



## BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

### CITY COUNCIL REPORT March 2021

#### MISSION

The mission of the Retirement Board as defined by the Ordinance is to be trustees of the funds of the retirement system. The Board has the authority to invest funds, determine asset allocation within guidelines, develop the guidelines, and hire such managers and consultants as may be needed. The Board also sets policy and oversees the general administration of, and has the responsibility for, the proper operation of the retirement system. The Board makes decisions on disability applications and follow-ups.

#### HIGHLIGHTS

Calendar year 2020 proved to be one of the most challenging and tumultuous in modern history; however, the year also demonstrated the resiliency of people, institutions, and financial markets, and the power of technology. The market value of plan assets stood at \$235,790,100 as of March 31, 2021 compared to a market value of \$170,476,912 as of March 31, 2020. In just 12 months, the portfolio returned 42%, handily erasing all the losses suffered from the market dislocation in the first quarter of calendar year 2020.

Market Value as of 3/31/2020	170,476,912
Net Contributions	(5,588,105)
Investment Gains/(Losses)	<u>70,901,293</u>
<b>Market Value as of 3/31/2021</b>	<b>235,790,100</b>

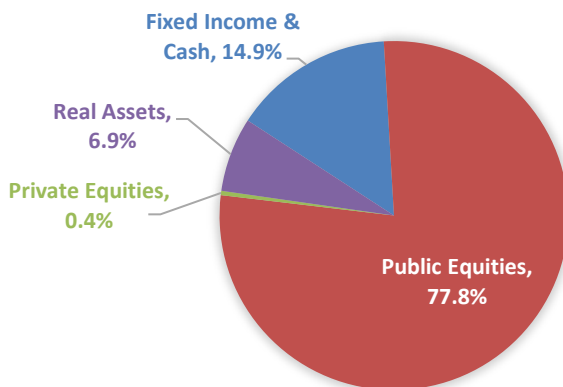
For the first three quarters of the 2021 fiscal year (July 2020 – March 21, 2021) the portfolio has delivered strong results and has registered a 24% return which was mildly ahead of the portfolio's benchmark return of 23.4% and well ahead of the actuarial Assumed Return on Assets of 7.3%.

The long-term goal of the portfolio is to earn the actuarial Assumed Rate of Return assumption net of fees over the long-term. Consistent with this goal, as of 3/31/2021 the portfolio's annual return over the past 10 years averages to 7.4% per year. This 10-year investment performance translates to an

investment gain of +\$131.6 million since April 2011.

In recognition of the expectation for lower market returns in the future, the Board has taken a methodical approach to decreasing the Assumed Rate of Return assumption used to value the plan's liabilities. We believe this approach is both prudent and reasonable. We are also considering, in collaboration with our actuary and investment advisor, the reasonableness of other actuarial assumptions used in the calculation of the actuarial determined annual contribution. We remain acutely aware of the overall impact on the Burlington taxpayer of inappropriately adjusting these assumptions too quickly or excessively.

As of March 31, 2021, investment in public equities represented 77.8% of the pension fund. Fixed income investments and cash totaled 14.9% while investments in Real Assets totaled 6.9%. Small, legacy positions remain in private equity holdings, representing 0.4% of the Plan's assets.



Notably, in October 2020 the Board issued an RFP for investment advisory services for the Plan. After a thorough search, the Board engaged Fiducient Advisors, LLC effective January 2021 as the new investment advisor for Plan.

With the assistance of our new investment advisor, the BERS Board conducted a detailed asset allocation study including the ability for the investment structure to support the Assumed Rate of Return over the long term. As a result of the allocation analysis, the Board has approved reallocating the portfolio to reflect a more globally diverse equity profile, incorporate a dynamic fixed income strategy, and consider active management within Emerging Markets. The Board will be evaluating and selecting managers with the assistance Fiducient Advisors at a future meeting. Concurrently, we worked with our new advisor to analyze the fossil fuel exposure within the investment portfolio and identify costs and implementation considerations regarding potential divestment initiatives.

