BURLINGTON RETIREMENT (BERS) BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
January 27, 2025

MEMBERS PRESENT:

Robert Hooper, Chair
Munir Kasti, Vice Chair
David Mount
Kyle Blake
Tom Chenette
Matt Dow
Paul Olsen
Katherine Schad

OTHERS PRESENT:

Hayley McClenahan
Brad Kukenberger
Lynn Reagan
Kate Pizzi
Chris Rowlins
Richard Carey
Brad Long

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1. CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order at 9:31 AM.

MOTION by Munir Kasti, SECOND by Kyle Blake, to approve the agenda as presented.

VOTING: unanimous; motion carries.

2. PUBLIC FORUM (VERBAL)

2.1 Verbal Comments
None.

3. APPROVE MINUTES

3.1 December 16, 2024 Retirement Board Meeting Minutes, Draft

MOTION by Munir Kasti, SECOND by David Mount, to approve the minutes of December 16, 2024.

VOTING: unanimous; motion carries.

4. APPROVE RETURN OF CONTRIBUTIONS

4.1 James Grondin, Class B $3,887.63; Effective Date of Benefit: 1/01/2025
4.2 Erin Murphy, Class B $9,111.57; Effective Date of Benefit: 2/01/2025
4.3 Michael A. Ploof, Class B $13,640.78; Effective Date of Benefit: 1/01/2025
4.4 Jacob Dion, Class B $5,611.01. Effective Date of Benefit: 01/01/2025
4.5 Jeremy J. Parent, Class B $24,534.42; Effective Date of Benefit: 02/01/2025
4.6 James Tracy, Class B $809.90; Effective Date of Benefit: 02/01/2025
4.7 Elyce Sheryl Hiller, Class B $4,563.57; Effective Date of Benefit: 02/01/2025
4.8 Monica L. Gingras, Class B $3,843.29; Effective Date of Benefit: 02/01/2025
4.9 Julie A. Brigante, Class B $1,859.21; Effective Date of Benefit: 02/01/2025
4.10 Abdulrazak Abdulrazak, Class B $1,686.34; Effective Date of Benefit: 02/01/2025

MOTION by Munir Kasti, SECOND by Tom Chenette to approve the returns of contributions as presented.

VOTING: unanimous; motion carries.

5. APPROVE RETIREMENT APPLICATIONS

5.1 Wade Labrecque, Class A $8,789.89; Effective Date of Benefit: 1/01/2025; Payment Date: 1/15/2025

5.2 Jamie L. Valyou, Class A $10,040.16; Effective Date of Benefit: 12/01/2024; Payment Date: 12/15/2024

5.3 Jane Hackley, Class B $4,538.77; Effective Date of Benefit: 1/01/2025; Payment Date: 1/15/2025

MOTION by Munir Kasti, SECOND by Tom Chenette, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6. ADMINISTRATIVE UPDATE

6.1 Reconciliation of Benefits
Finance Director Kukenberger said this information shows the amounts paid and the amounts received through contributions from employees and the participating departments into the retirement system, noting that one of the requests that was received was related to annual tracking of how this contribution from both departments and employees whittles down the ADEC for the system. He walked through the table of information, noting that it shows the ADEC for FY25, the participation charges for departments and employees, contributions, claims and benefits, the net amount, expenses, adjustments and the balance due to/from BERS, by month. He said the City is almost certain to hit the ADEC in FY25. Mr. Blake thanked Finance Director Kukenberger for the work put into this summary, saying that it is an incredibly helpful snapshot. He asked about the dip in employee contributions for November and December, and Finance Director Kukenberger replied that he should be able to provide details by the next month's BERS meeting.

6.2 Contract with USI (formerly known as Hooker & Holcombe) – expected executive session
Chief Administrative Officer Schad noted that the USI contract was originally signed in November of 2017 for a three-year term, and that it contains several extensions but that those extensions have now expired and the Board should discuss how to proceed. She noted that the City's procurement policy allows the BERS Board to choose a sole source procurement, if it would like to do so. She noted that USI's cost increases are capped at 3% per year. She noted that the City holds two contracts with USI: one for actuarial services and the other for administration of benefits. Mr. Kasti asked for information about how much has been paid out through the contracts, what current prices are, and how they have increased throughout the years. Mr. Hooper spoke about the advantages of bundling the actuarial and benefit administration components of the scope of work with one service provider. Mr. Olsen asked whether a summary plan description for the retirement plan is available, and Chief Administrative Officer Schad replied that she is working to have one available on the Retirement Board's portion of the website, given that there has been a recent website overhaul. Mr. Blake suggested holding a dedicated meeting for discussing the history of the two contracts on today's agenda, so that newer members of the board can get up to speed and be informed in the event of future procurement efforts. Chief Administrative Officer Schad said they could use the March 17th meeting to hold this discussion and warn the meeting for a longer period of time. Other board members agreed.

