

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

MEMBERS PRESENT:

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

OTHERS PRESENT:

Rich Goodwin
Chris Rowllins
Kate Pizzi
Jim Strouse
Justin St. James
Richard Carey

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order.

MOTION by Munir Kasti, SECOND by Katherine Schad, to approve the agenda as presented.

VOTING: unanimous; motion carries.

The agenda was adopted without objection.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments
None at this time.

3.0 APPROVAL OF MINUTES

3.01 June 29, 2021

MOTION by Munir Kasti, SECOND by Katherine Schad, to approve the minutes of June 29 as written.

VOTING: unanimous; motion carries.

4.0 APPROVE RETIREMENT APPLICATIONS

4.01 Approve Retirement Applicants

- Dominic Brodeur, Class A, \$4,380.92
- Janine Wright, Class A, \$6,276.66
- Paul McLaughlin, Class B, \$2,518.91
- Robert Taft, Class B, \$2,041.68
- Rosemary Johnson, Class B, \$222.04

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

VOTING: unanimous; motion carries.

5.0 APPROVE RETURN OF CONTRIBUTIONS

5.01 Approve Return of Contributions

- Joyanna Hovestadt, Class B, \$8,204.69
- Lukas McGowan, Class B, \$9,455.33
- Olivia Lavecchia, Class B, \$7,574.24

MOTION by Munir Kasti, SECOND by Ben O'Brien, to approve the return of contributions applications as presented.

VOTING: unanimous; motion carries.

6.0 APPROVE DISABILITY PAYMENT

6.01 Approve Disability Payment

- Ricky Stevens, Class B, \$2,783.20

MOTION by Katherine Schad, SECOND by David Mount, to approve the disability payment application as presented.

VOTING: unanimous; motion carries.

7.0 FIDUCIARY ADVISORS PRESENTATION

7.01 Preliminary Investment Results as of June 30, 2021

Ms. Pizzi provided an update on markets as well as portfolio performance as of June 30, 2021. She noted that overall, performance has been strong. She noted that the markets were strong in the first and second quarters. She noted that there has been a significant increase in inflation for the past quarter, and that the Federal Reserve is keeping a close eye on it. She said the broadness of recovery is reflected across asset classes, noting that smaller companies geared more toward value or tied to economic recovery (like tourism and leisure) had the strongest performance in the first half of this year. She noted strong performance in commodities and real estate equities. She said that the fixed-income markets performed relatively weakly, which is a direct effect of the heightened inflation. She said that conversely, equities have done well, given the low interest rates. She said that U.S. large and small cap equity markets performed well and that emerging markets lagged due to Covid-19 outbreaks. She then noted strong performance on real assets/alternatives.

Ms. Pizzi provided a summary of performance of the portfolio, beginning by outlining the asset allocation. She said that quarter-to-date, the portfolio is up 5.6%, likely due to equity exposure. She noted that the fiscal year return increased by 31%. She spoke about the drivers of performance. She noted that performance on the private side was more lackluster.

Mr. Kasti asked about the policy benchmark and whether they would expect to see the portfolio outperform the benchmark. Ms. Pizzi said that with equities being indexed, they would expect the portfolio's performance to largely be in line with the policy benchmark. She said that areas with active management are where one would expect to see performance higher than the policy benchmark. These include fixed-income and private markets. She said that one area that has been driving outperformance is some of the positioning underlying the portfolio, such as the shift to small cap equities.

Mr. Hooper asked about inflation and whether they expect it to decrease. Ms. Pizzi replied that they anticipate that the current inflation numbers are temporary. She said that having the significant allocation to equities and incorporating a dynamic bond manager will deliver returns to the portfolio going forward. Mr. Hooper asked what the impact of removing the fossil fuel-related assets would have been to the return within the energy sector component. Ms. Pizzi replied that the exposure to the Carbon 200 was about 2.5%, which would have cost the total portfolio around 1%.

Finance Director Goodwin asked what the plan's assets were on June 30, 2020. He also asked what the return on investment was for the actuarial report. He additionally asked about what the fiscal year performance was. Ms. Pizzi replied that the year-to-date performance was 10.3% and the full fiscal year was 31.1% percent. She also said that the actuarial return expectation was trending to 7% and that anything less than 7% would effectively be a negative return on the pension plan. She said that the benefit of that outperformance will be felt throughout the smoothing period. Mr. Carey replied that the plan's assets on June 30, 2020 were \$194.6 million.

7.02 Update on Transition

Ms. Pizzi noted that the second tranche of the asset allocation transition to reduce exposure to U.S. equities is coming up. She said that the first tranche was executed at the end of April, and that the second tranche will be executed at the end of July. Mr. Hooper asked about whether the international markets may be affected, given political unrest. Ms. Pizzi replied that their recommendations were based on the actions of the new administration. She said that they are looking at investing over the next 40 years, not the next 4 years, so that these recommendations are based on a longer-term approach and outlook.

8.0 ADMINISTRATION UPDATES

8.01 Administration Updates

9.0 WEAPONS DIVESTMENT

9.01 Weapons Divestment

Ms. Pizzi noted that Fiducient had looked at the nuclear weapon exposure in the BERS portfolio, to gauge potential exposure. She said they estimated it at around \$2.5 million, or 1% of the portfolio. She noted that the majority of the exposure was in U.S. equities. Mr. Rowlinson noted that it may be more difficult to determine from which companies to divest, as there is not a weapons index of funds or metric like there had been for the fossil fuel divestment exercise. Mr. Hooper expressed concern that the resolution's vague wording may lead to divesting from too many assets.

Mr. Mount noted that in the discussion about the resolution, Councilor Stromberg noted that \$2.1 million of the pension is invested in weapons. He asked whether Councilor Stromberg had reached out to Fiducient to get that number. Ms. Pizzi replied that no, she has not been outreached. Chief Administration Officer Schad clarified that the figure referenced by Councilor Stromberg was actually for the fossil fuel divestment, not the weapons divestment.

Mr. Hooper asked about Fiducient's approach for next steps, and whether they would need a narrower definition of weapons or whether they would analyze the broad swathe of exposure. Ms. Pizzi replied that they would like to take this back to their internal team and return to the BERS board with recommendations on how to interpret the resolution language and potentially a metric to measure weapons exposure. Mr. Hooper said it will be important to have a sense of scope. Ms. Pizzi said that the flexibility of the resolution's language could be helpful in terms of developing the metric of exposure.

Mr. Robins asked what the actions are for the resolution. Mr. Hooper said that the resolution included strong suggestions, not necessarily demands. Acting City Attorney St. James said that BERS is the board with the authority to make fiduciary decisions regarding the portfolio. Mr. Mount asked whether BERS has fiduciary responsibility to City Council or to the retirement fund. Acting City Attorney St. James replied that the BERS Board's responsibility is to the fund.

10.0 ADJOURN

10.01 Motion to Adjourn

The meeting was adjourned without objection.

RScty: AACoonrad