BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
May 20, 2024

MEMBERS PRESENT:	Robert Hooper (Chair, via Zoom) Munir Kasti (Vice Chair) David Mount Matt Dow (via Zoom) Kyle Blake (via Zoom) Tom Chenette
OTHERS PRESENT:	Hayley McClenahan Kate Pizzi (via Zoom) Chris Rowlins Steve Lemanski (via Zoom) Brad Kukenberger

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1. CALL TO ORDER
Robert Hooper called the Retirement Board meeting to order at 9:33 AM.

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

VOTING: unanimous; motion carries.

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

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

MOTION by Munir Kasti, SECOND by Tom Chenette, to approve the minutes of April 22, 2024 as presented.

VOTING: unanimous; motion carries.

4. APPROVE RETURN OF CONTRIBUTIONS

4.1 Scott Rogers, Class B $5,633.67; Effective Date of Benefit: 06/01/2024 – approve the return of contributions.
4.2 Barbara D. King, Class B $2,008.87; Effective Date of Benefit: 07/01/2024 - approve the return of contributions.
4.3 Sunnie F. Lobdell, Class B $14,146.05; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.4 Gregory Osilka, Class A $138,132.56; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.5 Tyler Moody, Class B $3,955.60; Effective Date of Benefit: 07/01/2024 - approve the return of contributions.
4.6 Janet Gilbert, Class B $586.37; Effective Date of Benefit: 06/01/2024 - approve the return of contributions.
4.7 Owen A. Doherty, Class B $186.63; Effective Date of Benefit: 06/01/2024 - approve the return of contributions.
4.8 Jacob Dorman, Class B $8,930.52; Effective Date of Benefit: 07/01/2024 - approve the return of contributions.
4.9 Torin Olivetti, Class B $6,195/15; Effective Date of Benefit: 06/01/2024 - approve the return of contributions.
4.10 Tracy S. Belair Gaito, Class B $1,165.66; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.11 Sidney P. Badibanga, Class B $1,933.90; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.12 Karina Miranda, Class B $4,192.03; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.13 Hinoel Minaya, Class B $30,698.64; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.14 Patrick H. Brown, Class B $7,230.55; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.15 Bessie McManus, Class B $1,673.48; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.16 Yusuf Abdi, Class B $2,431.35; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.
4.17 Lindsay Sampson, Class B $1,020.60; Effective Date of Benefit: 05/01/2024 - approve the return of contributions.

MOTION by Munir Kasti, SECOND by Tom Chenette, to approve the returns of contributions as presented.

VOTING: unanimous; motion carries.

Mr. Blake noted that one of the return of contribution requests was quite larger and asked how that impacts the City actuarially, and whether it is better for the City to return it. Mr. Lemanski replied that with exceptions for the early part of someone's career, the contributions with interest are generally going to be worth less than paying later. Mr. Mount noted that people are counselled on whether they should take a return of contributions or not. Assistant City Attorney McClenahan added that when employees separate, the Human Resources Department provides a letter explaining what they have and how they can expect to receive payments, but that the City cannot financially advise or give legal advice in this regard.

5. APPROVE RETIREMENT APPLICATIONS

5.1 Denise Girard, Class B $1,338.60; Effective Date of Benefit: 07/01/2024; Payment Date: 07/15/2024

5.2 John E. Askew, Class B $1,501.54; Effective Date of Benefit: 06/01/2024; Payment Date: 06/15/2024

5.3 Sarah McGarghan, Class B $182.05; Effective Date of Benefit: 05/01/2024; Payment Date: 05/15/2024

5.4 Lance R. Taylor, Class A $6,135.82; Effective Date of Benefit: 05/01/2024; Payment Date: 05/15/2024

5.5 Stacy Nordquist, Class B $22.44; Effective Date of Benefit: 05/01/2024; Payment Date: 05/15/2024

MOTION by Munir Kasti, SECOND by Tom Chenette, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6. FIDUCIENT

6.1 Investment Portfolio Snapshot as of 4/30/2024

Ms. Pizzi began by showing market performance through the end of April, as well as month-to-date performance through May 16, 2024. She said that through April, there was negative performance across broad sectors of the market. She said that outside of commodities, there were impacts from higher inflation and lack of action from the Federal Reserve to cut interest rates and lack of uncertainty about when rate cuts would occur. She said that as a result of this, bond prices and equities valuations were pushed lower as investors changed course to adjust for this. She also spoke about performance to date in May, noting that there were strong corporate earnings, saying that this was partially due to the Federal Reserve publicly saying that they would take additional rate hikes off the table. She spoke about implications of this first for core bonds, noting that in April bond valuations and prices were lower, but that they were up slightly for May. She spoke about long duration bonds, which have more interest rate sensitivity. She noted that the portfolio does not have direct exposure to long term bonds, but that the negative impact on prices was felt acutely, but that in May, with interest rates coming down, long bonds returned positively. She then spoke about large cap equities, saying that they were down in April but again, up in May with positive developments on the interest rate side. She said that small cap stocks have much more sensitivity to interest rate movements and that they had a tough time in April with modest recovery in May. She noted that international markets sold off less in April than US markets, though there was still absolute negative performance, though they both performed better in May.

