BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

Robert Hooper
Chairman of the Board
Munir Kasti
Vice-Chairman

Stephanie Hanker
Retirement Administrator
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Special Meeting
Retirement Board Meeting Agenda
City Hall Conference Room 12
July 16, 2019 10:00am

1. Agenda
2. Public Forum
3. Approve Minutes of April 29, 2019 & May 20, 2019
4. Ratify Refund and Rollovers
5. Approve Bills
6. Modeling: Asset Allocation, Active Fixed Income
7. Performance Report – June 30, 2019 Prelim
8. Executive Session – Future Procurement Contracts
9. Schedule Next Meeting of the Retirement Board
10. Other Business
11. 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.

City of Burlington
Table 1 - Asset Allocation

	(1) Cooperative	(2) Scaled	(3) Burlington	(4) Proposed	(5) NKC
US Equity	40%	35%	48%	41%	40%
Foreign Equity	16%	14%	20%	20%	25%
US Fixed	30%	26%	20%	25%	25%
Foreign Fixed	5%	4%	0%	0%	0%
Alternative	12%	11%	4%	4%	0%
Real Estate	9%	8%	8%	10%	10%
Cash	2%	2%	0%	0%	0%
Total	**114%**	**100%**	**100%**	**100%**	**100%**

Our Consultant's Cooperative has a composite comprised of 443 portfolios in the Public Fund Universe. Mix 1 represents median distribution values for seven asset classes and subclasses. Median values do not always sum to 100% (and in this case they do not). In Mix 2 we have scaled them proportionately to 100%. We believe Mix 2 fairly represents the current state of asset allocations for public plans of all sizes.

Relative to the average plan (Mix 2), our plan (Mix 3) has more domestic and foreign equity, less alternatives and fixed income.

Mix 4 is a proposed allocation shift with more fixed income and slightly more real estate, both taken from domestic equity. Mix 5 is an existing public fund client of ours, North Kansas City, with a similar asset allocation. NKC has indexed equity, active management for real estate and fixed income. NKC retunrs and ranks are on the following page.

MANAGER PERFORMANCE SUMMARY - GROSS OF FEES

Portfolio	(Universe)	Quarter	FYTD	1 Year	3 Years	5 Years	10 Years or Inception	
Total Portfolio	(Public Fund)	9.3 (24)	0.3 (44)	4.2 (48)	9.5 (9)	7.0 (11)	11.1 (9)	03/09
Manager Shadow		***8.9 ----***	***-0.1 ----***	***3.8 ----***	***8.9 ----***	***7.3 ----***	***10.6 ----***	***03/09***
Vanguard Inst	(LC Core)	13.7 (37)	-1.7 (36)	9.5 (25)	13.5 (33)	10.9 (35)	10.7 (33)	12/13
S&P 500		***13.6 ----***	***-1.7 ----***	***9.5 ----***	***13.5 ----***	***10.9 ----***	***10.7 ----***	***12/13***
Vanguard Extended	(Smid Cap)	16.0 (40)	-5.1 (41)	5.0 (38)	13.4 (37)	8.0 (50)	8.1 (48)	12/13
S&P Completion		***16.0 ----***	***-5.2 ----***	***4.8 ----***	***13.2 ----***	***7.8 ----***	***7.9 ----***	***12/13***
Vanguard Developed	(Intl Eq)	10.3 (56)	-4.2 (66)	-4.6 (39)	7.7 (64)	2.8 (72)	2.8 (75)	12/13
Blended Index		***10.2 ----***	***-4.4 ----***	***-4.4 ----***	***7.5 ----***	***2.9 ----***	***2.9 ----***	***12/13***
Vanguard Emerging	(Emerging Mkt)	11.4 (35)	4.4 (26)	-6.7 (37)	10.0 (57)	3.7 (64)	3.5 (67)	12/13
Emg Mkts Index		***11.2 ----***	***4.1 ----***	***-6.4 ----***	***9.5 ----***	***3.6 ----***	***3.4 ----***	***12/13***
Bailard		2.8 ----	5.0 ----	10.4 ----	12.0 ----	---- ----	12.3 ----	12/15
NCREIF ODCE		***1.4 ----***	***3.2 ----***	***7.5 ----***	***8.0 ----***	***10.2 ----***	***8.1 ----***	***12/15***
Johnson	(Core Fixed)	3.6 (12)	4.9 (26)	5.0 (18)	---- ----	---- ----	3.3 (40)	12/16
Aggregate Index		***2.9 ----***	***4.6 ----***	***4.5 ----***	***2.0 ----***	***2.7 ----***	***2.9 ----***	***12/16***

