# 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 03, 2019 8:30am

1. Agenda
2. Public Forum
3. Approve Minutes of September 03, 2019
4. Approve Bills
5. Ratify Refund and Rollovers
6. Approve Retirement Applications
7. Discussion Regarding Direct Rate Smoothing with Various Rate of Returns
   – Hooker & Holcombe
8. Possible Executive Session – Discussion regarding Investment Advisor RFP
9. Review and Approve Annual City Council Letter from the Board
10. Investment Policy Statement – Final Review and Approve
11. Schedule Next Meeting of the Retirement Board
12. Other Business
13. Adjourn

# 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 03, 2019
Burlington Employees' Retirement Board
Conference Room 12

Board Members Present:

- Bob Hooper
- David Mount
- Beth Anderson
- Matthew Dow
- Pat Robins
- Benjamin O'Brian (Phone,
- Munir Kasti

Others Present:

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

Called to order at 8:30am

1. ***Agenda***:
   Move to approve presented agenda David Mount. 2nd Munir Kasti. Motion carries 7:0

2. ***Public Forum***:
   Jim Strouse present, nothing to present

3. ***Approve Minutes of September 03, 2019***
   Beth Anderson moved to approve the presented minutes. Matthew Dow 2nd. Motion carries 7:0

4. ***Approve Bills:***
   Munir Kasti moved to approve presented bills. Pat Robins 2nd. Motion carries 7:0

5. ***Ratify Refunds/Rollovers:***
   Munir Kasti moved to ratify the presented refunds and rollovers. Pat Robins 2nd. Motion carries 7:0

6. ***Approve Retirement Applications:***
   Munir Kasti moved to approve the applications presented. Matthew Dow 2nd. Motion carries 7:0

7. ***Discussion Regarding Direct Rate Smoothing with Various Rates of Retuns – Hooker & Holcombe***
   Steve Lemanski and Rob Lessard from Hooker and Holcombe presented to the Board various scenarios using direct rate smoothing outlining projected funding contributions and funded ratios.

   Fist handout is a five year step down from 97% of traditional valuation ADEC using the current rate of returns recently approved.

   Second handout looked at six separate scenarios. The first three without the $300K collar, the final 3 with the collar

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

   - Scenario 2 a 5 year step up from 97% of traditional valuation ADEC, phase down of discount rate from 7.5% to 7.0% over 4 years.

   - Scenario 3 a 5 year step up from 97% of traditional valuation ADEC, phase down of discount rate from 7.5% to 7.0% over 2 years.

   - Scenario 4 a 5 year step up from 97% of traditional valuation ADEC, phase down of discount rate from 7.5% to 7.0% over 5 years with a $300K Collar on City contribution

   - Scenario 5 a 5 year step up from 97% of traditional valuation ADEC, phase down of discount rate from 7.5% to 7.0% over 4 years with a $300K collar on City contribution

   - Scenario 6 a 5 Year step up from 97% of traditional valuation ADEC phase down of discount rate from 7.5% to 7.0% over 2 years with a $300K collar on City contributions

   Beth Anderson asked if H&H had a recommendation in regards to the collar. Steve Lemanksi stated based on the City's assets and liabilities the recommendation needs to be more than $400K. Steve Lemanski also stated he would recommend a consideration of a new amortization schedule but would recommend that once the Board has made a decision regarding the discount rate. Steve Lemanski stated the Board currently uses a 30 year amortization but industry standards are current 15-20 years.

Beth Anderson stated there are three decisions for the Board to consider, one, rate of return, two, going from 30 year to 20 year amortization, and three, 10 year to 5 year smoothing. Steve Lemanski stated looking at the rate of return first is correct because it is the most powerful assumption with impacts.

8. ***<u>Possible Executive Session – Discussion regarding Investment Advisor RFP:</u>***
   Beth Anderson moved to enter executive session, Pat Robins 2nd. Motion carries 7.0. Enter executive Session 10:20am.
   Pat Robins motion to exit executive session. Munir Kasti 2nd. Exit executive session 10:30am

9. ***<u>Review and Approve Annual City Council Letter from the Board</u>***
   Pat Robins moved to approve letter as presented. Benjamin O'Brien 2nd. Motion carries 7:0

10. ***<u>Investment Policy Statement – Final Review and Approve</u>***
    Pat Robins moved to approve statement as presented. Benjamin O'Brien 2nd. Motion carries 7:0

11. ***<u>Schedule Next Meeting of the Retirement Board:</u>***
    October 31, 2019 and November 20, 2019.

12. ***<u>Other Business:</u>***
    No other business.

13. ***<u>Adjourn:</u>***
    Munir Kasti moved to adjourn. Pat Robins 2nd motion carries 7:0