RETIREMENT SYSTEMS OF ALABAMA

EMPLOYEES' RETIREMENT SYSTEM

BOARD OF CONTROL MEETING

201 South Union Street, Room 843

Montgomery, Alabama 36104

877.517.0020

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EMPLOYEES' RETIREMENT SYSTEM BOARD OF CONTROL MEETING reported by Jeana S. Boggs, Certified Court Reporter and Notary Public, in the conference room of the Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama, and WebEx, that was held at approximately 9:00 a.m., Tuesday, June 8th, 2021.

APPEARANCES

BOARD MEMBERS PRESENT:

MR. JIM FIBBE, VICE CHAIR

MR. ED AUSTIN

MR. DAVID COLSTON, VIA WEBEX

MR. NORRIS GREEN, VIA WEBEX

MR. DAVID HARER

MR. JOHN MCMILLAN

MS. LISA STATUM

MS. LINDSEY WARD

MS. TAMMY ROLLING

BOARD MEMBERS ABSENT:

MR. KELLY BUTLER

MS. JACKIE GRAHAM

GOVERNOR KAY IVEY

ALSO PRESENT:

DR. DAVID G. BRONNER, RSA CEO

MR. DON YANCEY, RSA DEPUTY DIRECTOR

MS. LEURA CANARY, RSA CHIEF LEGAL COUNSEL

MR. MARC GREEN, RSA CIO

MR. BILL KELLEY, RSA ERS DIRECTOR

MS. DEBBY DAHL, RSA ASSISTANT

MS. DEBORAH KIRK, RSA COMMUNICATIONS DIRECTOR

MR. LARRY LANGER, CAVANAUGH MACDONALD

MS. CATHY TURCOT, CAVANAUGH MACDONALD

AGENDA

SUPPLEMENT

DISCUSSION AND OTHER BUSINESS

CALL TO ORDER/ROLL CALL

MR. FIBBE: If everybody can take their seat, it's 9:00. We need to get started. Thank you.

I want to welcome everyone to the meeting of the ERS Board of Control. If you can have a seat, we will get going. The first item on our agenda is the call to order and the roll call. There she is. Okay.

MS. DAHL: Governor Ivey?

(No response.)

MS. DAHL: Jim Fibbe?

MR. FIBBE: Here.

MS. DAHL: Ed Austin?

MR. AUSTIN: Here.

MS. DAHL: Kelly Butler?

(No response).

MS. DAHL: David Colston?

MR. COLSTON: Here.

MS. DAHL: Jackie Graham?

(No response.)

MS. DAHL: Norris Green? Norris

Green? We have him on the call. I just don't know if he can hear. David Harer?

MR. HARER: Here.

MS. DAHL: John McMillan?

MR. MCMILLAN: Here.

MS. DAHL: Tammy Rolling?

MS. ROLLING: Here.

MS. DAHL: Lisa Statum?

MS. STATUM: Here.

MS. DAHL: Lindsey Ward?

MS. WARD: Here.

MR. FIBBE: Thank you. We do have a quorum?

MS. DAHL: We do have a quorum.

MR. FIBBE: Thank you.

APPROVAL OF 3/9/2021 MEETING MINUTES

MR. FIBBE: The next item on the agenda is approval of the March 9th, 2021, meeting minutes. I think everyone has had a copy of that to review. Are there any comments or questions or corrections to the minutes?

(No response).

MR. FIBBE: I see no comments -- or see no indications of such. I will entertain a motion to approve the minutes.

MR. HARER: Motion.

MR. FIBBE: We've got a motion. We need a second.

MR. MCMILLAN: Second.

MR. FIBBE: Motion and a second. All in favor of the motion as proposed signify by saying "aye".

(Board members saying "aye").

MR. FIBBE: Any opposed like sign?

(No response).

MR. FIBBE: Hearing none, the motion carries.

The next item is I get to administer an Oath of Office to our new Board member. We would like to welcome Ed Austin to the Board. If you will step up here by the flags, I will read you the Oath of Office and get you officially in.

OATH OF OFFICE

GOVERNOR APPOINTEE ED AUSTIN

MR. FIBBE: Okay. If you would, raise your right hand, please. Repeat after me. I, state your name --

MR. AUSTIN: I, Edward Austin --

MR. FIBBE: -- do solemnly swear.

MR. AUSTIN: -- do solemnly swear.

MR. FIBBE: -- that I will support the Constitution of the United States --

MR. AUSTIN: -- that I will support the Constitution of the United States --

MR. FIBBE: -- and the Constitution of the State of Alabama --

MR. AUSTIN: -- and the Constitution of the State of Alabama --

MR. FIBBE: -- so long as I continue a citizen thereof --

MR. AUSTIN: -- so long as I continue a citizen thereof --

MR. FIBBE: -- and that I will faithfully and honestly discharge the duties --

MR. AUSTIN: -- that I will faithfully and honestly discharge the duties --

MR. FIBBE: -- of the office upon which I am about to enter --

MR. AUSTIN: -- of the office upon which I am about to enter --

MR. FIBBE: -- to the best of my ability --

MR. AUSTIN: -- to the best of my ability --

MR. FIBBE: -- so help me, God.

MR. AUSTIN: -- so help me, God.

MR. FIBBE: Good. Thank you. Congratulations.

(Applause).

ELECTION TO FILL TWO-YEAR VICE-CHAIR POSITION

MR. FIBBE: The next item we have is the election to fill a two-year term as vice-chair position for this Board.

Are we getting a little echo? Is that what I'm hearing?

Okay. There is a requirement --

and correct me if I am wrong, Mr. Yancey, but I think there is a requirement to be eligible to be a vice-chair of this Board you have to have served for a minimum of three years. And I think I --

MR. YANCEY: That's correct.

MR. FIBBE: And I believe I may be the only board member that have served for three years. So, it kind of narrows things down. And I will willingly go ahead and serve another term. I'm not sure what we can do about it if I turned that down.

But we need a motion for nominations, and there cannot be any other nomination legally. So, I guess we need a motion to officially nominate someone for that position. Do I hear --

MS. STATUM: I make a motion to nominate Mr. Jim Fibbe for the position.

MR. FIBBE: Okay. We have a motion and a second?

MS. ROLLING: Second.

MR. FIBBE: Thank you. We have a

motion and second. All in favor signify by saying "aye."

(Board members saying "aye").

MR. FIBBE: Any opposed?

(No response).

MR. FIBBE: Hearing none, that is officially adopted. And I will continue to serve to the best of my ability in that position. And I appreciate everybody's support as I serve in that position.

The next item on the agenda, Item V, is the Report of Investment Committee by our Secretary/Treasurer, Dr. Bronner.

REPORT OF INVESTMENT COMMITTEE

DR. BRONNER: Before I start the report, Mr. Chairman, I would like to point out to the Board, as I did the Teachers', the report on the stocks side, in particularly, is outstanding. It's so outstanding, I have never seen it in five decades.

So, I guess I hesitate to -- I

don't want to jinx myself, but at the same time, I want you to understand that the probability of it remaining when it counts. We have -- twice a year we have a meeting, in this time of year, and then obviously the fiscal year is the one that we are interested in in September 30th.

And there's been many years over the time where it's been good. It's a little bad. It changes. We are going to do our best to hang on to what we can. But when you see the numbers, again, I have never seen them this high. I have never studied this, and I have done that all my life. I have never seen them that high for the stock market side as far as returns go. I guess I should hesitate in saying that, you know, as I have said, I have never seen it this high.

So, therefore, what can go wrong? A lot of things can go wrong. A lot of things are right, right now. So, I think the things that are right outweigh the things that can go wrong. Most of the things that can go wrong are on the international side. When I -- I haven't given many speeches this year because of COVID.

So, I would point out to you that in history says about the investment world is they -- there is always one or two things that we are watching -- maybe three things, or four things at most. But we have a list this year probably of eight to ten things. All of them could go wrong. Some of them could go wrong. The difference is that we are fundamentally looking at a thing in which everything looks really positive. We don't know what will go wrong. We don't think the timing is negative at all. But what you have, which would change it quick, is international negative events no different than 911 that I lived through and most of you lived through.

Not subtle like '08 or '09,

which was our mortgage crisis. That is the case in which -- just to digress for a minute, I was in New York with a prosecutor, who was my best friend, had been for decades, who passed away last year. But Mr. Morganthall was throwing stuff at me like he likes to do to quiz my little brain, and he was asking about mortgages. And when a U.S. Postal man can have three mortgages all in the $500,000 to $800,000 range and you only have a salary of about $70,000, it doesn't make any -- you know, what's going on?

And that was the start of the mortgage crisis of '08 and '09. There was a lot of corruption. The public doesn't know a lot about a lot of it. A lot of the prosecutors let these guys off. Unlike, for the old people in the room, maybe me and Jim, the savings and loan crisis, we went after them and put them in jail. Keating was a good illustration out of Arizona.

But '08 and '09 were different in mortgage. They basically let them off the hook, and there was a lot of corruption there.

But, anyway, my point is that, in this particular environment right now, the only thing that I think topples it in the foreseeable or the immediate future is a worldwide event that is in the international politics side. Meaning Xi, who is the premiere of China, decides to shut down the South Sea. Or Xi decides that, you know, I am tired of you people telling me that Taiwan is not mine, and decides to go get it. I mean, it's only 60 miles away, I can go get it. You can have an army there.

And now the Americans, ourselves, are getting nervous because we don't have the number of ships that China will be have in the year 2030. 2030 they think they will have more ships than we will have.

So, the only way you protect something that far away is with the Navy. You can't protect it with a land based in the United States.

So, that's a problem. And I could enunciate the other seven or eight problems, but you get the idea.

Putin is going to definitely test Biden, in my opinion. Now, how that test comes off is going to be interesting.

And then you have the socioeconomic things. Probably as much as five years ago, I said, one of the future problems of what I was educated on will be mass migration. It's going to come back to the environment. It's going to come back to civil wars. It's going to come back to the old stuff of World War II, hating nationalities.

So, you're going to have to a major migration out of Africa into

Europe, which has been taking place for about four years now. You're having a major migration, principally from Central America.

So, we have to deal with those things. It's hard to tell people who are starving with their children you can't move, because I have nothing here anyway.

So, it's how you deal with that is going to be very instrumental. But with that, you have the two or three hot spots. Clearly North Korea is a hot spot. Clearly the Middle East is still and will be a hot spot through our children's children, I swear to God, because they have been fighting for two centuries. Just because somebody says something nice to each other, they don't think it's going to go away.

So, anyway, I just wanted to use that as a preference because I am going to run through it, and the numbers are such a great job by various staff members that you have, that we have in the investment area. That it's moving -- there is nothing we can do about it, from the point of view or we certainly don't want to hedge too much into 1% bonds, because we know we are dead with 1% bonds. We are dead. You know, I don't care if your assumption is 8% or 7% or 6%; 1% doesn't make it.

