

**BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
FINAL
April 19, 2021**

MEMBERS PRESENT:

Robert Hooper, Chairperson
Munir Kastl, Vice-Chairperson
Patrick Robins
David Mount
Ben O'Brien
Daniel Gilligan
Matthew Dow
Katherine Schadt

OTHERS PRESENT:

Rich Goodwin
Chris Rowlands
Kate Pizzi
Jim Strouse
Justin St. James

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order.

MOTION by Patrick Robins, SECOND by Ben O'Brien, to adopt the agenda.

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments
None at this time.

3.0 APPROVE MEETING MINUTES

- January 21, 2021 –
- February 18, 2021 –
- March 15, 2021 –

David Mount noted that a motion to accept the COLA as presented was not captured in the January 21, 2021 meeting minutes.

MOTION by David Mount to amend the minutes of January 21, 2021 to add a motion to accept a COLA of 0% as presented by the City administration, with all in favor except for 1 opposing vote from Ben O'Brien.

VOTING: unanimous; motion carries.

MOTION to approve the January 21, 2021, February 18, 2021, and March 15, 2021 minutes as amended.

VOTING: unanimous; motion carries.

4.0 APPROVE RETIREMENT APPLICATIONS

4.01 Approve Retirement Applicants

- Betty Gill, Class B, \$1,109.33
- Bonni Clavelle, Class B, \$214.66
- Charles Cavanaugh, Class B, \$62.63
- Cynthia Cartier, Class B, \$169.24
- Jerry Tomlinson, Class B, \$549.20
- Julie Cadwallder, Class B, \$786.18
- Melissa Allen, Class B, \$734.35
- Michelle Lefkowitz, Class B, \$37.25
- Robert L'Ecuyer, Class B, \$602.19
- Rosemary Rawlings, Class B, \$32.76

Patrick Robins asked about when vesting occurs. Dan Gilligan replied that full vesting occurs after 5 years, but that employees are partially vested at 3 years.

Mr. O'Brien requested a discussion at a future meeting to discuss minimus payments, citing concerns about costs to the system. Finance Director Goodwin noted that the Board cannot deny members' applications, but the Board can elect to choose to approve retirement applications and pay out on a less frequent basis, such as quarterly, semi-annually, or annually.

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

VOTING: unanimous; motion carries.

5.0 APPROVE CASH OUTS/ROLL FORWARDS

5.01 Approve Cash Outs/Roll Forwards

- Brian Fitzgerald, Class A, \$3,075.99
- Christopher Brassard, Class B, \$52.99
- Colton Dober, Class B, \$14,072.82

MOTION by Munir Kasti, SECOND by Ben O'Brien to approve the cash outs/roll forwards as presented.

VOTING: unanimous; motion carries.

6.0 APPROVE DISABILITY

6.01 Approve Disability

- Douglas Bedell, Class B, \$3,024.41

Finance Director Goodwin noted that the member worked for the City for 12.5 years and was injured while working on the job in the summer of 2020 and that his medical doctor has deemed him unfit to work.

MOTION TO TABLE by Chief Administrative Officer Schad until later in the meeting.

MOTION by Matthew Dow, SECOND by Munir Kasti, to enter into executive session.

VOTING: unanimous; motion carries.

MOTION by Matthew Dow, SECOND by Munir Kasti, to exit executive session.

VOTING: unanimous; motion carries.

MOTION by Ben O'Brien, SECOND by Daniel Gilligan, that having reviewed pertinent medical information, to approve the disability application as presented.

7.0 FIDUCIENT ADVISORS (FORMERLY DIMEO) PRESENTATION

7.01 Investment Report as of March 31, 2021

Ms. Pizzi provided a quarterly investment review of the BERS for the first quarter of 2021. She began by reviewing the fiduciary governance calendar. She noted that they focus on different areas of fiduciary importance every quarter, and they are focused on fees for Q1 2021. She reviewed the fees associated with the BERS investment portfolio, noting that fees are relatively low compared to peer group fees. Mr. Hooper asked if fossil fuel divestment would affect the fees. Ms. Pizzi replied that divestment would result in an increase of 10 basis points, though that would still result in extremely low fees.

