

**BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
FINAL
July 16, 2020**

MEMBERS PRESENT:

Robert Hooper, Chairperson
Munir Kast, Vice-Chairperson
Daniel Gilligan
Benjamin O'Brien
Patrick Robins
David Mount
Matthew Dow

OTHERS PRESENT:

Alisha Abruntilla
Rich Goodwin
Justin St. James
Barry Bryant

1.0 CALL TO ORDER and AGENDA

Robert Hooper called the Retirement Board meeting to order at 9:00 AM.

1.01 Motion to amend/adopt agenda

MOTION by Patrick Robins, SECOND by David Mount, to adopt the agenda as written.

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments

None at this time.

3.0 APPROVE MINUTES – 5/18/2020

3.01 Approve Minutes of Meeting – 5/18/2020

MOTION by Munir Kast, SECOND by David Mount, to approve the minutes of May 18, 2020 with the following amendment:

- **Strike "Class B Retiree" designation from David Mount's name in attendance list**

VOTING: unanimous; motion carries.

4.0 APPROVE RETIREMENT APPLICATIONS

4.01 Chagnon, James - \$2,828.92

4.02 Guilbault, James - \$236.53

4.03 Orr, Larry - \$2,633.79

4.04 Ryder, Rick -\$3,441.63 and \$419.23

Motion by Patrick Robins, SECOND by Munir Kasti, to approve the retirement applications in items 4.01-4.04 above.

VOTING: unanimous; motion carries.

5.0 REFUND/ROLLOVER

5.01 Reardon, Jim -\$23,189.18

5.02 McGann, Amy - \$11,747.12

Mr. Robins asked for an explanation of the refund and rollover agenda item. Mr. Hooper replied that one of the individuals died and the other severed employment without being vested, which necessitates a return of the funds.

MOTION by Munir Kasti, SECOND by David Mount, to approve the refund/rollover amounts in items 5.01-5.02 above.

VOTING: unanimous; motion carries.

6.0 APPROVE DISABILITY

6.01 Beerworth, Jeffery

6.02 Kline, Keith

6.03 Wilkinson, Brian

6.04 Rousseau, Donald

Mr. Hooper asked for an explanation of this section of the agenda and its processes. Mr. Goodwin replied that three of the four individuals are re-applying for disability, not applying for disability for the first time. He noted that there is a requirement over time that individuals must reapply to continue receiving the disability benefit. He further noted that the City is currently paying disability pay for 21 individuals. He also noted that he is working to align the disability forms across departments to ensure consistency. He also noted that individuals must reapply for disability every three

years and must have a clinical assessment by a City Council and Board of Finance-approved medical doctor to attest that the individual cannot perform in their current or previous role.

For discussion at the next Retirement Board meeting, Mr. Goodwin will put together a summary of all individuals currently on disability and the length of time those individuals have been receiving disability pay.

MOTION by David Mount, SECOND by Munir Kasti, to approve the disability applications for items 6.01 to 6.03 above.

7.0 DAHAB REPORT – PRELIMINARY PERFORMANCE – June 30, 2020

7.01 DAHAB Report

Mr. Bryant provided an overview of this item. He said that because Vermont has been conservative during the COVID-19 crisis, it is in a relatively good position, though there is still vulnerability due to market volatility. He noted that an overall 2.9% increase and predicted that the final return will be between 2.5% and 3.2%, observing that this is an indicator that ignoring short-term volatility has been a good strategy and that remaining diversified will be a key driver of performance moving forward. In terms of real estate, Mr. Bryant noted that declines have been surprisingly small, and will have a better sense after the next quarter's numbers are available.

Mr. Hooper asked if Mr. Bryant has noticed an uptick in company and supply chain migration out of China since the beginning of the COVID-19 pandemic. Mr. Bryant said his best guess is that there won't be as much movement as one might think.

Mr. Robins also asked about the loan fund. Mr. Bryant explained that the loan fund refers to the City's policy of paying the expenses of the retirement fund out of City funds during the year and then reconciling at the end of the year to leave City funds in the pension fund earning a return to benefit the pension fund, like an interest-free loan.

Mr. Robins asked what the net float on the retirement fund is and Mr. Bryant replied that it came out slightly negative over a 3.75 year period.

8.0 OTHER – COMMUNICATION ONLY

8.01 Discussion for RFP for Financial Investment Advisor, and need to set meeting dates

Mr. Goodwin introduced this item, outlining the City's policy that certain services and multi-year agreements over \$100,000 require a Request for Proposals (RFP) process, with final approval of contracts from the Board of Finance and City Council. He said that the administration would like to secure an entity to assist with writing an RFP for a financial investment advisor, adding that the RFP would be written on behalf of the Retirement Board with feedback from the Retirement Board. He asked the Retirement Board to propose several dates for a working session with Hooker & Holcomb, whose services the City has obtained to help develop an RFP for this position. Once the RFP is issued and proposals are received, Mr. Goodwin outlined a process whereby the top three selected bids will be interviewed and a recommendation for a financial advisor will be issued by the Retirement Board.