So, until that changes around, and you, as Board members, have to realize what my mother never did no matter how I tried to convince her, that a long-term U.S. government bond can lose money; I never succeeded. But the further you go out on maturity with whatever rate you have got on it -- and today it is 1% or less -- the more you're going to lose.

Now, you get your principal back in 50 years, but you are going to lose money. In '08 and '09 when interest rates were doing what they were doing, and in '99 and 2000 when interest rates were doing what they were doing, you can lose anywhere from 20% to 40% of the market value of that bond, because interest rates were going up. If you have -- just give you an illustration: If you have a 1% bond, and it goes to 2%, and it's, say, a 25- or 30-year bond, it's probably worth somewhere between $.45 and $.60 on the dollar if you were to sell it.

Now, if you are going to wait 25 years, you're going to get your money back. And if interest rates were dropped during that period, you actually make money.

So, during the '80s or '90s, we made a lot of money on bonds when interest rates would drop, because we had bought it before. But when you buy interest rates, even in the heyday of bonds, government paper, you have to remember it got to 25% at one time.

So, we bought everything I could. But then they tried to take it away from you quick. But the point being that in four to five years you might sell at a hundred cents on the dollar for 117 or 123 cents, or 130 cents. Well, that same thing happens when interest rates rise. It's the opposite effect. When interest rates rise, your existing holdings will take a beating.

So, that's where we are. We are taking our beating in the stocks -- in the bond side. We are taking huge gains -- the biggest I have ever seen -- on the stock side.

When you look at the Investment Committee report and you flip to the big book, and you can say, okay, report of the Investment Committee is on page 27 of your book, that page I just talk about generally for a second or two, but that's your asset allocation is what we would call it. How do we allocate your money?

Where is it at? How much is in cash to make the monthly payroll? How much in cash to be able to make investments that are new opportunities? How much are in fixed incomes, real estate, private placements, domestic stocks?

If you will flip to the supplement, which is in the back of your book, or if you are on your little computer, the supplement is on page 186. And, Ed, or anybody else here that have any questions, don't be afraid to stop me.

But on page 186 is a program that I set up in '74, one of the first ones I did. And as my State Treasurer gets tired of me saying even though he was the good guy, in the past, there was not some good guys. There were some bad guys over there, and they would loan your money -- your State money, including your pension fund money, to different businesses via the banks and savings and loans back then, and you didn't get anything for it. And the bank had cheap money because their buddies were tied into Montgomery. Okay?

But you see that when I started the program we made a whole $282,000. And this -- the first six months of this year we made $800,000 just with interest rates that are as low as I have ever seen in my lifetime.

But the long and short of it is, the accumulative effect is you've earned about six -- $585 million with the start of this program since I started it. That's a lot of money. But the Teachers' is double that. So, the Teachers' is about a billion and two. So, you are heading towards $2 billion you have done in just money market operations.

The second program that was started was on page 187, and this was really just a covered option sort of thing in puts. We didn't use it a lot like we do today. Back when, it was just sort of an extra income here or there, and actually you will see in one spot I didn't feel comfortable doing it. So, we didn't do it at all for four or five years.

But what it's germinated into, I might say is, because of our huge growth in the stocks side, you have to remember that when I came here you had a law that said you could not, under any circumstance, invest more than 20% of your money in the stock market. In reality, they had invested about 6% or 7%. Why they bothered, I didn't -- I don't know, but the point being that for all those decades you didn't play the stock market.

We played the stock market -- or I asked the Legislature to change the law way back when in the early -- late '70s because the stock -- the bond market wasn't yielding what we needed to survive with, because back then, the rates were too low. So, you were doing okay, and then you do bad, but you had no real upside, much less ownership that we have today. When we go into certain investments, we own the thing.

But, anyway, it is morphed, as I would call it, into the insurance program. That's why the latest numbers for the last three or four years, five years is negative. And what that is is paying for insurance on the stock side. In other words, if the stock market goes -- let's say -- I am going to simplify everything down to easy numbers to follow.

If the actuary over here tells me I have an 8% interest rate and the stock market is already up 15% for the year, we will sell options and puts and calls on this sort of stuff to try to book in that 15%. So, in other words, we will give Wall Street, if it goes above

15%, the lion's share of the money. But you're guaranteeing to me the 15%.

If it -- So, in other words, I am trying to set a floor on it, and that's what it does for us. It gives us some insurance. If we knew -- if we had perfect hindsight, you know, it would be really an easy job, but we don't.

So, that's what we are trying to do with that. It's just -- and that's when we are -- when we are wrong or the market takes off further, and then we lose that income in between, we paid somebody for that insurance that we didn't need. That's sort of a monster. It's sort of like your house if you think about it. Your house, you hope not to use the insurance because it burnt down, right? Right? Say, David? That's right. So, but you still have to pay for it because you can't afford the loss of the whole thing.

All right. The other program,

or the third one that I started in '93 was very controversial at the time, and I couldn't ever figure out why in the world it was controversial, but today knocking on wood, we have never lost a penny in it, not a penny, because it's over collateralized. What we do is loan our securities on Wall Street, because it's all become high tech. Way back when, when I came or when I started, there was paper stuff going everywhere. Now it's just on the computer.

And so, what you do is you loan securities. For example, it is a good illustration of a brokerage firm. Let's say it's -- well, I was going to say Saloman Brothers; they don't even exist -- Morgan Stanley or Citicorp sells something they don't own. I am a trader for them. I trade the stocks all time. It could be IBM. It could be Tesla, whatever it is. I sell it because I think it's going down. Well, I have got so many days I have to produce that stock, even though it's via computer, to the buyer over here, David. I don't have it. I've bet that it will go down and it stayed where it was, so now I have got to cover my short.

And so, I borrow the stock from us. I pay over a 100% collateral, usually in governments. So, I am more than collateralized to the total amount, and I get paid a fee for letting you use my Tesla stock to pay him off. And then I get a return of the stock from you, or he goes and gets it from another party and gives it to us after he pays a fee.

But you see that we made, just in your case -- and again, you can double everything for Teachers' $80 million in that particular thing on page 188. And that's the, what I call, securities lending.

We use securities. For example, in the bond area, you say, well, do they do the same thing in the bond area? Yes, they do. In other words, if I had -- somebody sells a bond, let's just make up the name of the bond. Let's call it, you know -- I was talking to David about and Navistar, recruiting them to Alabama many years ago. But Navistar is a good -- was a company. It was originally -- the original name of Navistar, by the way, was International Harvester, in case you didn't -- that will be an old name that you will remember, because they used to do the farm equipment. Navistar is now basically the truck -- truck builder, that and Peterbilt; those are the two big guys.

But Navistar sells its bond, or what I did with Navistar in Huntsville was to bring them to the State. And they were here for awhile, and then had a problem. But, anyway, they issued bonds; for example, their engine plant in Huntsville. And so, we bought some of those.

And so, you can do the same thing with bonds because a salesman -- a bond salesman will sell something that he thinks is going the wrong way and not own it. Then he has got to show up with it. And that's how you make money in that securities lending activity, as we call it.

On page 189, on the other hand, is a page that 40 years ago was critical to that Board that I had at that time, or 50 years ago, because the bulk of your portfolio was, these are the important values for it: What's the coupon? What's the yield? What's the maturity? Who is writing it? Standard & Poor's or Moody's? And that's when we had lots of companies, especially industrial companies were AAA, AAA, AAA. General Electric, and now it's -- I believe it -- I'll have to ask Marc, but it's probably B rated, because it's -- what happened during the '70s, particularly during the '80s and '90s was people like, that I knew, like Carl Lindler, or the guy that owns Chiquita Banana out of Indiana, they were -- they basically bought companies, stripped them, put a lot -- they took their money out by putting a bunch of debt on the company.

So, you took the quality of companies, whether it be GE or lots of other ones, and strip the assets out, leaving the bondholders hanging, literally hanging dry.

So, what you had was, then, a huge downgrade. So, you cannot -- there's only a -- the last count I had was either two or three industrials that were still AAA, and I think there is only two left now. Most of them are rated because you put in the debt or you strip out the assets, or I used to call them "Irwin the liquidator." Because Irwin was the guy out of Minnesota who basically bought companies like Evinrude is a good illustration. You know, they make the boats and all that stuff.

What they would do was, they would take the money out, and then they would put junk in there. Or what he would do, which is more sophisticated, Evinrude or a company like that would have one, two, three, four, five, six, seven, eight different companies in one conglomerate. So, what he would do is, he would sell those two off, sell those two off, and then own you for free and make money. I sold off pieces of it. Now, what happens to those pieces, I don't care. I sold them. And I ended up with something that I didn't pay for.

So, that's -- but the rating system there on that page was really important to the Board. It's not really that important today, because you only have 15% to 20% in stock -- in stuff like this that's rated. Okay?

So, if you go back to your big book and you get back to that page, you will see the asset allocation of short term money, you know, roughly 6% -- a little over 6%, fixed income is a little over 11%, bonds. Real estate, now -- and I will come back to this when -- you know, I will mention it to you now so that -- because Marc will mention it to you, but he sometimes goes pretty fast. And that is, we only value the real estate once a year. Otherwise, it's just a waste of money. First of all, it doesn't do us any good to value of these. These numbers that I am showing you today are subject to total change. Either going up a little bit more, which is hard to believe, or going done like a rock. But real estate is only valued once a year for the September portfolio. Then you get the true yield of what we made during the fiscal year.

So, that is sort of my general

outlook. I spent more time with it than I normally do, because I just usually show you the three charts and what we are doing. But I want you to understand that the markets are incredibly influx. It looks very positive with everything with -- and the finance director, you know, he's trying to stay on the video thing today, but he is sort of busy.

You have got more money coming into the State than I have ever seen, this year and next year. The real crisis of our State is 2023. And we have got to figure out something, and that's why I started a better proponent, whether people like it or not, of capturing the revenue off gambling, because those that say they hate gambling and can't see gambling are -- got their head, well, I'll just say it's in the sand, because if there is gamblers, I haven't found anyplace in the country that's not gambling, but this place gambles all the

time. And it's a shame that you are
subject to Mississippi, in particular
with their casinos, telling Alabamians,
oh, don't let the Indians have it for
free. People, they have it for free
right now. What we are trying to do is
get some money out of them to expand.
They have had it for free forever.
That's not what you need.

But that's the investment
report, Mr. Chairman. I am sorry to -- I
probably talked too long today, but I
wanted you to make sure that you
understood where we are economically.

MR. FIBBE: All right. Well,
thank you, Dr. Bronner. Does anyone have
any comments you want to make or any
questions you want to ask Dr. Bronner about
his report?

(No response).

MR. FIBBE: I don't think we have
anybody wanting to add anything to that, or
question anything about it.

We need a motion to accept and approve that report. Do I hear a motion?

MS. STATUM: I make a motion.