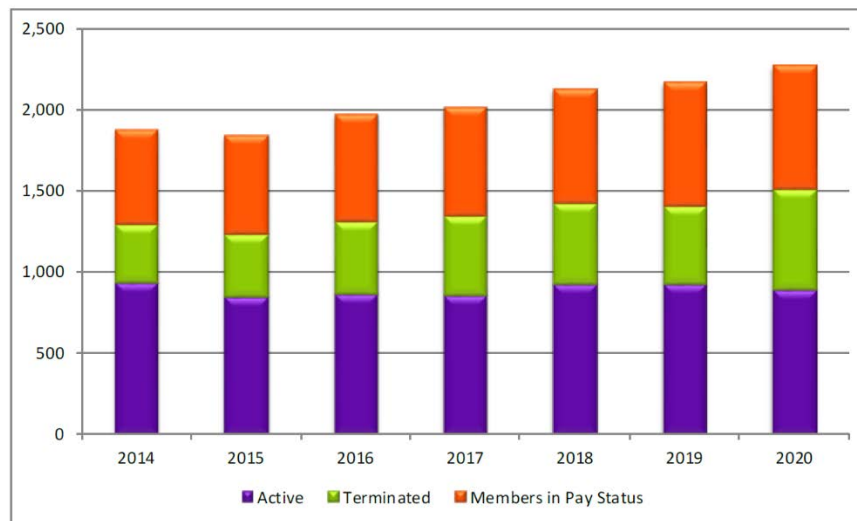
Fiducient also conducted an in-depth review with the Board of our fiduciary responsibilities and governance procedures. BERS is committed to following a robust governance process as stewards of the Plan's assets. Fiducient will assist the Board in maintaining a governance and oversight process in accordance with the Fiduciary Governance Calendar outlined below:



The funded position of the Plan as of the most recent valuation (June 30, 2020) remains largely unchanged at 72%, which is above Milliman’s Public Pension Funding Study estimated aggregate funded ratio for the 100 largest public pension plans of 70.7%<sup>1</sup>.

Regarding the pension plan’s demographics, as of June 30, 2020, there were 880 active members of the Retirement System, 767 retirees and beneficiaries, 393 members who left the City but have earned a vested benefit, and 294 individuals who have left the City without a vested benefit. Plan participants totaled 2,274, a net increase of 78 plan participants since June 30, 2019. Participant counts have been increasing over the past 6 years, as shown below. Pension benefits average \$1.44 million per month.

Member Counts by Status



The FY 2020 members of the Board were Robert Hooper, David Mount, and Patrick Robins who are appointed by the City Council with Mayor presiding, Katherine Schad, Chief Administrative Officer, who is the Ex-Officio member, Lt. Benjamin O'Brien, Fire and Cpl. Daniel Gilligan, Police who are elected by the Class "A" employees and Munir Kasti and Matthew Dow, who are elected by the Class "B" members.

<sup>1</sup>2020 Public Pension Funding Study, Milliman.



## **BURLINGTON EMPLOYEES' RETIREMENT SYSTEM**

### **FOSSIL FUEL EXPOSURE REPORT As of 12/31/2021**

Per the City's November 23, 2020 Resolution Relating to the Divestment from Fossil Fuel Investments, the City has requested that BERS provide the City Council with a current accounting of the fossil fuel investments in its investment portfolio, including non-stock investments. This report serves to meet this request.

