

**BURLINGTON RETIREMENT BOARD
CITY HALL, 1ST FLOOR BUSHOR CONF ROOM
OR
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
Final
August 15, 2022**

MEMBERS PRESENT:

Robert Hooper (Chair)
Munir Kasti (Vice Chair)
Patrick Robins
David Mount
Matthew Dow
Kyle Blake
Tom Chenette

MEMBERS ABSENT:

Katherine Schad

OTHERS PRESENT:

Rich Goodwin
Chris Rowllins
Kate Pizzi
Richard Carey

1.0 CALL TO ORDER

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

MOTION by David Mount, SECOND by Munir Kasti, to approve the agenda as amended:

- **Add to "Administrative Updates" 7.02: Election of Chair, Vice-Chair, and Designation of Secretary"**

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments

None.

3.0. APPROVE MINUTES

3.01 Minutes of July 18, 2022

MOTION by David Mount, SECOND by Munir Kasti, to approve the minutes of July 18, 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
Marie Susan Fetterhoff, Class B	\$1,365.23	08/01/2022

MOTION by Munir Kasti, SECOND by David Mount, 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
Dan Bajura, Class B	\$588.37	08/01/2022	08/15/2022
Jared Grenon, Class A	\$7,962.90	08/01/2022	08/15/2022
Laurie Fey, Class B	\$84.55	09/01/2022	09/15/2022
Richard C. Couillard, Class B	\$1,962.93	09/01/2022	09/15/2022

MOTION by Munir Kasti, SECOND by Matthew Dow to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6.0 EXPECTED EXECUTIVE SESSION

6.01 Disability Retirement Application

Approve Retirement Applications	Amount	Effective Date of Benefit	Actual First Payment Date
Roger L. Dickson, Class B	\$4,334.49	08/01/2022	09/15/2022

Finance Director Goodwin said that medical documentation was submitted indicating that the retiree is disabled. He said that he will share additional information with Board members. He said that Mr. Kasti has additional information, as he was contacted by the Human Resources

Department. He said that IBEW (the individual's union) has also been notified. Mr. Kasti noted that this is not the result of a work-related injury.

MOTION by Munir Kasti, SECOND by Kyle Blake, to accept the application.

VOTING: unanimous; motion carries.

7.0 ADMINISTRATIVE UPDATES

7.01 Administrative Updates: Retirement Administrative Assistant – supports Payroll & Retirement

Finance Director Goodwin said that the Retirement Administrator position has been difficult to fill, and that instead of continuing to recruit for it, the City will provide a Retirement Assistant to help with communication to the Board, coordinate schedules, and be record-taker and secretary. He said that this would save the City around \$75,000 per year and would still meet the needs of the City and the BERS Board.

7.02: Election of Chair, Vice-Chair, and Designation of Secretary

MOTION by David Mount, SECOND by Tom Chenette, that the BERS Board nominate Robert Hooper to serve as Chair of the Board.

VOTING: unanimous; motion carries (Robert Hooper abstained).

MOTION by David Mount, SECOND by Tom Chenette, that the BERS Board nominate Munir Kasti to serve as Vice-Chair.

VOTING: unanimous; motion carries.

8.0 FIDUCIARY

8.01 Fiduciary Governance Calendar: IPS review and Fiduciary Best Practices

Mr. Rowlin began by walking through the fiduciary governance calendar, which is designed to engender discipline and structure as well as lay out activities beyond core investment review. He briefly outlined the activities for each quarter. He noted that for the current quarter, they will conduct investment review, review the investment policy and investment policy statement, and deliver fiduciary training including best practices and roles and responsibilities.

Mr. Rowlin spoke briefly about investment policy statements (IPSs), which serve as the blueprint for the management of the investment program. He walked through the criteria that should go into an investment policy, which include investment objectives, assignment of responsibilities, a clear asset allocation framework, rebalancing guidelines, selection and monitoring criteria for investment strategies, termination guidelines for investment strategies, liquidity guidelines, and proxy voting. He said that they have reviewed the current BERS investment IPS, which was last updated in October 2019, and have proposed the addition of important elements to strengthen the effectiveness of the IPS, as well as proposed certain updates to ensure the inclusion of those elements. Updates include more details around investment objectives, the assignment of responsibilities, and the selection and monitoring criteria for investment strategies, and the addition of content around termination guidelines for investment strategies, liquidity guidelines, and proxy voting.

