BURLINGTON RETIREMENT (BERS) BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
February 18, 2025

MEMBERS PRESENT:

Munir Kasti, Vice Chair
David Mount
Kyle Blake
Tom Chenette
Matt Dow
Katherine Schad

OTHERS PRESENT:

Brad Kukenberger
Lynn Reagan
Kate Pizzi
Richard Carey

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1. CALL TO ORDER

Munir Kasti called the Retirement Board meeting to order at 9:35 AM.

MOTION by David Mount, 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 January 27, 2025 Retirement Board Meeting Minutes, Draft

MOTION by Katherine Schad, SECOND by David Mount, to approve the minutes of January 27, 2025.

VOTING: unanimous; motion carries.

4. APPROVE RETURN OF CONTRIBUTIONS

4.1 Saja Almogalli, Class A $16,007.84; Effective Date of Benefit: 03/01/2025
4.2 Carol Bundy, Class B $9,235.76; Effective Date of Benefit: 02/01/2025
4.3 Philo J. Brown Gould, Class B $1,898.90; Effective Date of Benefit: 04/01/2025
4.4 Phethlongxay Keomanyvanh, Class B $29,918.20. Effective Date of Benefit: 04/01/2025
4.5 Robin Moore, Class B $4,181.78; Effective Date of Benefit: 03/01/2025
4.6 Cole A. Hayes, Class B $10,678.94; Effective Date of Benefit: 03/01/2025
4.7 Corey Harman, Class B $3,457.95; Effective Date of Benefit: 03/01/2025
4.8 Andrew Ducharme, Class B $1,533.43; Effective Date of Benefit: 01/01/2025

MOTION by Matt Dow, SECOND by Kyle Blake, to approve the returns of contributions as presented.

VOTING: unanimous; motion carries.

5. APPROVE RETIREMENT APPLICATIONS

5.1 Anne Pratt, Class B $397.03; Effective Date of Benefit: 02/01/2025; Payment Date: 02/15/2025

5.2 Dega Lhamo Anak, Class B $404.66; Effective Date of Benefit: 03/01/2025; Payment Date: 03/15/2025

5.3 Kevin M. O'Brien, Class A $6,021.48; Effective Date of Benefit: 1/01/2025; Payment Date: 02/15/2025

5.4 Mary C. Griffin, Class B, $5,897.01; Effective Date of Benefit: 02/01/2025; Payment Date: 02/15/2025

MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

6. ADMINISTRATIVE UPDATE

6.1 General Administrative Updates
Chief Administrative Officer Schad noted that the next BERS Board meeting will be extended to discuss contracts with Fiducient and USI. She noted that the meeting is scheduled for March 17, 2025 and she requested that any feedback or questions on the contracts be submitted to staff by March 3, 2025.

Mr. Blake asked that the monthly report of money coming into and leaving the portfolio be added to the monthly agenda packet going forward. He also asked staff to follow up on Mr. Olsen's question from the prior meeting about providing information about a summary plan description.

7. FIDUCIENT

7.1 Investment Review as of January 31, 2025
Ms. Pizzi began by noting that January performance was generally good, though there was a significant amount of volatility within the month. She said that interest rates overall moved very little, which boded well for fixed income assets. She noted that U.S. Core Bonds was up 0.5% in January, which helped with stability within the portfolio. She noted that equities also performed positively in January, with U.S. large cap up 3.2% and international developed markets up 5.3% (though she noted that Q4 2024 was a painful quarter for international markets). She noted that within real assets, high performance within commodities (primarily the agricultural sector) and positive performance in real estate drove the 1.6% increase in real assets. She spoke about the 9.4% return for hedge funds, noting lag in that performance and that it really corresponds to December 2024 performance (not January 2025 performance).

Ms. Pizzi then spoke about asset allocation, noting the portfolio's overall plan assets of $261.2 million (including $2.3 million of pension benefits payable to the City). She noted that asset allocations are generally in line with targets, but noted a 2.3% overweight in U.S. equities which is balanced by an underweight to fixed income and an underweight to real assets. She noted that the real asset underweight is driven by the UBS Trumbull Property Fund, and that some of the overweight in equities is a general reflection of market movements, as U.S. equities have significantly outperformed over the longer term.

