BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

Robert Hooper
Chairman of the Board
Munir Kasti
Vice-Chairman

Special Meeting
Retirement Board Meeting Agenda
City Hall Conference Room 12
June 24, 2019 1:00pm

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

1. Agenda
2. Public Forum
3. Modeling: Asset Allocation, Active Fixed Income
4. Demonstration – Pension Outsourcing – Hooker and Holcombe
5. Approve Minutes of April 29, 2019 & May 20, 2019
6. Ratify Refund and Rollovers
7. Approve Retirement Applications
8. Approve Bills
9. Schedule Next Meeting of the Retirement Board
10. Other Business
11. Adjourn

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

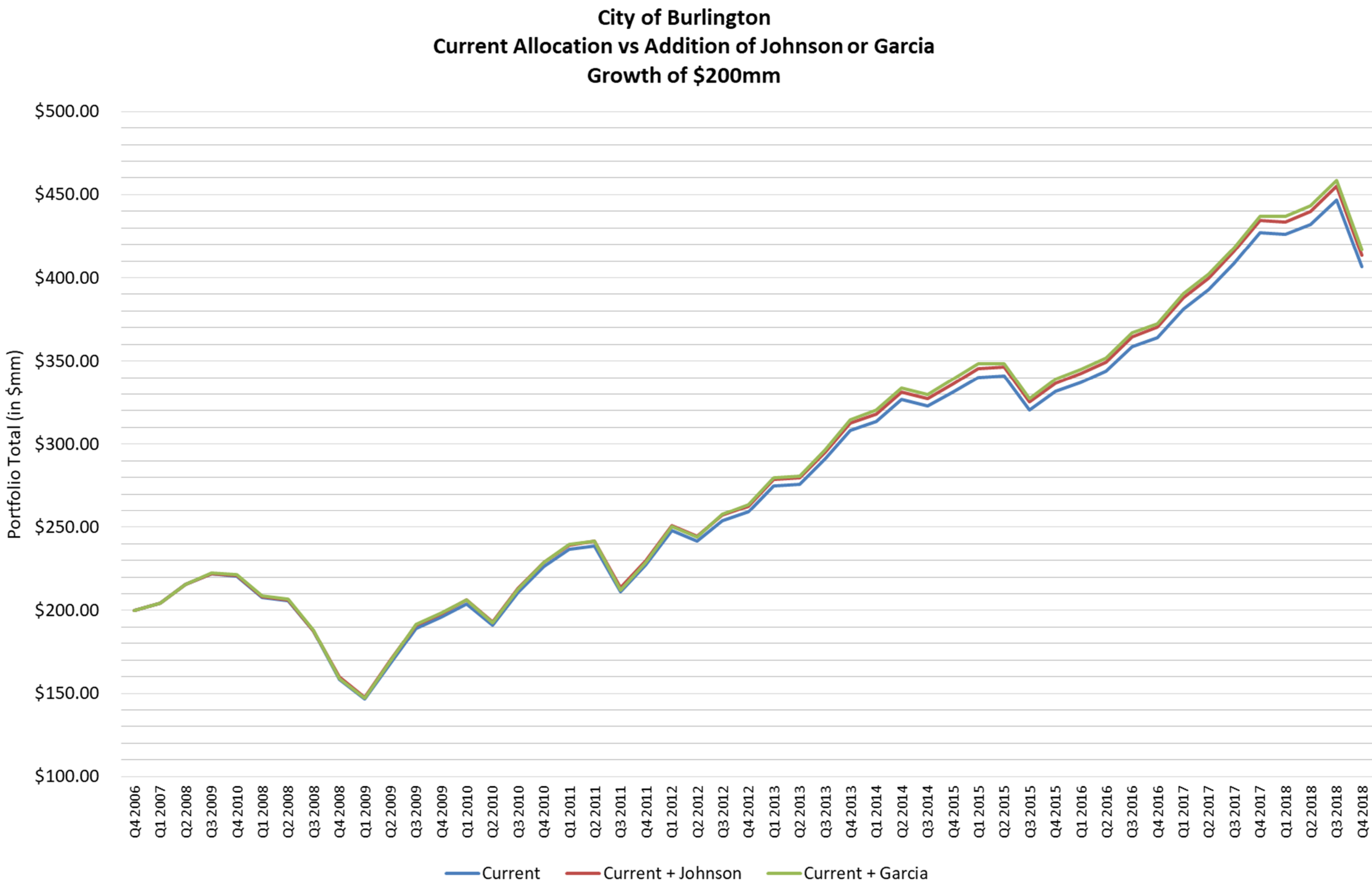
Mix 3 - Current Mix:
30% SAP5 / 18% R2500 / 10% EAFE / 10% MSCIEM / 2% CAMBPE / 8% NCRODCE / 2% NCRTIM / 20% SLAGG
Mix 4 - Proposed Mix:
30% SAP5 / 11% R2500 / 10% EAFE / 10% MSCIEM / 2% CAMBPE / 10% NCRODCE / 2% NCRTIM / 25% SLAGG

