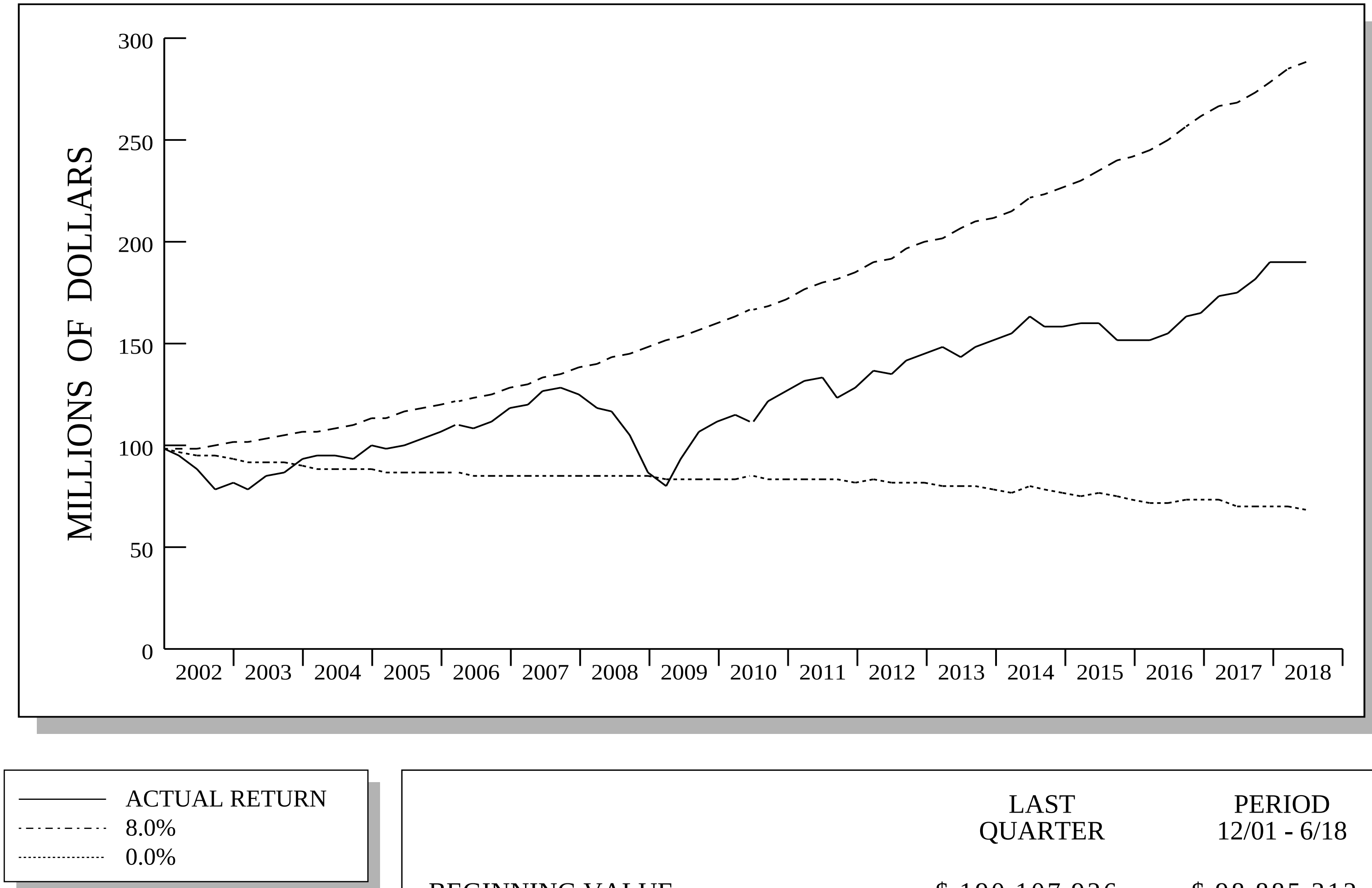
INVESTMENT GROWTH



VALUE ASSUMING

8.0% RETURN $ 289,569,492

	LAST QUARTER	PERIOD 12/01 - 6/18
BEGINNING VALUE	$ 190,107,926	$ 98,885,312
NET CONTRIBUTIONS	- 1,209,164	- 29,066,942
INVESTMENT RETURN	2,581,836	121,662,228
ENDING VALUE	$ 191,480,598	$ 191,480,598
INCOME	128,121	15,338,381
CAPITAL GAINS (LOSSES)	2,453,715	106,323,847
INVESTMENT RETURN	2,581,836	121,662,228

