

**BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
January 21, 2021**

MEMBERS PRESENT:

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

OTHERS PRESENT:

Rich Goodwin
Justin St. James
Bob Rusten
Steven Roth
Kathryn Pizzi
Chris Rowllins
Karen Paul

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order at 8:31 AM.

MOTION by Matthew Dow, SECOND by Daniel Gilligan, to adopt the agenda.

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments
None at this time.

3.0 APPROVE MINUTES

3.01 Approve Minutes

MOTION by Munir Kasti, SECOND by Daniel Gilligan, to approve the minutes with the following amendments:

- **December 10, 2020 - none**
- **December 18, 2020 – strike “and approve” from motions for agenda items 8.0-10.0**
- **December 23, 2020 - none**

VOTING: unanimous; motion carries.

4.0 REVIEW OF FINANCIAL RESULTS – Q4 2020

4.01 Review Financial Results from Q4 2020 – DAHAB Associates

Chief Investment Officer Steven Roth walked through the Q4 financial results. He reviewed economic statistics. He noted increased GDP in the fourth quarter, which follows a strong third quarter, and could mean that 2020 will be relatively flat in terms of growth. He noted that industry surveys are relatively positive and also noted increases in pricing, which indicates that inflation is rising slightly. He additionally noted that the dollar has weakened against the Euro, which has implications for investments in other currencies and has helped the portfolio for the quarter.

He noted that the quarter was strong, meaning that 2020 will finish on a positive. This is being driven by massive stimulus, vaccine optimism, and expectations on the federal side to keep interest rates low. He noted that major indices showed increases and finished strong for the quarter.

He spoke about the portfolio’s performance, saying that the fund was up 12.7% net in the quarter, that fiscal year to date is up 19% and that calendar year to date is up 13.7% gross, 12% net. He said that what has helped this quarter are equities, and that non-equities did not perform as well. He said that the total portfolio is currently approximately \$227.7 million at the end of the quarter, comparing it to Q4 of 2019, where it was approximately \$206 million. He discussed asset allocation, said that the equity markets are currently doing well and should continue to do well. He suggested taking percentage out of Mellon large and putting it into fixed income, to be conservative.

Mr. Kasti asked about the -1.4% pooled cash, which is money the City puts into the system but isn’t part of the system. Rich replied that it’s a liability and is the actual amount of money that has been advanced to the Retirement Fund for their expenses, which will be reimbursed by the end of the fiscal year.

5.0 APPROVE RETIREMENT APPLICATIONS

5.01 Approve Retirement Applicants

Clark Sweeney - \$77.35

Cynthia O’Hara - \$132.34

Jeanne Hulsén - \$2,454.06

William Benway - \$12.28

MOTION by Benjamin O’Brien, SECOND by Matthew Dow, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6.0 APPROVE CASH OUTS/ROLL FORWARDS

6.01 Approve Cash Outs/Roll Forwards

Gregory Short - \$45,957.95

Jessica Brooks - \$3,801.97

MOTION by Daniel Gilligan, SECOND by Munir Kasti, to approve the cash outs/roll forwards as presented.

VOTING: unanimous; motion carries.

7.0 INTRODUCTION – DIMEO SCHNEIDER & ASSOCIATES

7.01 Discussion and Training on Divestment Strategies

Prior to the beginning of the presentation, Mr. Hooper asked for an additional training on fiduciary responsibility. Ms. Pizzi replied that DiMeo could set that up.

City Attorney St. James provided a brief summary of the authority over investments in the pension. He noted that under the current structures, the sole investment powers over the pension system reside with the Burlington Employee Retirement System (BERS) Board. He said that City Council has delegated those powers as a whole to BERS, based on the structure of its charter and ordinances, which means that BERS is the sole decision-making entity in terms of investment decisions. He caveated that City Council would be able to amend that decision in future, if it desired.

