BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
August 19, 2024

MEMBERS PRESENT:

Robert Hooper, Chair
Munir Kasti, Vice Chair
David Mount
Matt Dow
Kyle Blake
Tom Chenette
Katherine Schad

OTHERS PRESENT:

Hayley McClenahan
Brad Kukenberger
Darlene Bayko
Steve Lemanski
Rob Lessard
Lynn Reagan
Chris Rowlins (via Zoom)
Kate Pizzi
Richard Carey (via Zoom)

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1. CALL TO ORDER

Bob Hooper called the Retirement Board meeting to order at 9:31 AM.

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

VOTING: unanimous; motion carries.

2. PUBLIC FORUM (VERBAL)

2.1 Verbal Comments
None.

3. APPROVE MINUTESΣ

3.1 July 15, 2024 Meeting Minutes, Draft

MOTION by Munir Kasti, SECOND by Matt Dow, to approve the minutes of July 15, 2024 as presented.

VOTING: unanimous; motion carries.

4. APPROVE RETURN OF CONTRIBUTIONS

4.1 Gregory Johnson, Class B $18,346.99; Effective Date of Benefit: 09/01/2024
4.2 Sydney S. VanTassel, Class B $3,009.34; Effective Date of Benefit: 09/01/2024
4.3 Rene A. Young, Class B $95,978.92; Effective Date of Benefit: 09/01/2024
4.4 Jahna Belz, Class B $3,600.8; Effective Date of Benefit: 07/01/2024
4.5 Samantha Dunn, Class B $12,928.83; Effective Date of Benefit: 09/01/2024

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

VOTING: unanimous; motion carries.

5. APPROVE RETIREMENT APPLICATIONS

5.1 Sean Ploof, Class A $7,678.73; Effective Date of Benefit: 07/01/2024; Payment Date: 08/15/2024

5.2 Darlene Loyer, Class B $2,452.94; Effective Date of Benefit: 08/01/2024; Payment Date: 08/15/2024

5.3 Catherine McGauran, Class B $28.13; Effective Date of Benefit: 10/01/2024; Payment Date: 10/15/2024

5.4 Patricia L. Schmitz, $6,419.09; Effective Date of Benefit: 08/01/2024; Payment Date: 08/15/2024

5.5 Carol Scrimgeour, Class B $120.465; Effective Date of Benefit: 05/01/2024; Payment Date: 09/15/2024

MOTION by David Mount, SECOND by Munir Kasti, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6. INVESTMENT REVIEW - FIDUCIENT

6.1 2Q 2024 Investment Review – Fiduciary Governance Calendar & Performance Reporting

6.2 July 2024 Performance Flash Report
Ms. Pizzi then spoke about July 2024 performance for markets, noting that it was a strong month for performance across the board. She said that this was driven by continued progress in bringing down inflation while maintaining a strong outlook for employment and the labor market. She said that the apparent soft landing implemented by the Federal Reserve to bring down inflation rates without strangling the economy seems to be working, at least based on July's economic performance. She said that as a result of this, interest rates themselves also came down with the expectation that the Federal Reserve would start cutting its key interest rate policy soon. She said that as interest rates come down, bond prices increase, resulting in a positive performance for fixed income markets. She noted that U.S. Core Bonds were up 2.3% in July and up 1.6% year-to-date. She also noted positive performance in the high yield space, with 1.9% growth in July and 4.6%

growth year-to-date. She then spoke about equities performance, noting that the large cap U.S. market's positive performance was driven by some of the smaller stocks within the S&P 500 (rather than just the 7 large tech companies), with a positive return of 1.5% for July and an overall 15.9% return for the year. She spoke about growth in the small cap U.S. market, with a 10.2% rater of growth for July and a 12.1% overall growth for the year. She also spoke briefly about international equities performance, noting growth for both developed and emerging markets. She then spoke about positive performance across many of the real asset classes (REITs, real assets, and hedge funds), though there was negative performance for the month in commodities. She spoke briefly about the BERS portfolio's asset allocation, saying that allocations are largely in line with targets across asset classes.

Ms. Pizzi provided a brief update on the UBS Trumbull Property Fund's redemption pool policy, noting that UBS just released a revised incentive program to try and persuade investors to take some of their funding out of the redemption queue. She said that Fiducient is reviewing the newly-revised incentive program, and will follow up with the BERS Board with a recommendation at its next meeting on whether the Board should consider taking advantage of the incentive program. She said that though the performance of the UBS Trumbull fund has been improving, its in a sector of the market that continues to be challenging.

