BURLINGTON RETIREMENT BOARD
CITY HALL, 1ST FLOOR BUSHOR CONF ROOM
OR
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
January 22, 2024

MEMBERS PRESENT:	Robert Hooper (Chair, via Zoom) Munir Kasti (Vice Chair) Patrick Robins (via Zoom) Tom Chenette David Mount Katherine Schad Matt Dow (via Zoom)
MEMBERS ABSENT:	Kyle Blake
OTHERS PRESENT:	Hayley McClenahan Darlene Baker Kate Pizzi Chris Rowlins Brad Long

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1.0 CALL TO ORDER

Munir Kasti called the Retirement Board meeting to order at 9:30 AM.

MOTION by David Mount, SECOND by Tom Chenette, to adopt the agenda.

VOTING: unanimous; motion carries (Patrick Robins absent for vote).

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments
None.

3.0 APPROVE MINUTES

3.1 December 18, 2023

MOTION by Munir Kasti, SECOND by David Mount, to approve the minutes of December 18, 2023 with corrections to add detail explaining Mr. Kasti's dissenting vote on pausing the rate of return assumption at 7.1%.

VOTING: unanimous; motion carries (Patrick Robins absent for vote).

4.0 APPROVE RETURN OF CONTRIBUTIONS

4.1 Bartlet, Sherman, Class B $575.90, Effective Date of Benefit: 01/01/2024

MOTION by Munir Kasti, SECOND by David Mount, to approve the return of contributions for individuals listed in 4.1-4.6 as a slate.

VOTING: unanimous; motion carries.

4.2 Kenneth C. Martel, Class B $363.91, Effective Date of Benefit: 02/01/2024
See item 4.1 above.

4.3 Malik A. Mines, Class B $6,064.02, Effective Date of Benefit 02/01/2024
See item 4.1 above.

4.4 Clayton D. Ellwood, Class B, $7,757.98, Effective Date of Benefit: 02/01/2024
See item 4.1 above.

4.5 Corey Souza, Class B, $27,732.56, Effective Date of Benefit: 02/01/2024
See item 4.1 above.

4.6 Jeffrey Padgett, Class B, $14,965.30, Effective Date of Benefit: 12/01/2023
See item 4.1 above.

5.0 APPROVE RETIREMENT APPLICATIONS

5.1 Chris A. Charbonneau, Class B, $2,972.88, Effective Date of Benefit: 12/01/2023, Payment Date: 12/15/2023

MOTION by Munir Kasti, SECOND by David Mount, to approve the retirement applications for individuals listed in 5.1-5.3 as a slate.

VOTING: unanimous; motion carries.

5.2 Lisa Craver, Class B, $90.63, Effective Date of Benefit: 02/01/2024, Payment Date: 02/15/2024
Mr. Chenette asked about the low dollar amount for Ms. Craver's benefit, and Chief Administrative Officer Schad replied that this was an instance where an individual worked for the City in 1979 for a relatively short stint of time and then went on to have a full career elsewhere.

Mr. Kasti asked for an analysis of how many pensions are in the system for $50 or less and $100 or less. Chief Administrative Officer Schad noted that she will work with staff to put this analysis together for next month's meeting.

See item 5.1 above for approval vote.

5.3 Richard W. Haesler, Class B, $1,810.05, Effective Date of Benefit: 02/01/2024, Payment Date: 02/15/2024
See item 5.1 above.

6.0 ADMINISTRATIVE UPDATE

6.1 Linda Tang pension benefit calculation
Chief Administrative Officer Schad provided an update on this benefit calculation. She noted that this individual worked both for the City and for the Burlington Electric Department, which fall under two different union contracts and pension plans. She said that they have collected the historical data around this case and need to meet with Mr. Kasti to make a determination about the best path forward and making a recommendation to this board. Assistant City Attorney McClenahan noted that in August 2022, a calculation was put before this board which was tabled, and it must be picked back up and either approved or replaced with another calculation.

7.0 FIDUCIENT

7.1 Investment Review as of 12/31/2023
Ms. Pizzi began by noting that the fiduciary governance calendar for Q4 includes conducting an investment review, which is what she will focus on during this item. She spoke about market themes, noting a widely forecasted recession in 2023 that failed to materialize, moderated rates of inflation, and that narrow market leadership of U.S. technology stocks during 2023 has created potential opportunities in other market segments. She noted that one of Fiducient's focuses in the BERS portfolio, given the market uncertainty over the past year, has been to build a resilient portfolio through asset allocation and diversification to prepare for market downturns, rather than trying to predict them.

