

**MINUTES OF THE REGULAR VIRTUAL RETIREMENT BOARD MEETING
HELD SEPTEMBER 11, 2020**

The meeting was called to order at 8:17 A.M.

PRESENT: Matthew Bartalino, Christopher Conti, Bruce Johnson, Therese Longe, Joseph Valentine, Jeffrey Whipple

ABSENT: Pierre Boutros

ALSO PRESENT: Mark Gerber, Finance Director/Treasurer; Thelma Golden, Treasury Consultant; Ruth Rowland, Retiree Health Care Fund Investment Committee; Investments: David Gasper, Matt Lasko, Megan Smith, Meredith Farber, and Maureen Mendoza, UBS; Frank Pisano, Library Board

18-2020

Chris Conti announced that Bruce Johnson was elected to the position of General Member of the Retirement Board for a term to expire July 1, 2023.

Pierre Boutros arrived at 8:25 A.M.

19-2020

Motion by Bartalino:

Second by Conti:

To approve the consent Agenda:

To approve the Retirement Board minutes of June 12, 2020;

To approve the Birmingham Employees Retirement System Bills/Retirement Roll of \$1,955,067.37 for the period from June 1, 2020 through August 31, 2020;

To approve the Pension Administration Expenses of \$103,355.37 for the period from June 1, 2020 to July 31, 2020;

To grant final approval of the retirement of Frank Russell from the Police Department;

To grant final approval of the retirement of Bonnie Menthen from the Treasury Department;

To grant final approval of the retirement of Teresa Klobucar from the Treasury Department;

To receive the Summary of Assets for the period ending July 31, 2020, with a total market value of \$97,273,581.

ROLL CALL VOTE:

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

20-2020

David Gasper reviewed the first quarter Retirement Board Summary that was distributed under separate cover and stated that the Retirement Board replaced Bahl & Gaynor with the Polen Focus Growth strategy and replaced Lazard Capital with the MFS International Diversification Fund.

Matt Lasko reviewed the Second Quarter 2020 Investment Report that was distributed under separate cover. He noted that since March 3, 2020 there were seven different Fed actions taken to stabilize the economy, resulting in a quick increase in market values. He stated that we are seeing economic growth and the beginning of a recovery in the labor market. They believe the recent downturn was short lived, the S&P 500 is still fairly valued, and there will still be growth.

He reviewed the performance of the fund and noted that, over the long run, the fund is right on top of its actuarial assumption. Under performers, Bahl & Gaynor and Lazard Capital, have been removed. Polen Focus Growth Strategy and MS International Diversified Fund have been added. Fixed Income managers and alternative investors Graham and Whitebox are recovering. They will recommend the liquidation of Cavendish because it continues to underperform.

21-2020

David Gasper reviewed the report regarding the proposed investment policy revision. The Board's investment policy is highly restrictive and would ask investors to underweight in certain stocks. Polen has been unable to invest the fund's assets because of the restrictions in the investment policy.

Mark Gerber spoke with legal counsel. They have no issues with revising the policy as recommended by Polen. This policy revision will give some of the other managers more latitude. He sees it as a positive upside for the portfolio in general.

22-2020

Motion by Conti:
Second by Longe:

To concur in the recommendation of the investment consultants and the Retirement Investment Committee to revise the asset guidelines for equities in Section IV.A.3.a.I.) of the Retirement System's Statement of Investment Objectives and investment Policy Guidelines to increase the single issuer maximum to 15% at market (10% at purchase) from 5% and to strike the 5% notice requirement.

ROLL CALL VOTE:

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

23-2020

Matt Lasko reported that Cavendish Managed Futures has consistently underperformed and should be liquidated. We have time to complete the review process for a replacement because it takes time to receive the funds from Cavendish once we give them notice to liquidate the fund. They will return with a recommendation at the next meeting.

Frank Pisano stated that managed futures have been a drag on the portfolio. He doesn't favor alternative investments and would prefer that those funds be added to stocks and bonds.

Maureen Mendoza explained that alternative investments reduce the risk in the portfolio and will enhance investment returns over the long run. They believe a 10% allocation in alternative investments is appropriate. Both Graham and Whitebox are good managers and over the long run have performed well. Cavendish is a trend-following manager that did not add to the portfolio. That strategy is becoming obsolete which is why they are recommending its liquidation.

Chris Conti added that we will continue to keep an eye on the alternative investment managers because of their underperformance.

24-2020

Motion by Boutros:
Second by Valentine:

To concur in the recommendation of the Retirement Investment Committee and the Investment Consultants to liquidate the Cavendish Managed Futures Fund in the Retirement Fund.

ROLL CALL VOTE:

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

Chris Conti added that the liquidated funds from Cavendish will be held in a money market fund until the Board takes action on where those funds should be placed.

25-2020

Therese Longe requested an update on the Investment Consultant RFP Process. Chris Conti stated that they are planning to schedule a special meeting to discuss the process.

Joseph Valentine acknowledged that the three most recent retirees had a total of 100 years of service to the city.

26-2020

Motion by Boutros:
Second by Valentine:

To declare a vacancy in the office of retiree/beneficiary member of the Retirement Board effective September 11, 2020; to schedule a primary election on Friday, October 16, and a run-of election on November 6, 2020, if necessary; to appoint Matt Bartalino, Joseph Valentine, 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
Johnson: Aye
Longe: Aye
Valentine: Aye
Whipple: Aye

Chris acknowledged Pete Kauffman's many years of service on the Retirement Board.

27-2020

Motion by Conti:
Second by Johnson:

To set the 2021 meeting dates for the regular meetings of the Retirement Board on Friday, March 12; Friday, June 11; Friday, September 10; and Friday, December 10 at 8:15 A.M.

ROLL CALL VOTE:

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

28-2020

Chris Conti reported the deaths of retirees Florence Kernen, Lynn Benn, and Marian Solem.

The meeting was adjourned at 9:16 A.M.

Respectfully submitted,

Thelma Golden
Treasury Consultant