Ms. Pizzi then summarized overall portfolio performance, noting that the portfolio is up 2.6% for the month, which is slightly ahead of the benchmark, and which translates to an additional $6.6 million for the portfolio. She noted that for the fiscal year to date, the portfolio has almost reached the actuarial assumed rate of return of 7.1% (the portfolio is currently at 6.8%). She further noted that for the last 12 months of performance, the portfolio saw growth of almost 14%. She said that much of this growth, at least within the fixed income space, is driven by the active managers across that asset class. She summarized comparisons of manager performance to indexes across asset classes, noting that they have generally outperformed.

7.2 2025 Asset Allocation Review
Ms. Pizzi began by reviewing Fiducient's 2025 outlook, which focused on themes related to fragility, durability, and active management (as presented in more depth at the BERS January 27, 2025 meeting). She said that focusing on fragility captures the precariousness and volatility of global markets, due to the more expensive valuation of U.S. markets, and unprecedented concentration within the U.S. large cap space (namely, seven large technology stocks). She said that if one of those seven companies has missteps, it could lead to significant volatility within investment markets. She said that focusing on durability entails thinking about thoughtful diversification across the portfolio, using fixed income as a way to help decrease the risk related to concentrating on those large cap stocks. She said they can approach this by allocating away from where the broader index is allocating, hence why the portfolio is modestly underweight in U.S. large cap equities. She then spoke about the focus on active management, saying that there are key areas like the fixed income space that are well-served by active management, rather than passive management.

Ms. Pizzi then provided an overview of the 20-year market outlook (2025-2044). She noted that generally, expected returns going forward are less than where expected returns were at this point last year, recognizing the expensive valuations and higher interest rates. She shared modeling analyses of the current allocation, current IPS targets, and then alternative scenarios modeling an optimized portfolio, a portfolio with only fixed/equity assets, and a portfolio with a slightly higher allocation to real assets. She said that generally, the portfolio performs better and with less volatility if it is diversified across all three asset classes (fixed income, equities, and real assets). She said that over time, they'd recommend translating focus from private real assets to broad real assets, which includes other areas like infrastructure, energy, natural resources, and treasury inflation and protected securities. She noted that they also recommend having active managers in this space, because it is more complex.

Ms. Pizzi then reviewed the current versus proposed target allocation for the portfolio. She noted that the allocations currently are 27% to fixed income, 42.5% to domestic equity and 26% to international equity, 4% to real estate, and 0.5% to private equity. She said Fiducient's proposal is to keep fixed income at 27%, increasing U.S. equities by 1.5% to 44%, and keeping international equities at 26% (but moving 0.5% from developed to emerging markets within international equities), and decreasing real estate from 4% to 3% and decreasing private equity from 0.5% to 0%. She noted that this proposal falls within the broad range of the BERS Investment Policy Statement (IPS). She said that in the longer term, they would like to discuss moving to a broader real asset class and including an active manager in that space, by redirecting redemptions from the UBS Trumbull fund as they come in. Mr. Blake asked what a scenario would look like that allocates 3% to private real estate and adding 1.5% to broad real assets, and Ms. Pizzi replied that they can model this. Mr. Blake said that it would be prudent to increase the targets for broad real assets and allocate funds as they come in from the redemption pool to bring the actual asset allocation in line with the target over time. Ms. Pizzi said that she would like to also discuss several managers in the broad real asset space at the next BERS meeting for the Board's consideration. The BERS Board will plan to hold a vote on proposed asset allocations and consider several real asset managers at its next meeting.

Mr. Mount asked about the emerging markets and which countries are included in that asset class. Ms. Pizzi outlined the countries included in the emerging market index, noting that China represents about one third of the index. She noted that emerging markets is another area where an active manager might be beneficial.

8. ADJOURNMENT
8.1 Motion to Adjourn

MOTION by Kyle Blake, SECOND by Tom Chenette, to adjourn the meeting.

VOTING: unanimous; motion carries.

The meeting adjourned at 10:33 AM.

RScty: AACoonradt