Ms. Pizzi then spoke about asset class returns as of December 31, 2023, focusing on areas of exposure for the BERS portfolio. She noted that U.S. core bonds quarterly performance was up 6.8% over the last quarter, which resulted in the class's overall positive performance for the year (5.5%). She said that this was driven by interest rates coming down, and the inverse relationship between interest rates and bond value. She also spoke about high yield's good performance, as well as good performance for U.S. long duration bonds. She then spoke about equity asset classes, noting that large cap equities were up 12% for the quarter, and that small caps were at 14% for the quarter (noting that small cap equities tend to be more interest sensitive, so the growth was driven by the lower interest rates). She said that equity performance for the year was strong across the board. She then spoke about real estate and alternative asset classes, noting that the BERS portfolio has exposure to this through Trumbull properties, and noting that Trumbull performed better than their benchmark this quarter. She noted negative performance in commodities, though she added that the BERS portfolio does not have exposure to commodities.

Mr. Rowlins then spoke about BERS portfolio specifically, noting that its total value stands at $233.6 million. He spoke about fixed income, noting that its allocation is in line with the benchmark, and also noting a decision in 2022 to use BlackRock Strategic Income Opportunities to more flexibly and nimbly respond to some of the market volatility and temper some of the interest rate risk within the fixed income space, and that it has served the portfolio well. He spoke about equities, noting that it also aligns with the benchmark in terms of allocation within the portfolio. He spoke about real assets, noting that BERS is in the redemption queue for UBS Trumbull Properties.

Mr. Rowlins then spoke about the portfolio performance as of the end of December, 2023. He noted that the portfolio saw weak performance in October, but stronger performance in both November and December. He noted that overall performance for the quarter was 9.4% growth, which is in line with the benchmark. He said that overall fiscal year performance was at around 5.8% growth, and one-year growth was 15.2%. He spoke in more detail about the declining interest rate environment, which was very conducive to growth in the fixed income space. He spoke about the tailwinds in the domestic and international equity markets that helped boost performance.

7.2 Fiducient's 2024 Outlook & Capital Market Assumptions
Mr. Long began by noting that every year Fiducient updates its 10-year market assumptions, and spoke about the benefits of long-term versus short-term investing. He outlined Fiducient's updated 10-year outlook (for 2024-2033) for each fixed income, global equity, and real assets and alternatives classes. He noted that in the fixed-income space, yields rose in 2023, which drove the increased forward long-term return assumptions. He noted that within equities, the forecast is flat due to higher valuations and modest earnings growth for 2023. He spoke about the modest exposure to real assets and alternatives in the portfolio, and spoke about Fiducient's positioning around inflation. He said that as the Fed strives to get to their target interest rate, it could take several paths to get there. One of them is a soft landing, in which interest rates are tempered and the Fed cuts interest rates modestly. Another is economic contraction or recession, in which the Fed more meaningfully cuts interest rates. He said that both of these are more likely than the Fed raising interest rates in 2024, and that Fiducient has positioned the portfolio accordingly. Mr. Robins asked which real asset classes are predicted for growth in the next year. Mr. Long replied that they don't make one-year forecasts in this exercise, and that real estate is a broad basket. He said that under a more modest environment in which interest rates fall, real estate could benefit from lower rates.

Mr. Long then spoke about what this outlook could mean for asset allocation in the BERS portfolio and potential updates for 2024. He said that fixed income is attractive on a ten-year forward basis, and is attractive relative to equities. He said that within fixed income, what looks most attractive is the high-quality intermediate fixed income (U.S. bonds) that are modestly sensitive to changes in interest rates. He said that in terms of equities, there are modest increases in U.S. large cap and modest decreases across small international cap and emerging markets. He said that with global equities, there is more geopolitical risk and potential impacts on returns and risks, as well as potentially stronger performance in the long-term for the U.S. technology sector (driven by the Magnificent 7), resulting in a reduced overweight to these non-U.S. equities. He spoke about real assets, noting that there is only modest exposure, and said that they would propose modest repositioning toward assets that can benefit from a wider variety of factors.

Mr. Long then spoke about the portfolio implications of this analysis. He said that in general, the 10-year return shows increased opportunity across fixed income and real assets with a modest reduction in equity return expectations. He said that range-bound inflation opens multiple paths and flexibilities to get to lower rates, which creates opportunities for more tailwinds in the fixed income and more rate-sensitive asset spaces. He said that narrow market leadership in U.S. equities means that exposure to large cap U.S. equity remains appropriate, but that long-term investment will benefit from exposure to U.S. small/mid cap and non-U.S. stocks. Mr. Robins noted that he has failed to see a return in emerging market investments over the past 5 or 6 years, and asked when that might materialize. Mr. Long replied that it has been underperforming in the last 3-5 years, noting that much of the emerging market relates to China, and that China has struggled over the past several years due to Covid. He also noted that this market tends to move in longer cyclical cycles, noting that prior to the 2008 financial crisis, emerging markets were outpacing the S&P by a very large margin.

8.0 ADJOURN

8.1 Motion to Adjourn

The meeting adjourned at 10:30 AM.

RScty: AACoonradt