EXECUTIVE SUMMARY

PERFORMANCE SUMMARY

	Quarter	Y-T-D	12 Months	Annualized 3-Years	Annualized Since 12/2001
Total Portfolio	- 17.5%	- 30.3%	- 30.3%	- 5.8%	0.5%
SPONSOR RANK	(94)	(92)	(92)	(94)	(97)
POLICY INDEX	- 11.8	- 23.3	- 23.3	- 2.6	2.8
LEGACY INDEX	- 11.8	- 23.3	- 23.3	- 2.8	1.9
VPIC INDEX	- 17.4	- 27.5	- 27.5	- 3.8	2.6
Diversified	- 14.1	- 30.5	- 30.5	- - - -	- - - -
BALANCED RANK	(65)	(70)	(70)		
60 MSCI/40 WGBI	- 9.5	- 22.3	- 22.3	- 0.5	4.8
65WORLD/35AGG	- 12.5	- 26.4	- 26.4	- 2.8	3.0
Equity	- 25.4	- 37.9	- 37.9	- - - -	- - - -
BROAD EQ RANK	(66)	(55)	(55)		
RUSSELL 3000	- 22.8	- 37.3	- 37.3	- 8.6	- 1.0
S&P 500	- 21.9	- 37.0	- 37.0	- 8.4	- 1.5
RUSSELL 2500	- 26.3	- 36.8	- 36.8	- 9.4	1.9
RUSSELL 2000G	- 27.5	- 38.6	- 38.6	- 9.3	- 1.2
RUSSELL 2000V	- 24.9	- 28.9	- 28.9	- 7.5	3.9
Foreign Equity	- 18.9	- 42.3	- 42.3	- - - -	- - - -
INTL EQ RANK	(42)	(51)	(51)		
EAFE	- 19.9	- 43.1	- 43.1	- 6.9	3.8
MSCI EMG MKTS	- 27.6	- 53.2	- 53.2	- 4.6	11.6
Real Estate	2.1	4.3	4.3	- - - -	- - - -
NCREIF	- 8.3	- 6.5	- 6.5	8.1	10.6
Fixed Income	- 6.6	- 13.7	- 13.7	- - - -	- - - -
BROAD FIXED RANK	(84)	(85)	(85)		
BARCLAYS AGG	4.6	5.2	5.2	5.5	5.3

ASSET ALLOCATION

Diversified	9.7%	$ 8, 550, 885
Equity	37.6%	32, 939, 684
Foreign Equity	14.0%	12, 253, 132
Real Estate	9.2%	8, 068, 216
Fixed Income	29.3%	25, 684, 556
Other	0.0%	0
Cash	0.2%	213, 507
Total Portfolio	100.0%	$ 87, 709, 981

INVESTMENT RETURN

Market Value 9/2008	$ 106,403,093
Contribs / Withdrawals	104
Income	0
Capital Gains / Losses	- 18,693,216
Market Value 12/2008	$ 87,709,981

MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter		YTD	
Mellon	---	-16.0	---	-36.0	---
60% MSCI World / 40% CITI WGBI		*-9.5*		*-22.3*	
Wellington GAA	---	-12.3	---	---	---
65% MSCI World / 35% Barclays Agg.		*-12.5*		*-26.4*	
SSgA Equal Weight	(Large Cap Core)	-26.4	(94)	-40.6	(91)
Equal Weight S&P 500		*-26.6*		*-39.7*	
T Rowe Price	(Large Cap Core)	-21.8	(25)	-36.0	(18)
Pimco Stocks +	(Large Cap Core)	-28.1	(96)	-44.6	(96)
S&P 500		*-21.9*		*-37.0*	
SSgA R2500	(SMid Cap)	-26.3	(20)	-36.6	(77)
Russell 2500		*-26.2*		*-36.8*	
SSgA R2000 Growth	(Small Cap Growth)	-27.4	(63)	-38.4	(37)
Russell 2000 Growth		*-27.4*		*-38.5*	
Wellington SCV	(Small Cap Value)	-23.9	(31)	-26.5	(16)
Russell 2000 Value		*-24.9*		*-28.9*	
Acadian	(Int'l Equity)	-23.3	(81)	-49.0	(89)
Mondrian	(Int'l Equity)	-14.9	(16)	-37.1	(19)
MSCI EAFE Net		*-20.0*		*-43.4*	

Name	(Universe)	Quarter		YTD	
Aberdeen	(Emerging Markets)	-24.1	(24)	---	---
MSCI Emerging Markets		*-27.6*		*-53.3*	
VPIC Real Estate		-14.0	---	-12.2	---
NCREIF Property Index		*-8.3*		*-6.5*	
Logan / Delaware	(Core Fixed)	-5.9	(95)	-16.6	(97)
Oppenheimer	(Core Fixed)	-6.8	(97)	---	---
Pimco All Asset	(Core Fixed)	-8.1	(98)	-14.8	(96)
Wellington Fixed	(Core Fixed)	2.4	(55)	---	---
Barclays Aggregate Index		4.6	(24)	5.2	(24)
Post High Yield Bond	(High Yield Bond)	-16.0	(67)	-19.0	(23)
Barclays High Yield		*-17.9*		*-26.2*	
Brandywine	(Global Fixed)	-5.3	(83)	-9.5	(89)
Mondrian Fixed	(Global Fixed)	6.0	(29)	10.2	(23)
Citi World Gov't Bond Index		*8.8*		*10.9*	
Total Portfolio	(Plan Sponsor)	-17.5	(94)	-30.3	(92)
Burlington Policy Index		*-11.8*		*-23.3*	