MR. FIBBE: Got a motion. How about a second?

MR. AUSTIN: Second.

MR. FIBBE: And a second. All right. Any further discussion?

(No response).

MR. FIBBE: We will call for the question. All in favor of the motion signify by saying "aye."

(Board members saying "aye").

MR. FIBBE: Any opposed, like sign?

(No response).

MR. FIBBE: Motion carries, Dr. Bronner. We move on to the next item.

REPORT OF SECRETARY-TREASURER 3/31/2021

DR. BRONNER: All right. And I'll try to move a little faster. I'm sorry for the lecture today.

Page 95 of your book is the

statement of net position. That's your assets and your liabilities. And, again, if you will turn to page 190 and 191 in the supplement, we will go through the material that -- just very quickly.

191 is -- that shows you all the way back to even before me of how much the State appropriated to each. You see the Teachers' System and the Employees' System, and the Judicial System. And you as a Board are only responsible for the other two: The Employees' System and the Judicial System.

So, you are up to the estimated amount for the Employees' is about 236 to 242 in the next couple of years, and $18 million to $19 million for the Judges.

So, on page -- and we will go to -- back to the big book because this is probably the only key page in this report. It's on page 96. Page 96 is your fiduciary change. And what you see there is, this is the money coming in.

There is only three sources of funds: The employee, the teacher -- I mean, in your case the State employee, the Section 12 employee. The employer, which is the State, get a few bucks from people moving from Teachers' to Employees', and investment income. And obviously, in certain markets, your investment income is your key. You see that the additions for investment income for six months is almost $2.5 billion, which is unheard of.

So, you look at the bottom and you have all your deductions. And the second line -- really third line up from the bottom is showing you a $1.8 billion increase in six months, which is pretty phenomenal when you look at it, because you started off with $13 billion, and you are almost at $15 billion now; $14.9. Now, whether that holds up, that's what I have been talking about. In September, we will have to see.

But anyway, that's pretty

exceptional for the amount of money that big, because you can tell that -- well, I'll let Marc go through that with you.

All right. On the budget is on page 97. And for -- and we are a little different than anybody else from the point of view, and I guess, I have always been a little bit different. So, that's probably not good or bad, depending on if it's a good -- it works out fine, it's good; if it doesn't work out so fine, I told you it was bad.

But, anyway, our budget, what we do is we load it, because we have no incentive to spend it if we don't. But if we get in a war, and we have been in them probably four or five times, major that -- since I have been here, of trying to preserve the place, we don't intend to lose.

So, you can see that the budget on page 96 of $27 million set aside, we only spent $9 million of it. So, if we go on that same order, which I don't see any change between now and year-end, we will have spent, you know, $18 million and had $10 million over. But what it does is it just stays in the fund. But what happens is, if we get an all out attack, like, by the Koch Brothers or like my favorite friends over at the -- anyway, they used to -- if we get hit up by the Pugh people, and pay -- people like that, we have got to fight back, because they will run right over you.

And so, that's why we are prepared to fight back, and we have and will. And that's the budget is well within the ranks of the thing.

So, if there is no questions, Mr. Chairman, I will be quiet now.

MR. FIBBE: Are there any questions?

(No response).

MR. FIBBE: I don't think we have any questions. We need a motion to accept and approve that report. Do I hear a motion from anyone?

MR. HARER: Motion.

MR. FIBBE: We have a motion. And I need a second now.

MS. WARD: Second.

MR. FIBBE: And we have a second. Any further discussion?

(No response).

MR. FIBBE: Being none, we will call the question. All in favor of the motion and second, please signify by saying "aye."

(Board members saying "aye").

MR. FIBBE: And do we have any opposed, like signs?

(No response).

MR. FIBBE: I hear none. The motion carries unanimously.

We will move to the next item which is the Approval of the Annual Retirement Allowances. Dr. Bronner.

APPROVAL OF ANNUAL RETIREMENT ALLOWANCES

DR. BRONNER: That's on page 98 through 124, and if you are looking on page 98 you will see X's. Those are local unit people. And on page 124, if you will just flip over to that, or look at -- if you're interested in somebody of what they have got, you are welcome to look. But on page 124 shows you that the State retirees were 531. The local units were 1,025. So you have almost -- well, you have 1,556 new retirants. The payroll now is running over a $1 billion a year; $54,000, Teachers' is well over double that.

So, anyway I would ask you to approve the Retirees since they are collecting their money now, and I would rather have them come see you than me.

MR. FIBBE: Are there any questions regarding the -- that report on the annual retirement allowances?

(No response).

MR. FIBBE: I don't think we have any comments or questions. I will take a motion to approve that.

BOARD MEMBER: I make a motion to approve it.

MR. FIBBE: We have a motion, and we need a second.

MR. MCMILLAN: Second.

MR. FIBBE: And we have a second. All in favor of the motion signify by saying "aye."

(Board members saying "aye").

MR. FIBBE: Any opposition like sign?

(No response).

MR. FIBBE: Hearing none the motion carries unanimously.

Move on to the next item; Judicial Retirement Fund. Dr. Bronner again.

JUDICIAL RETIREMENT FUND

DR. BRONNER: I am almost done. Last one.

MR. FIBBE: We are going to wear you out with all these reports.

DR. BRONNER: Nah. On page 125 starts the Judicial Retirement Fund, and I won't spend as much time; I'll just show you the material. Because it's the same thing, only a lot smaller. So, you have the same class on page 125 of how the assets are distributed differently. Now that was the first one since I got a fund way back when. It was brand new and had lots of liabilities, should I say, for the number of people because that's your most expensive program. That has always been heavily weighted in the stock market, because I knew I didn't have a good prayer. No matter how much I prayed it wouldn't do any good if I did the traditional old way of doing things. So, you have to remember that this started early in life, so that goes along.

And if you go to the supplement on page 192, and we will run through those things. It's the same thing that I started. It started in '75, but it had -- it started with so many liabilities. If you look just at the page next to it, like 192 -- I mean 191, you see I got to start out in '94 with a $100,000 basically. That was the State contribution to the Judges, was $100,000 in '94. Which one of you will get me one judge today? Okay.

So anyway, without digressing you look at 192 and that's the money market again. But you see we generated over $18 million just for a little fund.

On the next page you see we did the -- again remembering what I told at the outset of the judicial retire -- I mean, the Judge's Retirement Funds. I always overweighed stocks there compared to any other one. I might be 50/50 for Teachers' and Employees', while I would be 60, 70, 80 in this, just because that was the only chance to make any money.

Lending securities, we don't use it. I don't use much hedging there at all. We lost a little bit but -- that's on page 193, as I call it, or we call it the insurance program. The lending securities, we started that along with them. We only made -- we have only made $2.3 million, but we don't lend that much there against -- the old lending securities was a little different.

And on the coupon distribution, the page 195 you see is almost useless, because you have a very slim position in fixed incomes of, you know, $70 million.

Okay. If you go to page 182 in your big book, we'll run through those forms real fast. The fiduciary thing on the net position is on page 182. 182 is got the assets and the liabilities, and you see the position of the fund which is growing pretty well, considering where we were.

When you look on page 183 you can see that even during this period we had the contributions from the member of

$2 million, the employer put in $9 million; the investments again, up $46 million. So, you had a net increase of $37 million. So, you went from $318 million fund that I started off with $100,000 to $356 million fund. And that would be for your judge's program.

If you look at page 184, you can see the budget, which again was roughly $750,000. We've only spent $175,000 of that.

And then on page 85 -- 185 you have a list of judges, and you see that just those judges retiring this period cost -- are going to cost me $1 million, or $905,000.

And that would be the judge's report, Mr. Chairman. You have the other backups like I had for employee's, like on page 196 is sort of the history. And I sort of skipped over that with the Employees, but there is a chart in there, Ed, for Employees as well as Judges.

It's very like that page. We have every year since I have been, but we don't have a page big enough to put every year on here, so we just took select years. But what we try to do at the bottom with the notes is to give you an idea of what happened in a major way, like on 196. You know, you had an employer rate of 44% of payroll, you know. Figure that. So, every judge you pay a dollar to you have you pay me 44 cents, plus their social security, plus their healthcare and stuff, so you are about 160% to 170% of salary in fringe benefits. So, and that shows you when we changed market values and things like that. And then the -- I guess first thing, let's go back and say that that concludes the Judicial Retirement Funds, Mr. Chairman.

MR. FIBBE: Thank you, Dr. Bronner.

DR. BRONNER: Once you approve it, because we have the judges allowances in there. I need a vote on the Judges Retirement Fund.

MR. FIBBE: You have heard the report on the Judicial Retirement Fund from Dr. Bronner. Are there any questions or comments regarding that?

(No response).

MR. FIBBE: I hear none. We will entertain a motion to approve and accept that report.

MS. STATUM: I make a motion to approve.

MR. FIBBE: We have a motion. We need a second.

BOARD MEMBER: Second.

MR. FIBBE: And a second. Are there any -- last chance for any comments or questions. Hearing none, call for the question. All in favor of the motion signify by saying "aye."

(Board members saying "aye").

MR. FIBBE: Any opposed like sign?

(No response).

MR. FIBBE: None. Motion carries unanimously.

We will move on to the next item. I believe that's the Administrative Information Update from Dr. Bronner.

ADMINISTRATIVE UPDATE

DR. BRONNER: Yes, sir. I'm trying to find where they put the litigation. The litigation is -- all I do is, lawyers like myself are a little particular about people talking about their litigation. So, we don't talk about it much. We just print it and put it in the book. I guess I can tell you that number one, there is nothing new that I know of. We have not started any litigation. We probably may start some litigation down in Baldwin County, just because they kept messing with me relative to trying to improve the Grand Hotel. But we haven't to date.

The forms you will be able to

get from the legal people. I don't see them in my book. But the typical cases that we have are slip and fall cases, just because we own buildings. And we get a lot of them out of New York because it snows up there. So, when it snows up there I can anticipate one or two a month, and we handle them through insurance. We do have -- we personally, meaning me, hasn't really instituted any securities litigation for a couple -- or over a decade. I was the one that sued Worldcom and Enron.

But a lot of the litigation that's coming now is, I call it crazy litigation. The lawyers get, you know, 90% of the funds and I don't know why we put our name in, but we get paid a couple of thousand dollars. So, it's usually all looser stuff, where some fraud or corruption has taken place.

The Clerks and Register Fund is on page 199. If you will take a look at that now. This is something Ed, that's really sort of weird. I tell members the Board members always this. This was given to me by the Legislature, you know, one of those gifts that are left at your doorstep. There is no Board for it. You have no responsibility for it. They gave it to me. So that when I die, you know, I didn't want you to think, what happened to that $10 or $12 million. I just sort of made the Employee Board listen to me for five minutes, but this is called the Clerks and Register's Supernumerary Fund. And this comes out of the -- if you want a little bit of history for the -- all Board members, I don't know if I have ever told you -- but at one time elected politicians decided how to beat the Alabama Constitution. In other words, how do I get a retirement fund -- how do I get a retirement and it is not a retirement, because the Constitution says that you can't have a retirement of the

State of Alabama.

