BURLINGTON RETIREMENT BOARD
CITY HALL, 1ST FLOOR BUSHOR CONF ROOM
OR
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
December 18, 2023

MEMBERS PRESENT:
Robert Hooper (Chair)
Munir Kasti (Vice Chair)
Kyle Blake
Tom Chenette
David Mount
Katherine Schad
Matt Dow

MEMBERS ABSENT:
Patrick Robins

OTHERS PRESENT:
Hayley McClenahan
Kate Pizzi
Chris Rowlins

1.0 CALL TO ORDER
Robert Hooper called the Retirement Board meeting to order at 9:30 AM.

MOTION by Kyle Blake, SECOND by David Mount, to adopt the agenda.

VOTING: unanimous; motion carries (Matt Dow absent for vote).

2.0 PUBLIC FORUM (VERBAL)
2.01 Verbal Comments
None.

3.0 APPROVE MINUTES

3.1 November 20, 2023

MOTION by Kyle Blake, SECOND by David Mount, to approve the minutes of November 20, 2023 with corrections to the start and end times of the meeting.

VOTING: unanimous; motion carries (Matt Dow absent for vote).

4.0 APPROVE RETURN OF CONTRIBUTIONS

4.1 Kyle Clauss, Class B, $3,360.11, Effective Date of Benefit: 12/01/2023

MOTION by Munir Kasti, SECOND by Kyle Blake, to approve the return of contributions for Kyle Clauss.

VOTING: unanimous; motion carries (Matt Dow absent for vote).

5.0 APPROVE RETIREMENT APPLICATIONS

5.1 Benjamin R. O'Brien, Class A $7,774.34, Effective Date of Benefit: 12/01/2023, Payment Date: 12/15/2023

MOTION by Munir Kasti, SECOND by David Mount, to approve the retirement application for Benjamin R. O'Brien.

VOTING: unanimous; motion carries.

6.0 ADMINISTRATIVE UPDATE

6.1 Hooker & Holcombe/USI Consulting Group final 2023 Experience Study Report
Chief Administrative Officer Schad noted that the City has received the official copy of the Experience Study Report, but that there is one more decision before the BERS Board prior to accepting the report. She noted that at the November meeting, all changes recommended through the Experience Study Report were accepted except for the rate of return. She asked whether the Board would like to discuss further or whether the Board is ready for a motion.

Chair Hooper noted that the BERS Board had previously adopted a 5-year rate of return assumption that would drop the rate of return down to 7.0% in 2023, but that the Experience Study is now recommending that the rate of return be 7.1% for 2023. Mr. Blake noted that if they drop the rate of return down to 7.0%, they will experience a notable increase in cost that will be felt across the board. Chief Administrative Officer Schad said that she can see the benefits of staying with the 5-year rate of return plan, but that she also sees the benefit of using updated assumptions from the experience study, which shows that the market can support an assumed 7.1% rate of return. She said that she would be supportive of staying at 7.1%. Mr. Blake expressed concern that if the market underperforms, then the burden will be shouldered by employees. Ms. Pizzi noted that the expected rate of return for 2023 was 8% (at the 50^{th} percentile), and said that going back to 2008, on average, the annual return has been 5% per year. She said that they have seen public plans pausing on reducing their rate of return assumptions and exploring resetting the baseline for them, since the rate of return has been higher than anticipated over the last ten years. She said that from her perspective, the investment returns can support that 7.1%, though there could be implications with the actuaries in deviating from the 5-year plan which would decrease the assumption to 7.0%. She noted that the goal is to ensure that the expected rate of return is as close as possible to the actual rate of return.

MOTION by Kyle Blake, SECOND by Katherine Schad, to pause the expected rate of return assumption at 7.1% for 2023.
<u>DISCUSSION:</u>

- **Mr. Kasti asked whether the rate of employee contribution would stay the same as it is right now, if the assumption is paused at 7.1% rate of return. Ms. Pizzi replied that the difference between the current ($13.06) and the proposed ($12.97) contributions at a 7.1% assumed rate of return is that the mortality assumption has been updated in the proposed, which carried through to the contribution calculation.**
- **Mr. Blake said that it sounds like a number of municipalities are also pausing their decreases in rate of return assumptions for their plans.**
- **Mr. Mount clarified that this is the year that the rate of return would have decreased to 7.0%, based on the five-year plan adopted five years ago, and that next year they will need to revisit the rate of return assumption again.**
- **Mr. Kasti said that he does not support pausing the expected rate of return assumption at 7.1%, given that the historical rate of return has been around 5% and he does not think a 7.1% rate of return assumption is feasible.**

VOTING: 6-1; motion carries (Mr. Kasti dissenting).

7.0 FIDUCIENT FLASH REPORT

7.1 Fiducient Flash Report

Mr. Rowlins began by speaking about November market performance. He said that for context, much of the fall saw that fixed income and equities were being sold off in September and October, anticipating a longer rate profile and a potential rate hike at the end of the quarter. He said that in the first week of November, interest rates dropped sharply as the Federal Reserved deemed inflation to be under control, which led to rallying in fixed-income and equities markets. He noted strong performance in the U.S. core bond, high yield municipals, and U.S. long duration bonds. He also noted strong performance in equities, specifically in U.S. large cap, U.S. small cap, international developed, and emerging markets. He noted that December will also likely be a low interest rate environment as well. He then went into further detail about each asset class.

Ms. Pizzi then spoke about how this capital market performance translated to the BERS portfolio specifically. She noted that the portfolio's total value at the end of November was $223.67 million, representing a monthly gain of 7.3% or $15.2 million and a fiscal year-to-date increase of 1.0%. She spoke about total allocations and benchmark allocations, noting some rebalancing in September, and said that they are in line with target allocations in everything except for real assets, and speaking briefly about the UBS Trumbell redemption pool. She spoke in more detail about the allocations within each asset class. She noted that two thirds of the allocation for fixed income is in core bonds and the remaining third is in the BlackRock Strategic Income Opportunities Manager, which has been performing extremely well this year (despite inflation volatility). She spoke in more detail about equities, noting that domestic and global equities are indexed, and spoke briefly about the decreasing allocation to the UBS Trumbell Property Fund. She spoke further about manager performance after fees, noting how they have performed and where they have protected the portfolio during more volatile months. She also noted that as of December 15, the portfolio has further increased to $231 million or 3.5%, as the rally continues.

Mr. Blake asked whether employees have the ability to buy in to the pension. Assistant City Attorney McClenahan replied that the pension plan does not allow for buying in, either through ordinance or through the various union contracts. She noted that the State pension plan does allow for buy-in, but there is no provision for buying credit or rolling in other pension funds within the BERS plan. Mr. Blake said he would like to explore how other systems do that and whether the BERS system could potentially do that in future. Chief Administrative Officer Schad said that they could ask their contracted actuaries to run some initial analyses on this. Mr. Blake asked whether employees have the ability to refuse participating in the pension, and Chief Administrative Officer Schad replied that no, it is mandatory. Assistant City Attorney McClenahan noted that the ordinance has provisions for a pension waiver at the City Council level, but to her knowledge, it hasn't been exercised. Mr. Blake expressed interest in exploring this option as well. He noted that both of these questions have come up as the Fire Department is exploring how to recruit and attract more talent and executives.

8.0 ADJOURN

8.1 Motion to Adjourn

The meeting adjourned at 10:30 AM.

RScty: AACoonradt