**BURLINGTON RETIREMENT BOARD**
**CITY HALL, 1ST FLOOR BUSHOR CONF ROOM**
***OR***
**REMOTE MEETING WITH CALL-IN**
**BURLINGTON, VERMONT**
**MINUTES OF MEETING**
**DRAFT**
**November 20, 2023**

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|---|---|
| **MEMBERS PRESENT:** | Robert Hooper (Chair)<br>Munir Kasti (Vice Chair)<br>David Mount<br>Kyle Blake<br>Tom Chenette<br>Katherine Schad |
| **MEMBERS ABSENT:** | Patrick Robins<br>Matt Dow |
| **OTHERS PRESENT:** | Kate Pizzi<br>Hayley McClenahan<br>Steve Lemanski<br>Robert Lessard |

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## 1.0 CALL TO ORDER
Robert Hooper called the Retirement Board meeting to order at 9:33 AM.

## 2.0 PUBLIC FORUM (VERBAL)
2.01 Verbal Comments
None.

## 3.0 APPROVE MINUTES
3.1 October 16, 2023

**MOTION by David Mount, SECOND by Tom Chenette, to approve the minutes of October 16, 2023.**

**VOTING: unanimous; motion carries.**

## 4.0 APPROVE RETURN OF CONTRIBUTIONS

4.1 Daniela Puentes Jaimes, Class B $2,251.55, Effective Date of Benefit: 12/01/2023

**MOTION by Tom Chenette, SECOND by David Mount, to approve the return of contributions for Daniela Puentes Jaimes.**

**VOTING: unanimous; motion carries.**

4.2 Joseph Crites, Class B $2,811.29, Effective Date of Benefit: 12/01/2023

**MOTION by Tom Chenette, SECOND by David Mount, to approve the return of contributions for Joseph Crites.**

**VOTING: unanimous; motion carries.**

4.3 Cristopher R. Farnsworth, Class B $22,382.07, Effective Date of Benefit: 11/01/2023

**MOTION by Tom Chenette, SECOND by David Mount, to approve the return of contributions for Christopher R. Farnsworth.**

**VOTING: unanimous; motion carries.**

4.4 Denise A. Bailey, Class B $6,201.92, Effective Date of Benefit: 12/01/2023

**MOTION by Tom Chenette, SECOND by David Mount, to approve the return of contributions for Denise A. Bailey.**

**VOTING: unanimous; motion carries.**

4.5 Jordan Elizabeth Poirier, Class B $42,923.60, Effective Date of Benefit 12/01/2023

**MOTION by Tom Chenette, SECOND by David Mount, to approve the return of contributions for Jordan Elizabeth Poirier.**

**VOTING: unanimous; motion carries.**

4.6 Ravi Venkataraman, Class B $2,075.15, Effective Date of Benefit: 12/01/2023

**MOTION by Tom Chenette, SECOND by David Mount, to approve the return of contributions for Ravi Venkataraman.**

**VOTING: unanimous; motion carries.**

## 5.0 APPROVE RETIREMENT APPLICATIONS

5.1 Lise Veronneau, Class B $7,528.61, Effective Date of Benefit: 11/01/2023, Payment Date: 11/15/2023

**MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement application for Lise Veronneau.**

**VOTING: unanimous; motion carries.**

5.2 Robyn M. Miller

**MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement application for Robyn M. Miller.**

**VOTING: unanimous; motion carries.**

5.3 James MacKinnon

**MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement application for James MacKinnon.**

**VOTING: unanimous; motion carries.**

5.4 Craig E. Paradee

**MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement application for Craig E. Paradee.**

**VOTING: unanimous; motion carries.**

5.5 John Vickery

**MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement application for John Vickery.**

**VOTING: unanimous; motion carries.**

5.6 Suzanne T. Lamphere

**MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement application for Suzanne T. Lamphere.**

**VOTING: unanimous; motion carries.**

5.7 Barbara E. Kopacz, Class B $815.29, Effective Date of Benefit: 12/01/2023, Payment Date: 12/15/2023

**MOTION by David Mount, SECOND by Kyle Blake, to approve the retirement application for Barbara E. Kopacz.**

**VOTING: unanimous; motion carries.**

## 6.0 DISABILITY RETIREMENT APPLICATION

6.1 Effective Date of Benefit: N/A. Payment Date
Chief Administrative Officer Schad noted that this is a placeholder on the agenda and that there are no Disability Retirement Applications for the BERS Board to consider this month.

