**BURLINGTON RETIREMENT BOARD**

**CITY HALL, 1ST FLOOR BUSHOR CONF ROOM**

**\*OR\***

**REMOTE MEETING WITH CALL-IN**

**BURLINGTON, VERMONT**

**MINUTES OF MEETING**

**FINAL**

**April 18, 2022**

**MEMBERS PRESENT:** Robert Hooper (Chair)

 Munir Kasti (Vice Chair)

Patrick Robins

 David Mount

Ben O’Brien

 Dan Gilligan

 **OTHERS PRESENT:**  Rich Goodwin

 Chris Rowlins

 Kate Pizzi

 Hayley McClenahan

 Joe Ebisa

 Tom Chenette

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.0       CALL TO ORDER**

Robert Hooper called the Retirement Board meeting to order at 9:00 AM.

**MOTION by Munir Kasti, SECOND by David Mount, to adopt the agenda.**

**VOTING: unanimous; motion carries.**

**2.0      PUBLIC FORUM (VERBAL)**

2.01 Verbal Comments

None at this time.

**3.0. APPROVE MINUTES**

3.01 Minutes of March 21, 2022

**MOTION by David Mount, SECOND by Munir Kasti, to approve the minutes of March 21, 2022 as amended.**

**VOTING: unanimous; motion carries.**

**4.0 APPROVE RETURN OF CONTRIBUTIONS**

4.01 Approve Return of Contributions

|  |  |  |
| --- | --- | --- |
| **Approve Return of Contributions** | **Amount** | **Effective Date of Benefit** |
| Heidi Fryzell, Class B | $1,022.72 | 05/01/2022 |
| Ian S. McKinnon, Class A | $20,057.44 | 01/01/2022 |

**MOTION by Munir Kasti, SECOND by Dan Gilligan, to approve the return of contributions applications as presented.**

**VOTING: unanimous; motion carries.**

**5.0 ADMINISTRATIVE UPDATES**

5.01 Administrative Updates

Finance Director Goodwin said that he may have a disability approval that will need to be taken care of prior to the next scheduled meeting. He said that he received a physician’s note for Tyler Mitchell and is working to put together the documentation necessary for a disability application approval within the next ten days. Mr. Hooper asked if that would require full BERS Board approval. Attorney McClenahan replied that yes, it will require a special meeting and attendance from the BERS Board.

**6.0 FIDUCIENT**

6.01 March Performance Flash Report

Mr. Rowlins began an overview of the March Performance Flash Report, beginning with overall capital market performance. Mr. Rowlins discussed the fixed income markets noting that core bonds were down 2.8% for the month and down 5.9% year-to-date. He said that the strategy that Fiducient implemented with Black Rock has shown their ability to provide diversified returns within fixed income. He provided a brief overview of equities, which have been negatively impacted year-to-date by the impact of the Russia/Ukraine war, however US recovered some in March. He said that large cap equities held up better than small cap equities. Regarding international equities, Mr. Rowlins reported that emerging markets were negative for the quarter and the Euro zone has seen increased pressure from inflation due to the the Ukraine/Russia war. Mr. Rowlins noted the pandemic-related shutdown occurring in Shanghai and its effects on the markets, including supply chain issues which is putting upward pressure on prices. He said that real asset performance is up 3.2% for the month and 1.2% for the quarter, noting that real assets have been supported by the strong performance of energy and precious metal markets. He noted a significant increase in interest rates and their negative impact on bond prices in the portfolio. Ms. Pizzi noted that bond markets saw a brief an inversion of the yield curve where 2-year bonds yielded more than 10-year bonds. This inversion is often viewed as a cause of recession, however Ms. Pizzi noted it is should be seen as a potential signal of a recession, not a cause. She noted that an inversion has preceded the majority of recessions in the U.S. by a year or two.

Mr. Rowlins walked through the performance dashboard for the portfolio. He noted that the portfolio is down about 1.4% in the first 9 months of this fiscal year. He briefly noted portfolio allocation and target allocation across asset classes.

6.02 Discussion on Broad Real Assets

Ms. Pizzi said that as redemptions are received from UBS Trumbull Property, it is important to maintain an allocation to real assets and would like to build around the investments that are currently in the portfolio. She said that Q1 was a tough quarter with few places to hide, but one place was in real assets, especially in this volatile market. She spoke about core CPI inflation, noting that it increased at a slower rate than in previous months. She said that they anticipate headline inflation to remain high for some time (commenting that 7% inflation through the summer was possible). She said that an allocation to real assets remains appropriate and can hedge against inflation.

Mr. Hooper said that it does not seem like the current environment is a classic inflationary environment and asked about the drivers of this current situation, and asked whether they should consider staying with Trumbull. Ms. Pizzi said that much of the run up in inflation has been supply driven cause by supply chain issues and sanctions on Russia, which makes it more difficult to contain with monetary or fiscal policies. She added that consumer savings and the labor market are strong despite higher prices, though that may change as mortgage rates increase. She said that if the consumer starts pulling back and wage pressure increase further, corporate profits may lose some of their ability to generate strong earnings. She said that in terms of UBS Trumbull, the strategy has been to remain in the redemption pool and that they are finally beginning to see those redemptions come through. She commented on the concentration of the allocation to Trumbull Properties noting that the overall allocation to real assets in the portfolio is 7%, with 6% of it in the Trumbull property. She said that they would like to see that become a lesser portion of the allocation but to also broaden exposure to real assets.

Ms. Pizzi said that Fiducient would like to explore broadening out the exposure using the redemption proceeds from UBS Trumbull but also potentially from global equities to invest in a broader real asset strategy. She said that at a subsequent meeting, Fiducient would like to have its real asset specialist report to BERS on industry considerations and specific fund managers. She also cautioned that within the real asset class, there may likely be a higher exposure to fossil fuels. She asked if the Board is willing to consider that, or if they should look for other opportunities that would limit exposure to fossil fuel. Mr. Robins said that he is concerned with the lack of liquidity, and is hesitant to focus more on the real asset class. Mr. Hooper asked the Board for their thoughts on investing in indices that potentially include fossil fuels. Mr. Gilligan said that they would be best served to look for other responsible options that don’t exposure the portfolio to fossil fuels. Mr. Hooper said that the BERS Board will look to Fiducient’s analysis of options and recommendations at its next meeting.

Mr. Robins asked about Fiducient’s assumptions about medium-to-long-term bond rates. Ms. Pizzi replied that the Federal Reserve has announced that they will likely be much more aggressive at unwinding its bond purchasing and raising rates rates than anticipated, which is creating much more volatility than has been felt in the last decade. She acknowledged that there is much less wiggle room to make policy mistakes than there had been in past similar environments.

**7.0 ADJOURN**

7.01 Motion to Adjourn

The meeting adjourned without objection at 10:03 AM.

*RScty: AACoonradt*