So, sheriff's did this, for example. They had a supernumerary fund. Judges did this. And then the Chief Justice of the Supreme Court back then passed one of the few Judicial Articles of the Constitution that put the Judge's Retirement System, got the voters to approve it. So then the supernumerary -- I actually have a cartoon that shows a supernumerary convict, which I thought was a very unique cartoon. But that's what the media was showing, that it's ridiculous. And it was ridiculous. So, but we have this leftover because the Clerks and Register had their own supernumerary fund, and they wanted to take care of the wives. So they set aside a few bucks, and this is where it is. At one time, you will see on page 199, both from '87, '89, '90, '91, '92 -- they kept swiping the money from me. Even though I would make some money the

Legislature would swipe it and give back to the courts, you know, to pay for the something at the court system. So anyway, we finally got that stopped.

But anyway, there is $12 million in it today. But as you can imagine, if they wouldn't have started swiping the money in the '80s on me, it would probably be a lot bigger than that today. But again, the problem is that the -- it's only, if you look at the very last line the notes are important with a pension fund. And the second, where it says number two, "This program is about 8.2% funded." But it probably would have been in pretty good shape if it hadn't been ripped off.

Going back to my little page two of your agenda, so there is nothing you'd need to vote on or anything. I just put that in so I got someplace in the world to point to.

The real estate update: The

real estate update on page two of your agenda; very quickly, the hotels, last April were running at roughly 6%, which was a disaster. But that was last year, it was a disaster. Our hotels now are running full blast. The -- all hotels are doing very, very well, with the exception of Montgomery and Mobile, and Mobile is starting to move a little bit, because they are a convention hotels, and nobody has had a convention. But the resort hotels; North Alabama, Shoals, Birmingham, Opelika, the Grand Hotel -- the Grand Hotel in April of this year had the biggest pay revenue that its ever had in the history of the Grand Hotel. One month was $7.2 million, which is pretty huge for a hotel. It's very huge, as a matter of fact. It would be nice to be -- they did it, you know, when they told me that I said, can you do it for another ten months? But they didn't think I was very funny. And so, we said, you know, do the best you can. But the resorts are doing fine. They are doing fine. Until the convention business comes back, Montgomery is actually doing better than it was. The last three weekend, two of them were sold out, which was good compared to what we have been doing, but we need that daily tourist business which we were getting, along with some other stuff.

So, but again, I am talking about the national economy; it's not just Alabama. It's coming back. The more resort-ish you had, the bigger it's coming back faster. It shouldn't last forever, because it will switch back to conventions we hope at some time. The Point Clear as we've told you had the best months it's ever had in the month of April of this month. Opelika is doing fine.

The housing at both of them is crazy. As I told the Teacher Board, we sold a $780,000 house to a lady in Oregon, site unseen, a couple of weeks ago. Site unseen. Just bought it. By looking at video of it. And you go, what are you thinking, Lady? But anyway, it's beautiful. I mean, they basically are selling the houses under construction. They have got a backlog that's 40-something houses, just at the Grand alone, and we have built hundreds of them so far. And the same with Opelika, is not nearly the speed of the Grand, but it is still very substantial, and very good. So, both of those seem to be doing fine.

Real estate update in case you don't know, Ed, you are now the proud owner of the second largest building in the United States, which is 55 Water. And some people said, oh, aren't you nervous about people moving and not showing up. And I said, not really. I have got a lot of things to be nervous about, but that ain't one of them, folks.

Because why? Because New York is totally different than a lot of the parts of the United States. If you get a five-year lease here, or a six-year lease, or ten-year lease you think you are in heaven. There are no leases in New York except -- the shortest one I ever did was 15-years, and I have only done one of those. All of the leases are 25 to 30 years. So, you really don't care about it because they are on the hook. We have only two floors out of largest building that are not completely occupied. So, that's good. Then you look at Montgomery and Mobile office buildings, I meet every month with my real estate people that are in-house. They are running your operation. Everything in Mobile but two floors is full. You only have two floors in the big building, because one of the law firms moved out, and it's very posh, shall we say, because what I do is, I care about the exterior of the building, the guts of the building, the air-conditioning and heating, that sort of stuff, and I care about the lobby. And what you do in your space, I don't care. If you want it to look like a barn, I couldn't care less, so long as you are paying what I want. Or if you want to make it look like, you know, you are from Saudi Arabia that's fine, too. The problem is that after you make it look like Saudi Arabia, then you have a problem when you leave because the next guy might not want that, or he does. But anyway, so, you got full occupancy down there but for two floors.

The other building across the street is what I call the MoonPie building, and the only space available on that is the company that's already in there is trying to lease that. But they are still got a lot of people outside, inside. So, we don't have much space. We are basically out in Mobile. I have been trying to work with the docks and the Core of Engineers to do a joint building for them in Mobile, but I am not very good at fooling with the Federal government, so I don't know if we will get it done or not. I hope we do. But again it's just so slow it drives a guy like me nuts. So, I don't know if we will did it or not.

The Montgomery buildings are basically full. There is very -- I don't have any room anyplace. Even the one that I had the most trouble with out of all the buildings I built was really the coolest one, is the one on Dexter Avenue. But that was -- what happened to we was I usually fill them within four years, and it's taken almost eight years there, or nine years to fill it, but it's full -- is because we, or the State decided to reduce its workforce by 5,000 people. And guess what? You don't need the space if you take, you know, 20% of your workers away, you really don't need the space. So, we have been working with a couple of agencies who want to get out of missing -- as I call the "missing person's building" even though we built that. I don't claim, because I only had like 90-days to get it out of the dirt in between Hunt and -- between Wallace and Hunt. But again, back then it was such a God-blessing compared to what we had around here. My friends at Public Safety complain about the old hospital over here. And I tell most of them they are not old enough to understand where their brothers and sisters came from, because they had a building over here that had no hot water in it. They had no air-conditioning that worked very well. Or you look at something like poor old Corrections. They literally were in a warehouse over there towards Jackson Hospital to the left before you take a right to go to the hospital, down in that hole, that was their office. Because I visited them one time, and in order to get into their office you had to open the shed like they do a garage door. So, I said, you have got it pretty good compared to those folks back when.

But anyway, we are in good shape here. I have been trying to get some people involved in another project. We will see what happens. On the special projects, the last thing to report to you about is two or three things. One is the Trail had -- the golf Trail had the best year it's ever had in 27 years last summer, because there was nothing for people to do except go play golf. Last weekend -- two-weekends ago, some of my places are -- well they are all full. To be honest with you, we had Friday, Saturday, and Sunday of two-weekends ago in Prattville we had 1,800 golfers. 600 a day. A normal golf course can handle about 120 or 130. So, when you are running numbers like that, what you are doing is, you're pulling them in. And we are pulling them in from around the country. We thought we would only get people that would be like in a 200-mile radius. And we are getting in more like 500-mile radius; Indiana, Ohio, lots from Kentucky, Tennessee, Mississippi. It's very interesting to go to different sites, because you go up to the Shoals and all of a sudden you have got Mississippi and people from Memphis there. We ran into, when I was up there two weeks ago, a golf writer. He says, I am so-and-so. I have got his card in there, I don't remember his name. But I wrote for the Miami Harold about the Robert Trent Jones Trail 25 years ago. And now he lives in Memphis, and does sports for a newspaper or a blog or somebody in Memphis. But it's very fascinating to see the number of people that are still coming. And the bookings are -- is substantial.

When you look at the SiO2, that's -- I have a meeting again this next week on that. It's interesting. For those that forgot or have not seen it but, it was a start up company. Probably the only one I have ever done. And they're the ones that do the bottle for the COVID -- the injection and needle, and all that stuff. And it's pretty interesting, because you have a lot of worldwide interest in it now because all of a sudden you have a plastic bottle that holds expensive, expensive -- and the newest drug that just came out for Alzheimer's -- to give you an idea of expensive drugs -- it's only $56,000.

So, you don't want to drop that. Well, you could drop these things and they don't break because it's all plastic, except where we have glass inside of it that is one on-thousandth of a human hair. But it preserves it, because you can't let expensive drugs be with plastic anyway, because why? It leeches. So, that don't work.

So, you have a deal where it's pretty exciting right now. If I can make it through, because it's one of my -- one of our partners is the guy that made the drug for Pfizer. And we just sent them another $5 million this week, because he put in another $5 million. But he is the one that when you look at Prizer's thing and the name behind it, he owns the name behind it. Pfizer is just the front people.

So, he doesn't -- his personal wealth was just a $1 billion extra on that drug. So -- but he has been doing this for years. He is a German. And he is very fascinating. What we end up doing with this company is still to be seen. I don't know. Because a lot of other people are looking at it. Even one of the companies that we invested in is looking at it. So, the future is there, but we have got to get to the future. And we are there as far as protections. We have got more protections than I have ever seen in my life on a particular idea.

The last one I'll talk to you about is the Barton site. That's the home of the railroad that disappeared on me. And then we put in Navistar. It disappeared on me. We put in another railroad, and they went to Mexico. So Barton is very fascinating because it's a -- it's a little over a mile long, and four hundred -- four football fields wide. That's how big the building is. So, we have had no luck the last year, with COVID, because what you are really looking for is a big, big boy company. And the big boy company staff -- is sort of like you and me -- have not traveled. We refuse to get on an airplane basically. And what you are looking for is to try to recruit a company that would be similar to Mercedes, and they established a beachhead in the United States, and it was in Tuscaloosa. Just like BMW established its beachhead in South Carolina. So, we are look working with two companies. We have actually got four poking around, but two very serious ones. One Asian, one European, both in different industries but need huge plants. As a matter of fact, this plant is not big enough for one of them. They would have -- they have already gone to one construction company to see what it would do to double the size. Which would be really big. So, we don't know if they are serious or not. We know they are serious, but we don't know if we can pull it off or not, because there are 11 states that are trying to recruit that company, that we know of. There's about nine trying to recruit the European company. So, what we are looking at there is a possibility of, you know -- we talked to some companies about renting it. Some companies wanted to do that. I didn't want to really do that, not for somebody that uses it for storage. That would be ridiculous, because it's built to handle major manufacturing. And so anyway, all of a sudden, in the last 60 days we have people coming in and out of the Shoals like -- I think I'm on a transit train in New York or something. Just see how many people -- see home many people could show up this week. It's good for the hotel business. So anyway, they are having everybody inspect everything. Whether it be the utilities. Whether it be the amount of power; well, we need two times more power. Well, fine. TVA is right on the other side of the hill over here. So, we are answering their questions. I can't tell you the names because as one of the person's that brought one of the companies, a huge steel operation many years ago to Mobile, flat out told everybody in a meeting if the name comes out, we are going -- I will immediately cross you off the list, which they tend to do. So, we are hoping to make the second cut, and then we will go from there.