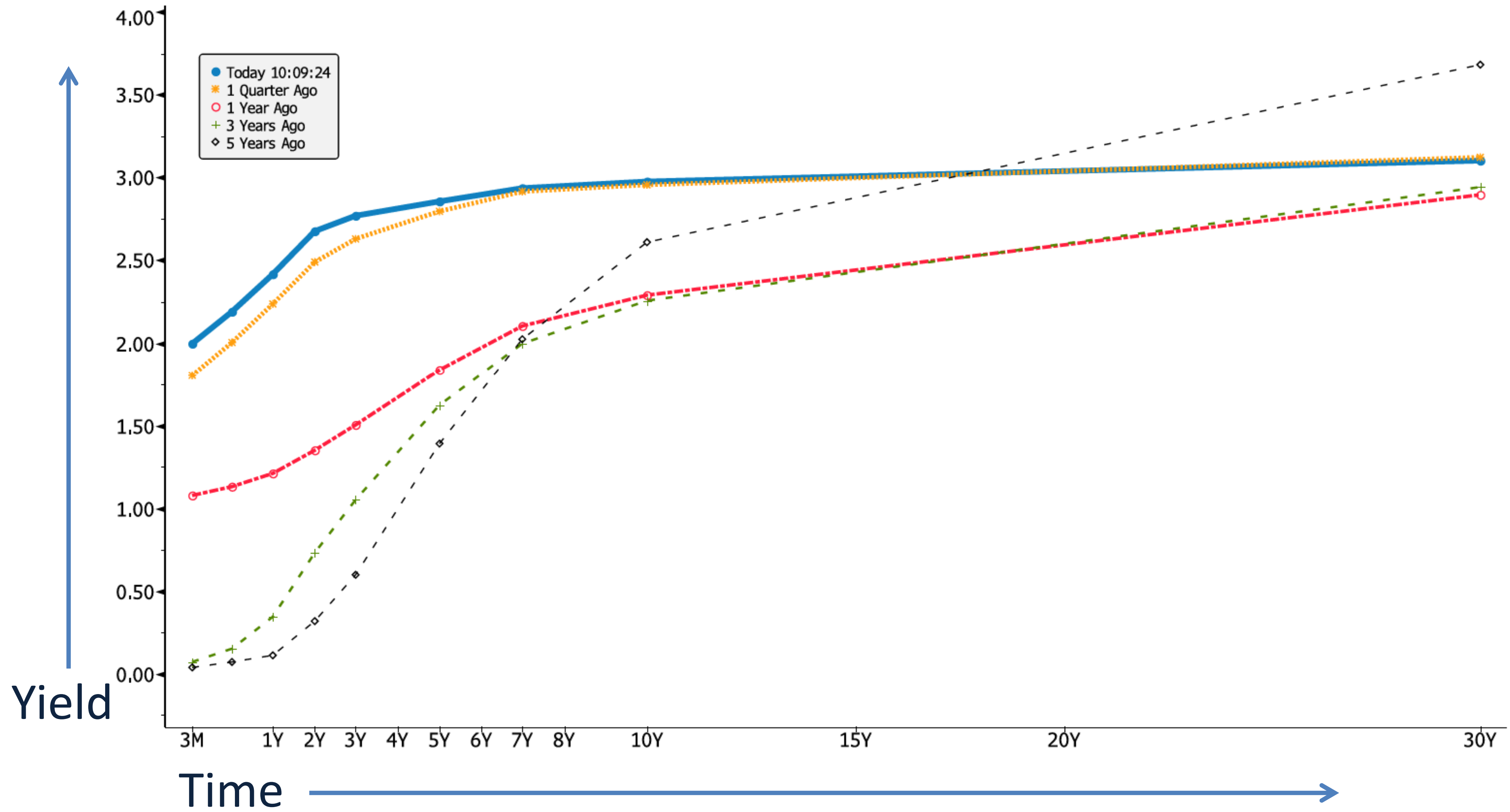
Yield Curve Inversion

Barry Bryant, CFA

DAHAB ASSOCIATES

Florida Massachusetts New York Pennsylvania Texas

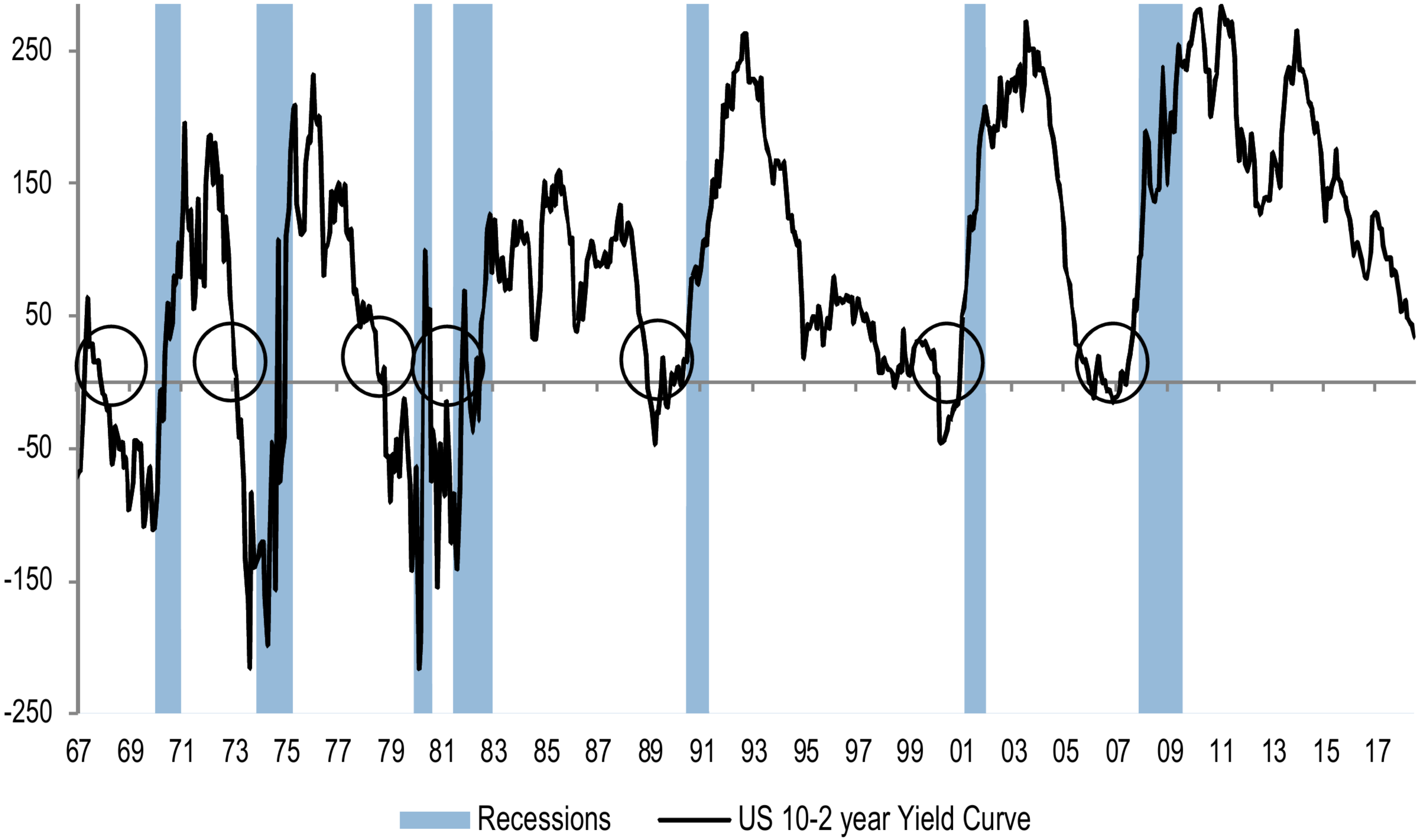
Yield Curve



Source: Dahab Associates, Bloomberg

DAHAB ASSOCIATES

U.S. 10 Year – 2 Year Yield Curve



Source: Datastream, JP Morgan

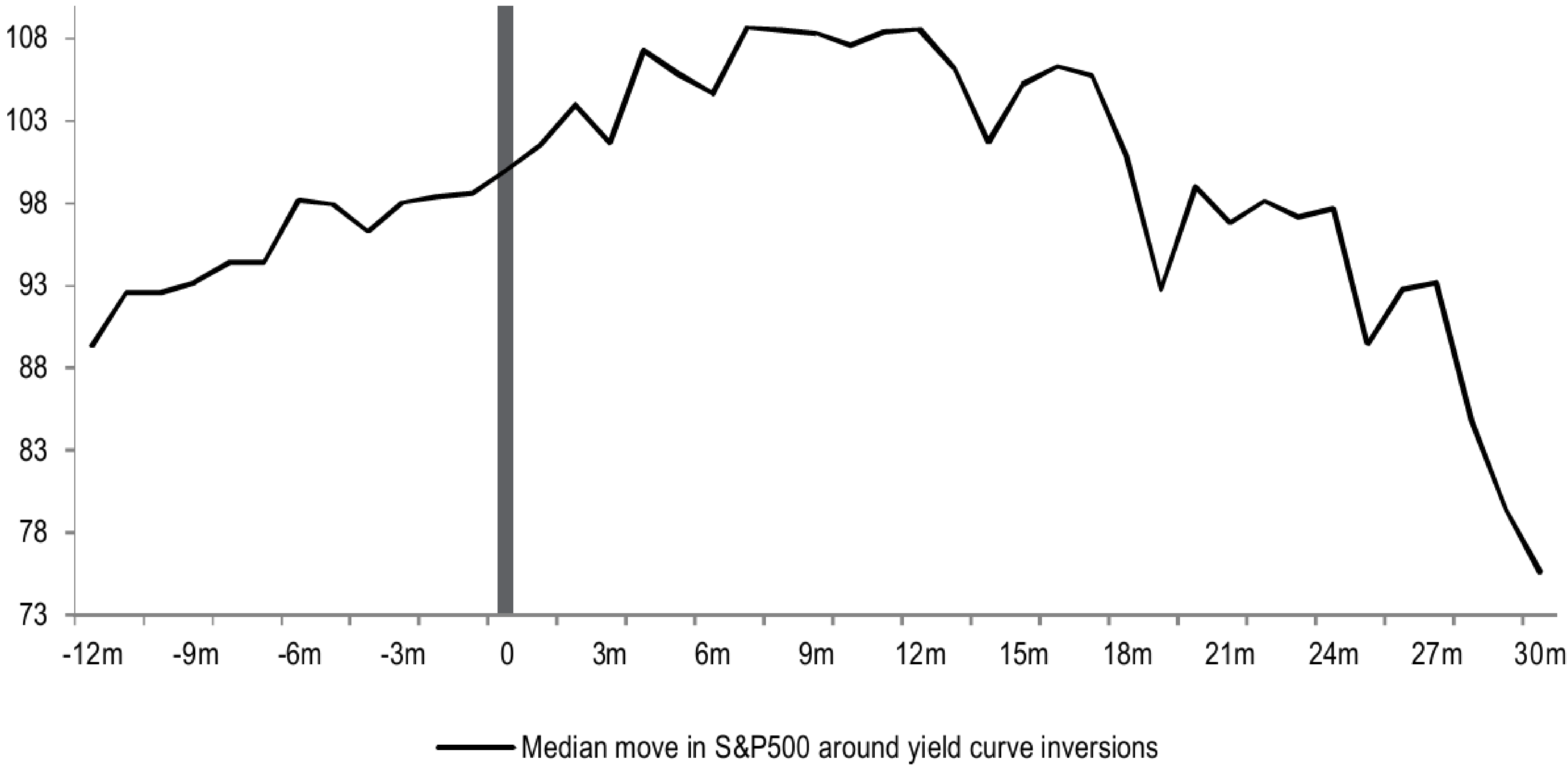
DAHAB ASSOCIATES

Yield Curve Inversion, S&P 500

Yield Curve inversion date	S&P500 peak date	Recession start date	# of months between yield curve inversion & SPX peak	