Ms. Pizzi then spoke about the overall allocation within the portfolio as of May. She said that the overall valuation stands at $235 million, with prepaid pension benefits of $3.7 million and very little short-term liquidity. She noted that the pension is right in line with its target allocations. She reminded the Board that they increased the allocation to fixed income from 25% to 27% and sourced that from global equities, and within global equities, they increased the allocation to US equities slightly. She then spoke about the portfolio’s performance, noting that at the end of April it was down 3.0%, in line with the benchmark of 3.1%. She noted that the fixed income allocation outperformed its benchmark, partially due to the performance managers. She noted that the fiscal year to date numbers are up 7.9%, which are above the expected return on plan assets of 7.2%. She noted that the May rebound will help make up some of the April loss. She noted that the 3% loss in April represents a decrease in total value of about $7.4 million. She said that the fiscal year-to-date return of 7.9% represents about $17.5 million of investment gains, even considering the rough April performance. Mr. Hooper asked if commodities have rebounded in May, and Ms. Pizzi replied that yes, particularly in the energy sector. She noted that there is no direct exposure to the energy sector of commodities in the portfolio, though there is exposure to the real estate sector, so the portfolio is somewhat shielded from the volatility in the energy sector. Mr. Hooper asked about whether claims that the private equity market is to blame for changing the housing market are founded or unfounded. Ms. Pizzi replied that within the real estate market, there’s a bifurcation between residential and commercial real estate. She noted that private equity is active in the commercial real estate space, and is attempting to convert some of that commercial space into residential space. Mr. Rowlins noted that there are some LLCs that have gone into the residential market and been aggressively buying houses and propping up prices, but the challenge for first-time buyers are high interest rates and lack of supply. Ms. Pizzi said that she can follow up with Fiducient’s real estate team to get more information. Ms. Pizzi said that the one area where they are not seeing an improvement in inflation is in the shelter side.

6.2 Reconciliation of Prepaid Pension Benefits

Ms. Pizzi then spoke about a request from the BERS board to show the detail of the prepaid pension benefits and the reconciliation of it and how the total number within the Fiducient report is arrived at every month. She provided information from the City on the beginning balance as of July 2023, and the participation changes/employee contributions and the claims and benefits from each month, and how those affect the total balance that is due to or from the BERS plan. She said that at the beginning of FY24, the amount sitting in this prepaid account was $2.4

million, which was due back to BERS because there was overpayment from BERS to the City at the end of the previous fiscal year. She said that every month, the City then shows the employee contributions and participant charges that are netted against claims and benefits, expenses, and miscellaneous adjustments. She noted that the last number displayed is for the month of February, showing a net $297,000 due from BERS to the City. She said that this is dependent on timing, since when the City runs its cash reconciliation for the Fiducient report, it does not include the benefit payments paid out for that month. Mr. Blake asked whether returns of contributions are included in this report, and Financial Director Kukenberger replied that they are but that he would follow up with more information. He also said he would follow up with more information on what the expenses and miscellaneous payments include, as well as look into the high October number for participation charges and employee contributions. Mr. Kasti asked whether there are occasional audits conducted on these numbers for accuracy, and Finance Director Kukenberger replied that there is not a policy or procedure around this currently, but that he will include this in the policies and internal controls he is working to develop. He noted that this included in the annual financial audit. Mr. Blake asked why there was a $2.4 million amount due from the City to BERS, if the prepaid benefits are held by BERS. Finance Director Kukenberger replied that he will follow up with more information on this as well. Mr. Mount asked when the actual true-up occurs, and Ms. Pizzi replied that it occurs in late June or early July. Mr. Blake requested an additional column showing a breakout of the difference between the contribution and claims and benefits, as well as further detail on the employer contribution of the City.

6.3 Fiducient's 1st Quarter Fiduciary Governance Review: Investment Policy Statement
Mr. Rowlins then spoke about the quarterly activity around the fiduciary governance calendar, noting that this quarter focuses on the Investment Review, Investment Policy Review, and Fiduciary Training. He spoke about the Investment Policy Statement, its purpose, and the key elements of a good IPS. He spoke briefly about the asset allocation work conducted in previous months, noting that the appendix in the IPS outlining the revised asset allocations has been updated and requires approval by the BERS board at this juncture.

MOTION by Kyle Blake, SECOND by Munir Kasti, to accept the proposed changes to the Investment Policy Statement's updated Asset Allocation appendix as of May 2024 as presented.

VOTING: unanimous; motion carries.

