BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

James T. Strouse
Chairman of the Board
Robert Hooper
Vice-Chairman

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

SPECIAL MEETING
Retirement Board Meeting Agenda
Conference Room 12
Thursday August 31, 2017 – 8:30 AM

1. Agenda
2. Public Forum
3. Approve Minutes of 07/19/2017
4. Ratify / Approve Refund and Rollovers
5. Approval of Retirement Applications
6. Discussion and Award of Actuarial Services RFP
7. Other Business
8. Adjourn

Non-Discrimination
The City of Burlington will not tolerate unlawful harassment or discrimination on the basis of political or religious affiliation, race, color, national origin, place of birth, ancestry, age, sex, sexual orientation, gender identity, marital status, veteran status, disability, HIV positive status or genetic information. The City is also committed to providing proper access to services, facilities, and employment opportunities. For accessibility information or alternative formats, please contact Human Resources Department at 865-7145.

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802-865-7097
7-1-1 (TTY)

CITY COUNCIL REPORT

FOR June 2017

MISSION

The mission of the Retirement Board as defined by the Ordinance is to be trustees of the funds of the retirement system. The Board has the authority to invest funds, determine asset allocation within guidelines, develop the guidelines, and hire such managers and consultants as may be needed. The Board also sets policy and oversees the general administration of, and has the responsibility for, the proper operation of the retirement system. The Board makes decisions on disability applications and follow-ups.

HIGHLIGHTS

The market value of assets as of June 30, 2017 was $175,690,863 compared to a market value as of June 30, 2016 of $155,435,217. Investment performance, gross of fees, for the fiscal year was approximately 14.1% putting us in the 15th percentile of public funds for the year. On a net basis our percentile ranking would be even better.

As part of the portfolio restructuring process (refer to the 2016 Annual Report) the Board decided to place $15 million of the amount allocated to the Fixed Income in a real estate investment. This was done in recognition of the current low interest rate environment that persists and reflected the Board's desire to increase, on a net basis, those returns. The Board reviewed several potential managers and ultimately decided to interview three of them: Principal Real Estate, UBS and Bailard Real Estate. The Board ultimately decided to go with the safest strategy (Core Real Estate) since we are using it as a bond substitute and selected UBS as the manager.

Our actuarial assumed rate of return (currently 8%) continued to be a topic of discussion. The Board seems to have consensus of thought that the rate should be further analyzed with the understanding of the plus's and minus' of lowing the rate. We are waiting to see the effects of

recent changes in some of our methodologies and what the financial outcomes have been. The Board is sensitive to the fact that reductions in this rate can produce substantial increases in costs. More on this to come.

Significantly, the Board approved the City's sending out an RFP for pension software. This RFP resulted in the selection of Pension Technology Group (PTG) and as a result of another RFP for project management services, LRWL, Inc. was chosen to oversee the conversion process. The implementation of this software will bring our pension administration from 3 x 5 cards into the modern world. Special thanks and acknowledgement are given to Rich Goodwin for his diligence and hard work in bringing this about.

The Board adopted a procedure to be followed for any requests from an outside source for any asset divestiture. This is posted on our website.

It is anticipated that an RFP for actuarial services will be put out soon and that, if our current actuary is not selected, we will experience a significant data conversion prior to year end.

At the time of this writing there are 925 active members of the Retirement System, 703 retirees and beneficiaries, and 372 members who have left service with vested benefits. Pension benefits average about 1,215,517 per month.

The FY 2017 members of the Board are James Strouse, Robert Hooper and Jeffrey Wick (now resigned), who are appointed by the City Council with Mayor presiding, Robert Rusten, Chief Administrative Officer, who is the Ex-Officio member, Lt. Benjamin O'Brien, Fire and Cpl. Daniel Gilligan, Police who are elected by the Class "A" employees and Munir Kasti and Matthew Dow, who are elected by the Class "B" members.

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James T.Strouse, Chairperson

OFFICE OF THE CLERK/TREASURER
City of Burlington

City Hall, Room 20, 149 Church Street, Burlington, VT 05401

Voice (802) 865-7000
Fax (802) 865-7014
TTY (802) 865-7142

Date: August 31, 2017

To: Burlington Employee's Retirement System

From: Bob Rusten, Chief Administrative Officer
Rich Goodwin, Director Financial Operations,
Stephanie Hanker, Retirement & Liability Insurance Administrator

Re: Recommendation For Actuarial Services

Burlington Employees' Retirement System -Actuarial Vendor Selection Recommendation

After the completion of the development and posting of a detailed and focused Actuarial Service request for proposal, subsequent exhaustive review of respondents' service and cost proposals, taking part in detailed finalist presentations, verification of client references and based on the weighted scoring results of all aforementioned tasks, the evaluation team's recommendation is to select Hooker and Holcombe's proposal.

