

**BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
Final
December 20, 2021**

MEMBERS PRESENT:

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

OTHERS PRESENT:

Rich Goodwin
Chris Rowlin (Fiducient)
Kate Pizzi (Fiducient)
Richard Carey (Fiducient)
Steve Lemanski (H&H)
Robert Lessard (H&H)
Hayley McClenahan

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order.

MOTION by Matthew Dow, SECOND by Munir Kast, 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

3.01 Minutes of November 15, 2021

MOTION by David Mount, SECOND by Dan Gilligan, to approve the minutes as presented.

VOTING: unanimous; motion carries.

4.0 APPROVE RETURN OF CONTRIBUTIONS

4.01 Approve Return of Contributions

Approve Return of Contributions	Amount	Effective Date of Benefit
Jack Olson, Class A	\$8,541.92	12/01/2021
Jake S. Sawtell, Class A	\$25,472.10	12/01/2021
Jeffrey A. Hathaway, Class B	\$8,732.92	01/01/2022
Margaret A. Manrique, Class B	\$13,523.59	12/01/2021
Michael D. Ferguson, Class A	\$2,431.98	12/01/2021

Approval included in motion for Item 5.0 below.

5.0 APPROVE RETIREMENT APPLICATIONS

5.01 Approve Retirement Applications

Approve Retirement Applications	Amount	Effective Date of Benefit	Actual First Payment Date
James D. Leip, Class B	\$946.00	10/01/2021	12/15/2021
James M. Laflam, Class B	\$1,820.58	11/01/2021	12/15/2021
Monica Gragg, Class B	\$1,094.43	07/01/2021	12/15/2021
Robert J. Plante, Class A	\$5,732.80	12/01/2021	12/15/2021
Sarah R. Jennings, Class B	\$1,282.35	04/01/2022	04/15/2022

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

VOTING: unanimous; motion carries.

6.0 UPDATE FROM HOOKER & HOLCOMBE

6.01 2021 BERS Preliminary Valuation Report

Steve Lemanski provided an update and overview of the preliminary valuation results. He noted that the fund performed extremely well in fiscal year ending June 30, 2021, growing by 31.1% during the fiscal year. He noted key metrics related to liabilities and ADEC. He noted that in FY 2020, the accrued liability was approximately \$293 million, and value of assets was approximately \$209 million, for a funded ratio of 71.6%. He noted that in FY 2021, the accrued liability was approximately \$303 million, and value of assets was approximately \$220 million,

for a funded ratio of 72.7%. He noted that there were no COLA increases in 2021 and retiree mortality was higher than expected, which contributed to narrowing the gap between accrued liability and value of assets. He walked through the impacts of changing the discount rate, certain IBEW changes that resulted in an increased accrued liability of around \$4 million, and an asset smoothing of 10 years versus 5 years. He said that 10 years asset smoothing is relatively less common in the public sector than a 5-year asset smoothing. He also walked through scenarios where the 5-year asset smoothing is applied both prospectively and retrospectively and when it is applied just prospectively.

Robert Lessard went into more detail on the market value gain for FY2021 versus the actuarial value for FY2021. He noted that with asset smoothing, the actuarial value of return is much less than the market value gain. He showed calculations for actuarial value gain/loss with the application of 10-year asset smoothing and 5-year asset smoothing.

