BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
June 24, 2024

MEMBERS PRESENT:	Robert Hooper (Chair, via Zoom, at approx. 10:10 AM) Munir Kasti (Vice Chair, via Zoom) David Mount Kyle Blake Tom Chenette Katherine Schad
OTHERS PRESENT:	Hayley McClenahan Brad Kukenberger Chris Rowlins (via Zoom) Richard Carey (via Zoom) Steve Lemanski (via Zoom) Rob Lessard (via Zoom)

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1. CALL TO ORDER

Munir Kasti called the Retirement Board meeting to order at 9:35 AM.

MOTION by David Mount, SECOND by Katherine Schad, to approve the agenda.

VOTING: unanimous; motion carries.

2. PUBLIC FORUM (VERBAL)

2.1 Verbal Comments
None.

3. APPROVE MINUTES

3.1 May 20, 2024 Meeting Minutes, Draft

MOTION by Tom Chenette, SECOND by Kyle Blake, to approve the minutes of May 20, 2024 as presented.

VOTING: unanimous; motion carries.

4. APPROVE RETURN OF CONTRIBUTIONS

4.1 James A. Sherrard, Jr., Class B $18,226.43; Effective Date of Benefit: 08/01/2024 – approve the return of contributions.
4.2 William Sanderson, Class B $15,460.02; Effective Date of Benefit: 08/01/2024 - approve the return of contributions.
4.3 Mary Cain, Class B $209.11; Effective Date of Benefit: 06/01/2024 - approve the return of contributions.
4.4 Jordain A. Williams, Class B $1,096.02; Effective Date of Benefit: 05/01/2024

MOTION by Kyle Blake, SECOND by David Mount, to approve the returns of contributions as presented.

VOTING: unanimous; motion carries.

5. APPROVE RETIREMENT APPLICATIONS

5.1 Robert L. Green, Jr., Class B $3,758.91; Effective Date of Benefit: 07/01/2024; Payment Date: 07/15/2024

5.2 Gregory B. Thayer, Class B $9,431.55; Effective Date of Benefit: 06/01/2024; Payment Date: 06/15/2024

MOTION by Kyle Blake, SECOND by Tom Chenette, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6. ADMINISTRATIVE UPDATE

6.1 Election of new Class A and Class B members
Chief Administrative Officer Schad said that there will be an election for Class A and Class B this week, after nominations were held last week. She said that nominations were received for existing members and an additional Class B member.

6.2 New City Council appointed member
Chief Administrative Officer Schad noted the resignation of Pat Robins as the City Council-appointed member of the Retirement Board, and asked Board members to encourage individuals residing in Burlington with an interest in serving on this Board to apply for the vacant seat via the City's website. She said that she is also working with the Mayor and Chief of Staff to fill this role.

6.3 Calendar of new meeting dates
Chief Administrative Officer Schad confirmed with the Retirement Board that holding meetings on the third Monday of every month works well for individual board members.

7. FIDUCIENT

7.1 BERS – May 2024 Flash Report
Mr. Rowlins began by noting the effects of decisions of the Federal Reserve for this year's outlook. He spoke about how at the beginning of the year, about half a dozen interest rate cuts were anticipated by the Fed, but that inflation remained stubbornly above 2% and the economy remained strong. He noted that as May came around, certain areas of the economy were softening, which led to repricing, and an anticipated rate cut in September. He noted that the ten-year interest rate did decrease from 4.7% to 4.5% in the month of May, which had positive returns for fixed income. He noted that other aspects of fixed income (corporate spread) show a continued optimism in the markets. He noted that equities were positive across the board, and that in the U.S. there were gains in the small cap equities (given their sensitivity to interest rate changes). He noted that overall, large cap were up by 4.7% and small cap were up by 5% for the month of May. He noted that the U.S.

Aggregate market was up by 1.7% overall, the S&P was up 5%, and the Dow was up 2.6% for the month and 3.5% for the year to date. He also noted international performance for the month and year-to-date.