Mr. Rowlins then spoke about governance and oversight activities, noting the Five Key Duties of fiduciary responsibility for boards such as BERS. These include duties of loyalty, prudence, diversity of investments, following plan documents, and avoiding prohibited transactions. He also spoke about Committee/Board best practices in this context. He noted that Fiducient's review of the policies and procedures around the BERS board haven't shown any deficiencies in its current processes.

Mr. Hooper noted that in the City's current budget discussions about FY25, one of the proposals for shoring up finances is potentially offering early retirement, and asked USI consultants to speak about this from an actuarial perspective. Mr. Lemanski replied that there are incentives attached to these sorts of windows, such as enhanced benefits or eligibility, and that in the short-term, there could be increased cash flow against the fund, depending on payouts, which could be absorbed. He said that actuarially, there could be an increased unfunded liability, and that the actual impact would be spread over time. Mr. Hooper noted that there are agreements that if the City's unfunded liability increases, that will impact and increase the employee contributions to the plan, so he said he would hate to see negative impacts like these of this conversation. Assistant City Attorney McClenahan noted that the rates on the employee side are set by the union contracts and by City Council resolution for non-union members, so the City is limited in that respect. She said that these are tentative proposals and that they are not for the upcoming (FY25) budget cycle. Mr. Hooper said that he hopes the BERS Board is consulted about these proposals if they become more seriously explored in the future.

7. COMMITTEE EDUCATION

7.1 Public Sector Pension Basics

Mr. Lemanski began by speaking about actuarial science, as well as the governing bodies and actuarial societies that create actuarial standards and ensure continuing education. He spoke about the Society of Actuaries, American Academy of Actuaries, Joint Boards for the Enrollment of Actuaries, and the Conference of Consulting Actuaries, and their duties, scopes, and responsibilities. He provided examples of the Actuarial Standards of Practice (ASOPs) particular to pensions, such as economic assumptions and demographic and other assumptions.

Mr. Lemanski then spoke about the employee groups and eligibility within the BERS system. He spoke about eligibility, which includes all regular employees of the City of Burlington, excluding elected officers other than the Mayor and teachers. He said that "employee" is defined as an employee that is regularly employed on a basis of not less than 1,200 hours in a 12-month period. He noted that employee groups are broken out into Class A (Police and Fire Departments, not including clerical employees), and Class B (all other eligible members).

Mr. Lemanski then spoke about the key plan provisions within the BERS system and calculations. He noted that these include years of service, final average earnings, the benefit formula multiplier, vesting, the age when the benefit payments begin, and other features. He spoke about each of these in more detail. He noted that a year is defined as a 12-month period. He noted that final average earnings are averaged over the highest 5 non-overlapping 12-month periods (for newer employees) and over 3 years (for older tiers, depending on date of hire). He spoke about the benefit multiplier, noting that a higher multiplier is used for the first 25 years of service than a lower multiplier for years in excess of 25 years. He said that Class A and B have different multipliers. He spoke about vesting, noting that the eligibility for it is 5 years of service. He noted that the vesting retirement benefit uses the vesting percentage times the accrued benefit at the date of termination, which is payable at 55 (for Class A) and 65 (for Class B). He spoke about the age when benefit payments begin (i.e., retirement). He said that for Class A, if a member has at least 25 years of service upon retirement, the age requirement varies from 45 to 55, depending on the tier. He said that for Class B, it is 65 years of age. He spoke about early retirement for both classes, noting that there is a factor that reduces the payment if a member retires early. He spoke about Cost-of-Living Adjustments (COLAs), which are paid out to current retirees. He said that these are increased annually by changes in the Consumer Price Index (CPI) of 1% or more. He noted that various tiers have various caps on COLAs per year.

He then spoke about basic terminology and assumptions within the BERS plan. He spoke about the funded ratio, which is the assets divided by the actuarial accrued liability, which is measured as of the valuation date. He said that assets use the smoothed value of assets, and the actuarial accrued liability is the present value of benefits earned to date by all members (active and retired). He noted that the target of funded ratio is 100%. He spoke about the actuarially determined employer contribution (ADEC), which is normal cost plus past service payments. He spoke about normal cost, which is the assignment of benefits earned for the upcoming year by active members. He spoke about past service payment or amortization, which is the annual payment against het plan's unfunded liability as of the valuation date. He spoke about the unfunded liability, which is the actuarial accrued liability minus the assets. He spoke in more detail about the City's amortization policy, noting that the amortization period is 20 years, it is a closed amortization, it uses the level dollar method, it has layered/separate bases, that it is consistent with best practices and that other approaches are available. He spoke briefly about assumptions, which include both economic and demographic and other assumptions. He then spoke about actuarial assumptions and the timing of any changes of these.

Mr. Lemanski then spoke about the financial reporting activities for the BERS system. He noted that this includes the Annual Comprehensive Financial Reporting (AFCR), which includes elements in addition to the pension reporting. He said that the reporting includes balance sheet entries of Net Pension Liability (NPL), which is the Total Pension Liability minus the Plan Fiduciary Net Position.

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 11:17 AM.

RScty: AACoonradt