Mr. Rawlins provided a summary of capital market performance for the quarter. He noted that global equity markets continue to ride higher, likely driven by mass vaccination efforts. He also noted that sectors associated with reopening—energy, industrial, and financial--saw more gains than the technology sector. He noted that inflation increases for the quarter may be related to stimulus checks sent directly to consumers. Ms. Pizzi called attention to the large returns in the global equities market over the past year. Mr. Rawlins also briefly noted updates for the fixed income and equity markets for the quarter. He noted that short-term liquidity decreased, due to increased benefit payments. He noted that the overall performance for the quarter increased by 4%, and increased over the fiscal year by approximately 24%. He said that the fixed income underperformed slightly and that the increased returns are being driven by both domestic and international

equities. Mr. Robins asked what equity would look like over the 15-month period that included the beginning of the pandemic, noting that the current increases are the result of a recovery market. Mr. Rawlins agreed, but noted that the recovery has been very strong.

Ms. Pizzi discussed the current asset allocation structure and provided recommendations for potential reallocation. The current allocation is 75% equity, 17% fixed income, and 7% alternative models. She noted that the current allocations are biased toward US equities over international equities. She suggested a more balanced allocation between US and international equities, which could increase the portfolio's expected return to 7% (it's currently at 6.8%). She also suggested adding a flexible bond manager (as opposed to a core bond manager) to cast a wider opportunity set to mitigate higher interest rates in terms of fixed income. Mr. Mount asked how domestic and international companies are defined, since the lines have blurred substantially over the last several decades. Ms. Pizzi replied that where a company is domiciled isn't necessarily where it's doing business. Ms. Pizzi said that specifically, they are suggesting decreasing the small cap space and increasing international developed market equities. She also proposed taking some assets from Johnson and reallocating them to a dynamic bond manager. She additionally suggested shifting from passive to active emerging market equities.

Ms. Pizzi outlined next steps, including potentially voting on the asset allocation and changes to the investment policy statement, transitioning to the new allocation over three monthly tranches (except for dynamic bond allocation and emerging market active manager), and then in May/June to review and select a custodian bank and review active managers for emerging markets and dynamic bonds, and finally in June/July to interview selected active managers. Mr. Hooper asked if it would be possible to maintain a "ghost" allocation, to see what would have happened had these suggested changes not been implemented. Ms. Pizzi replied that yes, that could be set up by adding a secondary benchmark.

Mr. Hooper asked about the impending infrastructure bill at the federal level and how that could affect these decisions. Ms. Pizzi replied that for this reason, they are advocating for a dollar-cost averaging approach and would like to implement this over months or quarters to hit the market over different periods of time.

MOTION by Patrick Robins, SECOND by David Mount, to modify the asset allocation as proposed on Slide 22 ("Frontier Engineer Analysis") of the Fiducient Advisors presentation.

VOTING: unanimous; motion carries.

MOTION by Patrick Robins, SECOND by David Mount, to modify the transition to the new allocation in a dollar-cost averaging approach over 3 quarterly tranches, with the exception of dynamic bonds.

VOTING: unanimous; motion carries.

MOTION by David Mount, SECOND by Daniel Gilligan, that notwithstanding the existing policy statement, an exemption shall be made for the first tranche to be moved.

VOTING: unanimous; motion carries.

7.02 Fossil Fuel Divestment Report for Burlington City Council

Ms. Pizzi noted that the draft divestiture report is available for the BERS board review and will need to be finalized prior to submission to the City Council.

7.03 Investment Policy Statement

Ms. Pizzi noted that proposed changes in the policy statement include modifying the asset allocation consistent with proposed and improved allocation, as well as modifications to better define the roles and responsibilities of stakeholders in the BERS plan and clarify the investment strategy and how to implement it.

8.0 RETIREMENT BOARD TERMS EXPIRING JUNE – PATRICK ROBINS, MUNIR KASTI, DANIEL GILLIGAN, APPLICATIONS DUE MAY 14 AT 4:30 PM.

8.01 Retirement Board Terms Expiring in June

The members appointed by City Council will file the appropriate paperwork, and the member appointed by the employees will need to go through a nomination and election process.

9.0 ADMINISTRATION UPDATES

9.01 Administration Updates

Finance Director Goodwin noted that an overview of the suggested indemnification insurance will be provided at the next BERS board meeting.

10.0 ADJOURN

10.01 Motion to Adjourn

MOTION by Patrick Robins, SECOND by Ben O'Brien, to adjourn the meeting.

VOTING: unanimous; motion carries.

RScty: AACoonrad