City of Burlington
Table 2 - Scenario Analysis

	Mix 3 Burlington	Mix 4 Proposed
2007	10.37	10.95
2008	-28.25	-25.99
2009	23.76	20.57
2010	15.55	14.36
2011	0.41	1.29
2012	13.99	13.17
2013	18.96	16.57
2014	7.42	7.46
2015	0.05	0.59
2016	9.80	8.87
2017	17.33	16.43
2018	-4.80	-3.94
Annualized Return	7.14	6.85
Standard Deviation	13.93	12.57
Peak Value (Pre-GFC)	$222.0mm	$222.0mm
Trough Value (Q1 2009)	$146.7mm	$152.9mm
Quarters to return to peak	7 Quarters	7 Quarters
Terminal Value	$426.0mm	$413.6mm

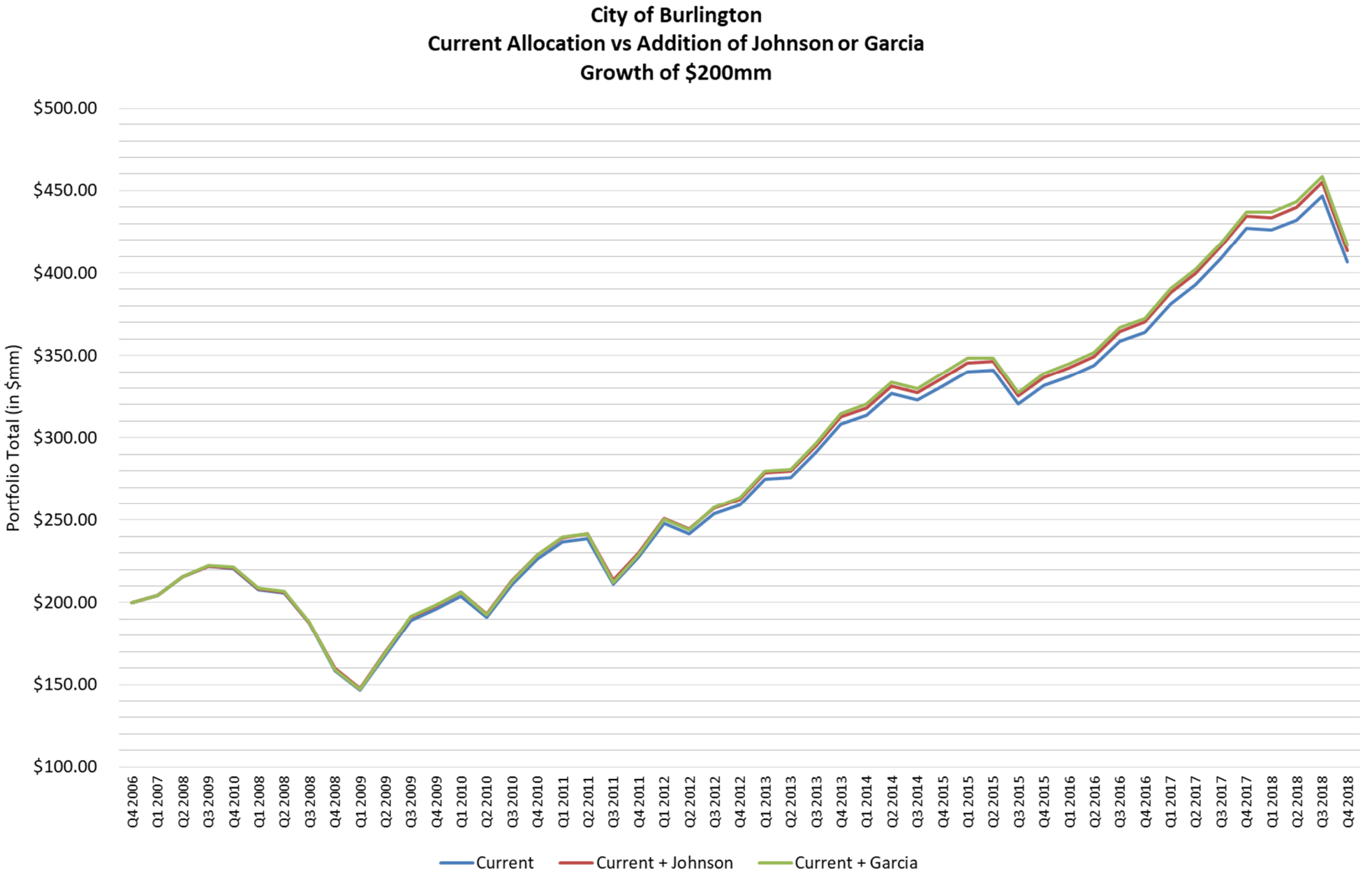
Mix 3 - Current Mix:
30% SAP5 / 18% R2500 / 10% EAFE / 10% MSCIEM / 2% CAMBPE / 8% NCRODCE / 2% NCRTIM / 20% SLAGG
Mix 4 - Proposed Mix:
30% SAP5 / 11% R2500 / 10% EAFE / 10% MSCIEM / 2% CAMBPE / 10% NCRODCE / 2% NCRTIM / 25% SLAGG

