BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

Robert Hooper
Chairman of the Board
Munir Kasti
Vice-Chairman

Stephanie Hanker
Retirement Administrator
802-865-7097
VT Relay – dial 711

Special Meeting
Retirement Board Meeting Agenda
Conference Room 12
October 31, 2019 8:30am

1. Agenda
2. Public Forum
3. Approve Bills
4. Approve Retirement Applications
5. Discussion Regarding Direct Rate Smoothing with Various Rate of Returns

   – Hooker & Holcombe
6. Other Business
7. Adjourn

Burlington Employees' Retirement System
Direct Rate Smoothing
Projected Funding Policy Contributions

5 Year Step Down from 97% of Traditional Valuation ADEC

Fiscal Year Ending	Projected City Funding Policy Contribution	Valuation Year	Projected Actuarial Value of Assets*	Projected Funded Ratio*
2020	9,934,000	2018	193,642,000	73.2%
2021	9,909,000	2019	203,673,000	74.4%
2022	9,884,000	2020	213,957,000	75.5%
2023	9,860,000	2021	224,250,000	76.5%
2024	9,835,000	2022	234,512,000	77.6%
2025	9,810,000	2023	244,737,000	78.6%

As of June 30 of the valuation year. Projections start with June 30, 2018 actuarial valuation (and reflect new assumptions).

Burlington Employees' Retirement System
Direct Rate Smoothing Scenarios
Projected Funding Policy Contributions

Scenario 1a: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Phase Down of Discount Rate from 7.50% to 7.00% Over 5 Years, Actual Return of 7.00% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.50%	193,642,000	73.2%
2021	10,343,000	409,000	2019	7.40%	203,577,000	73.6%
2022	10,753,000	410,000	2020	7.30%	213,409,000	73.7%
2023	11,162,000	409,000	2021	7.20%	223,351,000	73.9%
2024	11,572,000	410,000	2022	7.10%	233,384,000	74.1%
2025	11,981,000	409,000	2023	7.00%	243,528,000	74.3%

Scenario 2a: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Phase Down of Discount Rate from 7.50% to 7.00% Over 4 Years, Actual Return of 7.00% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.500%	193,642,000	73.2%
2021	10,351,000	417,000	2019	7.375%	203,577,000	73.4%
2022	10,767,000	416,000	2020	7.250%	213,373,000	73.3%
2023	11,184,000	417,000	2021	7.125%	223,231,000	73.3%
2024	11,601,000	417,000	2022	7.000%	233,154,000	73.2%
2025	12,017,000	416,000	2023	7.000%	243,143,000	74.1%

Scenario 3a: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Phase Down of Discount Rate from 7.50% to 7.00% Over 2 Years, Actual Return of 7.00% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.50%	193,642,000	73.2%
2021	10,363,000	429,000	2019	7.25%	203,577,000	72.4%
2022	10,793,000	430,000	2020	7.00%	213,136,000	71.3%
2023	11,222,000	429,000	2021	7.00%	222,557,000	72.1%
2024	11,652,000	430,000	2022	7.00%	232,327,000	72.9%
2025	12,081,000	429,000	2023	7.00%	242,468,000	73.9%

100% of the traditional valuation ADEC is assumed in all subsequent years.

****As of June 30 of the valuation year. Projections start with June 30, 2018 actuarial valuation (and reflect new assumptions).***

Note: Projected funding policy contributions have not been adjusted for any applicable City/employee allocations of the ADEC.

Burlington Employees' Retirement System
Direct Rate Smoothing Scenarios
Projected Funding Policy Contributions

Scenario 1b: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Phase Down of Discount Rate from 7.50% to 7.00% Over 5 Years, Actual Return of 6.50% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.50%	193,642,000	73.2%
2021	10,382,000	448,000	2019	7.40%	203,481,000	73.5%
2022	10,830,000	448,000	2020	7.30%	213,045,000	73.6%
2023	11,278,000	448,000	2021	7.20%	222,579,000	73.6%
2024	11,726,000	448,000	2022	7.10%	232,055,000	73.6%
2025	12,174,000	448,000	2023	7.00%	241,484,000	73.6%