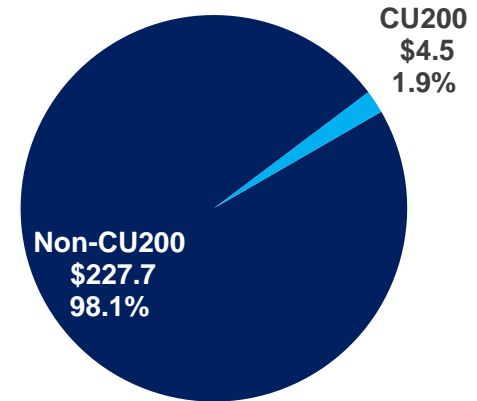
Motion Approved by Burlington Employees Retirement Board:

The Burlington Employees Retirement Board in consideration of its fiduciary responsibilities to the City's retirement system adopts the Examination of Fossil Fuel Investment Alternatives Report-April 2021 prepared by Fiduciant Advisors and authorizes Chair Robert Hooper to transmit this Report to the Burlington City Council as a full answer to the questions asked by that body in their November 23, 2020 resolution and to report that the BERS Board shall, in consideration of its fiduciary responsibilities, evaluate the recommendations in the report and make all changes it deems appropriate for plan participants.

# BERS Investment Portfolio

## Overall Fossil Fuel Exposure

- Total investment in companies identified by the Carbon Underground 200™ (CU200) is \$4.5 million as of 12/31/2020, which represents 1.9% of the total BERS assets.
- Of the \$4.5 million, \$2.3 million (51%) represents international companies while \$2.2 million (49%) represents US companies.
- International equities have the largest exposure to CU200, with 5.5% of the international developed market exposure invested in companies on the list and 4% of the BERS investment in emerging market companies.



City of Burlington Employees Retirement System				12/31/2020 Allocation*		Exposure to CU200 <sup>1</sup>	
Investment	Type	Percentage	Dollar	Percentage	Dollar		
Johnson Institutional Core Bond Fund I	Core Bonds	17.9%	40,820,480	0.40%	164,616		
BNYM Mellon Stock Index Fund	US Large Cap	32.7%	74,473,546	1.79%	1,333,076		
BNYM Mellon Smid Cap Stock Index Fund	US Small Cap	21.4%	48,640,021	1.39%	676,096		
BNYM Mellon International Stock Index Fund	International Dev Markets	10.2%	23,341,844	5.50%	1,283,801		
NYM Mellon Emerging Markets Stock Index Fund	Emerging Markets	11.2%	25,402,453	4.00%	1,016,098		
Private Investments	Private Investments	7.7%	17,523,931	N/A	N/A		
<u>Cash &amp; Equivalents</u>	<u>Cash</u>	<u>-1.1%</u>	<u>-2,466,316</u>	N/A	N/A		
<b>Total</b>		<b>100.0%</b>	<b>227,735,959</b>			<b>4,473,689</b>	<b>1.96%</b>

\*Per Dahab Associates 12/31/2020 Investment Report for the City of Burlington Employees Retirement Plan

<sup>1</sup>Exposure to the companies listed on the Carbon Underground 200 (CU200) as of Q3 2020 and reported by FFI Solutions. Summary of the analysis was provided by Fiducient Advisors, LLC.

# BERS Fossil Fuel Exposure

## US Large Cap

BNYM Mellon Stock Index Fund: \$74,473,546 (32.7% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	S&P 500	Fund	S&P 500	Difference
Total Constituents	505	505	100.00%	99.84%	0.16%
Non-CU200	491	490	98.21%	97.65%	0.56%
CU200	14	15	1.79%	2.19%	-0.40%
Coal 100	1	1	0.05%	0.08%	-0.03%
Oil and Gas 100	13	14	1.74%	2.10%	-0.37%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Exxon Mobil Corporation	XOM	New York Stock Exchange	Oil & Gas	0	4
Chevron Corporation	CVX	New York Stock Exchange	Oil & Gas	0	10
ConocoPhillips	COP	New York Stock Exchange	Oil & Gas	0	18
Occidental Petroleum Corporation	OXY	New York Stock Exchange	Oil & Gas	0	22
EOG Resources, Inc.	EOG	New York Stock Exchange	Oil & Gas	0	23
Cabot Oil & Gas Corporation	COG	New York Stock Exchange	Oil & Gas	0	31
FirstEnergy Corp.	FE	New York Stock Exchange	Coal	81	0
Hess Corporation	HES	New York Stock Exchange	Oil & Gas	0	42
Marathon Oil Corporation	MRO	New York Stock Exchange	Oil & Gas	0	43
Diamondback Energy, Inc.	FANG	NASDAQ	Oil & Gas	0	44
Pioneer Natural Resources Company	PXD	New York Stock Exchange	Oil & Gas	0	45
Concho Resources Inc.	CXO	New York Stock Exchange	Oil & Gas	0	48
Apache Corporation	APA	NASDAQ	Oil & Gas	0	49
Devon Energy Corporation	DVN	New York Stock Exchange	Oil & Gas	0	57