The selection of H&H were based on the following five categories:

1. Level of Service commitment to the City of Burlington
2. Willingness and ability to provide ideas on potential opportunities to reduce the systems unfunded liability
3. Positive Results of reference checks
4. Commitment to collaborate and partner with the City of Burlington on the several different facets involving retirement benefits from union negotiations to cost projections
5. Ability to be proactive in contacting the City of Burlington in the cases when data provided seem out of the norm

The summarized rationale for recommending Hooker & Holcombe (H&H) is:

- H&H was the only respondent among the initial four vendors that successfully responded to virtually all of the requirements stated within the RFP without exceptions
- Their thorough and thoughtfully prepared RFP response and subsequent presentation demonstrated that H&H understood: BERS' business and actuarial needs, the nature of the procurement services, scope of actuarial valuation services, scope of OPEB services, scope of

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consulting services, importance of service pricing and a well-defined performance and response time criteria

- During the H&H presentation the service team clearly communicated their BERS' service solution, specifying its components at a detailed level and explained their BERS' scope of service rationale
- By far, H&H presented the most substantive response to the presentation requirement by being the only presenter to fully address and leverage BERS current and past financial data and offer BERS specific alternate options
- Their presentation and supporting documentation was organized, as requested, and presented by the actual actuarial service team members, which were highly professional in appearance and knowledgeable on their respective presentation service content
- It was entirely obvious from their presentation that H&H had done their homework on BERS' actuarial needs and they had provided service solutions that were entirely compatible to BERS' needs
- H&H detailed their set of well-developed proven methodologies and procedures
- H&H clearly communicated their understanding of BERS' retirement data and the importance of BERS' benefit calculation requirements
- H&H recognized the importance of the implementation process by illustrating their process and timeline, and clearly addressing questions about the process with BERS

Combining the above items with the expected service improvements, the corporate commitment, experience and knowledge base of H&H and a reduction actuarial costs are the driving reasons for selecting H&H.

After interviewing both candidate companies provided reference checks were completed for H&H which resulted in positive feedback in the areas of response to support requirements, project management, timeliness and quality of service and reporting as well as other areas such as OPEB services.

It is important to note when reviewing the cost proposals for respondent vendors' the evaluation team found that the current actuary, Conduent (Buck), submitted the highest cost proposal for all respondents. In fact, the three year cost proposal bid from Conduent was approximately 42% higher than the winning bid from H&H for the same time period.

As stated above, the reasons for the evaluation committee's selection of H&H are numerous, and are further quantified in the overall actuarial services vendor scoring results detailed below.

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				H&H Vendor 1		CONDUENT (Buck) Vendor 2		GRS Vendor 3		Foster & Foster Vendor 4	
Level 1	Level 2	Weight Level 1	Weight Level 2	Raw Score (0-10)	Adj. Score	Raw Score (0-10)	Adj. Score	Raw Score (0-10)	Adj. Score	Raw Score (0-10)	Adj. Score
Offered Services	Actuarial Service Features (B-1)	40%	40%	8.5	13.60	8.5	13.60	9.0	14.40	8.0	12.80
	OPEB Service Features (B-2)		25%	8.5	8.50	8.5	8.50	9.0	9.00	7.5	7.50
	Consulting Serivce Features (B-3)		35%	8.5	11.90	8.5	11.90	9.0	12.60	7.5	10.50
	Sub-Total		100%		34.00		34.00		36.00		30.80
						8.5					
Respondent's Qualifications (including Presentation)	Vendor Information (A-2)	25%	30%	8.0	6.00	8.5	6.38	9.0	6.75	7.5	5.63
	Required Services and Deliverables (B)		30%	8.5	6.38	8.5	6.38	9.0	6.75	7.5	5.63
	Actual Onsite Presentation		40%	8.8	8.80	0.0	0.00	8.5	8.50	0.0	0.00
	Sub-Total		100%		21.18		12.75		22.00		11.25
Reference Checks	Reference Checks	15%	100%	9.0	13.50	0.0	0.00	9.0	13.50	0.0	0.00
	Sub-Total		100%		13.50		0.00		13.50		0.00
	Total Technical Score				68.68		46.75		71.50		42.05
Cost	Project Cost	20%	100%	15.00	30.00	11.00	22.00	12.00	24.00	13.00	26.00
	Sub-Total		100%		30.00		22.00		24.00		26.00
	TOTAL SCORE	100%			98.68		68.75		95.50		68.05

Note: The chart above details the weighted service scores received for each of the respective four vendors. (Only the finalist had scores for actual onsite presentation and reference checks.)

