

BURLINGTON RETIREMENT BOARD
CITY HALL, 1ST FLOOR BUSHOR CONF ROOM
OR
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
August 21, 2023

MEMBERS PRESENT: Robert Hooper (Chair)
Munir Kasti (Vice Chair)
Patrick Robins
David Mount
Matthew Dow
Kyle Blake

MEMBERS ABSENT: Tom Chenette

OTHERS PRESENT: Kate Pizzi
Hayley McClenahan

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order at 9:30 AM.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments

None.

3.0 APPROVE MINUTES

3.01 June 26, 2023

MOTION by Patrick Robins, SECOND by Munir Kasti, to approve the minutes of June 26, 2023.

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
Derek Moody, Class B	\$19,942.50	09/01/2023
Zachary T. Favreau-Smith, Class B	\$474.81	06/01/2023
Patricia Moyer, Class B	\$37,376.76	08/01/2023
Jennifer Hill, Class A	\$5,708.31	09/01/2023
Amanda L. Harris, Class B	\$22,514.06	08/01/2023
Rachel Muse, Class B	\$6,256.79	08/01/2023
Paige Kaeding, Class B	\$5,874.04	06/01/2023
Madison B. Sousa, Class B	\$3,737.50	08/01/2023
Luz M. Winters, Class A	\$21,751.70	08/01/2023
Anatole Onquende, Class B	\$4,552.13	07/01/2023
Manriel Grant, Class B	\$7,847.95	08/01/2023
Robert King, Class B	\$770.30	09/01/2023
Skyler Nash, Class B	\$4,474.00	09/01/2023
Joseph P. Barry, Class B	\$1,216.68	06/01/2023
Timothy Devlin, Class B	\$12,750.31	09/01/2023
Dustin A. West, Class B	\$23,270.45	09/01/2023
Anneke Hohl, Class B	\$6,610.67	09/01/2023
Julia Chalmers, Class B	\$10,282.23	09/01/2023
Sidney Durmick, Class B	\$7,349.20	08/01/2023
Kevin Rheaume, Class B	\$10,503.50	10/01/2023
Aryn Lamos, Class B	\$5,474.04	08/01/2023
Miranda Mills, Class B	\$3,339.37	09/01/2023

MOTION by Munir Kasti, SECOND by David Mount, to approve the return of contributions as presented.

DISCUSSION:

- **Kyle Blake noted that in the benefit calculations, Patricia Moyer was listed as non-union, but noted that she was a dispatcher (which falls under the AFCSME union). He also asked what individuals fall under when they are listed as "other". Matthew Dow noted that with regards to Ms. Moyer, she had been part-time for the last year, which is why she is listed as non-union. Mr. Blake also noted that for several individuals, there is a significant gap between the date of hire and the date of participation, and asked why. Assistant City Attorney McClenahan replied that they may have been hired as part-time and they didn't transition into the pension until they took on a full-time role. She also noted that Mr. Blake should follow up on individual cases via email.**

VOTING: unanimous; motion carries.

5.0 APPROVE RETIREMENT APPLICATIONS

Approve Retirement Applications	Amount	Effective Date of Benefit	Payment Date
Robert Miller, Class B	\$20.55	03/01/2023	08/15/2023
David K. Allerton, Class B	\$435.55	06/01/2023	08/15/2023
Daniel Desranleau, Class B	\$455.55	02/01/2023	06/15/2023
Bonnie A. Moore, Class B	\$1,534.53	10/01/2023	10/15/2023
Jamie A. Morris, Class A	\$4,670.64	08/01/2023	08/15/2023
James T. Trieb, Jr., Class A	\$5,492.90	08/01/2023	08/15/2023
James O. Brigham, Class A	\$1,587.15	07/01/2023	07/15/2023
Peter Selikowitz, Class B	\$809.42	08/01/2023	08/15/2023

MOTION by Munir Kasti, SECOND by David Mount, to approve the retirement applications as presented.

DISCUSSION:

- **Mr. Mount noted that a number of these have effective dates of benefit that are months prior to this meeting, and asked whether they have already started to be paid. Chair Hooper replied that the approval from today’s meeting is retroactive to their effective date of benefit.**

VOTING: unanimous; motion carries.

