

**MINUTES OF THE REGULAR RETIREMENT BOARD MEETING  
HELD SEPTEMBER 10, 2021**

The meeting was called to order at 8:18 A.M.

PRESENT: Matthew Bartalino  
Christopher Conti  
Johnson  
Therese Longe  
Thomas Markus  
John VanGorder  
Jeffrey Whipple

ABSENT: Pierre Boutros

ALSO PRESENT: Mark Gerber, Finance Director/Treasurer; Connie Folk, Retiree Health Care Fund Investment Committee Member

ALSO PRESENT  
VIA ZOOM;

John VanGorder, Non-Voting Retirement Board Trustee; Thelma Golden, Treasury Consultant; UBS; Frank Pisano, Library Board; Richard Aginian, Retirement Investment Committee; Dori Drayton, Jeremy Chambers and Brett Reardon, Captrust

18-2021

Chris Conti announced that Matthew Bartalino was re-elected to the position of Fire member of the Retirement Board for a term to expire July 1, 2024.

Connie Folk was introduced as the new Employee Member of the Retiree Health Care Fund Investment Committee.

19-2021

All members present and those attending via zoom introduced themselves.

20-2021

Motion by Markus:

Second by Bartalino:

To approve the Consent Agenda:

To approve the Retirement Board minutes of June 11 and June 23, 2021;

To approve the Birmingham Employees Retirement System Bills/Retirement Roll of \$2,025,016.30 for the period from June 1, 2021 through August 31, 2021;

To approve the Pension Administration Expenses of \$140,109.59 for the period from June 30, 2021 to August 31, 2021;

To grant final approval of the retirement of Joel Campbell from the Fire Department;

To grant final approval of the retirement of Christopher Caton from the Fire Department;

To grant final approval of the retirement of Michael Jurek from the Department of Public Services;

To grant final approval of the deferred retirement of Patricia Voelker from the Planning Department;

To grant final approval of the deferred retirement of Doreen martin from the Clerks Department;

To receive the Summary of Assets for the period ending July 31, 2021 with a total market value of \$117,100,275.

#### ROLL CALL VOTE:

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

21-2021

Dori Drayton, Jeremy Chamber and Brett Reardon, Captrust, reviewed their presentation that was distributed under separate cover and displayed on the screen. Dori Drayton gave a brief overview of Captrust. Brett Reardon reviewed the major asset class returns and performance summary for the periods ending June 30, 2021. Jeremy Chambers reviewed the capital market assumptions and Captrust's asset allocation options and noted that achieving a 6.75% rate of return is not possible under CAPTRUST'S current market assumptions and state law's constraints that limits investments in equities to no more than 70% of the portfolio. In order to increase yield, we would need to reduce the allocation in fixed income and increase the allocation in alternative investments.

Phase I of their recommendation is to replace existing fixed income and equity managers with new managers and begin a shift in the asset allocation. They would expect this to be completed within 30 days. Next, they would develop a new investment policy.

Phase II of their recommendation is to notify existing hedge managers of our intent to make redemptions on a quarterly basis, determine which new alternatives to use, and allocate proceeds to new managers. They anticipate completion within one year. They would also recommend reviewing the suitability of lowering the assumed rate of return.

Richard Aginian stated that asset allocation is very important because of state law's limitation on equity investments, the poor expected return on fixed income and the fund's 6.75% assumed rate of return. We will have to be in alternatives in order to achieve a higher rate of return. If the fund does not reach the 6.75% assumed rate of return, the city will have to make more contributions to the Retirement System.

22-2021

Motion by Whipple:  
Second by Longe:

To concur in the recommendation of Captrust and the Retirement Investment Committee to approve Captrust's recommended asset allocation in Hypo 4 and to implement this allocation over the next year.

ROLL CALL VOTE:

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

23-2021

There was discussion regarding the sharp ratio and standard deviation. Dori Drayton offered an education process for Board members.

Tom Markus asked that Captrust explain their recommendations in layperson terms and think in terms of their audience.

Richard Aginian requested that Captrust provide the Board members with an explanation of the technical terms that are used to rate the managers.

24-2021

Motion by Markus:  
Second by Whipple:

To concur in the recommendation of Captrust and the Retirement Investment Committee to take the following actions:

To liquidate the large-cap equity fund, Vanguard S&P 500 ETF, the large-cap growth equity manager, Polen Focus Growth SMA, the large-cap value equity manager, Westwood Holdings, and transfer funds into the Fidelity 500 Index fund with an allocation of 30% of the total portfolio.

To liquidate mid-cap equity fund, Vanguard Mid-Cap ETF, and small-mid cap growth equity manager, Fiera Capital, and transfer funds into MFS Mid Cap Value RS with an allocation of 5.75% and BlackRock Mid-Cap Growth Equity K fund with an allocation of 5.75% of the total portfolio;

To liquidate the small-cap equity manager, Gabelli Asset Management, and transfer funds into the Wells Fargo Special Small Cap Value R6 fund with an allocation of 2.25% and Principal Small Cap Growth I R6 fund with an allocation of 2.25% of the total portfolio;

To liquidate the international equity fund, MFS International Diversification R6, and transfer funds into the American Funds Europacific Growth R6 fund with an allocation of 7.50%, the Hartford International Opportunities R6 fund with an allocation of 7.50% and the Driehaus Emerging Markets Growth Institutional fund with an allocation of 4.00% of the total portfolio;

To liquidate the fixed income accounts managed by C. S. McKee, Ducenta Squared and the Bramshill Income Performance Institutional fund and transfer funds into the BlackRock Total Return K fund with an allocation of 10.00% and Metropolitan West Total Return Bd I with an allocation of 10.00% of the total portfolio.

#### ROLL CALL VOTE:

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

25-2021

In answer to Tom Markus's question regarding how decisions are guided, Dori Drayton explained their process. They start with a review of the quantitative qualifications, and then go the qualitative aspects, reviewing enormous amounts of data. In addition, they conduct site visits. They continue to have ongoing discussions, review great information from Captrust analysts, and conduct a lengthy due diligence process.

Jeremy Chambers added that, within each recommendation they provide slides with due diligence measures of their recommendation and referred to pages contained in their presentation. They focus on quantitative and qualitative, rating first on the quantitative side, then on the qualitative side and review on-going reporting on a quarterly basis. If one of the managers under performs and it is urgent, they will reach out immediately. They would reach out to Mark Gerber first, then to the Retirement Investment Committee, then to the Retirement Board. If they are not comfortable with a manager, they will discuss a recommendation for change. They do not normally anticipate more than one or two changes a year.

26-2021

Motion by Bartalino:  
Second by Johnson:

To set the 2022 meeting dates for the regular meetings of the Retirement Board on Friday, March 11, Friday, June 10; Friday, September 9; and Friday, December 9 at 8:15 A.M.

ROLL CALL VOTE:

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

The meeting as adjourned at 9:19 A.M.

Respectfully submitted,

Thelma Golden  
Treasury Consultant