## 7.0 ADMINISTRATIVE UPDATE

7.1 CY2024 COLA approvals
Chief Administrative Officer Schad said that COLAs are issued by calendar year, per the City's charter, and that the rate of COLAs for different classes is dictated by contract. She noted that it is the BERS Board's charge to approve the COLAs. She pointed out where the BERS Board has discretion to not approve the COLA for certain classes and age groups if the funding levels aren't sufficient, though she recommended approving the full COLA for each class and age group as presented. Mr. Blake asked what impacted approving the COLAs would have on the funded ratios for the pension, and Mr. Lemanski replied that the actuaries have built assumptions into funded ratio projections that the COLAs would be approved.

**MOTION by Kyle Blake, SECOND by Tom Chenette, to approve the COLA increases as allowed by the COLA basis.**

**VOTING: unanimous; motion carries.**

## 8.0 INVESTMENT UPDATE

8.1 Investment Portfolio and Performance Update for October 2023
Ms. Pizzi began by providing an overview of asset class performance for October, 2023. She noted that she is also presenting Year to Date performance numbers through November 16, 2023, as the market has changed significantly since the end of October. She noted that strong economic data was put out in October, which actually had a negative impact on equity markets, as they are anticipating interest rates to stay higher for longer than anticipated. She noted that since the end of October, interest rates have decreased, leading investors to speculate that they may be dropping and causing positive increases in core bonds and other fixed income assets. She also noted strong returns in the last two weeks in equities across the board, though they had had poor performance in October. She noted poor October performance for the real asset markets, though there was a positive showing in the last two weeks.

Ms. Pizzi then spoke about asset allocation in the BERS portfolio. She noted that the total plan value is currently at approximately $208.3 million (which includes the prepaid pension benefits of about $2.3 million). She noted that 26% of assets are allocated to fixed income (slightly above the target allocation of 25%), about 69% are allocated to equities, and 4.5% to real assets (under the target of 6%). She noted that some redemptions have come in from the UBS Trumbull Property redemption pool (approximately $288,000).

Ms. Pizzi then provided an overview of the BERS portfolio performance. She noted that the portfolio is down 2.7% from last month overall (a decrease of $5.7 million) which is in line with the benchmark. She noted that the portfolio is down 5.9% fiscal year-to-date, and up 2.5% calendar year-to-date. She spoke briefly about manager performance.

## 9.0 ACTUARIAL UPDATE

9.1 Review and recommendations regarding 2023 Experience Study
Mr. Lemanski and Mr. Lessard of Hooker & Holcombe walked through the BERS 2023 Experience Study. Mr. Lemanski began by speaking about the purpose of the experience study. He said that the experience study was conducted using experience from July 1, 2017 through June 30, 2022 and that it analyzed the demographic and economic assumptions of the plan. He said that it compares current plan assumptions

against actual experience to determine whether the assumptions remain reasonable. He said that where experience is different enough, they update the assumptions. He said that this leads to less fluctuation in actual plan experience and gains/losses.

Mr. Lessard then outlined the demographic assumptions and proposed changes to assumptions based on experience in the study. Mr. Lessard spoke briefly about mortality assumptions, noting that they are proposing to change to different set of mortality tables, which were derived from the first-ever published mortality study of public sector experience. He spoke about retirement assumptions, noting that they are proposing decreasing the rate from 15-35 years of service to 15-30 years of service, given that members are retiring with fewer years of service than were used in previous assumptions. He said that within Class A, they should also consider separate retirement assumptions for Fire and Police. He noted that age-based retirement rates remain appropriate for Class B, with minor adjustments. He spoke about turnover assumptions, noting that service-based turnover rates remain appropriate for Class A, though experience suggests they should consider separate turnover assumptions for Fire and Police. He recommended that Class B assumptions for turnover use the same methodology as in prior experience studies, but with slightly increased rates. He then spoke about disability assumptions. He noted that Class A experience suggests that separate disability assumptions should be used for Fire and Police, and that Class B experience shows that there were fewer actual disabilities than expected, leading to the proposed rate decrease. He spoke briefly about the spouse age difference assumption, noting a proposed decrease from 3 years to 2 years in the assumption of the age difference.