Scenario 2b: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Phase Down of Discount Rate from 7.50% to 7.00% Over 4 Years, Actual Return of 6.50% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.500%	193,642,000	73.2%
2021	10,389,000	455,000	2019	7.375%	203,481,000	73.3%
2022	10,844,000	455,000	2020	7.250%	213,009,000	73.2%
2023	11,299,000	455,000	2021	7.125%	222,460,000	73.0%
2024	11,754,000	455,000	2022	7.000%	231,828,000	72.8%
2025	12,210,000	456,000	2023	7.000%	241,105,000	73.5%

Scenario 3b: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Phase Down of Discount Rate from 7.50% to 7.00% Over 2 Years, Actual Return of 6.50% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.50%	193,642,000	73.2%
2021	10,402,000	468,000	2019	7.25%	203,481,000	72.4%
2022	10,870,000	468,000	2020	7.00%	212,773,000	71.2%
2023	11,337,000	467,000	2021	7.00%	221,791,000	71.8%
2024	11,805,000	468,000	2022	7.00%	231,009,000	72.5%
2025	12,273,000	468,000	2023	7.00%	240,437,000	73.3%

100% of the traditional valuation ADEC is assumed in all subsequent years.

*****As of June 30 of the valuation year. Projections start with June 30, 2018 actuarial valuation (and reflect new assumptions).***

Note: Projected funding policy contributions have not been adjusted for any applicable City/employee allocations of the ADEC.

Burlington Employees' Retirement System
Direct Rate Smoothing Scenarios
Projected Funding Policy Contributions

Scenario 7a: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Actual Return of 7.00% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.50%	193,642,000	73.2%
2021	9,950,000	16,000	2019	7.50%	203,577,000	74.3%
2022	9,966,000	16,000	2020	7.50%	213,591,000	75.3%
2023	9,982,000	16,000	2021	7.50%	223,472,000	76.3%
2024	9,998,000	16,000	2022	7.50%	233,166,000	77.1%
2025	10,014,000	16,000	2023	7.50%	242,657,000	77.9%

Scenario 7b: 5 Year Step Up from 97% of Traditional Valuation ADEC*, Actual Return of 6.50% Each Year

Fiscal Year Ending	Projected City Funding Policy Contribution	Increase in Contribution from Prior Year	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets**	Projected Funded Ratio**
2020	9,934,000		2018	7.50%	193,642,000	73.2%
2021	9,990,000	56,000	2019	7.50%	203,481,000	74.3%
2022	10,047,000	57,000	2020	7.50%	213,226,000	75.2%
2023	10,103,000	56,000	2021	7.50%	222,697,000	76.0%
2024	10,159,000	56,000	2022	7.50%	231,832,000	76.7%
2025	10,215,000	56,000	2023	7.50%	240,603,000	77.3%

100% of the traditional valuation ADEC is assumed in all subsequent years.

*****As of June 30 of the valuation year. Projections start with June 30, 2018 actuarial valuation (and reflect new assumptions).***

Note: Projected funding policy contributions have not been adjusted for any applicable City/employee allocations of the ADEC.

Burlington Employees' Retirement System
Direct Rate Smoothing Scenarios
Projected Funding Policy Contributions

Scenario 1: 5 Year Step Up from 97% of Traditional Valuation ADEC, Phase Down of Discount Rate from 7.50% to 7.00% Over 5 Years

Fiscal Year Ending	Projected City Funding Policy Contribution	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets*	Projected Funded Ratio*
2020	9,934,000	2018	7.50%	193,642,000	73.2%
2021	10,314,000	2019	7.40%	203,673,000	73.6%
2022	10,695,000	2020	7.30%	213,754,000	73.8%
2023	11,075,000	2021	7.20%	224,040,000	74.1%
2024	11,456,000	2022	7.10%	234,481,000	74.4%
2025	11,836,000	2023	7.00%	245,065,000	74.7%

Scenario 2: 5 Year Step Up from 97% of Traditional Valuation ADEC, Phase Down of Discount Rate from 7.50% to 7.00% Over 4 Years