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020  
Summary of the analysis was provided by Fiducient Advisors, LLC.

# BERS Fossil Fuel Exposure

## US Small/Mid Cap

BNYM Mellon SMID Cap Stock Index Fund: \$48,640,021 (21.4% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	Benchmark	Fund	Benchmark	Difference
Total Constituents	2,450	2,120	100.00%	99.65%	0.35%
Non-CU200	2,424	2,074	98.61%	94.40%	4.22%
CU200	26	46	1.39%	5.25%	-3.86%
Coal 100	6	16	0.16%	1.89%	-1.73%
Oil and Gas 100	20	32	1.23%	2.98%	-1.75%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Peabody Energy Corporation	BTU	NYSE	Coal	16	0
Arch Resources, Inc. Class A	ARCH	NYSE	Coal	27	0
NACCO Industries, Inc. Class A	NC	NYSE	Coal	48	0
Antero Resources Corporation	AR	NYSE	Oil & Gas	0	26
Range Resources Corporation	RRC	NYSE	Oil & Gas	0	27
EQT Corporation	EQT	NYSE	Oil & Gas	0	28
ALLETE, Inc.	ALE	NYSE	Coal	66	0
Southwestern Energy Company	SWN	NYSE	Oil & Gas	0	34
Ovintiv Inc	OVV	NYSE	Oil & Gas	0	35
Continental Resources, Inc.	CLR	NYSE	Oil & Gas	0	37
Warrior Met Coal, Inc.	HCC	NYSE	Coal	72	0
CNX Resources Corporation	CNX	NYSE	Oil & Gas	0	41
Marathon Oil Corporation	MRO	NYSE	Oil & Gas	0	43

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Diamondback Energy, Inc.	FANG	NASDAQ	Oil & Gas	0	44
Black Hills Corporation	BKH	NYSE	Coal	90	0
Apache Corporation	APA	NASDAQ	Oil & Gas	0	49
Murphy Oil Corporation	MUR	NYSE	Oil & Gas	0	51
Comstock Resources, Inc.	CRK	NYSE	Oil & Gas	0	52
Devon Energy Corporation	DVN	NYSE	Oil & Gas	0	57
Parsley Energy, Inc. Class A	PE	NYSE	Oil & Gas	0	63
PDC Energy, Inc.	PDCE	NASDAQ	Oil & Gas	0	65
Cimarex Energy Co.	XEC	NYSE	Oil & Gas	0	67
WPX Energy, Inc.	WPX	NYSE	Oil & Gas	0	68
National Fuel Gas Company	NFG	NYSE	Oil & Gas	0	71
SM Energy Company	SM	NYSE	Oil & Gas	0	77
Matador Resources Company	MTDR	NYSE	Oil & Gas	0	99

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020  
Summary of the analysis was provided by Fiducient Advisors, LLC.