In Table 2 we use a starting value of $200mm and compare Mix 3 (Burlington Current) and Mix 4 (Burlington Proposed) using real returns from 2007-2018, focusing on 1) declines in value during the Great Financial Crisis and 2) terminal value. We believe this type of analysis better helps Trustees understand the tradeoffs they are making by expressing risk and reward in dollars as opposed to statistical abstractions.

Table 3
Recent Return Experience Backtest
Actual Portfolio Returns vs Johnson or Garcia Substituted

		Burlington Actual		Johnson Substitution		Garcia Substitution	
Quarter Ending	Cash Flow	$	Return	$	Return		
1215	-	$152,539,462		$152,539,462		$152,539,462	
0316	$(1,730,879)	$152,539,462	1.04%	$152,649,192	1.11%	$152,650,254	1.11%
0616	$ 266,995	$155,410,683	1.73%	$155,568,152	1.76%	$155,478,708	1.70%
0916	$ 1,983,503	$163,820,244	4.07%	$164,107,152	4.15%	$163,816,435	4.03%
1216	$ (54,598)	$166,411,368	1.57%	$166,802,799	1.63%	$166,624,413	1.70%
0317	$ (5,459)	$174,283,845	4.69%	$174,714,992	4.70%	$174,548,403	4.72%
0617	$(3,747,517)	$175,690,863	2.95%	$176,148,229	2.96%	$175,943,088	2.94%
0917	$ (46,149)	$182,544,230	3.89%	$183,013,255	3.89%	$182,699,733	3.83%
1217	$ (47,491)	$190,681,965	4.45%	$191,235,042	4.48%	$191,010,266	4.54%
0318	$ (48,887)	$190,107,926	-0.31%	$190,685,435	-0.30%	$190,717,048	-0.16%
0618	$(1,209,164)	$191,480,598	1.34%	$192,092,437	1.35%	$192,303,223	1.44%
0918	$(3,051,362)	$194,830,341	3.35%	$195,502,737	3.37%	$195,640,394	3.33%
1218	$ (47,255)	$176,920,863	-9.20%	$177,420,381	-9.26%	$177,479,164	-9.29%
0319	$ (38,269)	$193,271,386	9.23%	$194,004,186	9.33%	$193,687,239	9.12%

We used the actual cash flows and return stream of the portfolio from 1Q16 when the new strategy was instituted, and compared this with returns if Johnson or Garcia had been the manager of the fixed income allocation. Returns for Johnson and Garcia are expressed on a net-of-fee basis.