Mr. Lemanski recommended that the BERS Board approve a 5-year asset smoothing that is applied both prospectively and retrospectively. Mr. Hooper asked if it is common to apply retrospective smoothing, and Mr. Lemanski replied that yes, it is. Mr. Kasti noted that the change from 10-year smoothing to 5-year smoothing was not a high priority; rather, a 30-year amortization was higher-priority, in terms of impact. He asked whether the smoothing could be decreased from 10 years to 7 years, rather than 5. Mr. Lemanski replied that yes, it would be possible to do that. He also said that a change to the amortization does not necessarily need to occur prior to a change in the asset smoothing calculations. Mr. Robins asked whether the BERS Board should commit to a smoothing methodology for the long-term, and Mr. Lemanski said that it would not be preferable to change the method every 2-3 years. Ms. Pizzi added that it would be more conservative to recognize those gains and losses on a shorter-term than smoothing over the longer term. She noted that a 5-year retrospective/prospective smoothing is common across the industry; Mr. Lemanski confirmed the next most common method is using a smoothing timeframe less than 5 years, however 5 year is the most common by a significant margin. Mr. Lemanski noted that moving to a 5-year smoothing will help mitigate disruptions from the scheduled discount rate decreases in the coming years. He emphasized that this is a long-term strategic change and an industry standard methodology.

MOTION by Patrick Robins, SECOND by Katherine Schad, to retroactively implement a five-year smoothing method, to include amortized and unamortized years.

DISCUSSION:

- **Mr. Dow said that now would be the best time to make such a sweeping change and move everything onto the five-year smoothing schedule.**

VOTING: unanimous; motion carries.

Mr. Kasti asked when the BERS Board can anticipate the final actuarial valuation report, and Mr. Lemanski replied that it will be available prior to the next meeting. Finance Director Goodwin noted that final portfolio performance numbers are not reconciled until late October/early November, hence why the final report is available when it is (there had been prior discussion of potentially having the report available earlier, but it isn't feasible, given the timing above).

7.0 FIDUCIENT'S

7.01 November Investment Update

Mr. Robins asked for Fiducient's perspective on current equity markets. Ms. Pizzi noted that equity markets are currently skittish, driven by 1.) actions from central banks around the world (such as the US Federal Reserve) to try and address inflation and 2.) concerns about the effects of the Omicron variant of Covid-19.

Ms. Pizzi walked through asset class performance for November. She noted that fixed income rates rose during November until Thanksgiving and the discovery of the Omicron variant, which caused volatility to increase and rates to decrease. She noted that US equity markets closed the month lower due to Covid-induced selling, though they had gained over most of the month, and that non-US equity markets lagged behind domestic equities due to a stronger dollar. She said that in terms of the real asset/alternatives sector, there was a pullback in commodities markets due to fear of COVID-induced lockdowns, but the sector has done remarkable well this year due to the inflation expectations broadly.

Ms. Pizzi then walked through the asset allocation as of November 30, 2021. She noted that the fixed income allocation is slightly under target, domestic equities are slightly over target while international equities are slightly under target, and that real assets are slightly underweight. She noted that the rebalancing from US equities to developed market international equities has been completed as of October. Mr. Mount asked if BERS is still in the queue to exit the Trumbull fund, and Ms. Pizzi replied that yes, they are still in the queue.

7.02 Update on Transition to US Bank Complete

Ms. Pizzi said that the account has been opened and is in the process of transferring cash from Key Bank into US Bank. She also noted that the mutual fund currently held at Johnson will be moved into US Bank in kind (there will be no liquidations involved that move). She said that once those two transfers come through, they will purchase the investment in the Blackrock Strategic Income Opportunities fund. She further noted that the CITs that are with BNY Mellon will be "shadow" booked, so US Bank will be representing those values on their books as well. She said that this would essentially get most of the plan's assets under one roof and one statement moving forward.

8.0 ADMINISTRATIVE UPDATES

8.01 Retirement Administrative Position – Interview in January

Finance Director Goodwin said that the City will post the Retirement Administrative Position next month. He said that they are currently revising the job description. He said that if a member of the BERS Board wishes to participate in the interview process, that would be welcome. Chief Administration Officer Schad said that once the position is posted (after the January 10th Board of Finance meeting), interviews will likely occur in February. She noted that there is a strong internal candidate.

9.0 ADJOURN

9.01 Motion to Adjourn

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

VOTING: unanimous; motion carries.

RScty: AACoonrad