Ms. Pizzi noted that this discussion is a kick-off about fossil fuel divesting, per resolution passed by City Council in November of 2020. She noted that implementation of divestment strategies will likely be easier for Burlington than other municipalities. Mr. Rusten asked about fiduciary consequences if decisions around investment are made based on policy goals and not necessarily on returns. Ms. Pizzi replied that regulation on this type of decision-making was recently released by the Department of Labor in October, and that her team will be prepared to speak on it at a future meeting. Mr. Rusten expressed concern that individual members of BERS could be vulnerable to lawsuits based on some of these divestiture decisions, and that these concerns are currently being explored.

Mr. Robins asked how many other big plans have moved in this direction. Mr. Rowlinson replied that the State of New York became the first state plan to divest from fossil fuel investments by 2025. He said that it won't be a blanket divestment, and that the state is looking at each of its holdings to determine what constitutes fossil fuel investment. He noted that they have not seen municipal plans do this yet. Ms. Pizzi added that they have seen it more commonly in the university space, through student-led pushes. She said that one challenge is that many plans are still in the divestiture process, so there is no long-term data yet available.

Mr. Rusten suggested that this is precedent-setting, and the strategy that is used for this divestiture exercise should be the one used for any future divestments.

Mr. Rowlinson began the presentation, which provides background on Burlington's fossil fuel initiative over the years and the requirements of BERS as outlined in the fossil fuel divestment resolution passed by the City Council in November 2020. He walked through past resolutions that pertained to divestment from fossil fuel investments. He noted that as of January 2016, Burlington's retirement portfolio contained approximately \$3 million in fossil fuel investments, which represented less than 2% of its equities' portfolio.

Ben O'Brien said he was on the task for that looked at fossil fuel investments in the past. He noted that the BERS fund is the only fund in the City that is invested anywhere. He noted that many of the examples the task force examined, such as municipalities and college funds were only divesting their Cities' funds, not pension funds. He said that the task force also discussed what the actual cost is of keeping the carbon investments out of the pension's portfolio and longer-term monitoring. He said that the state conducted an analysis of this and saw that it

would cost more to monitor to keep the fossil fuel stocks out of portfolio. He said that maybe investing more socially responsibly is an option, but that it would not be prudent to invest or divest in ways that would harm the fund, based on policy decisions.

Ms. Pizzi asked about the requirements of the BERS board to implement the City Council's resolution. Mr. O'Brien said that it seems like the BERS board has been tasked with all aspects of divestiture, and will need to devise its own plan and timeline. Mr. Kasti asked City Attorney St. James what the mandate from City Council entails. City Attorney St. James replied that the resolution has a number of requests rather than demands, since City Council has ceded power over those decisions to the BERS board. Ms. Pizzi added that it sounds like they are directives for information, including a report on current exposure to fossil fuels, a request that BERS to commits to divestment where feasible, and a request to submit a timeline for divestment.

Ms. Pizzi walked through the timeline and key deliverables for the directives of BERS as laid out by City Council. She said that at BERS' February meeting, DiMeo would present to BERS an analysis of the pension portfolio's fossil fuel holdings using the Carbon Underground 200 as a metric for doing so. At its March meeting, DiMeo would present an approach, process, and timeline for divestment, as well as discuss investment strategies and formalize a process to meet annual reporting requirements. In April, DiMeo would provide BERS with a fossil fuel holding report and divestiture plan, and BERS would present a divestiture report to the City Council at the end of April.

Mr. Kasti asked whether the allocation of the investment structure would be reviewed. Ms. Pizzi replied that yes.

Mr. Rusten suggested analyzing rate of return and costs at the March meeting as well. Ms. Pizzi agreed, and said that the approach and process would include that information.

Chief Administrative Officer Schad thanked the DiMeo consultants for this presentation and its work plan.

Ben O'Brien asked City Attorney St. James what kind of flexibility BERS has with respect to the resolution and its deadlines. City Attorney St. James replied that there could possibly be a reprieve as long as BERS is working in good faith on these directives.

Several board members asked whether the City has professional liability insurance for its employees, and Finance Director Goodwin replied that he would send insurance policy information to the BERS members.

8.0 ADJOURN

8.01 Motion to Adjourn

MOTION by Daniel Gilligan, SECOND by Patrick Robins, to adjourn the meeting.

VOTING: unanimous; motion carries.

RScty: AACoonrad