Mr. Lemanski then spoke about the economic assumptions and proposed changes to assumptions based on the experience study. He spoke about inflation assumptions and COLAs. He noted that though recent inflation has been high, they do not believe this trend will continue indefinitely, and they have proposed an increase in the inflation assumption from 2.6% to 2.7%, an increase in payroll growth assumptions from 3% to 3.1% per year, and are proposing to keep COLAs at 2.6%, as it remains in line with long-term expectations. He spoke about rate of compensation increases (which include promotions and step increases in addition to general increases). He noted that for Class A, they are proposing separate assumptions for Fire and Police based on experience, and that the proposed Fire rates are generally slightly higher than the proposed Police rates at earlier service periods. He noted that there were proposed small adjustments to the rates for Class B. He noted that all rate increasers incorporate a long-term inflation assumption of 2.7%. Mr. Lemanski then spoke about COLA election assumptions, noting that the plan has full/half/no COLA election for determining accrual rates used to calculate a member's final benefit. He noted that new hires are only able to take a full COLA benefit, but people hired prior to certain dates in each class can take a large benefit with no COLA, a smaller benefit with half COLA, and a smaller benefit with full COLA. He noted that they are proposing to change the Class A assumption from 85 no COLA/15% full COLA to 80% no COLA and 20% full COLA, and the Class B assumption from 75% no COLA/25% full COLA to 70% no COLA/30% full COLA. He noted that experience has shown that people are electing to take the full COLA more often than the assumptions had anticipated, saying that some of this may be due to heightened inflation. Mr. Lemanski then spoke about investment return assumption, noting that they are proposing an assumption of 7.1% or lower, based on current capital market assumptions. He said that the final assumption should be selected in consultation with the BERS investment advisor.

The BERS Board discussed the experience study and the proposed changes to the assumptions presented by Mr. Lemanski and Mr. Lessard. Chief Administrative Officer Schad asked Ms. Pizzi whether her firm would advise selecting a rate of return assumption of 7.10%. Ms. Pizzi replied that 7.10% is a supportable rate, based on portfolio performance and asset allocation. Mr. Lemanski said that a possible alternative is that the BERS Board could adopt all other assumption proposals except for the proposed rate of return, and allow Hooker & Holcombe to true up both 2022 and 2023 with the updated assumptions. He said that they could revisit the topic of the rate of return assumption once that is complete and discuss it when they discuss the portfolio's direct rate smoothing and funding policy. Mr. Mount asked about funding ratios and what a good target funding ratio is based on what other public pension plans are seeing. Mr. Lemanski replied that a good target for funding ratios tends to be around 75%.Mr. Kasti noted that the BERS Board had previously approved a five-year plan to adjust the investment return assumption down to 7.00% in 2023, and asked why they would deviate from that. He also asked what was included in the study for depreciation and smoothing. Mr. Lemanski replied that funding policy (amortization and smoothing) will be discussed separately, and that they are just discussing assumptions at this juncture, and that funding policy will be discussed when the valuation results are presented. He said that while the policy recommended a 7.00% investment return assumption for 2023, they have analyzed experience from the past five years to recommend a different assumption, which they are proposing now.

**MOTION by David Mount, SECOND by Katherine Schad, to accept the proposed assumption changes as presented by Hooker & Holcombe, with the exception of the investment return assumption; further to request that Hooker & Holcombe prepare the FY23 valuation report using rate of return assumptions of 7.00% and 7.10%, so that the BERS Board may compare them and make a final decision on the investment return assumption.**

**VOTING: 3 ayes, 1 nay (Mr. Blake), 1 abstention (Mr. Chenette); motion carries.**

## 10.0 ADJOURN

10.1 Motion to Adjourn

The meeting adjourned at 11:05 AM.

*RScty: AACoonradt*