# of months between SPX peak & recession	# of months between yield curve inversion & recession
Dec-67	Nov-68	Jan-70	11	14	25
Mar-73	Oct-73	Dec-73	7	2	9
Nov-78	Feb-80	Jan-80	15	0	14
Aug-80	Nov-80	Jul-81	3	8	11
Dec-88	Jul-90	Jul-90	19	1	19
Mar-00	Aug-00	Mar-01	5	7	12
Aug-06	Oct-07	Dec-07	13	3	16
Median			**11**	**3**	**14**
Average			**10**	**5**	**15**

Source: Datastream, JP Morgan

S&P 500 Move Around Inversion



Source: Bloomberg, JP Morgan

DAHAB ASSOCIATES

Ranks & Returns From Start of Recession

1 Year Forward

Asset Class	Index	1990-1991	2000-2001	2008-2009
Domestic Equity	S&P 500	12.76 (1)	-16.51 (7)	14.30 (3)
International Equity	MSCI ACWI ex. US	-6.97 (6)	-10.68 (6)	10.87 (4)
Real Estate	NCREIF ODCE	-2.81 (5)	3.89 (5)	-5.91 (7)
Gold	S&P GSCI Gold Index	-7.21 (7)	13.49 (1)	33.25 (1)
Long Term Fixed Income	Bloomberg Barclays Long Term Gov/Credit	9.56 (4)	12.65 (2)	16.49 (2)
Aggregate Fixed Income	Bloomberg Barclays US Capital Aggregate	10.70 (2)	7.34 (3)	9.50 (5)
Short Term Fixed Income	Bloomberg Barclays 1-3 Year Gov/Credit	9.92 (3)	5.19 (4)	3.77 (6)

