March 20, 2014
Burlington Employees' Retirement Board
Burlington Electric Department

Board Members Present:	Jim Strouse (JS) via phone Munir Kasti (MK) Jeff Wick (JW) Matt Dow (MD) John Federico (JF) Bob Rusten (BR)
Others Present:	Susan Leonard (SL) Stephanie Hanker (SH) (Acting Secretary) Kimberly Stuartevant Barry Bryant - Buck Consultants

JS convened the meeting at 9:00am

1. ***Agenda***:
   JS stated no changes to the agenda
   Note there was no agenda amendment for Barry Bryant's presentation, I have inserted it under number 5

2. ***Approval of Minutes 02/12/2014 & 02/20/2014***:
   BR move to approve agenda, JW 2nd. Motion carries 6:0

3. ***Approval of Bills***:
   JS stated that there were no bills to approve in the packet. SH confirmed that there were no bills for this meeting.

4. ***Consideration of Retirement Applications***:
   JF asked in regards to Timothy Nulty's application how he could only have 11 months of service and be eligible for a retirement benefit. SH stated that Mr. Nulty was part of the IRS determination and because of his age at the time of hire he was not able to be a member of the retirement system, with the IRS determination letter the City needed to review who was denied membership based on age and go back and give the effected employees full vesting. SH stated the Mr. Nulty left employment and rolled his contributions over. At the time of the determination from IRS, Mr. Nulty was then given the option to opt back into the system and draw a benefit. SH stated that she did not know the full details of the situation and asked KS if she had detailed knowledge of how the determination worked, she stated she did not. The Board asked KS to bring back information on Mr. Nulty and how his benefit was calculated.

JW moved to approve the retirement application of Diana Carminati and to table Timothy Nulty's application until further information is provided by the City Attorney's Office, MD 2nd. Motion carries 6:0

5. ***Barry Bryant Performance Update***:
JS asked BR if we had received anything back from buck for the change to Dhab's forms. BR stated that a memo was sent to Board from Rich Goodwin, valuation accurate. JS was there an explanation in difference in rates of return, BR stated again there was a memo to board and there was an issue with cash. BB stated they had problems getting cash from City, not sure why, not available on timely bases had to base on what a reasonable person would assume. BR in terms of valuation accurate, yes it is.
BB reviewed the report provided for the performance review for December 2013. BB stated the economy was an average economic growth quarter; this is good enough to keep going. The market was a roaring bull market this quarter. We were the least dirty shirt in the pot. The portfolio yielded a 2.2% return; it ranked in the 98th percentile. The VPIC portfolio a little higher, 86th percentile. The medium return was 5.4%, why did VPIC not perform well, not enough time going over returns. Just because the return is bad does not mean the allocations are bad. Over the year the portfolio returned 6.9%, which was 2.6% less than the benchmark's 9.5% performance and ranked in the 96th percentile. The only thing that really helped was the bond substitutes. BB asked if the portfolio is too derailed, is this the right risk level for Burlington, versus the rest of VPIC. MK asked how are we going to get answers to those questions, we talked about this every meeting. BB stated he can not answer that question, all I can tell you what arguments are, tell you what the market is going to bring in my opinion, and that is the end of the analysis, you have to weigh the analysis. JW stated we are looking for someone to have a strong view we are not comfortable to make decisions. BR asked what BB role is, is part of the role assisting in the asset management for 10% of our assets. MK stated our responsibility is to invest the remaining 10% of the total portfolio, but I don't think we have invested the total 10% of the portfolio. BB stated there are some technical reasons. BB stated that the board was divided about the split, some didn't want to give any, some wanted to give all to VPIC, my impression is the people that wanted to give the money to VPIC and threw the bone of 10%, that is not enough to make a difference in the portfolio, had it been me I would have suggested to put it all in VPIC, but I wasn't here then, something I inherited. I suggested to not mirror VPIC's portfolio and suggested private equity. I suggested timber; it is bond like, but much higher returns. This portfolio has not done as well as VPIC. MK asked was is the total value of the three funds, what is the percentage of the total portfolio? BB stated that we are getting into granular issues and we should talk about that in another meeting and stick to the grand picture of how VPIC is doing. BB stated he strongly advises against the board getting involved in side issues, the board needs to decide if they are committed to VPIC or not. BB stated that if the