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 2015
Q2 2015
Q3 2015
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

Burlington Employees' Retirement System (BERS)

Modernizing your pension plan administration

Meet your presenters

hooker & holcombe

Marc Condon, FSA, MAAA
Pension Administration Consultant

- Over 28 years of experience providing retirement services to defined benefit plan sponsors
- Responsible for ensuring seamless participant data management, benefit calculations and retirement payment processing through the web-based portal
- In addition to pension administration, expertise includes funding and accounting valuations, plan design consulting, cost projections, benefit certifications and experience studies

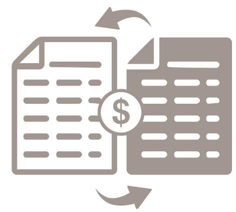
Cathleen Falconer
Team Leader and Actuarial Specialist

- **Implementation lead for Pension Outsourcing services**
- Over 20 years experience in the retirement services industry
- In-depth actuarial expertise with Qualified and Non-Qualified Plans

Simplifying pension administration

hooker & holcombe

Pension Outsourcing Program



PensionEdge® Plus

- Maximum flexibility for busy plan sponsors
- Supported by knowledgeable service center representatives
- Driven by PensionEdge® Plus online technology
- Comprehensive solution that meets your needs

- Web-based portal providing a single source of data
- No hardware or software to purchase
- Real-time reports
- Online newsfeed and communications
- WorkTrack, an online “assistant” to maximize plan sponsor efficiency
- Integrated valuation data
- Online user guides and on-site training
- Paperless documents
- State-of-the-art security

Support Services Center

PensionEdge® Service Center provides prompt answers and assistance to both plan sponsors and their participants

PensionEdge® Service Center

- Answer participant questions via call center and email
- Maintain audit trail of verbal and written participant correspondence
- Assist with website navigation and completion of election forms

Benefit payment services

- Interface directly with payor of benefits
- Process ongoing benefit payment maintenance (i.e., withholding, address, delivery changes)
- Reconcile monthly benefit payment activity
- Take action on death audit reporting

Forms processing and auditing

- Manage benefit election process from initiation to payment
- Audit of returned benefit election forms
- Communicate with participants to achieve good-order forms

Staffed with experienced pension plan specialists with in-depth knowledge of your plan:

- Average tenure of 12 years
- Certifications include Series 6 license and ASPPA Defined Benefit Administration Certification
- Lead representative assigned to your plan

hooker & holcombe

1 Id IDENTIFY | 2 Ac ACHIEVE | 3 Ex EXCEED

The elements of success

Together we will

- **identify** your challenges and opportunities
- **achieve** your goals
- **exceed** your expectations

Pension Outsourcing demo page

https://hhconsultants.com/bers.aspx

Draft
June 24, 2019
Burlington Employees' Retirement Board
City Hall, Conference Room 12

Board Members Present:

- Ben O'Brien
- Beth Anderson
- Robert Hooper
- Munir Kasti
- David Mount
- Pat Robins
- Matthew Dow
- Dan Gilligan

Others Present:

- Stephanie Hanker
- Justin St. James
- Richard Goodwin
- Marc Condon – Hooker and Holcombe
- Cathleen Falconer - Hooker and Holcombe

Called to order at 1:07pm

1. ***<u>Agenda</u>***:
   Move agenda item #3 to next meeting

2. ***<u>Public Forum</u>***:
   Jim Strouse

3. ***<u>Modeling: Asset Allocation, Active Fixed Income</u>***
   Moved to July meeting

4. ***<u>Demonstration – Pension Outsourcing – Hooker and Holcombe</u>***
   Hooker and Holcombe provided the Board with a demonstration of the pension outsourcing system. (Presentation online)

   Munir Kasti asked how this service would be paid for. Richard Goodwin stated that the cost would not come from the fund, but would be a shared cost and would be allocated throughout the City departments.

Pat Robins moved to endorse the implementation of the pension outsourcing system presented by the Administration. Dan Gilligan 2nd. Motion Carries 8:0

5. ***Approve Minutes of April 29, 2019 & May 20, 2019***
   Pat Robins moved to approve the minutes as presented. David Mount 2nd. Motion carries 8:0

6. ***Ratify Refunds and Rollovers:***
   Benjamin O'Brien moved to ratify the presented refunds and rollovers. Munir Kasti 2nd. Motion carries 8:0

7. ***Approve Retirement Applications:***
   Munir Kasti moved to approve the presented applications for retirement. Benjamin O'Brien 2nd. Motion carries 8:0

8. ***Approve Bills:***
   Matthew Dow moved to approve the presented bills. Dan Gilligan 2nd. Motion carries 8:0

9. ***Schedule Next Meeting of the Retirement Board:***
   Wait to see when Barry is available and Stephanie Hanker can schedule via email.

10. ***Other Business:***
    Pat Robins stated he would like to have a set schedule for future meetings.

11. ***Adjourn***:
    Matthew Dow moved to adjourn. Dan Gilligan 2nd. Exit 2:00pm