But are there any questions? I have babbled a little more than normal, about ten minutes longer than normal. I usually use an hour, but -- if I have any questions, Mr. Chairman I would be glad to try and answer them.

MR. FIBBE: Okay. Thank you, Dr. Bronner. Does anyone have questions for Dr. Bronner, or anything you would like for him to elaborate on?

DR. BRONNER: Enough of that elaboration, right, Mr. Chairman?

MR. FIBBE: I don't hear any questions. Thank you for that report and all that information. Very informative. We will move on to the next item and we will hear from Marc Green on the Investment Performance. Marc.

INVESTMENT PERFORMANCE

MR. MARC GREEN: Thank you, Mr. Chair, members of the Board. The Performance Report os on page 200, behind the Supplement tab. This is the report that you've always -- I mean, you've seen for years and years, and I will concentrate on the fiscal year-to-date column, FYTD, so this will cover the first seven months of fiscal '21. If you drop down to about the middle of the page you can see ERS total domestic equity. Our return was 30.87%. The benchmark was 31.17%. Under international equities, the total international equity return was 24.21%, benchmark was 24.22%. The bottom two lines, our total global equity return was 29.37% versus benchmark of 29.59%. So that's all our public equities. I'll be glad to address any questions or concerns.

If not I'll flip to page 201.

All right. So, on the top of page 201 you can see it's headline fixed income. The return was -1.29%, the benchmark which is commonly used as the Barclays Aggregate Bond Index, the return was -1.97%, so a little ahead of benchmark and fixed.

Under alternatives, the first line private placement is up a little over 4%. Preferred and private equities, 11.91%. Blending those two together, return was 9.95%.

Real estate, the first line you can see the return was one basis point. There were some distributions received, but as Dr. Bronner said we only get that appraised once a year, so the return is pretty close to zero until we get to fiscal year end. We also started a real estate -- public real estate fund. And we didn't roll it out until the very end of December, early January. You can see the return for -- under the calendar year-to-date column was 18.1%. Blending private placements, private equity, and real estates return was 5.80%. And total fixed income, plus alternatives return was 2.92%.

Dropping down to cash, you can see the return was 11 basis points. There is very little yield at the short end of the curve, so not any return the cash markets. And lastly under the total plan, the return was 19.61%, versus planned policy of 20.73%. And then through the --

MR. FIBBE: Anyone have any questions regarding that portion of Marc's comments?

MS. STATUM: Can you explain to me the public real estate. You said you rolled it out. What is -- can we have a little more information?

MR. MARC GREEN: Yeah, it's Real Estate Investment Trusts, REITs. We just basically made a valuation call that they look relatively cheap, and it would be a smoothing mechanism for our directly held real estate investments.

DR. BRONNER: What we were looking for is, we didn't have any place to put money, the long and short of it. We weren't being showed much, and I knew real estate was cheap. But I had always just had a real estate portfolio of Alabama properties with one outside property called 55 Water. The problem was, 55 Water was 50% of my real estate. So, the team sort of approach being, said David, we need to diversify a little bit. So, let's just get into, in essence an ETF would be the way to say it? Or it really --

MR. MARC GREEN: It's close to that, yeah.

DR. BRONNER: REITs, is real estate trusts. And what we did was buy across the board. So, everything for real estate from, one of them is towers, for example. And the only reason I bring that one up is they built for telephone, and they build it for TVs.

MS. STATUM: Okay.

DR. BRONNER: But that type of real estate, and the only reason I brought that up is because I sat next to a guy on an airplane one time and he was telling me that -- I said, where are you going. He said, I am going to Montana to build some more towers. And I went, what for? But anyway he -- so, what we did was -- so, we took a combination not just of a little bit of exposure on the commercial side, but different types of real estate than what I was doing here. So, you get a broader scope of it.

MS. STATUM: Okay.

MR. MARC GREEN: Okay. Flipping to page 202, this is the pie chart that gives you your asset allocation breakdown. You can see the darker blue domestic equities, 53.7%. International equities, 14.8%, so you are about 68.5% of the funds in public equities. Fixed income a little bit under 9% at 9.9%. Private placements, private equities, 6.5%. Real estate right around 9%, and cash right at 6%. So, that's all for ERS performance and allocations.

MR. FIBBE: Thank you. You want to keep on going on to Judicial?

MR. MARC GREEN: Sure. Yes, sir. Got it. So, that's on page 203. Again, I will concentrate on the fiscal year-to-date column. U.S. equities, our total return for the first seven months was about 29.5%. Dropping down under international equities, about 24.15%. Blending those two together at the bottom of the page, 28.34%.

MR. FIBBE: Any questions about that?

(No response).

MR. FIBBE: I don't see any, or hear any.

MR. MARC GREEN: All right. Well, I'll keep trucking. Page 204, fixed income return, -1.18%. The Barclays Agg was again, -1.96%, so about 78 basis points better. Private placements a little over 4%. Preferred and private equities a little under 4%, blending those two, 4.13%. Real estate is exactly the same as Employees, zero and about an 18% return for the calendar year-to-date period.

Total alternatives is 7.13%. And then when you add in fixed income, it was -35 basis points. Cash return is eight basis points, and the total plan return of 18.45%.

MR. FIBBE: Okay. I don't see any comments coming forward. Go ahead.

MR. MARC GREEN: Okay. All right. So, page 205 again, it's the pie chart for JRF. Domestic equities 55.5%. International at 15%, so a little bit over 70% of the fund is in public equities. Fixed income is at 20%. Private placements and private equities, three -- or a third of a percent. Real estate, a little bit over 2%, and cash at 7%. So, that's your asset allocation breakdown for JRF.

MR. FIBBE: Okay.

MR. MARC GREEN: All right. Flipping to page 206, this is the State Street universe report that compares us against our peers. So, the fiscal year to date for this report would be under the heading Two Quarters. So, this is through March. And you can see the median return, or the 50th percentile return was 14.08%. ERS was at 16.13 percent, which ranked in the 23rd percentile. And JRF at 14.83% ranked in the 33rd percentile. And this goes out through ten years, you can look at it at your leisure if you like, to see what we have been ranking out.

MR. FIBBE: Any other -- any questions?

(No response).

MR. FIBBE: I don't hear anything.

MR. MARC GREEN: Okay. So, page 207. This is the Investment Policy

Compliance Report that comes out daily. This was as of 5/31/2021. Under ERS you can see that everything was in compliance, with the exception of fixed income. The weighting was 9.80%. The lower bound is 10% -- or 10% under the strategic range that the Board sets forth. We have to get this within compliance by the end of the quarter, which is the end of June, so we will eventually work our way back, unless the equity markets continue to rip. But we expect to be in compliance by the end of the quarter. And if you look over at JRF, it is within the compliance ranges that's set forth by the Board.

MR. FIBBE: Okay. Any questions for Marc on all those financial reports? I'll just say, Marc, those returns are phenomenal. And if you can keep those going for the next six months or a year, everyone will be smiling.

MR. MARC GREEN: Yes, sir. That's right. I am with you on that. Thank you.

MR. FIBBE: Thank you for your report. Very good.

We will move on to the Legislative update, Ms. Scott.

LEGISLATIVE UPDATE

MS. NEAH SCOTT: Good morning. As you are probably aware the Legislative session ended on May 17th, and it was a busy one, I guess to make up for the weird year of the last session. As the Legislature has always done, ERS has been fully funded in the general fund budget at the requested rates. We had two bills dealing with ERS that passed.

The big one is the ERS Board bill. And this bill will expand the ERS Board from 13 seats to 15 seats. The two seats that are added is one for an active or retired local, so an at-large position. And that person, that election is actually taking -- about to take place. And that person will take their -- be on the Board as of October 1 of this year.

The other seat that was added is a local county seat, so this will just be for county Employees. That election will take place next year, and they will come on the Board in October 1. The bill also converts two of the active local positions, so Mr. Harer's will be a municipality seat, so for city employees, and Mrs. Statum's will be for "other." You know, the local Boards, that sort of thing. And so, that will -- that conversion will take place for you-all's next election.

And then the other bill that passed -- Mr. Harer is obviously very familiar -- is HB-81 which allows the use of hazardous duty time for FLC members that die in active service. And so, what this would do is, if you have an FLC who dies with less -- a Tier 1 member who dies with less than 25 years of service but more than 21, they can use the one for five bonus years, so that their beneficiary would receive the 50% of their lifetime benefit. And so that was passed retroactive into January and has already gone into place and I believe has already been applied for a member.

There were two TRS bills that were passed, that while ERS versions weren't passed, I think it's important for you-all to know about it. The first one was the Tier 2 bill. As you-all know, the past few years there have been several attempts to improve the Tier 2 benefits for both TRS and ERS. The House always passes it, and then it comes up in the Senate and it hits a roadblock and dies. This year they came with what was a compromised version of the past bills with the hopes that they could get it through the Senate, where they were just going to modify Tier 2, and there was a TRS version and an ERS version, and it would allow 30-year retirement sick leave conversion for FLC members. It would allow hazardous duty time, and it would increase the member contribution rate. Once again, they ran into problems in the Senate and the TRS proponent -- proponents of the TRS bill reached a compromise to allow sick leave conversion, and to increase the member contribution rate to pay for this.

ERS didn't follow suit because sick leave conversion doesn't have the same -- to retirement credit doesn't have the same meaning on the State side, because on is the State side you can get paid. On the education side you can't get paid for your sick leave. And so, it didn't make as much sense to increase how much members were paying for a benefit that wasn't as important on the ERS side. I do believe that the bill sponsors of the TRS bill plan to come back next session and try and get the 30-year retirement. And so, I expect if that happens and it gets moving, ERS will follow suit, as well. So, I don't think this is it, but it just wasn't the year for it to happen.

Other bill that passed on the TRS side was that they created a Retiree Trust Fund that would be governed by the TRS Board. And in theory, the goal is to be able to funnel some funds into it, let RSA invest it, and then when it reaches a certain level the Legislature could appropriate bonuses for retirees from it. There was an ERS version that was filed kind of late in the session; it just never took off. I would anticipate that an ERS version would follow, and the ERS Board would govern that trust. There is no funding source for the TRS trust right now. And so, until money is put into it, there is really nothing to do with -- nothing you can do with it. And so, I do think though that the retiree associations will start pushing to try and find funds for the trust, and I do think that ERS may see a version of that, as well.

As you know we anticipate coming back for at least one, maybe more special sessions. Pretty much guaranteed to have one sometime after August for redistricting. In the meantime we could see one to appropriate the latest round of federal monies, and to maybe deal with the prison construction issues. As that develops I'll keep you updated and we will of course, be involved and trying to keep up with whatever they are working on. So, that's it.