board is committed to VPIC you need to sign a 5-year contract and decide that this is how you are going. BB stated that 2.4% in Hamilton Lane, 2.2% in Molpus Timber and 2.3% in Martin Curry, so round numbers we have about 7% invested. BR stated that sounds right, VPIC said that we have about 92% invested. BB stated that it is not worth that much time and distraction. BR stated the board needed to decide our investment strategy then decide if VPIC is right for that decision. BB stated he was asked about the fees, you are now paying us a full consulting fee and NEACP a small fee, you are paying NEACP $25,000.00, we are offering to take the normal fee of $70,000.00 and reduce the fee by $25,000.00. JW asked if we had talked about this earlier. BB stated that he said at an earlier meeting we would do this when you make the VPIC decision. JW asked JS if we had already worked through this. JS stated that was his recollection as well. BB stated that he would bring something in writing for the next meeting (this meeting), but we can back date to the beginning of the year. BR asked if there were any other fees on the three funds through Dhab. BB stated you are paying the managers underlying fees about a percent in timber fund, Martin Curry about a percent paying through VPIC for the VPIC managers. BB confirmed the VPIC fees are $686,000.00. BR asked what the length of the fee structure is. BB stated it is put in place permanently. JW moved to accept BB offer of reduced fees effective 01/01/2014, MK 2nd. Motion carries 6:0.

BR stated that there needs to be a merging of the Retirement Committee and this Board. JF stated the board is who makes the decision and not confuse the committee's role. JW stated we needed to figure out what the process for this board is to come to some conclusions. JS stated that BB is whom the board is looking to for guidance for this. JS stated it was unfortunate at the same time we were forced into VPIC, but your role never really should have changed, we want you to bring ideas, to tell us your crazy to be in VPIC, but we need you to be more forceful with ideas for us. BB stated you are not spinning your wheels yet, I think it is appropriate to be very careful about these decisions, because they have profound implications you want to be sure. In terms of what I am expected to say.

1. Return: if you want to make higher returns, and you are willing to take the risk to do it, you are better off out of VPIC, because VPIC risk level cranked way down. Imagine you pull the money out and go into bare market and VPIC has nice returns and we are below them, what will that feel like. What are the chances I could make you more, not 100%.
2. Politics: There was a political will at the time the decision was made; politics is how humans do things. The original decision was to go into the collective entity, how will others react.
3. Consequence: If you pull the money out of VPIC you have to own it. I think the Board has the ability. It is much more of an emotional rollercoaster

4. Fees: If fees are the issue, we can probably use enough index funds to keep the fees to what they were before. I think we can keep fees comparable
5. Service: We could not have gotten better service than what we have gotten from VPIC. Pulling the money out would be a defeat for them, they have done everything possible to foster that.

MK stated if we keep the money there we are not getting our 8% and our underfunding continues to increase. MK asked how could we get to our assumed rate of return to reduce the underfunding and stop the bleeding. JW stated we should lower our expectations. MD stated that we could decide to manage this ourselves. BR stated that we could always take a percentage out of VPIC, does not have to be all or nothing. JF stated he does not think we have participated enough for influence. JF stated it is very difficult to manage that amount of money ourselves, lack of training and resources and time. JF stated VPIC is a safe place to be while we figure this out, not just the board but he politics. JF stated he does not think we are going to invest our way out of the underfunded liability. BB stated JF is correct; you are not going to invest your way out of the underfunding. MD stated we couldn't just keep spinning our wheels when coming up with an idea. BB stated that you do not represent the employees, where ever you come from, you take off that hat, you are responsible for defending the plan as written, to be sure the money is there to pay the benefit according to the plan. BR stated there are four components of what we need to look at assets, actuarial assumptions, model of the system and the amount of contributions; not one thing is going to solve our problem it will be a combination. BR stated this group is looking at some of those things and the committee is looking at some of these things, we need to hook up together, a sharing of conversation. BR asked if we have an investment policy. JS confirmed yes. BR stated we need to take a little more concentrated time together, it may be worth our doing that so we can come up with a resolution, so we are not talking about the same thing everything month. JF asked if we are certain year contract terms for VPIC. BB stated you could pull out at any time. BR stated the first conversation is what is our risk strategy, what are we trying to accomplish. MK stated we should review our policy.

6. ***Other Business***:

   JS stated if there was no change to 60th valuation this board needs to formally accept and send recommendation to CC to pay into the system the required amounts. BR 1st JW 2nd 6:0

JW moved to adjourn, MK 2nd. Motion carries 5:0. Meeting Adjourned 11:10am.

BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

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

Retirement Administrator
802-865-7097
VT Relay – dial 711 or
800-253-0191

Retirement Board Meeting Agenda
Burlington Electric Department
March 20, 2014 – 9:00 AM

1. Agenda
2. Approval of Minutes 02/12/2014 & 02/20/2014
3. Approval of Bills
4. Consideration of Retirement Applications
5. Presentation by Barry Bryant (Packets to by distributed at the meeting)
6. Discussion of Mayor's Letter to the Board regarding Divestment and Asset Allocation
7. Discussion of Expenses of the Retirement Fund
8. Other Business
9. Adjournment