It is important to note, when reviewing the cost proposals for respondent vendors' the evaluation team found that the current actuary, Conduent (Buck), submitted the highest cost proposal for all respondents. In fact, the fixed three-year cost proposal bid from Conduent was approximately 41% higher than the winning bid from H&H for the same services within the same time-period.

This cost difference excludes the benefit calculation certifications costs, where once again Conduent's rate was found to be much higher, more than twice as much, then H&H's rate. Below is a summary of the submitted cost proposals.

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Conduent (Buck)				
Service Deliverable	**Fixed Fee Year 1**	**Fixed Fee Year 2**	**Fixed Fee Year 3**	**Total Fix Fee**
Draft/Final Funding Valuation	$ 25,500.00	$ 26,300.00	$ 27,100.00	
Draft Final GASB 67/68 Valuation Reports	$ 12,000.00	$ 12,400.00	$ 12,800.00	
Experience Study	$ 25,000.00	$ -	$ -	
OPEB Services	$ 15,000.00	$ 15,400.00	$ 15,800.00	
	$ 77,500.00	**$ 54,100.00**	**$ 55,700.00**	**$ 187,300.00**
Benefit Calculation Certifications	$370 each			
Position/Title Hourly Rate				
Principal	$ 496.00			
Director	$ 452.00			
Senior Consultant	$ 404.00			
Senior Associate	$ 340.00			
Assciate	$ 302.00			

Hooker & Holcombe				
Service Deliverable	**Fixed Fee Year 1**	**Fixed Fee Year 2**	**Fixed Fee Year 3**	**Total Fix Fee**
Draft/Final Funding Valuation	$ 28,500.00	$ 29,000.00	$ 29,500.00	
Draft Final GASB 67/68 Valuation Reports	Included	Included	Included	
Experience Study	$ 18,000.00	$ -	$ -	
OPEB Services	$ 12,500.00	$ 2,500.00	$ 12,500.00	
	$ 59,000.00	**$ 31,500.00**	**$ 42,000.00**	**$ 132,500.00**
Benefit Calculation Certifications	$180 each			
Position/Title Hourly Rate				
Consultant/Actuaries	$260-$440			
Analysts/Technicains	$150-$260			
Support	$100-$160			

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DRAFT
August 31, 2017
Special Meeting of the Burlington Employees' Retirement Board
Conference Room 12

Board Members Present:

- Jim Strouse
- Munir Kasti
- Bob Rusten
- Matthew Dow
- Roger Stone
- Robert Hooper

Others Present:

- Stephanie Hanker
- Richard Goodwin
- Kimberly Sturtevant

Called to order at 8:30am

1. ***Agenda***:
   No changes

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

3. ***Approve Minutes of 07/19/2017***
   Bob Hooper moved to approve the minutes as presented. Bob Rusten 2nd.
   Motion carries 6:0

4. ***Ratify/Approve Refund and Rollovers***
   Bob Hooper moved to approve the refunds and rollovers as presented.
   Munir Kasti 2nd. Motion carries 6:0

5. ***Approval of Retirement Applications:***
   Bob Hooper moved to approve applications as presented. Matthew Dow 2nd.
   Motion carries 6:0

6. ***Discussion and Award of Actuarial Services RFP:***
   Bob Rusten stated two actuary service companies had been interviewed by himself, Rich Goodwin, Roger Stone, Jim Strouse and Stephanie Hanker. After

completing the interviews and follow up reference checks, Hooker and Holcombe scored the highest in the categories that were set. Bob Hooper moved to advance the approval for a contract for new actuarial services to the Board of Finance and City Council to be performed by Hooker and Holcombe. Roger Stone 2nd. Motion carries 6:0

7. ***Other Business:***

Jim Strouse reviewed the annual report of the Board to the City Council. Bob Rusten moved to approve the annual report to the City Council with the changes as agreed. Munir Kasti 2nd. Motion carries 6:0

Munir Kasti stated that several employees have approached him and have questions regarding their retirement benefits. Munir Kasti requested that Stephanie Hanker present information to the Electric Department. Bob Rusten stated that Munir should collect questions from the employees and send to Stephanie Hanker so she is able to prepare answers prior to scheduling a presentation.

8. ***Adjourn:***

Bob Rusten moved to adjourn. Matthew Dow 2nd. Motion carries 6:0