MR. FIBBE: Thank you. Do you have any questions of Ms. Scott, with regarding the legislation?

MS. STATUM: Thank you for keeping us updated.

MS. NEAH SCOTT: Thank you.

MR. FIBBE: I don't think we have any questions. Thank you for your report, Ms. Scott.

Let's see -- our next item is the report on the actuarial valuation of ERS, JRF, from Cavanaugh Macdonald.

REPORT ON THE ACTUARIAL VALUATION

MR. LANGER: Good morning, everyone. Larry Langer from Cavanaugh Macdonald. With me today is Cathy Turcot.

I am glad to be here. We are here to discuss this September 30, 2020, valuation results. So, any of the -- I think the term was "ripping of the equity markets." That market we talked about that occurred since September 30th, that's not reflected in these reports. We will be back later on talk about the September 30, 2021, report sometime about this time next year, to talk about all the things that happened. But my main point is, anything that happened since September 30th of 2020 is not reflected here just by design.

The handouts, it's a separate

handout within your booklets. It looks something like this. Y'all have it. We have one for ERS and a shorter one for Judges'. I will talk a little bit more detail when we go through ERS. And then, when we get to Judges', I will hit some of the highlight pages and move on like that if that works for you.

So, on slide two, we have the basic funding equation that actuaries base these valuations upon. And the whole point of these valuations is about contributions to go into the funds over the course of a member's career. So, that when they retire, there will be sufficient funds on hand when combined with investment return to pay off the benefits. And we do this through this actuarial valuation process. The simple equation that we make use of here on slide two is contributions plus investment returns have to equal the benefits paid out and expenses. It's that simple.

So, on slide three, just a hair more detail. The benefits are going to be what the benefits are going to be over the course of time. You know, it's based upon how long people work, how long they live into retirement, what type of pay increases they have over the course of time. They are just going to pan out over the course of time as experiences folds out.

Over long term, the costs are going to be what they are going to be, as well. It's going to be based upon actual investment returns, actual benefits, actual expenses. But we have to put money in now to fund up those benefits. And that's the purpose of the actuarial valuation.

So, over the short term, we need to base this upon estimated benefits and estimated investment return, what we think the assumptions will be over the course of the long haul. And this valuation reflects those results.

So, getting into the highlights on slide five, comments on valuation. If you ever want to step back and take one page out of the presentation when someone comes up, because I'm sure a lot of people walk up and say, hey, what did the actuary have to say? Well, it's right here, this page on slide five.

So, we are always looking for things that were a little bit different than what we thought would happen in the valuation. And we set those aside to comment on those. But things actually came in overall pretty close to what we are anticipating during the year in September 30th, 2020.

So, on slide five, what type of events ended for the year ended September 30, 2020, the market asset return was about 5.83%. A little bit shy of the 7.7% return that we use for purpose of the valuation year in and year out. But we also make use of the smooth value of assets. And that smoothed or average value of assets was actually even a little closer to 7.7%. So, investment returns really didn't impact our results for this valuation.

Salary increases were a little bit greater than anticipated. Payroll growth was a little bit anticipated, bigger anticipated, as well. And even though we don't cover individual results or the overall results for the local employees, we produce separate valuation reports for all the 900 some-odd local plans. The enactment of Act 2019-132 for local employees is contained within those reports.

So, what's the results of the above amounts -- or the above things that happened during the past year? The funded ratio. Funded ratio, probably a thing you want to remember. Funded ratio: How much money you have in the fund to cover the liabilities of the fund. And for State Employees', it remained at 62.3%. So, you have 62.3% of the money near the fully funded liabilities of the fund.

And for State Policemen increased from 54.2% to 54.6%. And for local employees, it decreased from 73.8% to 73.4% of pay.

The contribution rates stayed relatively level for Tier 1 State Employees'. It decreased from 14.83% to 14.82%. For Tier 2, it remained at 14.44%. State Policemen decreased from 52.22% to 51.67%. Tier 2 remained the same.

We get a little bit more deeper than that, but I want to talk about the next six slides in mass and just comment on a couple of the trends we have in there. So, as part of the valuation, we collect information on each individual that's a member of the plan, whether they are active, terminated vested, retired, the beneficiary. We have a lot of information on those folks to help us estimate what type of benefits we think will be paid. And staff does a terrific job of getting us that information in a timely fashion. For that we are very grateful.

We take that information. We project what type of benefits we think will be paid. And we look at the information to see if it moved the benefits in a different way than we were anticipating.

A couple of things -- and then we put them in the report. And there is a lot of numbers in the report. You just have to trust us that we are doing the right thing in terms of calculating these amounts. But we put things in the report, also things that you can touch and feel. And say, okay, the actuary based this upon, you know, 24,655 retirees in the State Employees' fund. That's the basis of the valuation. Yes, I agree with that. That's good. You know, that sounds like my version of reality. We put a lot of charts like that in the report so you can know what the valuations are based upon.

We also some summary of the asset values as well as the benefit provisions. We have a summary of the benefit provisions.

So, a couple of comments on these types of slides. And with the next three slides and six, seven and eight, we show a projection of the number of actives, the number of retirees within the funds split by State Employees', State Policemen and Local Employees'. And a couple of things that folks will -- sometimes we grimace over these types of things. But there is really no need.

If you take a look, you see that

the number of retirees for each of these three groups has been growing. There is more retirees in there. And you might say, oh, my goodness, it's a problem. It is not a problem. We bake this into the valuations. We anticipate that there will be more retirees within the group over the course of time.

So, when you see a trend like that, it's okay. It's fine. You know, zen like breath. We are all good there, right?

The other element is people, when they look at the number of active members to retirees and you can see all of these -- well, no, I am sorry. State policemen is different. But you can see there is more actives to retirees. When you go to State Policemen in slide seven, there is actually less actives than retirees. And sometimes people, like, that's not good, is it? Well, because you have been prefunding the plan, it's okay. We have got it covered. And we anticipate at some point this will happen. In fact, for State Employees' and Local Employees', at some point, we will have more retirees than actives. But as long as you prefund the plan, we will be fine over the course of time.

Similar slides 9, 10 and 11, it shows similar things: Salaries increase, benefits increased. We anticipate within the valuation. So, we just look at the increase more or less than what we anticipated, and I think we are good on that count. There is nothing to report.

12, 13 and 14 we talk a bit about payroll and benefits and how the payroll and benefits grow over the course of time. Payroll is in the red. Benefits are in the green. And you can see benefits just tend to grow and grow. And we anticipate that within the fund.

Payroll is a bit more volatile. It comes up and down and up and down.

So, we look at that averages over the course of time.

The payroll is important. We anticipate a certain level of growth in the payroll because we develop these contributions to stay level as a percentage of payroll. And, you know, to the extent they don't quite keep course or keep increase at the level we are anticipating, you might run into the situation where more money come or less money coming in, but, again, we monitor that and periodically make recommendations on what to do in the future.

The assets by -- split by State, State Policemen and Local Employees are slides 15, 16 and 17. We show two amounts -- focus on 15 to start. We showed two amounts right here. In the eggplant colored bars, that is the market value of assets that staff will report to you periodically as of September 30th every year. And the red number is something called the actuarial value of assets. We average returns that differ from our assumed rate of returns over a course of five years. Our whole point for doing that is to keep the contribution rates more level than they otherwise would be if we were just use market. Market can be rather volatile from year to year to year. And if we just use market, the contribution changes that we would show in the report would be probably pretty staggering and probably, you know, not very able to budget for it.

So, that's why we use the actuarial value of assets. And, again, it's a common practice to use in public plans in the U.S.

Asset returns, we show it for the full fund on slide 18. And here again, we show the -- we show three numbers here. We show in the eggplant, the market value returns. And you can see over the past few years we have had returns ranging from 2.8% up to 12.9%. That differs rather widely from the -- our expected return, what we anticipate happening within the fund, which began in 2016. The year ended 2016, 8%. We've been rationing it down over the course of time for this past year at 7.7%.

When you look at the actuarial return, which is in the unreadable pale blue bars right there, you can see the actuarial returns are actually tracking pretty close to the -- to the assumed returns, which means we don't get quite as much volatility in that contribution rates.

On slide 19, we are going to get into the guts of these calculations a bit. And we do it in a very unreadable size font. But this is the development of the core results. We have first had State Employees' and State Policemen. And the next slide, on slide 20, is

Locals. I will go into a couple of the key elements here. First, we have the 2021 -- 2020 valuation amounts in the middle. And to the right are the 2019 valuations. So, you can compare them and see how they track.

With Tier 1, Tier 2, and then we have stuff called actuarial accrued liability and things of that nature. So, Tier 1 and Tier 2, we divvy up the contribution in the same fashion. The only difference is this development of the total normal cost, another great term. Normal cost is the cost of benefits accruing during the year. That's how much if the plan were fully funded, that amount of contribution would be sufficient for paying for benefits during the course of the year.

Real quick, there are very few -- very few plans in the U.S. that are fully funded. You know, where you are at having to pay a contribution towards unfunded liability is a very common occurrence right now.

The normal costs for Tier 1 is 8.52%. The member rate, which is a blending of rates, FLC member of 8.5. And now 7.5. The blended rate is 7.63%. That leaves the employer portion of the benefits accrued during the year of .89%.

Administrative expenses are part of the contribution .37%, as well as the death benefit rate. The rate to amortize UAL, unfunded accrued liability we talked about, were 62% funded in this particular time. We want to get it to a 100% over the reasonable period of time. Your contribution to that is 13.56%.

Now, in Tier 2, the normal cost amounts are a little bit different. It's 6.6%. The member rates are a little bit lower. It leaves an employer normal cost rate of .51%. And then the other two elements, the administrative and death rate and the rate to amortize the unfunded accrued liability is the same. But there is two different rates, a rate for Tier 1, the rate for Tier 2.

The bottom is a breakdown of the actuarial accrued liability. That's the amount of money you would ideally like to have in the fund. If you are a 100% funded, you have $8.2 billion in the fund. You actually, as of the last valuation day, of $5.1 billion, an actuarial or smooth basis, that leaves you 62.3% funded ratio. Amortization period or a number of years until you effectively pay off 26.7 years.

Very similar chart for State Policemen. I am just going to talk to it briefly. The numbers -- the funded status is a little bit lower. The benefits at normal cost rate is a bit higher. And that's because benefits for hazardous duty, law enforcement, folks in those career paths tend to be more for a few different reasons. So, this is rather normal to have the rates be a bit higher. You can see normal cost right at 19.33%, less member contribution of 9.77% for Tier 1. Tier 2, 7.89, less 7.14%. You can see at the bottom, 54.6% funded.

Locals, as I said earlier, that there is -- we send out a lot of different -- 900 separate reports for the locals. We don't add them all up and put them here. The only thing we do have is how well funded the locals are in aggregate. And you can see that funding is 73.4% as a valuation data. A little bit of a dip from last year.

