BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
March 18, 2024

MEMBERS PRESENT:	Robert Hooper (Chair) Munir Kasti (Vice Chair) David Mount Kyle Blake Katherine Schad Matt Dow
MEMBERS ABSENT:	Patrick Robins Tom Chenette
OTHERS PRESENT:	Hayley McClenahan Kate Pizzi Chris Rowlins

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1. CALL TO ORDER
Robert Hooper called the Retirement Board meeting to order at 9:34 AM.

MOTION by Munir Kasti, SECOND by Matt Dow, to adopt the agenda.

VOTING: unanimous; motion carries.

2. PUBLIC FORUM (VERBAL)
2.01 Verbal Comments
None.

3. APPROVE MINUTES
3.1 January 22, 2024 Meeting Minutes, Draft

MOTION by Munir Kasti, SECOND by Matt Dow, to approve the minutes of January 22, 2024, February 12, 2024, and the corrected minutes of November 20, 2023 as presented, as a slate.

VOTING: unanimous; motion carries.

3.2 February 12, 2024 Meeting Minutes, Draft
Approved as a slate. See item 3.1 above.

3.3 November 20, 2023 Corrected Meeting Minutes, Draft
Approved as a slate. See item 3.1 above.

4. APPROVE RETURN OF CONTRIBUTIONS

4.1 Kenneth Godin, Class B $4,498.60, Effective Date of Benefit: 02/01/2024

4.2 Daniel M. Roy, Class B $33,356.21, Effective Date of Benefit: 04/01/2024

4.3 Jessica E. Richards, Class B $1,070.09, Effective Date of Benefit: 03/01/2024

4.4 Peter Hatfield, Class B $2,434.67, Effective Date of Benefit: 04/01/2024

4.5 Gregory J. Bonsignore, Class B $584.76, Effective Date of Benefit: 04/01/2024

4.6 Brendan Kaplan, Class B $9,221.08, Effective Date of Benefit: 04/01/2024

4.7 Alexander Otto Kreissle, Class B $16,337.37, Effective Date of Benefit: 04/01/2024

4.8 William H. DuShane, Class B $42,458.10, Effective Date of Benefit: 04/01/2024

4.9 Audrey Ells-Payne, Class B $2,664.05, Effective Date of Benefit: 02/01/2024

4.10 Andrea Gunther, Class B $9,141.48, Effective Date of Benefit: 04/01/2024

4.11 Michael T. Heath, Class B $1,816.84, Effective Date of Benefit: 02/01/2024, Payment Date: 02/15/2024

MOTION by David Mount, SECOND by Munir Kasti, to approve the return of contributions as presented.

VOTING: unanimous; motion carries.

5. APPROVE RETIREMENT APPLICATIONS

5.1 William H. Geehan, Class B $500.23, Effective Date of Benefit: 12/01/2023, Payment Date: 02/15/2024

5.2 Michael T. Heath, Class B $1,816.94, Effective Date of Benefit: 02/01/2024, Payment Date: 02/15/2024

5.3 William M. Agnew, Class B $487.74, Effective Date of Benefit: 04/01/2024, Payment Date: 04/15/2024

5.4 William R. Davis, Class B $5,590.15, Effective Date of Benefit: 03/01/2024, Payment Date: 03/15/2024

5.5 Howard A. LaRocelle, Class B $2,644.09, Effective Date of Benefit: 03/01/2024, Payment Date: 03/15/2024

MOTION by Munir Kasti, SECOND by Matt Dow, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6. ADMINISTRATIVE UPDATE

6.1 BERS – Final FY23 Valuation

MOTION by Katherine Schad, SECOND by David Mount, to waive the reading, accept the communication and place it on file.

VOTING: unanimous; motion carries.

7. FIDUCIENT

7.1 Investment Portfolio and Performance Update as of 2/29/24

Ms. Pizzi began by noting that the portfolio had begun the year quite strong, boosted by a strong fourth quarter of 2023. She said that what has been seen so far in 2024 has been driven by interest rates. She said that because interest rates rose in January and February, the fixed income returns saw a decline, continuing volatility in this asset class. She spoke about equities, noting that U.S. markets (small and large) saw positive growth through February, due to a surge in the biotech industry. She noted that international developed markets saw modest positive returns, while a sharp rebound in China boosted the emerging market equities. In terms of real assets, she noted positive growth in U.S. REITs, while real assets were impacted by falling commodity prices, rising interest rates, and mixed property performance.

Ms. Pizzi then spoke about the BERS portfolio's performance as of the end of February. She noted that the total plan included $240.3 million, with 25% allocated to fixed income and the majority of the remainder allocated to equities (with a small amount allocated to private equity, which are waiting to paying off, and the remainder of real assets in the UBS Trumbull Properties). She noted that no redemptions from UBS Trumbull came in during the fourth quarter, but that they do anticipate redemptions coming in this quarter. She walked through the BERS dashboard, noting that the portfolio's performance was up 2.7% for the month, 2.8% for YTD, and 8.6% for the fiscal YTD (the benchmark being 8.1%). She noted that in real dollars, the month's growth was $6.2 million and the fiscal YTD growth was $18.9 million. She said that in terms of allocations, the portfolio is generally in line with the target allocations, though it is overweight in domestic equities and underweight in real assets (due to reinvestment of redemptions from Trumbull into equities instead of back into real assets). She spoke briefly about performance in the portfolio's asset managers, noting good performance from the Johnson Core Bond manager and excellent performance managing downside risk by the BlackRock Strategic Income Opportunities manager, which speaks to how their flexibility can be extremely helpful for portfolio performance.