Ms. Pizzi then walked through the BERS portfolio's July performance. She reminded the Board that the last fiscal year ended on June 30, 2024, and the portfolio's performance at that time was up 12.8%, which was significantly above the expected return of 7.1%. She also noted that current year-to-date performance is up 9.3%, which is driven largely by the large cap companies in the S&P500. She said that outperformance versus the benchmark is largely coming from the fixed income allocation and the performance of the active managers within the fixed income asset class. She noted that one-month performance showed positive returns of 2.3% or approximately $5.7 million. She noted briefly that they anticipate more volatility in the second half of the year, given the current political landscape and uncertainty around interest rates.

Mr. Blake asked for details related to a request from several meetings ago for information related to both obtaining live numbers related to employee and City contributions to the pension, as well as an issue identified related to overpayment by approximately $1 million that occurred. Finance Director Kukenberger said that the overpayment occurred in July of last year, and that the issue largely worked itself out with prepays by September. He added that there was no reduction in investment returns based on that overpayment. Chief Administrative Officer Schad said that she and Finance Director Kukenberger can work to present numbers at the next BERS meeting delineating the employee versus employer contribution into the plan on a month-by-month basis. Mr. Lemanski pointed out that the underlying pension trust and its performance in the market is what helps close the unfunded gap and drive toward the target 7.1% rate of return.

7. PENSION EDUCATION

7.1 Pension Education Part 3: Asset Allocation & Asset Classes

Mr. Lemanski noted that this educational session will focus on assets, and more specifically on the market value of assets, the actuarial value of assets, asset allocation, and investment assumptions and associated sensitivities. He began by noting that the City providers annual asset information to its contracted actuaries to complete each valuation, the actual return on assets is equal to net investment income, that the market value of the assets equals the value of the pension fund as of the measurement date, and that the expected return on assets is compared to the actual return on assets (and the expected return is based on a 7.1% investment return assumption). Mr. Lessard showed an example, based on the 2022-2023 experience for market value. He then spoke about the actuarial value of assets, noting that the unfunded actuarial liability and actuarially determined employee contribution are based on the actuarial value of assets, not the market value of assets. He said that asset gains and losses typically make their way through the system over five years, and that 20% of gains and losses from one year ago are typically recognized now, and that this is a type of smoothing applied commonly across public sector pension funds. He said that the actuarial value of assets is the market value of assets minus any unrecognized gains or losses, saying that since there are losses still unrecognized, the actuarial value is greater than the market value of assets. He spoke briefly about the impact of assets and asset allocation on liabilities, noting that target asset allocations and each asset class's long-term expected rate of return supports the investment rate of return assumptions used in valuation. He showed an example of the calculation for target asset allocation that supports the 7.1% expected rate of return assumption that is currently in use. Mr. Lemanski also spoke about an example of investment return assumption sensitivity, showing the impact of changing the investment return assumption by 0.10% (increase or decrease) and its effect on the unfunded accrued liability and ADEC.

7.2 Pension Education Part 3: Public Sector Pension Assets and Investments
Ms. Pizzi spoke about asset allocation and its important role in balancing risk and reward by diversifying a portfolio's exposure to various asset classes. She said that each asset class has different reward and risk components, which are used for different reasons along the spectrum of risk versus reward. She noted that the main classes include fixed income/bonds, equities/stocks, and real assets. She said the goal of diversifying is generally to utilize asset classes that are not highly correlated (to balance and offset each other's performance). Mr. Mount asked how emerging markets are defined in the context of equities, and Ms. Pizzi replied that it is determined on a per capita GDP basis. Mr. Blake asked what the annual risk percentages represent, and Ms. Pizzi replied that they represent the volatility around the expected return, noting that in the current example, one would expect the rate of return to be within one standard deviation of the mean around 66% of the time.

Chief Administrative Officer Schad noted that there is a vacancy on the board and that she has brought it up with the Mayor and her Chief of Staff as a priority to fill.

8. ADJOURNMENT

8.1 Motion to Adjourn

MOTION by Kyle Blake, SECOND by Matt Dow, to adjourn the meeting.

VOTING: unanimous; motion carries.

The meeting adjourned at 11:08 AM.

RScty: AACoonradt