Twenty-two and 23 and 24 and 25, we talk about things called gains and losses. Gains are things that result in the unfunded liability being smaller than we thought would happen. Losses are things that result in the unfunded liability being greater than we thought.

So, unfunded liability might get larger because returns were 0% or might get larger because everyone lived during the past year. Those types of things would cause the liability -- unfunded liability to be greater.

My short take on these next four slides is, there is really not a lot going on. I mean, things came rather close on the investment side of the house, on the demographic side of the house. So, there is not much here to talk about quite frankly, but we put them in the presentations because we like to see how many colors we can get on one slide.

Slide 26 is a projection of the unfunded liability over the course of time. So, we have this lime green curve showing up there. And you can see that -- and then a red line lower. The red line represents the payments to pay off the unfunded liability. And the green represents the amount of project unfunded liability we think we will have.

So, a couple of things to note here. We don't pay this off until 2055. There is a tad long. We would like to see something shorter than that. But you know, with paying things off faster, that also means you have to put more money into it. So, there is a little bit of this affordability, things of that nature.

You can see the unfunded liability is actually expected to grow for the next few years. That's a relatively common occurrence in the public pension -- public plan pension world. Public pension plan world. I am sorry.

And the -- but, you know, ideally we would like to see something that we see in a couple of pages later when we look at State Police. State Police just based upon their history, the unfunded liability is actually decreasing a little bit over the course of time.

So, but, again, you are paying off the unfunded liability. There are plans that -- you know, employers that choose not to pay off the unfunded liability. So, we are in a good course to pay it off over the course of time.

I think at that point, I wouldn't mind jumping -- it's okay for me to jump to Judicial right now, right? They are combined if that would work for y'all.

MR. FIBBE: Yeah.

MR. LANGER: Yeah. All right. Thank you.

Judicial is a shorter one. I am just going to cover a couple of highlights for this -- for the Judicial plan, because a lot of it is the same concept, the same thoughts. It's just different numbers.

So, Judicial, I am going to start in the comments on page five. And you will see it starts off with market asset return of 7.87% versus 7.65%. Okay. We are on the same page. Good.

Funded ratio actually increased over the course of the past year. It's primarily due to the asset returns. But you see in the Judges there's been a tendency for the pay increases to be a little lower than we anticipate and judges over the past couple of years have tended to live a little bit longer than we anticipated.

The contribution rate for the Judges for Tier 1, which covers groups one and group two, remained at 42.1%. Tier 2, it decreased from 37.47% to 37.34%. And the District Attorney's we kept that sitting at 19.77%.

Moving on to page 11, because a lot of the charts in between are similar to what we talked about before. I am delighted to go back over charts by the way. I am not a very obstinate person. In fact, I feel very benevolent at the moment. So, I would be happy to go back over on the other charts.

The funding results here -- and we changed up the format a little bit here for reasons that are never clear. But on slide 11, instead of stacking them, we went sideways like slices in bread.

We have the September 30, 2020, valuation on the left, and 2019 on the right. And you can see we have Tier 1, Tier 2, and District Attorney's tucked within it. And similarly what we saw with the other plans, the Tier 1 normal costs is a bit higher, 21.85%. When compared to Tier 2, it's 16.94%, or the District Attorney's at 12.87%.

The normal costs, employer normal costs, is 13.35% for Tier 1, 8.44% or 4.37%. The payment to the unfunded liability just like the other plans -- and I didn't really pounce on this a whole lot. But most of the contribution is going to pay down that unfunded liability, and that's also relatively common across the U.S., as well. Most of the contribution you can see here it's 27.52% for Judges to pay out the unfunded liability.

The accrued liability of the fund is down below. It's $479 million. Actuarial value of assets at three $16 million. 66.1% funded overall.

And the payment on slide 14, we have the same lime green hill with the red payment stream. And this is a pretty different story here. I mean, the payments -- the unfunded liability payments for the Judges are happening a little bit faster. And you can see we don't have any growth in the unfunded liabilities, and it gets paid off within the next 20 years.

That's all I have for prepared comments on the valuations. I have got one last thing I want to touch on, but are there any questions on the vals or anything?

MR. FIBBE: Anyone have any questions of Mr. Langer?

MS. STATUM: I have a question. When you pointed out there were more retirees than State police, it kind of got me thinking. How often does life expectancy come into the actuarial values -- or how often are those looked at? Because I know that changes. Does that make sense?

MR. LANGER: Oh, yeah, it does.

MS. STATUM: Okay.

MR. LANGER: I am getting excited because you just gave me a terrific segue into my next comment.

MS. STATUM: Oh, okay. You are welcome.

MR. LANGER: And we have not met before. Just so we are clear. So, I will get into it right there.

MS. STATUM: Okay.

MR. LANGER: So, we have very exciting things coming up. We do something called the experience review every five years. And the experience review we sit back and we look at all the assumptions used in the valuation including mortality. The mortality -- other than -- well, the biggest predicter of cost is a benefit package. People get gummed up as the investment return. No, it's the benefits package. That's what predicts the costs the most.

The biggest driver of these contribution rates we develop is investment return, salary increases. Mortality tends to be third. And the mortality -- the exciting news -- I am an actuary. So, this is exciting news is that over the past decade we have seen a lot of -- I want to call evolution, but it's revolution in that world in terms of how we model mortality. And the two big things that have happened over the course of the past decade, the first one is that, for years when actuaries make new recommendations like here's a mortality table you use for the next five years as a result of the experience study, we invariably come back and we say, well, people are living longer. Well, we all know that's happening. And it's going to cost more. So, we are going to have a one-time increase in the liability.

Well, we have -- actuaries at large have studied this, and we have determined a better way of modeling this is to anticipate that future members of the plan, future generations of the plan, will live longer. So, we bake that into our modeling. You know, someone who is aged 40 right now might live to age 85, let's say. But someone, who turns 40 20 years from now might live a year longer. You know, two years longer. So, we bake that into the valuation. That concept is called "generational mortality." It's easy -- that future generations live more than the current. Okay. The first piece of excitement.

Okay. Second piece of excitement with regard to mortality is that for reasons that I have never understood the Society of Actuaries, a group I participate in, they have never ever had mortality tables specific to public sector plans in the U.S. They have all been corporate based plans. And for the first time ever we now have -- I love the name, the PUB for public sector, not pub. The PUB-210 mortality tables. And the great thing about these tables, a couple of different things: One, they are based upon public sector two. They break it down by various groups. So, I think it's 94 different mortality tables to pick from. This is true joy.

And there's teachers and law enforcement, and then on top of that, how about the beneficiaries of teachers, law enforcement, general employees, they have different income ranges for us to pick from. And we've been using them for a few years. And they are a better fit to the population. They seem to be a better predictor of those groups.

And so, that's about all the excitement I can contain on mortality at the moment.

MS. STATUM: Are you seeing a difference since they have the PUB-210 mortality tables versus what you have been using?

MR. LANGER: In a couple -- yes. Short answer, yes. Longer answer, because I can't help myself. But there is a couple of nits. Now, it's interesting. We are able to -- when we have very large groups like if we look at teachers or State employees at large, we can model those pretty -- we'll tweak the old tables and get them to fit what was going on.

And so, those, once we adjust

them, we can come pretty close. But at some of the groups where we can't get enough critical mass, credibility to the data, there is not enough.

And so, when we look at those, so the ones that stuck out in my mind, beneficiaries, you know, sometimes anticipate beneficiaries live just as long as participants, but it doesn't hold out on all the time that way. You know, I think it was teachers, the beneficiaries didn't quite have the same life expectancies as the teacher members of the fund, which is odd I thought.

The other one was public safety, public safety folks. Disability, we have struggled with this one. Now, public safety folks in terms of the general population, just a tick behind, because we always have this -- these are folks that are physically gifted typically. And so, you think, well, they are going to live a bit longer, but they are obviously in demanding careers.

All right. But disability mortality, so when people get a disability mortality benefit, and then we try and track the mortality, it's hard to do it because we don't have -- well, they have commingled them altogether, and the disability -- mortality for disabled members isn't as impacted as we would think.

So, it can't do their strenuous job, but, you know -- and the life expectancy is a little less but not as much as we are predicting. Those are the two anomalies.

I know. I know. Oh, it's so exciting. There is more exciting about this.

So, we look at all the assumptions coming up. And we are going to have a report -- a review of staff later on in this month. We will look at investment return, mortality, when people retire, things of that nature. And then you are having an actuarial audit. An actuarial audit is where another actuarial firm reviews the work of actuaries. We love those things because actuaries talk amongst each other, and we come out of our basement and discuss things. And it's a very collaborative type of thing. They are like, hey, have you considered this? And so we talk through it.

I have two great actuarial firms doing that. Segal and Milliman will be reviewing our work. They also will be reviewing an experience study.

And then the September 14th board meeting at 9:00 a.m., no one wants to miss this. There will be three actuarial firms talking about experience studies and audits. I think we are setting up actuarial thunder dome in the center right there. Three actuaries enter. One actuary leaves. It will be

the best of time. My apologies.
Any other great questions?
Thank you. Probably --
MS. STATUM: Thank you for your enthusiasm. Thank you.
MR. LANGER: All right. Thank you. That's my prepared and unprepared comments.
MR. FIBBE: Are there any other -- any other questions?
(No response).
MR. FIBBE: If not. Thank you, Mr. Langer, for your report.
MR. LANGER: Thank you-all.
MR. FIBBE: We have about looks to me like another ten minutes, Mr. Yancey. If everybody can stay with us for another ten minutes we will keep on going. Don.

APPROVALS

MR. YANCEY: All right. Thank you, sir.
On page 209 through 212, we have four units, new units, local units,

requested to participate in Employees' Retirement System. When the new units apply, you know, we get information on there employees, on their expected, you know, continued existence, their funding sources. You know, we review their financial statements, determine whether it appears that they are funding is stable and they should be able to make the payments that would be required.

So, we have got four new units. Three of them are very small. Bayou La Batre Housing Authority, Crossville Water Works and Good Water works. And then one fairly significant, City of Semms, Mr. Fibbe, in your area down in the Mobile area, with 51 employees. So, again, we have reviewed that information on all of these four units, and the staff would recommend that the Board approve their request to go in ERS.

MR. FIBBE: Okay. Thank you. You have had you have heard the report from

Mr. Yancey. Are there any questions with regard to those agencies or the report?

(No response).

MR. FIBBE: If not, do I hear a motion to approve units -- new units, local units?

MS. STATUM: I make a motion to approve.

MR. HARER: Second.

MR. FIBBE: I've got a second. And are there any other questions or comments?

(No response).

MR. FIBBE: All in favor of the motion signifying by saying "yes." Excuse me, saying "aye."

(Board members saying "aye").

MR. FIBBE: All opposed, like sign?

(No response.)