Mr. Robins asked if Hooker & Holcomb would be allowed to bid on the financial investment advisor RFP and Mr. Goodwin replied that no, Hooker & Holcomb would have a conflict of interest in doing so because they are the City's retained actuary and would also be helping to develop the RFP.

Several Retirement Board members expressed a desire for clarification on the Retirement Board's role in the bid selection process as well as contract monitoring and oversight once financial advisor work commences. Mr. Goodwin replied that he will work with Chief Administrative Officer Schadt to clarify the questions raised.

A tentative date was set for an initial work session with Hooker & Holcomb on July 30 at 10:00 AM. A tentative date for a second work session was set for August 6 at 10:00 AM.

8.02 Communication on Budget FY21

Mr. Goodwin provided a high level overview of the Retirement Division budget for Fiscal Year 2021. He noted revenue streams coming into the retirement fund, coming from charges that are being made directly to the various departments (Airport, BED, etc), and money coming directly from employee paychecks. He described expenses—specifically wages, benefits, payroll manager, miscellaneous operating expenses, and actuaries and auditors. He said that the retirement budget is short by \$4.2 million, which is being made up by pulling funds from the investment portfolio. He added that this is a normal approach.

Mr. O'Brien asked about the current budget approval process, since the Retirement Board had not been asked to approve budgets for prior years. Mr. Goodwin replied that efforts are being undertaken to ensure that departments are informed about their budgets and that Board approval is sought.

Mr. Mount noted that the \$4.2 million won't necessarily increase the unfunded liability because there are so many moving parts (e.g., paying money back to employees who are leaving the system, which could decrease the unfunded liability).

Mr. Hooper asked about the budgetary process at this point in time. Mr. Goodwin replied that the City Council has already adopted the budget as a slate, since individual departments did not present their budgets to the Board of Finance, which they would have done in a normal year. Mr. Hooper expressed concern that money is leaving the retirement fund without the Retirement Board's explicit approval, and he asked whether approving this budget means that the Retirement Board is approving the expenses as they appear within it. Mr. Goodwin replied that this discussion is an opportunity to provide feedback and recommendations for budget amendments, which are subject to an approval process but are anticipated to occur for this budget cycle. He clarified that the Board's charter stipulates that it has discretion to spend up to \$500,000 on expenses they can incur to execute their fiduciary duty to manage the retirement fund.

Mr. Mount noted that the budget has already been approved and this discussion and vote feels like a rubber stamp. He added that he approves of this budget review process, but thinks it should occur several months earlier next year.

A vote on the budget from the Retirement Board was not taken at this time.

8.03 Communication on Cash Balances

Mr. Goodwin said that this item ties into the budget discussion above. He presented a chart showing the effects of pulling money from the retirement portfolio to make the General Fund whole. He said that money is pulled from the portfolio once per year, which benefits the fund more than pulling money out every month over the course of the year when it is owed to the City. He said that he would continue this practice of making a deduction once per year rather than every month or quarter, unless instructed to do so by the Retirement Board.

Mr. Hooper noted that the current practice of deducting funds once per year seems mutually beneficial, and agreed that it should be continued.

Mr. Mount asked if Mr. Goodwin would notify the Board if he intended to withdraw money on a more frequent than annual basis, and Mr. Goodwin replied that yes, he would discuss it with the Board prior to making that decision.

8.04 Provide Overview of Retirement Implementation Statistics

Mr. Goodwin showed call volume statistics for the Retirement Call Center, noting that this work has been outsourced to an outside entity due to an exponential growth in call volume.

8.05 Historical Funding Ratios

Rich spoke on this item, presenting a chart that shows Class A and Class B unfunded liability ratios. He noted that the Class A ratios are decreasing and the Class B ratios are increasing.

Mr. Robins requested a more detailed explanation of this information at a future meeting. Mr. Goodwin replied that yes, he can prepare further information from the City's actuary to explain the underlying data and assumptions. He believes that the primary driver of trends is that previous actuaries had been using assumptions that were not strict enough for Class A but too strict for Class B, and that better steps need to be taken to reverse such trends. He noted that the trends have remained stable over the last two years, indicating that different assumptions may have been implemented by the City's current actuary. He emphasized the importance of continuing to monitor funding ratios closely. He also suggested that strategies for future bargaining discussions should be driven by the data shown in this graph.

8.06 Smoothing Methodology

Mr. Goodwin presented slides describing the direct rate smoothing methodology. Mr. Kasti requested a more detailed walk-through of the information, and Mr. Goodwin replied that he will work to provide further information and outline a plan for moving forward.

9.0 SET NEXT MEETING DATE

9.01 Set next meeting date

The next formal meeting of the Retirement Board was tentatively scheduled for August 13, 2020 at 9:00 AM.

10.0 ADJOURNMENT

10.01 Motion to Adjourn

With no further business and without objection the meeting was adjourned at 12:01 PM.