# BERS Fossil Fuel Exposure

## Developed Markets (ex US)

BNYM Mellon International Stock Index Fund: \$23,341,844 (10.2% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	Benchmark	Fund	Benchmark	Difference
Total Constituents	875	917	100.00%	99.53%	0.47%
Non-CU200	845	886	94.50%	93.90%	0.60%
CU200	30	31	5.50%	5.63%	-0.13%
Coal 100	15	15	2.65%	2.38%	0.26%
Oil and Gas 100	18	19	2.85%	3.25%	-0.40%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Glencore plc	GLEN	London Stock Exchg	Coal	11	0
BP p.l.c.	BP	London Stock Exchg	Oil & Gas	0	6
BHP Group Ltd	BHP	Australian Securities Exchg	Dual	14	56
BHP Group Plc	BHP	Australian Securities Exchg	Dual	14	56
RWE AG	RWE	Deutsche Boerse AG	Coal	15	0
Mitsubishi Corporation	8058	Tokyo Stock Exchg	Coal	20	0
Total SE	FP	Euronext - Paris	Oil & Gas	0	9
Royal Dutch Shell Plc Class A	RDSA	London Stock Exchg	Oil & Gas	0	13
Royal Dutch Shell Plc Class B	RDSB	London Stock Exchg	Oil & Gas	0	13
Eni S.p.A.	ENI	Borsa Italiana	Oil & Gas	0	15
Anglo American plc	AAL	London Stock Exchg	Coal	29	0
Equinor ASA	EQNR	Oslo Stock Exchg	Oil & Gas	0	17
AGL Energy Limited	AGL	Australian Securities Exchg	Coal	37	0
South32 Ltd.	S32	Australian Securities Exchg	Coal	42	0
Evraz PLC	EVR	London Stock Exchg	Coal	43	0

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
INPEX CORPORATION	1605	Tokyo Stock Exchg	Oil & Gas	0	21
Itochu Corporation	8001	Tokyo Stock Exchg	Coal	51	0
Mitsui & Co.,Ltd	8031	Tokyo Stock Exchg	Dual	62	74
Repsol SA	REP	Bolsa de Madrid	Oil & Gas	0	30
CLP Holdings Limited	0002	Hong Kong Stock Exchg	Coal	73	0
ArcelorMittal SA	MT	Luxembourg Stock Exchg	Coal	77	0
OMV AG	OMV	Wiener Boerse AG	Oil & Gas	0	40
Sumitomo Corporation	80530	Tokyo Stock Exchg	Coal	87	0
Idemitsu Kosan Co., Ltd.	5019	Tokyo Stock Exchg	Coal	98	0
Woodside Petroleum Ltd	WPL	Australian Securities Exchg	Oil & Gas	0	55
Santos Limited	STO	Australian Securities Exchg	Oil & Gas	0	75
GALP Energia SGPS SA Class B	GALP	Euronext - Lisbon	Oil & Gas	0	78
Lundin Energy AB	LUPE	Stockholm Stock Exchg	Oil & Gas	0	79
ENEOS Holdings, Inc.	5020	Tokyo Stock Exchg	Oil & Gas	0	86
Oil Search Limited	OSH	Australian Securities Exchg	Oil & Gas	0	87

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020

Summary of the analysis was provided by Fiducient Advisors, LLC.