Mr. Rowlins then spoke about asset allocation for the BERS portfolio specifically. He noted the total plan value of $242 million, including $4.3 million in prepaid pension benefits, for a total of invested assets of $246 million. He noted that the asset allocation to fixed income, equities, and real estate are on target with benchmarks. He noted that investment portfolio performance had a solid performance for the month of May. He noted that the fiscal year-to-date growth of 11.4% slightly outperforms the benchmark of 10.7%, which is a good cushion for future months' performance. He said that the portfolio is likely to close on a meaningful actuarial gain, factoring in preliminary performance for the month of June.

Mr. Blake asked how much funding has come in for the year from employee contributions. Mr. Rowlins replied that they are working closely on it with the City's Finance Director. Finance Director Kukenberger provided answers to some of the questions raised at the last meeting, but said he would prepare a more formal report for next month's BERS meeting, which would answer questions in more detail.

8. COMMITTEE EDUCATION

8.1 Public Sector Pension Liabilities
Mr. Lemanski said that this component of education will cover the basics of public sector pension liabilities.

Mr. Lemanski began by speaking about the calculation of liabilities. He said that this begins with analysis of data from the census for all members covered under BERS (active employees, retirees, terminated vested members, and non-vested terminations). He said that this data is a snapshot of the actuarial valuation date, and includes elements such as name, date of birth, date of hire, gender, pensionable compensation and employee contribution, benefit amounts, and applicable beneficiary information. He spoke in more detail about the benefit categories, saying that all future payable benefits from BERS are modeled upon retirement, termination, disability, and death. He said that each of these categories is known as a "decrement". He noted that the majority of benefits paid from a pension are due to retirement, and that other decrements are referred to as "ancillary" benefits. He said that this data is then used to model the future benefits payable in current dollars, and that a conversion is done by discounting future payments using the long-term investment return assumption, resulting in the actuarial present value. He walked through several examples of the actuarial value of benefits calculations for current retirees. He showed how the discount rate is applied and how assumptions about the probability of death are applied (using the mortality table).

Mr. Lessard spoke about the accrual of liabilities. He said that benefits are fully accrued for current retired and terminated vested members who are no longer working, he said that active members still have liability accrued during their career. He said that the most common actuarial cost method is the Entry Age Normal (EAN) method, and that BERS uses this method. He said that the actuarial accrued liability is the present value of benefits earned to date by all members. He said that active members have earned a portion of their benefits, assuming they continue to work until retirement. He noted that the EAN cost method has the normal cost increasing annually at the assumed payroll growth rate if all other assumptions are exactly realized. He noted that the present value for future benefits across the plan is around $400 million, He said that employee contributions fund a portion of the current gross normal cost, which is approximately $3.5 million, and that the City picks up the other $3.9 million of the anticipated gross normal cost of $7.4 million.

Mr. Carey then spoke about the frequency of calculations. He said that it is common for public pension plans to have actuarial valuations conducted every year. He spoke about timing requirements for financial reporting, which must occur at least biennially.

Mr. Carey then spoke about year-to-year changes in accrued liabilities. He said that the actuarial accrued liability is expected to change annually based on increases due to gross normal costs, increases in with assumed interest, and decreases due to expected benefit payments. He also spoke about other factors that impact the annual changes in accrued liability, which include plan provision changes, assumption changes, and plan experience changes (such as mortality, turnover, and salary increases).

Mr. Lemanski then spoke about the impact of plan experience on accrued liabilities. He said that actual plan experience each year results in the actuarial liability being either lower or higher than the expected liability. He said that this is recognized on the valuation date as part of a new amortization "base." He said that this new base is recognized over 20 years in the calculation of the ADEC. He spoke about the impact of mortality and how understating or overstating longevity will change the current cost of pension liabilities. He spoke about how mortality assumptions take different demographic factors (gender, status, type of occupation, and plan experience) into account.

9. ADJOURNMENT

9.1 Motion to Adjourn

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

VOTING: unanimous; motion carries.

The meeting adjourned at 10:44 AM.

RScty: AACoonradt