Fiscal Year Ending	Projected City Funding Policy Contribution	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets*	Projected Funded Ratio*
2020	9,934,000	2018	7.500%	193,642,000	73.2%
2021	10,324,000	2019	7.375%	203,673,000	73.4%
2022	10,714,000	2020	7.250%	213,713,000	73.4%
2023	11,104,000	2021	7.125%	223,899,000	73.5%
2024	11,494,000	2022	7.000%	234,194,000	73.5%
2025	11,884,000	2023	7.000%	244,552,000	74.6%

Scenario 3: 5 Year Step Up from 97% of Traditional Valuation ADEC, Phase Down of Discount Rate from 7.50% to 7.00% Over 2 Years

Fiscal Year Ending	Projected City Funding Policy Contribution	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets*	Projected Funded Ratio*
2020	9,934,000	2018	7.50%	193,642,000	73.2%
2021	10,345,000	2019	7.25%	203,673,000	72.4%
2022	10,756,000	2020	7.00%	213,449,000	71.4%
2023	11,167,000	2021	7.00%	223,104,000	72.3%
2024	11,578,000	2022	7.00%	233,096,000	73.2%
2025	11,989,000	2023	7.00%	243,444,000	74.2%

As of June 30 of the valuation year. Projections start with June 30, 2018 actuarial valuation (and reflect new assumptions).

Note: Projected funding policy contributions have not been adjusted for any applicable City/employee allocations of the ADEC.

Burlington Employees' Retirement System
Direct Rate Smoothing Scenarios
Projected Funding Policy Contributions

Scenario 4: 5 Year Step Up from 97% of Traditional Valuation ADEC, Phase Down of Discount Rate from 7.50% to 7.00% Over 5 Years, $300K Collar on Contribution

Fiscal Year Ending	Projected City Funding Policy Contribution	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets*	Projected Funded Ratio*
2020	9,934,000	2018	7.50%	193,642,000	73.2%
2021	10,234,000	2019	7.40%	203,673,000	73.6%
2022	10,534,000	2020	7.30%	213,754,000	73.8%
2023	10,834,000	2021	7.20%	223,953,000	74.1%
2024	11,134,000	2022	7.10%	234,217,000	74.3%
2025	11,434,000	2023	7.00%	244,523,000	74.6%

Scenario 5: 5 Year Step Up from 97% of Traditional Valuation ADEC, Phase Down of Discount Rate from 7.50% to 7.00% Over 4 Years, $300K Collar on Contribution

Fiscal Year Ending	Projected City Funding Policy Contribution	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets*	Projected Funded Ratio*
2020	9,934,000	2018	7.500%	193,642,000	73.2%
2021	10,234,000	2019	7.375%	203,673,000	73.4%
2022	10,534,000	2020	7.250%	213,713,000	73.4%
2023	10,834,000	2021	7.125%	223,803,000	73.5%
2024	11,134,000	2022	7.000%	233,898,000	73.4%
2025	11,434,000	2023	7.000%	243,946,000	74.4%

Scenario 6: 5 Year Step Up from 97% of Traditional Valuation ADEC, Phase Down of Discount Rate from 7.50% to 7.00% Over 2 Years, $300K Collar on Contribution

Fiscal Year Ending	Projected City Funding Policy Contribution	Valuation Year	Valuation Discount Rate	Projected Actuarial Value of Assets*	Projected Funded Ratio*
2020	9,934,000	2018	7.50%	193,642,000	73.2%
2021	10,234,000	2019	7.25%	203,673,000	72.4%
2022	10,534,000	2020	7.00%	213,449,000	71.4%
2023	10,834,000	2021	7.00%	222,986,000	72.2%
2024	11,134,000	2022	7.00%	232,731,000	73.1%
2025	11,434,000	2023	7.00%	242,698,000	74.0%

As of June 30 of the valuation year. Projections start with June 30, 2018 actuarial valuation (and reflect new assumptions).

Note: Projected funding policy contributions have not been adjusted for any applicable City/employee allocations of the ADEC.