6.3 Contract with Fiducient (formerly known as DiMeo Schneider & Associates) – expected executive session

Chief Administrative Officer Schad noted that the original Fiducient contract expired on 1/31/24, but that a two-year extension was executed and the amendment is through 1/31/26. See item above for more substantive discussion about BERS contracts.

6.4 City Indirect Costs
Chief Administrative Officer Schad walked through the 2022-2024 actual indirect cost amounts for the retirement budget by budget fund source. Finance Director Kukenberger noted that the salary line is for a position who provides support for retirement application and return of contributions work, that there are professional/actuarial services lines that represent the contracts with USI and Fiducient, some indirect fees for time from the City Attorney's Office and other staff, claims and benefits costs, and managerial costs for portions of the fund that have administrative overhead costs.

7. FIDUCIENT

7.1 Investment Review as of 12/31/2024
Ms. Pizzi began by briefly walking through the fiduciary governance calendar, noting that Q4 focuses on an investment review, capital market assumptions review, and an asset allocation review. She then provided a summary of asset class returns for Q4 and YTD. She noted that markets generally faced a lot of uncertainty this year from the presidential election, shifting monetary policy, and continued geopolitical unrest, but that it was generally a good year despite these headwinds. She noted that Q4, however, was not a good quarter. She noted that interest rates increased significantly in the last quarter of the year, in anticipation of U.S. tariffs and a pro-U.S. policy going forward, which drove bond prices down. She noted that in terms of equities, large cap U.S. equities were up 24.5% in 2024 and up 2.7% for Q4, but that this performance was dominated by the Magnificent Seven technology companies and has led to significant concentration of risk. She noted that small cap stocks grew 11.5% over 2024 and had a very modest positive return for Q4. She also noted that emerging markets were down 8% for the quarter, though, notably, international markets outperformed U.S. markets in December. She noted that for real assets, real estate was down 8.1%. Ms. Pizzi then spoke briefly about the asset allocation within the BERS portfolio, noting that the total for allocating at the end of December was $254.3 million (including prepaid pension benefits). She noted a slight underweight to target in fixed income, and a slight overweight in equities, though they are not currently recommending rebalancing. She noted that in terms of portfolio performance, the 11.2% growth outperformed the benchmark, which was 10.7%, partially due to tailwinds from an overweight to U.S. equities. She noted that in terms of cash flows, the portfolio saw $5.2 million in losses for Q4 of 2024, but overall saw almost $10 million in gains fiscal year-to-date, and $25.9 million in gains over the last 12 months.

7.2 Fiducient's 2025 Outlook and Capital Market Assumptions
Mr. Long spoke about Fiducient's 2025 outlook and capital market assumptions. He spoke about the three elements that drive portfolio positioning from Fiducient's perspective, which include noting where there is fragility (due to valuation, concentration, and inflation leading to volatility), areas to focus to increase durability, and opportunities for enhanced performance through more active management and alternatives. He spoke briefly about market concentration, noting that as concentration has grown, so have the risks associated with it. He spoke about how to mitigate those risks, including allocating to small-and-mid-caps and global equities. He briefly noted the potential looming tariffs from the Trump Administration on Canada, Mexico, and China, saying that tariffs are typically used more as a negotiation tool than an economic tool.

Mr. Blake noted that the Nevada public employees' retirement system have been showing a 9.4% return over their history, and asked if there is a way to shadow their performance to try and have the BERS portfolio pull in similar returns. Ms. Pizzi noted that it is a larger retirement system and that it is leveraging a lot of gains from private equity, but said that she will look into their performance further to see if there is anything that the BERS portfolio can gain from studying it.

8. ADJOURNMENT

8.1 Motion to Adjourn

The meeting adjourned at 11:05 AM.

RScty: AACoonradt