

**BURLINGTON RETIREMENT BOARD
CITY HALL, 1ST FLOOR BUSHOR CONF ROOM
OR
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
FINAL
May 16, 2022**

MEMBERS PRESENT:

Robert Hooper (Chair)
Munir Kasti (Vice Chair)
Patrick Robins
David Mount
Ben O'Brien
Dan Gilligan
Katherine Schad
Matthew Dow

OTHERS PRESENT:

Rich Goodwin
Chris Rowles
Kate Pizzi
Hayley McClenahan
Joe Ebisa
Tom Chenette
Matt Smith
Jim Strouse
Sarah Hinman
John Kevin

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order at 9:05 AM.

MOTION by Munir Kasti, SECOND by Dan Gilligan, to adopt the agenda.

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments

Jim Strouse said that Bob Alberry was a longtime member of the BERS Board as well as the Chair of the Public Works Commission, and noted that he and his wife died tragically on the same day in January. He noted that there will be a memorial service this Saturday at 10:00 in Burlington.

3.0. APPROVE MINUTES

3.01 Minutes of April 18 & April 28, 2022

MOTION by Munir Kasti, SECOND by Dan Gilligan, to approve the minutes of April 18 and April 28, 2022 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
Rose Circelli, Class B	\$236.95	06/01/2022
Amy Paradis, Class B	\$2,432.10	05/01/2022
Lucy Gluck, Class B	\$3,348.77	06/01/2022
Shawn Laplant, Class B	\$1,281.57	06/01/2022

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

VOTING: unanimous; motion carries.

5.0 APPROVE RETIREMENT APPLICATIONS

5.01 Approve Retirement Applications

Approve Retirement Applications	Amount	Effective Date of Benefit	Actual First Payment Date
John A. Apopleton, Class B	\$2,592.67	04/15/2022	05/15/2022
Matthew O. Sullivan, Class A	\$6,375.87	05/15/2022	05/15/2022

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

VOTING: unanimous; motion carries.

6.0 ADMINISTRATIVE UPDATES

6.01 Elections – Matt Dow – Class B, Benjamin O'Brien, Class A – both terms expire June 30, 2022

6.02 Appointment – Chairman of the Board, Robert Hooper – term expires June 30, 2022

6.03 Announcement – Daniel Gilligan, retires in summer, 20 years’ service July 15, 2022

Finance Director Goodwin noted that these terms are expiring and that there will be a communication for nominees and an actual election date, which should take place in the last week of June. He also noted that Dan Gilligan will retire in the summer and asked the Board if this position should be posted to be filled. Mr. Gilligan noted that he has a likely nominee—Tom Chenette—as of July 1. Mr. Hooper requested that Mr. Gilligan submit a letter of resignation. Mr. O’Brien also noted that he will be retiring within the next year and has also selected a likely nominee.

Mr. Hooper asked whether the Board should consider using alternate Board members to ensure smoother transitions when members retire. Assistant Attorney McClenahan noted that having a prospective new member attend on an informal basis is fine, but she is not sure that there is legal support for designating alternates.

7.0 PROPOSED MEETING DATES

7.01 Proposed Meeting Dates The 3rd Monday each month, June 20, July 18, August 15, September 19, October 17, November 21, December 19.

The BERS Board discussed meeting at the proposed meeting times above. There were no objections to the proposed times and they were adopted.

8.0 FIDUCIENT

8.01 Monthly Investment Update – April 2022

Mr. Rowlinson said that this discussion will include the Fiduciary Governance Calendar, a capital markets overview, and a summary of the portfolio and manager review. He began with a review of the Fiduciary Governance Calendar, which includes activities to be conducted in each of the four quarters of the year. He reported that this quarter’s topic focused on the portfolio’s expenses and noted that the portfolio’s estimated annual cost is 0.14%; annual custody fee with U.S. Bank at 0.0125% on assets as well as an \$720 annual fee per each private fund; and Fiducient’s annual fee of \$65,000 subject to an annual escalator.. Mr. Robins asked about the variation in fees between different funds. Mr. Rowlinson reported that the fund’s equity strategies are passively managed with ranging from 1 basis point to 5 basis points while the actively managed fixed income managers range from 25 basis points to 67 basis points. Ms. Pizzi noted that the Johnson fixed income fund expenses are 25 basis points, BlackRock Strategic Income Opportunities funds expenses are approximately 70 basis points, and that the portfolio’s private investments are more expensive. She noted that the rest of the investments have low-cost, passive fee structures. Mr. Rowlinson then outlined the portfolio’s funded status, as reported by the plan’s actuary, for the fiscal years ending 2020 and 2021.

Mr. Rowlinson provided an overview of asset class performance for the month of April and year-to-date. He said that high inflation and anticipation of continued Federal Reserve rate hikes pushed interest rates higher in April putting negative pressure on bond prices across sectors. He noted that global equities were also lower in April, which reversed March’s gains but commodities continued to rally given supply and demand imbalances. Ms. Pizzi noted that it has been an incredibly difficult year, especially for core bonds with benchmark like duration, which is why Fiducient recommended adding a flexible bond manager earlier in the year with the ability to manage fixed income untethered to a market benchmark.