DAHAB ASSOCIATES

Ranks & Returns From Start of Recession

3 Years Forward

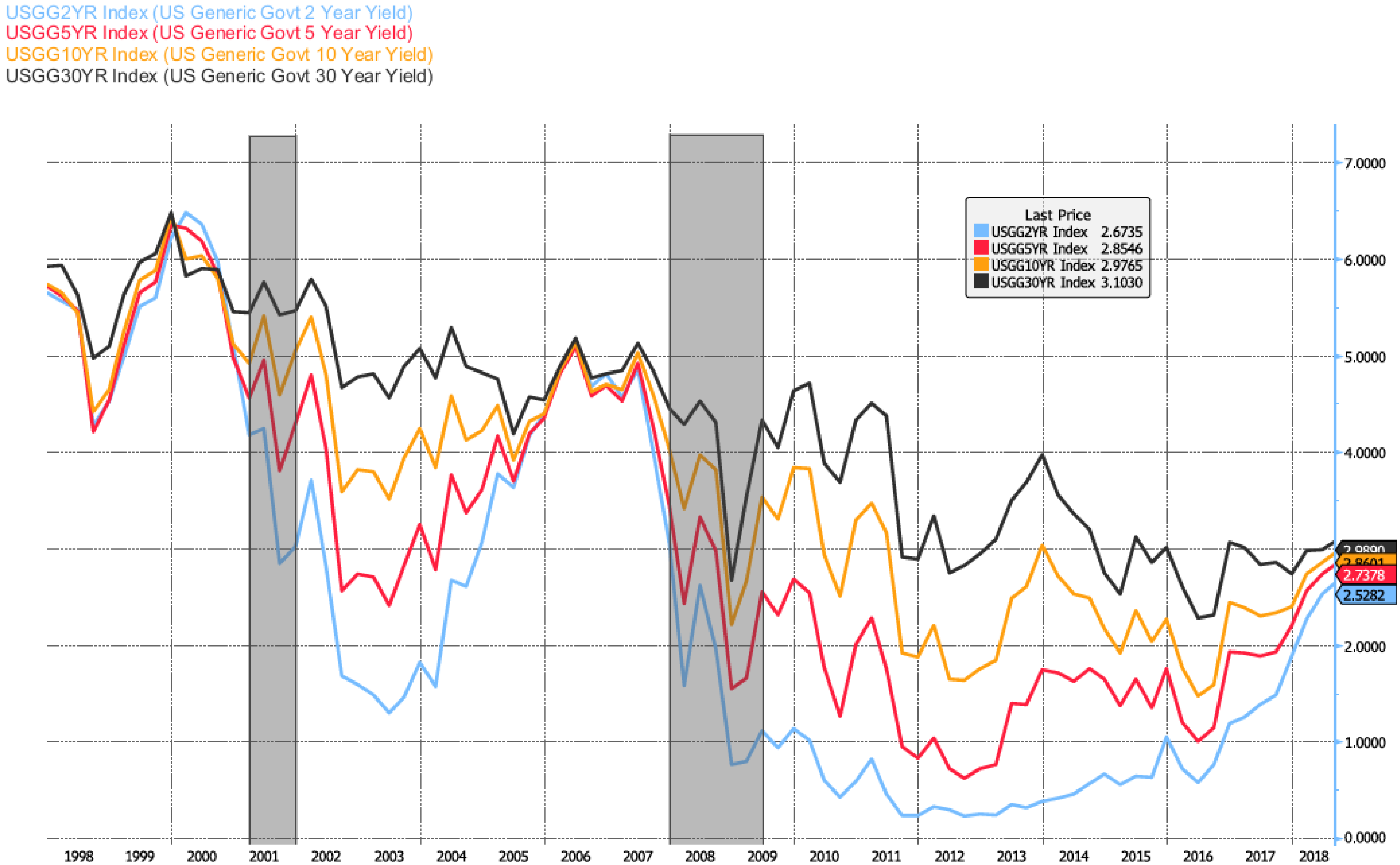
Asset Class	Index	1990-1993	2000-2003	2008-2011
Domestic Equity	S&P 500	11.41 (3)	2.74 (7)	16.36 (2)
International Equity	MSCI ACWI ex. US	3.48 (5)	12.46 (2)	7.43 (5)
Real Estate	NCREIF ODCE	-4.53 (7)	8.10 (4)	8.40 (4)
Gold	S&P GSCI Gold Index	-1.06 (6)	16.12 (1)	19.09 (1)
Long Term Fixed Income	Bloomberg Barclays Long Term Gov/Credit	15.01 (1)	8.88 (3)	14.41 (3)
Aggregate Fixed Income	Bloomberg Barclays US Capital Aggregate	11.86 (2)	5.65 (5)	6.95 (6)
Short Term Fixed Income	Bloomberg Barclays 1-3 Year Gov/Credit	5.68 (4)	3.38 (6)	2.26 (7)