City of Burlington
Current Allocation vs Addition of Johnson or Garcia
Growth of $200mm
Portfolio Total (in $mm)
$500.00
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
Q4 2006
Q1 2007
Q2 2008
Q3 2009
Q4 2010
Q1 2008
Q2 2008
Q3 2008
Q4 2008
Q1 2009
Q2 2009
Q3 2009
Q4 2009
Q1 2010
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Q4 2015
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Current
Current + Johnson
Current + Garcia

PRELIMINARY PERFORMANCE SUMMARY

Name	QTD	FYTD	Market Value	Pct
Total Portfolio	2.5	5.2	$194,073,559	100.0
Burlington Manager Shadow Index	***2.8***	***5.6***		
Mellon NSL SIF	4.3	10.4	$59,542,425	30.7
S&P 500	***4.3***	***10.4***		
Mellon SL SMID SIF	3.0	1.9	$35,116,834	18.1
Russell 2500	***3.0***	***1.7***		
Mellon NSL INTL SIF	3.8	1.3	$18,996,950	9.8
MSCI EAFE	***4.0***	***1.6***		
Mellon NSL EM SIF	0.6	1.3	$19,477,165	10.0
MSCI Emerging Markets Net	***0.6***	***1.2***		
Hamilton Lane Secondary Fund II	0.0	-8.0	$202,300	0.1
Hamilton Lane Fund VII Series A Offshore *	0.0	12.5	$811,856	0.4
Hamilton Lane Fund VII Series B Offshore *	0.0	-4.8	$554,489	0.3
Cambridge US Private Equity	***0.0***	***8.7***		
UBS Trumbull Property **	-3.7	0.0	$16,370,180	8.4
NCREIF NFI-ODCE Index	***0.0***	***5.4***		
Molpus Woodlands Group SWF II *	0.0	2.2	$2,821,520	1.5
NCREIF Timber Index	***0.0***	***1.9***		
Mellon NSL IGC BIF	2.6	6.9	$39,599,288	20.4
Intermediate Gov/Credit	***2.6***	***6.9***		
Key Bank Cash	0.0	0.0	$580,552	0.3
90 Day T Bill	***0.6***	***2.3***		

* Market values seen have been adjusted for any contributions and distributions that occurred during the quarter.

** A final statement was not available at the time of this report. Values shown are preliminary.

Draft
July 16, 2019
Burlington Employees' Retirement Board
City Hall, Conference Room 12

Board Members Present:

- Beth Anderson
- Robert Hooper
- David Mount
- Pat Robins
- Matthew Dow

Others Present:

- Stephanie Hanker
- Justin St. James
- Richard Goodwin
- Bob Rusten
- Barry Bryant – Dahab Associates

Called to order at 10:00am

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

2. ***Public Forum***:
   Jim Strouse is present no comments presented.

3. ***Approve Minutes of April 29, 2019 & May 20, 2019:***
   Beth Anderson moved to approve the presented minutes. Matthew Dow 2nd. Motion carries 5:0

4. ***Ratify Refunds/Rollovers:***
   Pat Robins moved to approve/ratify the presented refunds and rollovers. Beth Anderson 2nd. Motion carries 5:0

5. ***Approve Bills:***
   Pat Robins moved to approve the minutes as presented. David Mount 2nd. Motion carries 8:0

6. ***Performance Report – June 30, 2019 Prelim***
   Barry Bryant presented a preliminary performance report for June 30, 2019 Barry Bryant stated to the Board that currently UBS Trumbull is not performing to benchmark and should consider an RFP to talk to other

comparable funds as well as the Board should speak with UBS to have an update on performance. Barry Bryant stated he could have other companies in approximately two months to present. Barry Bryant stated that it does not mean that by producing an RFP that the Board would have to leave UBS but could see the options. Beth Anderson stated the City Attorney's Office should review the RFP. Barry Bryant stated he will attend the meeting September 03, 2019 and review the RFP.

The Board spoke about the presentations made for a Core Fixed Income Manager.

Pat Robins moved to choose Johnson Asset Management based on returns and all around Board approval. Matthew Dow 2nd. Motion carries 5:0

7. ***Modeling: Asset Allocation, Active Fixed Income:***
   Bob Hooper stated this topic can be visited in September.

8. ***Executive Session – Future Procurement Contracts:***
   Beth Anderson moved to enter into executive session to include Bob Rusten. Pat Robins 2nd. Motion carries 5:0 Board enters executive session 11:37am. Beth Anderson moves to exit executive session. Pat Robins 2nd. Motion carries 5:0 Board exits executive session 11:51am.

9. ***Schedule Next Meeting of the Retirement Board:***
   Schedule via Email

10. ***Other Business:***
    None.

11. ***Adjourn***:
    Matthew Dow moved to adjourn. Beth Anderson 2nd. Exit 11:53am