# BERS Fossil Fuel Exposure

## Emerging Markets

BNYM Mellon Emerging Markets Stock Index Fund: \$25,402,453 (11.2% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	Benchmark	Fund	Benchmark	Difference
Total Constituents	1,297	917	100.00%	99.53%	0.47%
Non-CU200	1,263	886	96.00%	93.90%	2.10%
CU200	34	31	4.00%	5.63%	-1.63%
Coal 100	18	15	1.32%	2.38%	-1.06%
Oil and Gas 100	18	19	2.68%	3.25%	-0.56%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Saudi Arabian Oil Co.	2222	Saudi Stock Exchg	Oil & Gas	0	1
Coal India Ltd.	COALINDIA	National Stock Exchg of India	Coal	1	0
Gazprom PJSC	GAZP	Moscow Exchg	Oil & Gas	0	2
Shaanxi Coal Industry Co., Ltd. Cla	601225	Shanghai Stock Exchg	Coal	3	0
China Shenhua Energy Co. Ltd. Class	1088	Hong Kong Stock Exchg	Coal	5	0
China Shenhua Energy Co. Ltd. Class	601088	Hong Kong Stock Exchg	Coal	5	0
Rosneft Oil Co.	ROSN	Moscow Exchg	Oil & Gas	0	3
Yanzhou Coal Mining Co. Ltd. Class	1171	Hong Kong Stock Exchg	Coal	7	0
Exxaro Resources Limited	EXX	Johannesburg Stock Exchg	Coal	10	0
PetroChina Company Limited Class A	601857	Hong Kong Stock Exchg	Oil & Gas	0	5
PetroChina Company Limited Class H	0857	Hong Kong Stock Exchg	Oil & Gas	0	5
Oil company LUKOIL PJSC	LKOH	Moscow Exchg	Oil & Gas	0	7
Shanxi Xishan Coal & Electricity Po	000983	Shenzen Stock Exchg	Coal	17	0
NOVATEK JSC Sponsored GDR RegS	NVTK	Moscow Exchg	Oil & Gas	0	8
Shanxi Lu'An Environmental Energy D	601699	Shanghai Stock Exchg	Coal	21	0
Petroleo Brasileiro SA Pfd	PBRA	BM&F BOVESPA	Oil & Gas	0	12
Petroleo Brasileiro SA	PBR	BM&F BOVESPA	Oil & Gas	0	12

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Sasol Limited	SOL	Johannesburg Stock Exchg	Dual	25	62
TATNEFT PJSC	TATN	Moscow Exchg	Oil & Gas	0	14
Oil & Natural Gas Corp. Ltd.	ONGC	Bombay Stock Exchg	Oil & Gas	0	16
Tata Steel Limited	TATASTEEL	Bombay Stock Exchg	Coal	31	0
PT Adaro Energy Tbk	ADRO	Jakarta Stock Exchg	Coal	35	0
Vale S.A.	VALE3	BM&F BOVESPA	Coal	45	0
CNOOC Limited	883	Hong Kong Stock Exchg	Oil & Gas	0	20
Severstal PAO	CHMF	Moscow Exchg	Coal	63	0
PTT Public Co., Ltd. NVDR	PTT	Stock Exchg of Thailand	Dual	89	46
Shanxi Meijin Energy Co., Ltd. Clas	000723	Shenzen Stock Exchg	Coal	64	0
Ecopetrol SA	ECOPETROL	Colombia Stock Exchg	Oil & Gas	0	29
Vedanta Limited	VEDL	Bombay Stock Exchg	Coal	75	0
PGE Polska Grupa Energetyczna S.A.	PGE	Warsaw Stock Exchg	Coal	84	0
YPF SA Sponsored ADR Class D	YPF	Buenos Aires Stock Exchg	Oil & Gas	0	47
African Rainbow Minerals Limited	ARI	Johannesburg Stock Exchg	Coal	94	0
SK Innovation Co., Ltd	096770	Korea Stock Exchg	Oil & Gas	0	58
Polskie Gornictwo Naftowe i Gazowni	PGN	Warsaw Stock Exchg	Oil & Gas	0	72

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020

Summary of the analysis was provided by Fiducient Advisors, LLC.

# BERS Fossil Fuel Exposure

## *Fixed Income*

Johnson Institutional Core Bond Fund I: \$40,820,480 (17.9% of the total portfolio)

	Number of Companies	
	Count	Allocation
Total Constituents	483	100.00%
Non-CU200	482	99.60%
CU200	1	0.40%
Coal 100	0	0.00%
Oil and Gas 100	1	0.40%

Constituents	Reserve Type	Coal 100 Rank	O&G 100 Rank
Royal Dutch Shell Plc - Shell International Finance Company	Oil & Gas	0	13