Ms. Pizzi then discussed the portfolio’s asset allocation, as the layout in Fiducient’s report has changed. She said that they had previously classified prepaid pension benefits as “pooled cash”. She said that this represents the amount of the benefit payments that the City is paying on behalf of BERS throughout the fiscal year, which BERS then repays the City at the end of the fiscal year. She said that even though this money is not coming out of the investment portfolio, it is a reminder of what needs to be paid back to the City at the end of the year. She

noted that with those funds included in the total plan assets, the BERS board's invested assets stands at approximately \$228 million. Mr. Mount asked what the mechanics are to repay the City the prepaid pension benefits at the end of the fiscal year. Ms. Pizzi replied that the contributions will be received and net out the payment that is owed back to the City. Finance Director Goodwin confirmed Pizzi's comments and added that the prepaid estimate will be calculated in early June in order to ensure that it is paid to the City by June 30th. Ms. Pizzi then called attention to the approximately \$1 million in cash assets, which will either be reinvested strategically or left as cash to contribute to the repayment to the City at the end of the fiscal year.

Ms. Pizzi then walked through the portfolio dashboard. She noted that capital markets sold off sharply in April, pointing out that one-month performance showed a decrease of 6.5%, and YTD had decreased by 10.9%. She reported that the plan's fiscal YTD was down approximately 7.4%. She noted that the portfolio's asset allocation was in line with the targets.

Ms. Pizzi then provided an overview of manager performance, specifically pointing out BlackRock's performance for the month, as they are a newer asset manager. She noted that there was growth in real assets for the month (+6.4%) and fiscal YTD (+18.9%). Mr. Hooper asked how Fiducient is thinking about drought, famine, and war in terms of strategies around commodities. Ms. Pizzi replied that current events represent a way of investing responsibly in commodities. Mr. Smith from Fiducient Advisors added that commodities have performed strongly YTD as a result of supply chain issues and the conflict between Russia and the Ukraine which has exacerbated supply/demand imbalances.

8.02 Committee Education: Environmental Considerations in Real Asset Investing

Ms. Hinman from Fiducient Advisors, began by providing an overview of Fiducient's tiered approach for mission-aligned investing for clients. She said that the first-tier approach to incorporate environmental, social, and governance (ESG) into their portfolio is the notion of integration: incorporating ESG factors into the investment management process to enhance the investment process. She said that the second tier is to apply either positive or negative screening or thematic investing to align the portfolio to the investor's mission/values. She said that the third tier is impacting investing and/or the incorporation of proxy voting and shareholder engagement in alignment with investors' mission and stated values. Mr. Robins asked what the BERS Board or the City's stated mission is and whether it should have one. Ms. Hinman said that Fiducient works with municipalities to help develop/hone their mission or values and ensure alignment with their portfolio. Ms. Pizzi added that the divestment activities that occurred last year came from a City Council resolution, but that there is no directives that states that BERS will divest from fossil-fuels or have an environmentally positioned portfolio.

Ms. Hinman went into more detail about the integration approach. She said that looking at risks and factors such as drought or wildfire are taken into consideration when adopting an ESG integration approach. She noted that in a 2021 Fiducient survey, 86% of respondents said they used an ESG analysis as a component of their investment process. However, when Fiducient further analyzed the market strategies by determining whether the integration practices were observable, material, and additive to the investment process, they determined that only 35% of public market strategies meaningfully integrated ESG into their processes.

Ms. Hinman then went into more detail about the values-based approach. She said that this includes negative screening (screening out companies or industries that don't align with an investor's values), positive screening (shifting an investor's portfolio to the best-in-class companies as defined by the investor's values), and thematic investing (a top-down investment approach that incorporates broad themes in conjunction with a values-based focus in selecting a portfolio of companies—for example, using themes such as sustainability and clean energy).

Ms. Hinman then noted that investors and clients are interested in being thoughtful around ESG in real assets. She said that one third of the real asset index comprises commodities and natural resources (such as fossil fuel). She said that there has been a significant increase in concern among public plans around climate change and carbon emissions.

Ms. Hinman then outlined Fiducient's manager research process around due diligence related to ESG strategies. She said that if a strategy related to ESG is under consideration manager research applies quantitative and qualitative due diligence as part of the review process. She said that they focus particularly around the ESG integration process to ensure that greenwashing is not occurring.

Mr. Smith, who leads Fiducient's research efforts around real assets, then walked the Committee through an example of a real asset strategy that incorporates ESG into its processes. He said that when they select commodities to invest in, they will evaluate, for example, pollution risks associated with that commodity. Mr. Robins asked if this is an appropriate area to concentrate energy over the next several months to develop a BERS mission statement/policy. Mr. Hooper said that he would like to explore being more precise in terms of investing or divesting—for example, not investing in fossil fuels but potentially still investing in associated energy companies that might also be investing in clean energy. The BERS Board agreed to think more about this and be prepared to discuss it at their next meeting.

9.0 ADJOURN

9.01 Motion to Adjourn

MOTION by Robert Hooper to adjourn. VOTING: unanimous; motion carries.

The meeting adjourned without objection at 10:40 AM.

RScty: AACoonradt