Ranks & Returns From Start of Recession

5 Years Forward

Asset Class	Index	1990-1995	2000-2005	2008-2013
Domestic Equity	S&P 500	12.90 (1)	6.08 (5)	18.81 (1)
International Equity	MSCI ACWI ex. US	6.36 (4)	16.46 (1)	11.59 (2)
Real Estate	NCREIF ODCE	-0.46 (5)	12.17 (3)	10.01 (3)
Gold	S&P GSCI Gold Index	-3.56 (6)	15.39 (2)	6.60 (5)
Long Term Fixed Income	Bloomberg Barclays Long Term Gov/Credit	11.66 (2)	7.15 (4)	9.60 (4)
Aggregate Fixed Income	Bloomberg Barclays US Capital Aggregate	9.06 (3)	5.05 (6)	4.87 (6)
Short Term Fixed Income	Bloomberg Barclays 1-3 Year Gov/Credit	7.13 (4)	3.27 (7)	1.73 (7)

Where Are We Today



Source: Dahab Associates, Bloomberg

DAHAB ASSOCIATES

City of Burlington
Mixes Through Recession
2007-2016

	Mix 1 Current	**Mix 2** Less Real Estate	**Mix 3** Less Foreign Equity	**Mix 4** Less Domestic Equity	**Mix 5** Less Domestic and Foreign Equity	**Mix 6** Less Domestic, Foreign, and Real Estate
Large Cap Core	30	30	30	25	30	30
Small Cap Core	20	20	20	15	15	15
International	10	10	5	10	10	10
Emerging Markets	10	10	5	10	5	5
Core Real Estate	10	0	10	10	10	0
Core Fixed Income	20	30	30	30	30	40
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**

Geometric Return	6.05	5.87	6.25	5.76	5.93	5.75
Standard Deviation	12.47	12.32	10.50	10.71	10.45	10.29
Sharpe Ratio	0.5	0.49	0.59	0.53	0.56	0.55

Maximum Dollar Drawdown	$ 46.05	$ 42.98	$ 38.49	$ 39.91	$ 39.24	$ 36.43
Quarters to Recovery	7 Quarters	7 Quarters	7 Quarters	7 Quarters	7 Quarters	6 Quarters
Terminal Value	$ 215.89	$ 212.23	$ 219.96	$ 210.17	$ 213.52	$ 211.54

*All portfolios were assumed to start at a value of $120mm.

PRELIMINARY PERFORMANCE

Portfolio	QTD	FYTD	CYTD	Market Value	Percent	Target
Total Portfolio	3.4	3.4	4.5	$194,868,624	100.0	----
Policy Index	*3.3*	*3.3*	*4.6*	----	----	
Mellon Large Cap	7.7	7.7	10.6	$62,021,477	31.8	30.0
S&P 500	*7.7*	*7.7*	*10.6*	----	----	
Mellon Smid Cap	4.7	4.7	10.5	$36,093,259	18.5	18.0
Russell 2500	*4.7*	*4.7*	*10.4*	----	----	
Mellon EAFE	1.4	1.4	-1.1	$19,001,458	9.8	10.0
MSCI EAFE	*1.4*	*1.4*	*-1.0*	----	----	
Mellon Emerging Mkts	-1.1	-1.1	-7.7	$19,030,609	9.8	10.0
MSCI EM Net	*-1.1*	*-1.1*	*-7.7*	----	----	
Hamilton Lane II	0.0	0.0	3.2	$301,541	0.2	0.5
Hamilton VII A	0.0	0.0	5.9	$877,012	0.5	0.9
Hamilton VII B	0.0	0.0	3.3	$633,352	0.3	0.6
S&P Completion	*4.3*	*4.3*	*10.7*	----	----	
UBS TPF	1.4	1.4	5.2	$16,707,545	8.6	8.0
NCREIF ODCE	*0.0*	*0.0*	*4.3*	----	----	
Molpus SWF II	0.0	0.0	0.1	$2,913,939	1.5	2.0
NCREIF Timber	*0.0*	*0.0*	*1.4*	----	----	
Mellon Int. Gov/Cred	0.2	0.2	-0.8	$37,106,717	19.0	20.0
Int Gov/Credit	*0.2*	*0.2*	*-0.8*	----	----	
Key Bank	----	----	----	$181,715	0.1	0.0

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

Retirement Board Meeting Agenda
City Hall Conference Room 12
Thursday October 18, 2018 9:30am

1. Agenda

2. Public Forum

3. Approve Minutes – August 23, 2018 and October 15, 2018

4. Approval of Retirement Application

5. Ratify Refund and Rollovers

6. Approve Retirement Office Bills

7. Presentation – September 2018 Preliminary – Dahab

8. Presentation – Yield Curve – Dahab

9. Presentation – Investment Progression – Dahab

10. Discussion from C/T Office Re: RFP – Services for Retirement Administration – Non-action Item due to warning time

11. Adjourn

Draft
October 18, 2018
Burlington Employees' Retirement Board
City Hall, Conference Room 12

Board Members Present:

- Ben O'Brien
- Beth Anderson (In 9:41am)
- Robert Hooper
- Matt Dow
- Pat Robins (Out 10:59am)
- David Mount
- Dan Gilligan
- Munir Kasti (Out 10:45am)

Others Present:

- Stephanie Hanker
- Kim Sturtevant
- Barry Bryant – Dahab Associates
- Rich Goodwin
- Jim Strouse (Phone)

