



BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

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

Stephanie Hanker
Retirement Administrator
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Retirement Board Meeting Agenda Burlington Electric Department March 26, 2015 – 9:00 AM

1. Agenda
2. Approve Minutes of 02/19/2015 – 02/27/2015 – 03/16/2015
3. Approval of Bills
4. Ratify Refund / Rollovers
5. Discussion of Performance and Timeline by Barry Bryant
6. Discussion of Actuarial Methods and Assumptions
7. Other Business
8. Adjourn

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March 26, 2015
Burlington Employees' Retirement Board
Burlington Electric

Board Members Present: Jim Strouse (via phone) Matthew Dow
Bob Rusten Jeff Wick
Daniel Gilligan Munir Kasti
Benjamin O'Brien

Others Present: Stephanie Hanker
Barry Bryant – Dahab
Kim Sturtevant

1. **Agenda:**

No Changes to the presented agenda

2. **Approve Minutes of 02/19/2015 – 02/27/2015 – 03/16/2015:**

Bob Rusten moved to approve minutes as presented. Daniel Gilligan 2nd.
Motion Carries 7:0

3. **Approval of Bill:**

Ben O'Brien moved to approve the presented bills. Jeff Wick 2nd. Motion
Carries 7:0

4. **Ratify Refund / Rollovers:**

Jeff Wick moved to approve the refunds and rollovers presented. Munir Kasti
2nd. Motion carries 7:0

5. **Discussion of Performance and Timeline by Barry Bryant:**

Barry Bryant from Dahab Associates presented the fund performance quarter ending December 2014. Barry stated as of December 31, 2014, the system was valued at \$158,377,811, a decrease of \$1,182,504 from the September ending value. Barry Bryant stated last quarter, the account recorded total net withdrawals of \$1,126,864 in addition to \$55,640 in net investment losses. Barry Bryant stated because there were no income receipts during the fourth quarter, the portfolio's net investment losses were entirely made up of capital losses. Barry Bryant stated for the cumulative period since December 2004, the portfolio has posted net withdrawals totaling \$11.3 million and recorded net investment gains totaling \$68.2 million. Barry Bryant stated that for the period since December 2004, if the fund had returned a compounded nominal rate of 8% it would have valued at \$202.7 million or \$44.3 million more than the actual value as of December 31, 2014. Barry Bryant stated, for the fourth quarter, the total portfolio returned 0.0%, which was 0.4% less than the Burlington Manager Shadow

Index's return of 0.4% and ranked in the 99th percentile of the Public Fund universe. Barry Bryant stated over the trailing year, this portfolio returned 4.3%, which was 0.8% above the benchmark's 3.5% return, ranking in the 90th percentile. Barry Bryant stated that since December 2004, the account returned 5.6% on an annualized basis and ranked in the 90th percentile.

Barry Bryant distributed a memo outlining moving from VPIC Performance Comparison and Timeline. Barry Bryant stated that the memo compare the BERS current VPIC allocation to three versions of a simplified portfolio. Barry Bryant stated he believes the simplified portfolio could cost less and have higher returns than the VPIC portfolio, and given BERS underfunded status he would conclude that such a portfolio would better suit BERS needs. Barry Bryant stated that BERS greatest long-term risk is failing to meet its actuarial assumption and a simple portfolio emphasizing equity for return and core fixed income for security might better suit that need than the VPIC portfolio. Barry Bryant stated with some of the recent changes to the VPIC portfolio it may improve performance during a market decline, but evidence this is inconclusive. Barry Bryant stated if BERS were to move the funds out of VPIC he recommends moving to all index funds, and then to some active management. Barry Bryant provided a timeline. Barry Bryant stated that in 2015 the following timelines and processes should be taken:

- 1Q15: The Board should make the decision to move from VPIC; initiate a custodial banking search.
- 2Q15: The Board will need to select a custodial bank; inform VPIC of their decision to withdraw at the end of the third quarter.
- 3Q15: The Board should perform an asset allocation study; select index funds for this allocation; transfer cash to these funds; and issue an RFP for an active core bond manager.
- 4Q15: The Board should select the active bond manager; issue an RFP for the global bond/tactical manager.

Barry Bryant stated for 2016 he would recommend the following steps be taken:

- 1Q16: The Board should execute a contract with the active domestic bond manager; transfer assets to that manager; select a global bond/tactical manager; issue an RFP for an active SMID manager.
- 2Q16: The Board should execute a contract with the global bond/tactical manager; transfer assets to that manager; select an active SMID manager.
- 3Q16: The Board should execute a contract with the selected SMID manager; transfer assets to the SMID manager.

- 4Q16: The Board should begin monitoring results for both the portfolio and the active managers; consider whether to add further active managers.

Barry Bryant stated the administration of the new portfolio is not as hard as it looks and feels that the City has the resources to handle this within the financial office for little if any additional costs. Barry Bryant stated the Board is doing most of what is required already. Bob Rusten stated that an outside chief investment officer could do all of the things required for this as well. Barry Bryant stated yes, instead of the Board doing these duties there are companies that will do it, the only down side being they charge for it. Bob Rusten stated the City Council has spoken in depth and taken next steps to address socially responsible investing. Barry Bryant stated it can quickly become a nightmare once you go down the line of companies you realize there is no end. Barry Bryant stated that VPIC has standards addressing socially responsible investing in the portfolio and while BERS is in VPIC, BERS does not have the authority to choose where VPIC invests. Barry Bryant stated he suggests reaching out to the State and talk to them about their policies, they are extremely knowledgeable and have creditability.

6. Discussion of Actuarial Methods and Assumptions:

Bob Rusten stated he received the spreadsheet from David Driscoll late the night before and has not had time to really look it over and some of the figures he did not understand. Bob Rusten stated he would like to hold a special meeting to give time to talk to David with Jim Strouse and have some of the questions answered and possibly receive a revised spreadsheet.

Matt Dow moved to adjourn, Ben O'Brien 2nd. Motion carries 7:0. Meeting Adjourned 10:30am.