, Emerging markets, and International New Discovery.

Matt Lasko reviewed the investment performance at March 31, 2020. If you weren't in Treasury Bonds in the first quarter of 2020, you underperformed. Over the past couple of months, the portfolio has continued to recover.

Frank Pisano expressed concern about the performance of the alternative investments. Megan Smith reported that the lack of correlation to the markets that Cavendish has shown is helpful. Graham and Whitebox are recovering from March 31, 2020. We are starting to see recovery and uncorrelated performance in the alternative investments.

Chris Conti would recommend that the Retirement Investment Committee focus on the allocation to alternative investments at their next meeting. Flagship will provide an analysis of alternative investments and details regarding the lock out feature for Whitebox.

10-2020

Richard Aginian requested that those members who join the zoom meetings display their name along with their phone number so that all will know who is present.

11-2020

Motion by Valentine:

Second by Longe:

To concur in the recommendation of the Retirement Investment Committee and the UBS Financial Services/Flagship Financial Partners team to terminate the relationship with Bahl & Gaynor; to enter into an agreement with Polen Capital Management, LLC to

invest those funds in their Polen Focus Growth strategy for the Retirement Fund; to authorize Secretary-Treasurer Mark Gerber to execute the agreement on behalf of the Retirement Board; to direct Comerica Bank to create a new large-cap growth equity fund account for the Retirement Fund to be managed by Polen Capital Management, LLC.

ROLL CALL VOTE:

Bartalino: Aye
Boutros: Aye
Conti: Aye
Longe: Aye:
Valentine: Aye
Whipple: Absent
Johnson: Aye

12-2020

Motion by Valentine:

Second by Bartalino:

To concur in the recommendation of the Retirement Investment Committee and the UBS Financial Services/Flagship Financial Partners team to terminate the relationship with Lazard Capital in both the developed international and emerging market strategies; to transfer those funds into the MFS International Diversification I mutual fund for the Retirement Fund; to direct Comerica Bank to create a new international account for the Retirement Fund.

ROLL CALL VOTE:

Bartalino: Aye
Boutros: Aye
Conti: Aye
Longe: Aye:
Valentine: Aye
Whipple: Absent
Johnson: Aye

13-2020

Mark Gerber reported that the registration with the SEC of the assignment of the investment management agreement with Tortoise Credit Strategies to R Squared BM LLC has been finalized.

Motion by Valentine:

Second by Johnson:

To approve the consent of assignment of the Birmingham Employee Retirement System contract with Tortoise Credit Strategies to R Squared BM LLC and to authorize Finance Director Mark Gerber to sign the consent of assignment on behalf of the City.

ROLL CALL VOTE:

Bartalino: Aye
Boutros: Aye
Conti: Aye
Longe: Aye:
Valentine: Aye
Whipple: Absent
Johnson: Aye

14-2020

Motion by Boutros:

Second by Valentine:

To declare a vacancy in the office of general member of the Retirement Board effective July 1, 2020; to schedule a primary election on Friday, July 31, 2020 and a regular election on August 21, 2020, if necessary; to appoint Joe Valentine, Matthew Bartalino and Mark Gerber to an election committee to canvass the votes and report election results at the next regular board meeting.

ROLL CALL VOTE:

Bartalino: Aye
Boutros: Aye
Conti: Aye
Longe: Aye:
Valentine: Aye
Whipple: Absent
Johnson: Aye

15-2020

Chris Conti announced the passing of former employees and beneficiaries: Shirley Fitzgerald, Robert Reese and Sharon Compton.

16-2020

Chris Conti reported that the original timetable for executing a Request for Proposal (RFP) for investment consulting services included determining which financial consultants to interview in the first half of 2020, formally executing an RFP, and making a recommendation to the Retirement Board in the second half of 2020 has been delayed. With the disruptive nature of COVID-19 on the financial markets, the Investment Committee recommends that the RFP be put on hold for the remainder of 2020. This would also allow us time to get to know the team at Flagship Financial Partners. The newly proposed 2021 RFP timetable would mirror the 2020 RFP timetable with a formal recommendation to the Retirement Board in the second half of 2021. Richard Aginian added that this is nothing against Flagship; it is just good governance.

Frank Pisano requested that the process be started in 2020 and be completed quicker with a recommendation to be made in the first half of 2021. Therese Longe concurred. The Retirement Investment Committee will begin the process in 2020.

17-2020

The Board again expressed appreciation to Steve Gasper for his many years of service to the City.

The meeting was adjourned at 9:36 A.M.

Respectfully submitted,

Thelma Golden
Treasury consultant