Called to order at 9:31am

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

2. ***Public Forum***:
   No Public Present

3. ***Approval Minutes of August 23, 2018 and October 15, 2018:***
   David Mount moved to approve the minutes as presented. Dan Gilligan 2nd. Discussion, Benjamin O'Brien noted on item #3, the word "Vice" needs to be inserted after Munir Kasti. Minutes should read, "Ben O'Brien moved to nominate Munir Kasti as Vice Chair"
   Motion carries 7:0

4. **Approval of Retirement Application**
   Munir Kasti moved to approve the applications presented. Benjamin O'Brien 2nd. Motion carries 7:0

5. ***Ratify Refund and Rollovers:***
   Benjamin O'Brien moved to approve. Matt Dow 2nd. Motion carries 7:0

6. ***Approve Retirement Office Bills:***
   Munir Kasti move to approve presented bills. Benjamin O'Brien 2nd. Motion carries 7:0

7. ***Discussion from C/T Office Re: RFP – Service for Retirement: (Advertised as item #10)***
   Rich Goodwin stated he is seeking approval from the Board to move forward with an RFP for services related to the administration of retirement benefits, looking for two options, one for responses to calculation of pension benefits, one for full service administration of pension benefits to include reporting and customer service.

   Rich Good win stated:
   Reason's for RFP – for automation of Calculations, & Full Service

   Background:

- Our Retirement System plan continues to be more complex, and continue to evolve
- Turnover of staff puts the City at risk as the learning curve is at a minimum of 1 year. Knowledge of Union Contracts, history of plans, and management of data is sizeable even with new retirement software plan. The City Attorney often must provide guidance on rules and plans to determine benefits with Retirement Plan Administrator.
- Number of members has grown and currently having a one- person operation is very challenging
- This month we had 25 employees retire
- Reporting requirements continues to grow each year, i.e. (GASB 68 requiring assets and unfunded liability for the Enterprise Funds to be tracked (3rd year).
- The new GASB 75 is done annually this is for the Other Pension Employee Benefits (OPEB). This was done semi-annual and is now required yearly.
- I have been told more to come per Hooker and Holcombe, or Actuary and Melanson &*Heath, our Accounting firm.

   Making the change will:

- Provide our members the ability to have more customer service at their fingertips 24 – 7
- Administrative models in market are more full service than current model that is used and primary function of our retirement software is a database
- We have an opportunity to streamline Administrative processing that is automated and more efficient

- Will create stability as staff changes, our processes, calculation, and administrative support will be uninterrupted which reduces City risk.
- Today, Technology solutions available are more administratively and functionally robust
- Allows for Burlington School District (BSD) to work with a company of trained professionals (call center), and eliminates the need for there to be middle woman/ man between COB and BSD in terms of retirement enrollment, termination, statements, earnings and contributions information.
- User, employer, member and third party access is automated and more efficient

<u>Next steps:</u>

- Need your approval to send out formal RFP to find firm to automate calculations, and provide next steps
- Costs – if we proceed there is no cost to the Retirement Fund, as this will be an operating expense that would be allocated to BED, BSD, Enterprise, and all other funds of the City

Beth Anderson stated C/T would come back to the board with the pricing received back from the responses. Beth Anderson stated this is more of a fact finding to find solutions to provide better service to members. Ben O'Brien stated he would be reluctant to move forward if there is no plan for a point person for members to contact. Rich Goodwin stated a possible point of contact would be housed in Human Resources. Bob Hooper stated there is no objection to sending the RFP out for responses.

Prior to the start of #8 Barry Bryant asked that December's regular meeting be rescheduled to December 6 at 8:30am. Board agreed.

8. ***<u>Presentation – September 2018 Preliminary - Dahab : (Advertised as item #7)</u>***
   Barry Bryant presented September preliminary investment information

9. ***<u>Presentation – Investment Progression - Dahab: (Advertised as item #9)</u>***
   Barry Bryant presented an overview of how the board progressed to current investment practices.

10. ***<u>Presentation – Yield Curve - Dahab: (Advertised as item #8)</u>***
    Barry Bryant was asked by the Board to look at debt and potential outcomes if a recession were to come. Barry Bryant made a presentation on yield curve conversion.

Barry Bryant stated he would recommend hiring an active bond manager as bond returns are below average and can add value to the portfolio. Barry Bryant stated he could put together the RFP and review and arrange for potential managers to come and present to the Board. Barry Bryant stated you should think about strategies soon than later if you plan on moving forward with this hire. Patrick Robins moved to have Dahab put out an RFP for active bond managers and produce to the potential candidates to the Board. Benjamin O'Brien 2nd. Motion carries 7:0
Bob Rusten asked that the RFP state all questions and calls go to Dahab.

11. Adjourn:
Matt Dow moved to adjourn. Benjamin O'Brien 2nd. Motion carries 6:0