Ms. Pizzi then spoke about asset allocation in the context of Fiducient's ten-year outlook. She noted that in their ten-year outlook, they are predicting modest growth in fixed income, modest declines in equities, and modest growth in real assets and alternatives. She said that in terms of implications for the BERS portfolio, they're predicting a more attractive risk-adjusted return for fixed income relative to equity than they've seen in several years, and that they believe that a range-bound approach to inflation opens multiple paths for lower rates, which in turn creates opportunities for boosts in fixed income and more rate-sensitive assets in the portfolio. She noted that the U.S. has increased its proportion in global markets, meaning that exposure to large cap U.S. equity remains appropriate. Mr. Mount asked why Fiducient believes that fixed income remains attractive in the next ten years, with interest rates going down. Ms. Pizzi replied that the current rate environment really determines what future returns look like, and since they are predicting that rates will go down, they're also forecasting that bonds will go up and generate higher returns in the fixed income allocation.

Ms. Pizzi then walked through the asset allocation analysis and forecast for the current mix and possible mix options, if the portfolio's asset allocation were to change from its current composition. She spoke about Observation Mix A, which has an allocation of 27% to fixed income, 69% to equities, 4% to real assets, and 1% to alternatives, Observation Mix B, which has an allocation of 35% to fixed income, 61% to equities, 4% to real assets, and 1% to alternatives, and Observation Mix C, which has an allocation of 27% to fixed income, 69% to equities, 4% to real assets, and 1% to alternatives. She noted that the only difference between Observation Mixes A and C are that A's real assets are in private real estate, whereas C's are in publicly traded REITs.

She spoke about the probability of achieving a 7.1% rate of return (the portfolio's benchmark) over 20 years, for the current mix, Observation Mix A, and Observation Mix C. She said that the current mix's probability is higher (around 61%) than Observation Mix A (60%) because some of the equity mix would be taken off the table with a higher proportion of the assets in fixed income, but that the change is marginal.

Ms. Pizzi then spoke about the specific changes Fiducient is recommending to allocations based on the ten-year outlook (which is Observation Mix A). She said that they are recommending increasing fixed income by 2% (increasing Core Bonds by 2.5% and decreasing Dynamic Bonds by 0.5%), increasing domestic equity by 1.5% (increasing US Large Cap by 1% and increasing US Small Cap by 0.5%), and decreasing international equity by 1.5% (decreasing Developed Markets by 1.5%). Mr. Kasti said that he is surprised Fiducient is recommending reducing international percentages when they are showing that that is the highest expected return, and Ms. Pizzi replied that they are recommending this reduction due to the anticipated higher volatility within this asset class. She said that the expectation for equity returns is lower than it had been in the past, and that if the portfolio isn't being paid for that risk, it might not be worth it to take that risk. She said that they are recommending taking some of that equity risk off the table and putting it into fixed income. Mr. Hooper asked how much of the political winds (with potential administration change at the end of this year) are taken into account with this forecasting. Ms. Pizzi replied that they don't explicitly take that into account, except for the slight decrease in expectations for returns in international markets due to volatility. Mr. Hooper asked how long it would take to make this adjustment, and Ms. Pizzi replied that they could implement it within several business days.

The BERS Board discussed the recommended reallocation presented by Fiducient. Mr. Blake asked about the possibility of reinvesting the redemption funding from UBS Trumbull into fixed income, in addition to reallocating as proposed (from equities to fixed income), and Ms. Pizzi replied that she thinks that is prudent.

MOTION by Kyle Blake, SECOND by David Mount, that the BERS Board adopt the recommendation in Observation Mix A, with the caveat that as the payout is received from Trumbull Properties that it be reallocated to fixed income.

VOTING: unanimous; motion carries.

Mr. Blake said that he would appreciate if Fiducient and the actuaries could provide more education to the board on the valuation report and the methodology for calculating the rate of return and various components within the report. Mr. Hooper agreed, saying that it seems most feasible to have an educational session on the agenda at the meeting in two months.

Mr. Blake asked about the funding coming in from employees' paychecks to the retirement portfolio, as well as the money going out to retirees, and asked about the feasibility of showing this on the monthly reports. Ms. Pizzi noted that this is done on a cash basis by the City, which cuts checks to retirees and pays fees associated with the pension. She said that the number Fiducient displays in its reporting is on a net basis, after the reconciliation conducted by the City.

MOTION by David Mount, SECOND by Kyle Blake, that the City begin reporting to the BERS Board the inflow/outflow numbers for the pension on a monthly basis.

VOTING: unanimous; motion carries.

8. ADJOURNMENT

8.1 Motion to Adjourn

MOTION by David Mount, SECOND by Kyle Blake, to adjourn the meeting.

VOTING: unanimous; motion carries.

The meeting adjourned at 10:51 AM.

RScty: AACoonradt