

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

FINAL

October 18, 2021

MEMBERS PRESENT:

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

OTHERS PRESENT:

Rich Goodwin
Chris Rowllins
Kate Pizzi
Hayley McClenahan

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order at 9:15 AM.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments
None at this time.

3.0 APPROVE MINUTES

3.01 Minutes of September 20, 2021

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

VOTING: unanimous; motion carries.

4.0 APPROVE RETURN OF CONTRIBUTIONS

4.01 Approve Return of Contributions

- Andrew Cole Laderoute, Class B, \$4,448.70
- Bridget Ann Edwards, Class B \$7,646.02
- Elizabeth T. Dusablon, Class B \$3,616.65
- Jacqueline Corbally, Class B \$6,240.56
- Jesse Namdar, Class A \$38,925.43
- Kele J. Bourdeau, Class B \$1,362.17
- Layne C. Darfler, Class B \$10,383.99
- Marcus Simard-Wescott, Class B \$3,083.07
- Molly T. Roach, Class B \$3,352.50

MOTION by Ben O'Brien, SECOND by Dan Gilligan, to approve the return of contributions as presented.

VOTING: unanimous; motion carries.

5.0 APPROVE RETIREMENT APPLICATIONS

5.01 Approve Retirement Applications

- Donald DeGraw, Class B, \$298.88
- Howard Jaentschke, Class B \$26.46
- Joseph St. Amour, Class B, \$1,283.40
- Justin W. Couture, Class A, \$4,105.01
- Patrick R. Gingras, Class B, \$1,792.16
- Robert Rusten, Class B, \$1,262.07
- Kenneth A. Nolan, Class B, \$2,917.80

MOTION by Dan Gilligan, SECOND by Munir Kast, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6.0 ADMINISTRATIVE UPDATES

6.01 Administrative Updates

Chief Administration Officer Schad said that the City will soon be issuing notices for COLA, in order to give retirees ample notice. She additionally noted the \$1.3 million liability incurred through the IBEW arbitration is coming due and is being split among the Class B participants (which will not affect the plan) and that invoices are being sent as needed. Finance Director Goodwin added that \$1.3 million was paid back to the investment portfolio, which has been made whole. He said that that money was advanced to BED on behalf of the City, and then the payback would be shared among the Class B employees. Mr. Hooper asked about the contribution from a different settlement that occurred six months ago and Chief Administrative Officer Schad replied that that has already been taken care of and Finance Director Goodwin noted that the portfolio has been reimbursed for it.

Mr. Mount asked how inflows work in the pension fund, since the BERS board can only see the outflow information. Mr. O'Brien suggested including that as a discussion item on the agenda for the next BERS meeting.

7.0 FIDUCIARY ADVISORS PRESENTATION

7.01 BERS Investment Portfolio Update as of September 30, 2021

Ms. Pizzi began the discussion by reviewing Fiduciant's fiduciary governance calendar, noting that this quarter involves conducting a municipal landscape review and update. Mr. Rowlin noted that the review examines investment returns for public plans and the impact on funding status. He reviewed the Milliman Public Pension Index over the last several fiscal years (2019-2021), noting that returns have been positive, but have trended below the typical discount rate until fiscal year ending 6/30/2021. He also reviewed the funded ratios for the top 100 largest U.S. public pension plans for those years, noting that their average funded ratio improved by more than 10% during the past year (and noted that figures for the BERS board funded ratio for FY2021 are not available yet). Mr. Mount asked how the BERS portfolio performed in FY2021 and Mr. Rowlin replied that the fiscal year return was 31.1%, well above the 20% return of the Milliman Public Pension Index.

Ms. Pizzi spoke about another component of the fiduciary governance calendar pertaining to Environmental, Social, and Governmental (ESG) initiatives. She noted that there has been a significant increase in interest in having ESG considerations as part of investment portfolios, both for public and non-public plans. She noted that investor demand for them has continued to rise considerably. She cautioned that the definition of ESG is loose. She listed the ESG criteria that money managers look at, including climate change, anti-corruption, board issues, sustainable natural resources, and executive pay. She noted that some of the key initiatives for public plans around ESG have broadened to include conflict risk, labor, board issues, tobacco, climate change, diversity, executive pay, political contributions, military/weapons, human rights, green building, and sustainable natural resources/agriculture. She touched briefly on fossil fuel divestment, calling attention to the 9 public plans that have implemented fossil fuel divestment strategies. Mr. O'Brien noted that a number of those plans are quite large, and asked if any information is available about the implementation of divestment strategies. Ms. Pizzi replied that some of the larger accounts have separate account managers for specific asset classes of their portfolio and have committed to full divesting over time as

in the case of New York City. Also, some have committed only to divestment from coal. Mr. Hooper asked if any of the plans run shadow accounting on how the portfolio would have performed had it not divested from certain areas. Ms. Pizzi replied that the approach for most of these 9 plans is to benchmark against broad market benchmarks (not ESG benchmarks), in an effort to maintain that perspective on the returns not being sacrificed by ESG initiatives.

Mr. Rowlinson spoke briefly about market performance. He said that the third quarter started out strong but dipped in September across the board, due to increased inflation, an economic slowdown in China related to real estate, and uncertainty around the US debt ceiling. He noted somewhat positive performance in the real asset/alternatives class, which have benefited from increasing demand, low interest rates, and high energy prices.

Ms. Pizzi walked through the plan's asset allocation as of September 30, 2021. She noted that the plan totaled \$242 million, allocated across the major asset classes. She noted the negative figure in the pooled cash line (-\$1,358,682), which is the amount that the City advances the retirement plan to pay benefits. She said that her team works with the City to track how much is owed to the City, and a reconciliation occurs at the end of the fiscal year to bring the balance as close to zero as possible.

Ms. Pizzi provided a summary of the calendar year performance summary, noting that the portfolio is down 1.3% for the quarter, but up 9.1% year to date and above the benchmark of 8.6%.

Ms. Pizzi then provided an overview of the manager performance. Mr. Robins asked how the portfolio has performed as a result of Fiducient's recommendations and modifications. Ms. Pizzi said that as a follow-up task, Fiducient can conduct a comparison of the current portfolio's performance and what performance would have been absent the implementation of Fiducient's recommended changes. Mr. Robins asked how the benchmark is constructed. Ms. Pizzi replied that it is a weighted composite of the benchmarks for each allocation category.

7.02 Update on Outstanding Transition Items

Ms. Pizzi noted that the transition to US Bank and Blackrock Strategic Income Opportunities is in process and that they will be able to begin investing in Blackrock once the accounts at US Bank are opened.

8.0 ADJOURN

8.01 Motion to Adjourn

MOTION by David Mount, SECOND by David Mount, to adjourn the meeting.

VOTING: unanimous; motion carries.

RScty: AACoonrad