MR. FIBBE: I hear none, so the motion carries unanimously.

All right, Mr. Yancey.

MR. YANCEY: Thank you, Mr. Fibbe. Next on the agenda is a request for approval for local units to grant Tier 1 retirement benefits to their Tier 2 employees. This would be the final group coming in under 2019-132 last month. May was the deadline for units to notify us that they were going to approve these benefits. So, in this group, it's pages 213 through 216. We have got 170 additional local units which wish to grant the Tier 1 benefits to their Tier 2 employees. This would be effective October 1 of this year. And it will bring the total number of units up to 592 local units that have adopted granting the Tier 1 benefits.

So, the staff would certainly recommend the Board approve their request to grant those additional benefits.

MR. FIBBE: You have heard the report. Any questions? That brings us up to almost 600 units out of about, what, 800?

MR. YANCEY: About 865.

MR. BILL KELLY: 868 we are going with.

MR. YANCEY: Okay. 868. 868 local units total.

MR. FIBBE: That's a pretty good percentage. And appreciate the work of what the staff did in getting that information out.

Do I hear a motion to approve that?

MS. ROLLING: I have a motion to approve.

MR. HARER: Second.

MR. FIBBE: I have a motion and a second. All in favor of the motion signify by saying "aye".

(Board members saying "aye").

MR. FIBBE: Any opposed, like sign?

(No response).

MR. FIBBE: None. So, that motion

carries unanimously, and I am sure those units will be happy with that.

MR. YANCEY: Thank you, sir. And I want to acknowledge Bill Kelly and the ERS staff for working on this for the last two years to get that information out, the cost and to work with the local units and adopting that. That's been quite a chore for them.

MR. FIBBE: I think the results reflect that hard work that went into getting that information out and we appreciate that.

MR. YANCEY: Yes, sir.

MR. FIBBE: Do you wan to do the election update?

MR. YANCEY: I've got one more approval. One more item up for approval, and this is on page 217. These are two individuals who have retired, returned to work full-time work to required two-year period and are requesting to be reinstated to active status with the Employees'

System. The staff recommends to grant their request.

MR. FIBBE: Thank you. You have heard the report on the two individuals wanting to re-enroll. Do I hear a motion to approve that?

MS. STATUM: I make a motion to approve.

MR. FIBBE: We have a motion AND now we need a second.

MR. MCMILLAN: Second.

MR. FIBBE: We have a second. Any further discussion?

(No response).

MR. FIBBE: Hearing none. All in favor of the motion signifying by saying "aye."

(Board members saying "aye").

MR. FIBBE: Any opposed, like sign?

(No response).

MR. FIBBE: Hearing none, the motion carries unanimously. Okay. Thank you.

We will move on to Election Update.

ELECTION UPDATE

MR. YANCEY: Thank you, sir. In the way of election update, of course, the election currently is Jackie Graham, as chair, Lieutenant Colston and Lindsey Ward serve on that Committee currently. We are approaching the conclusion of the current voting period. We currently have two positions that are being elected. One of them is a retiree position currently held by Norris Green. The other is an active employee position that was to fill a vacancy created by Wendy Hester's retirement. And those -- the ballots are due in by mid next week, June 15. And we should have the results shortly whether we have a runoff or either both of those races or if we have an outright winner, and the Election Committee will meet again. And once they certified those results, we will let you know what the result of that current election is.

Second election item is that we are going to have a special election to fill one of the new positions created by the active head of the two local positions to the Board. The timeline for that currently we are seeking nominations. Those are due in by June 30th by the end of June. And then the election timeline, you know, we will -- ballots will go out August 10th to be returned by September 21.

If there is a runoff, that will go from October 26 to December 7th. And so, we should have the final answers by them. Since this is a special election and the person would actually take office immediately upon being elected. They would not wait until next October, you know, to do that.

So, that's the current regular election and special election that are coming up.

An action item would be we are requesting the Board to approve a revised election manual. And that goes from page 218 through 232. And actually there are two basic changes in the manual. One is the Election Committee met back in April and went over a proposal to change the timeline for future elections to reduce the time between the time a person was elected and actually takes office and also to shorten the overall period. We are trying to come up with ideas to increase participation in the election process, and we feel like if we -- you know, instead of stringing it out over months and months and months, we might compact it little bit. We might get better participation from the members on the elected members. So, we certainly recommend that.

But bottom line is, if we stayed with the regular schedule. You know, we actually start March 1 next year for the election process. And, you know, it would go through ending in early September. The person would take office October 1. And probably the first Board meeting would be the December Board meeting. Normally we are going to meet in September. This would simply back it up, the start date month, to April 1st, would shorten the nomination period by a couple of weeks, but then it would also increase the voting period for the members to six weeks. And that's based on a recommendation from the voting service that mails out and receives these ballots back.

And I think primarily it's due to delays in the Postal Service for them to mail ballots out to be received and the ballots be mailed back. So, they recommended adding an additional week on there.

The other thing we are going to

do to speed it up is we are going to go from standard mail to first class mail on the ballots to try again speed up that process. So, that is one basic change that the manual does is slightly shorten that time frame for the overall voting. And on the new schedule, the election ballots again will be back in by September 16th. The new Board would take office October 1. So, actually more time to vote and would shorten the nomination a little bit.

So, one of the changes. Certainly the staff would recommend approval for that.

The second change is due to the Act that added the two additional local positions and then reconfigured some of the ones going forward. So, basically, you know, we simply adopted the change in the statute into the, you know, election manual to incorporate the changes required under Act 2021-190. And so, we would recommend the Board approve that.

MR. FIBBE: Okay. Thank you. You have heard the report from Mr. Yancey. Are there any questions about any of that? Do you have a question?

MS. STATUM: I would like to know. Could you give me maybe a little bit of background or the reasoning for the local candidates having to do the 50 signatures and have that petition or maybe bring that up for discussion? Could there be a change to that?

MR. YANCEY: There could be, but it would require a statutory change. And frankly, the -- under the old election procedures on both teachers and employees, it required petitions be signed. And we have gradually have been trying to change that to simply a nomination process. And I think the honest answer is that just didn't get incorporated into this act that was adopted.

So, it retained that old

language, you know. But whether it would be prudent to go in and open up the election process again to get that taken out is debatable. Sometimes you get more than what you ask for. But it certainly could be done, but it would require a statutory change.

MS. STATUM: Okay.

MR. FIBBE: Any other questions or comments?

(No response).

MR. FIBBE: Do I hear a motion to approve the proposed revision to the manual?

MR. MCMILLAN: I so moved.

MR. FIBBE: I have a motion. All right. Thank you. And do we have a second?

MR. HARER: Second.

MR. FIBBE: All right. Any other discussion?

(No response).

MR. FIBBE: Hearing no other

discussion, call for questioning. All in favor of the motion, signify by saying "aye."

(Board members saying "aye").

MR. FIBBE: Any opposed, like sign?

(No response).

MR. FIBBE: Hearing none, motion carries.

The next item is any other business that might come before the Board. Don?

OTHER BUSINESS

MR. YANCEY: Again, acknowledgment. Redoing this election manual, you know, Jo Moore, our legal staff, and Deborah Kirk, did a lot of work to incorporate the statutory changes and figure out a new timeline, you know, that would work for the election. I want to acknowledge their hard work on that. So, thank you very much.

MR. FIBBE: Thank you. Thank the

legal staff for their work on that.

Any other subjects to come before the Board? Yes, sir.

MR. HARER: May I take a personal privilege.

MR. FIBBE: Sir?

MR. HARER: Can I take a moment of personal privilege?

MR. FIBBE: Sure.

MR. HARER: Those of you guys know me know I have two positions I am very proud of. One is sitting on this Board and the other is position of President of the Firefighters of Alabama. And I would like to speak on that position as President.

In 2015 and '16 when we were still dealing with Pugh, I can't remember, you had firefighters walking the hall lobbying for better retirement benefits which was just crazy at the time to think of. We are still in a fight, but we are trying to improve benefits. It didn't really go anywhere. And the next year we kind of partnered with associations like ARCA, Leanne Evans, thank you for all your work.

And we gained more. And in 2019 with Act 132, it finally passed doing what I still think is no other state has done. And it shows that firefighters and everyone else was right. We got the majority of entities in NERS to adopt this. And you are looking at 590 -- I forgot what the number was. And just under 25,000 people that had better retirement benefits. And you say that means a lot, but it means a lot to guys like me. I will be serving -- tomorrow is my 19th year with the City of Huntsville. And I have a firefighter, great firefighter, named Lucas Wimberly, retired from the Navy basically say that I can't stay here if I can't get a good retirement. And Huntsville finally passed that resolution, and Luke stays. And it means a lot to me to say this because not every day is like this. But the last Saturday I worked, we had an overdose, a shooting, a suicide, and apartment fire and two wrecks. And I know every call I had Luke Wimberly on the back of my truck.

So, it meant a lot to me to know I have good quality employees with me, and you can hear in my voice that this means so much to me.

So, Dr. Bronner, to you and your staff, thank you guys so much for all the work you did. Thank you.

MR. FIBBE: All right. Thank you for those comments. Any other matters to come before the Board?

(No response).

MR. FIBBE: If nothing else I'll -- Marc, did you want to -- I thought Marc was signifying something to me.

ADJOURN

MR. FIBBE: All right. I'll entertain a motion to adjourn and to tell you the next meeting is scheduled for September the 14th at 9:00 a.m., the same place. Do I hear a motion to adjourn?

MR. HARER: Motion.

MR. FIBBE: Motion. And a second.

MR. AUSTIN: Second.

MR. FIBBE: Yes. Okay. We have a motion and second. All in favor signify by saying "aye."

(Board members saying "aye").

MR. FIBBE: The motion carries. We are now adjourned. Thank you, everybody, for your attendance.

(Conclusion of ERS Board of Control Meeting at 11:00 a.m.)

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REPORTER'S CERTIFICATE

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STATE OF ALABAMA
COUNTY OF ELMORE

I, Jeana S. Boggs, Certified Shorthand Reporter and Commissioner for the State of Alabama at Large, do hereby certify on Tuesday, June 8th, 2021, that I reported the proceedings in the matter of the EMPLOYEES' RETIREMENT SYSTEM BOARD OF CONTROL MEETING; that the foregoing colloquies, statements, questions and answers thereto were reduced to 134 typewritten pages under my direction and supervision; that the transcription of said meeting is true and accurate.

I further certify that I am neither of relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of such attorney or counsel, nor am I financially interested in the results thereof. All rates charged are usual and customary.

I further certify that I am duly licensed by the Alabama Board of Court Reporting as a Certified Court Reporter as evidenced by the ACCR number following my name found below.

This 8th day of June, in the year of our Lord, 2021.

____
Jeana S. Boggs, CCR
ABCR NO. 7, 9/30/2021
Certified Court Reporter and
Notary Public
Commission expires: 8/9/2022

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