Draft
October 31, 2019
Burlington Employees' Retirement Board
Conference Room 12

Board Members Present:

- Bob Hooper
- Beth Anderson
- Matthew Dow
- Pat Robins
- Benjamin O'Brian
- Dan Gilligan
- Munir Kasti

Others Present:

- Stephanie Hanker
- Bob Rusten
- Richard Goodwin
- Justin St. James
- Steve Lemanksi – H&H (Phone)
- Rob Lessard – H&H

Called to order at 8:33am

1. ***Agenda***:
   No changes to the presented agenda

2. ***Public Forum***:
   No public present

3. ***Approve Bills:***
   Benjamin O'Brien moved to approve the presented bills. Matthew Dow 2nd.
   Motion carries 7:0

4. ***Approve Retirement Applications:***
   Benjamin O'Brien moved to approve presented applications. Munir Kasti 2nd.
   Motion carries 7:0

5. ***Discussion Regarding Direct Rate Smoothing with Various Rates of Returns – Hooker & Holcombe:***
   Steve Lemanksi provided handouts to the Board (also provided October 03, 2019). Steve Lemanski stated the handouts are an exhibit for BERS, reflecting several additional Direct Rate Smoothing scenarios for purposes of

determining the City funding policy contribution. As request, the additional scenarios illustrate the estimated impact of actual returns on assets that are either: (a) 7%/year, or (b) 6.5%/year, during the five-year projection period. Scenarios 1a-3a and 1b-3b map back to scenarios 1-3 that were present to the BERS Board on October 03, 2019, except that the “a” and “b” scenarios reflect a 7.0%/year or 6.5%/year actual return on assets, respectively. Scenarios 7a and 7b map back to the original scenario (original first handout) prepared in May, except that they reflect the alternative asset return scenarios. Scenarios 4-6 have not been mapped, since those are the ones with the $300K annual contribution collar. Recall that scenarios 1-3 reflect a potential phased-in reduction in the discount rate assumption from 7.5% to 7.0% over the next 2 to 5 years. Also provided which assumed a constant 7.5% discount rate assumption for all future years.

Scenario 1a is a 5 year step up from 97% of traditional valuation ADEC, phase down discount rate from 7.5% to 7.0% over 5 years with an actual return of 7.0%.

Steve Lemanski stated the quickest method is scenario 3 with 25pbs over 2 years.
Beth Anderson asked if these figures do not include the collar. Steve Lemanski stated correct. Bob Rusten it would be helpful to understand if we went with 7a or b or 1a or b and add another 15 years from 2025 what would have the City in the best and worst shape. Steve Lemanski stated that the appropriate discount rate should be evaluated every 5 years so 7.5% shouldn’t be your end game. If you keep at 7.5% and your actual return is 7.0% the actuarial losses would continue to pile up. Beth Anderson asked regarding longer term impact, by choosing one over the other, what would have a harder impact over another. Steve Lemanski stated that the phase-in are not that different and I don’t think a noticeable impact on results. Steve Lemanski stated that using a layered amortization approach is no the best practice, you should get to 20 years eventually taking a transition approach over 5 years. Pat Robins stated that making the decision regarding investment return rates is the most important. Steve Lemanski stated yes it is the most powerful decision. Steve Lemanski stated that in regards to the amortization he does not recommend a rolling amortization because it just resets every year and you are not paying anything off. Bob Rusten stated do we need more date if not doing 7a or 7b, which has short term benefits but the long term is hard. Looking at 1a with a $500K collar or 1b with a $500K collar looking at the decrease.
Steve Lemanski stated that if the Board made a decision by end of November changes could be implemented in 2019 valuation. H&H will anticipate the change and run information based on both options.

6. ***Other Business:***

Bob Hooper stated he would like to look at having a consent agenda of minutes, bills, applications refunds.

Richard Goodwin stated that office is still working through the outsourcing implementation and retirement payroll implementation.

7. ***Adjourn:***

Matt Dow moved to adjourn. Benjamin O'Brien 2nd motion carries 7:0