Mr. Robins asked about how frequently the asset allocation would realistically change. Mr. Rowlinson replied that asset allocations tend to be relatively static, but they should be reviewed no less than annually. Mr. Kasti asked whether the asset allocation needs to be approved. Ms. Pizzi replied that the allocation should be detailed in the IPS and approved by BERS, and that they don't expect the asset allocation to change frequently as it is set based on long term assumptions. She commented that changes currently proposed are due to the significant changes in Fiducient's outlook for future returns based on the massive repricing of risk during 2022. She said that Fiducient generally doesn't adjust capital market assumptions mid-year unless there are significant market changes like seen this year, in 2020 and 2008-2009.

Mr. Mount noted that the section pertaining to standards and duties lays out those standards and duties for the BERS Board, consultants, investment managers, and custodians, but not for the actuaries. He asked whether actuarial duties should be laid out in this section as well. Mr. Rowlinson replied that the actuaries are not fiduciaries and don't have discretion over the assets, but their roles and responsibilities could be outlined in this section as well. Mr. Robins said that actuaries employ strategies that do drive investment policy when they apply return assumptions, and Ms. Pizzi replied that the process should start from the investment portfolio which would in turn inform the return estimates.

Mr. Blake asked for clarification on the roles of Fiducient, consultants, and investment managers. Ms. Pizzi clarified that Fiducient is the advisor and consultant to BERS and in that capacity, they make investment recommendations on the investment portfolio (and the Board has the discretion to act on those recommendations). She said that Fiducient does not sell investment products, but will hire investment managers to conduct the buying of stocks and bonds to deliver on the asset allocation recommendations being made. Mr. Rowlinson added that Fiducient does not have discretion in managing assets under ERISA, but the investment managers do.

Mr. Rowlinson then walked through governance and oversight requirements for the portfolio, as well as committee/board best practices in terms of structure, governance, and documentation. Mr. Kasti asked about documentation around actuarial processes and the actuarial assumptions. Finance Director Goodwin said that he works with the auditor to do test work on the actuarial assumptions to ensure soundness. Mr. Rowlinson added that there are many checks and balances along the way in the process of making investment assumptions and decisions.

The BERS Board discussed next steps, which include review by the City Attorney's Office once the BERS Board approves the changes. They anticipate discussing this again at their next meeting.

8.02 July Investment Performance Report

Ms. Pizzi reviewed the BERS portfolio's July performance. She noted that July saw a welcome respite to a painful first half of the calendar year. She said that markets were boosted in July by a positive shift in market sentiment. She noted positive performance in fixed income assets, strong performance in equities, and growth in real assets.

Ms. Pizzi briefly reviewed the asset allocations, noting that the total portfolio size is approximately \$219 million (with around \$4 million of that in prepaid pension benefits).

8.03 Portfolio Recommendations

Ms. Pizzi then reviewed the themes and patterns of the market in 2022 and how they have impacted the BERS portfolio. She noted effects from the pandemic, inflation, geopolitical tensions, and market volatility. She noted that Fiducient's capital markets research team revised their forward-looking assumptions due to some of those above impacts. She said that return assumptions for many asset classes increased based on this revision. She said that based on this, Fiducient is recommending increasing the allocation to fixed income and reducing global

equities while still supporting the 7% actuarial return. If the BERS Board is supportive, Fiducient would implement these changes through a dollar-cost averaging approach on a monthly basis from now until year-end.

MOTION by Patrick Robins, SECOND by David Mount, to authorize the new proposed asset allocations, to take effect immediately.

VOTING: unanimous; motion carries.

9.0 ADJOURN

9.01 Motion to Adjourn

MOTION by Kyle Blake, SECOND by Munir Kasti, to adjourn the meeting.

VOTING: unanimous; motion carries.

The meeting adjourned without objection at 11:07 AM.

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