6.0 FIDUCIARY

6.01 BERS Investment Performance As Of July 31, 2023

Prior to discussing the BERS investment performance as of July 31, 2023, Ms. Pizzi began by providing a summary of the investment performance as of June 30, 2023, which is the end of the City’s fiscal year. She noted that the first half of calendar year 2023 was generally strong, and was boosted by a strong equity market across the globe. She noted that U.S. equities, particularly in technology, drove most of that growth. She said that in terms of the full fiscal year (beginning in July 2022), interest rates began increasing and inflation was tempered and began to decrease. As a result, there was notable volatility on a month-by-month basis. She noted that the fiscal year ended up 10.2% (compared to a benchmark of 10.9%), which was higher than the actuarially-expected rate of return, which was 7.1% for the fiscal year. She noted that they continue to see the UBS Trumbull property redemption pay down, albeit slowly. She noted that the 10.2% gain translates to an approximately \$21 million gain for this fiscal year, which resulted in an ending market value after net contributions of approximately \$221 million (compared to approximately \$213 million at the end of the prior fiscal year).

Ms. Pizzi then provided a summary of the investment performance as of July 31. She noted relatively low returns in the bond market, particularly core bonds, impacted by interest rate hikes. She noted growth in high-yield, riskier segments of the market. She noted significant strength in the equities market, adding that U.S. small cap growth was strong (driven by a weaker dollar) and that U.S. large cap continued to grow based on strong tech returns. She noted that international markets were top performers (also driven by a weaker dollar). She noted that in terms of real assets, energy markets were top performers, and that REITs also posted positive returns.

Ms. Pizzi then detailed how this performance has affected the BERS portfolio. She noted that invested assets landed at approximately \$227.3 million. She noted that this was an increase over last month of 2.7%, or around \$6 million. She noted that net contributions from the prior month were relatively flat. She spoke briefly about how the portfolio is allocated relative to the benchmarks for each asset class. She noted that the portfolio is under-weighted in fixed income and over in U.S. equities, which is largely due to market appreciation from U.S. equities and that they are not recommending rebalancing at this juncture, as the payments from UBS Trumbull that are coming in could help to

rebalance the allocation on its own. She walked through returns for individual fund managers. She noted that 100% of public equities are indexed. Mr. Blake asked about the current status of the BERS portfolio's holdings with UBS Trumbull. Ms. Pizzi replied that selling the holdings would entail selling shares at a discount, because any new buyer could buy into this open-ended strategy without incurring fees, so there is little incentive to buy the BERS holdings, rather than buying directly from UBS Trumbull. She also noted that the benefit of remaining in the redemption pool is still greater than leaving the redemption pool. She noted that core property funds in general have shown issues with growing redemptions. Mr. Blake asked how UMBS Trumbull has performed for the BERS portfolio to date. Ms. Pizzi replied that on average, the return has been 1.6% annually, that it was down 3.6% over the past month, and down 18% over the last year. She said that if they continue to see 18% losses, they will discuss alternative strategies with the Board. She said that she will look into the opportunity costs of selling at a discount versus remaining in the redemption pool. Mr. Robins asked about Fiducient's thinking on compelling remote workers to return to the office and the effects that that may have on real estate. Ms. Pizzi replied that it will be difficult for firms to take a hard stance on in-person work versus telework, as the job market is tight and employers have less leverage.

6.02 Fiducient Governance Calendar: Investment Policy Statement Review

Ms. Pizzi began by noting that the Investment Policy Statement (IPS) has been reviewed and proposed revisions have been made by the Board over the last year, and that these changes also include a legal review by the City Attorney's Office. She noted that Fiducient conducted its initial review of the IPS with an eye to increase robustness and the use of best practices for this kind of policy. She noted that a number of elements of the IPS have been shored up or strengthened through proposed changes, including elements around investment objectives and the assignment of responsibilities (which were partially covered in the original version of the IPS). She noted the inclusion of elements that had not previously been included in the IPS, including those around selection and monitoring criteria for investment strategies, termination guidelines for investment strategies, liquidity guidelines, and proxy voting.

Assistant City Attorney McClenahan noted that she and Chief Administrative Officer Schad have both reviewed the proposed changes to the IPS and feel generally comfortable with them. She noted that the City Council several years ago had passed a resolution around divestment from investments related to fossil fuels and weapons, and asked the BERS Board and Fiducient whether they feel it is appropriate to include that level of detail within the IPS. Ms. Pizzi noted that the Board has not adopted an approach to divestment, or committed to divestment, since the City Council's request was to be provided information on exposure to fossil fuel and weapons investments within the portfolio, not a requirement to divest. Mr. Robins agreed with this approach. Mr. Mount pointed out that the previous staff attorney for this Board had advised that the Board does not need to follow the mandate of the City Council on this issue, since the Board's fiduciary responsibility is to the beneficiaries of the portfolio. Chair Hooper recalled that they have taken the Council's opinion on divestment as advisory. He expressed discomfort with limiting the Board's ability to uphold its fiduciary duty based on political conversations. Mr. Blake suggested including language in the IPS that the Board will consider recommendations from the City Council when setting investment policies and considering investment strategies. Mr. Robins pointed out that the BERS Board are not stock-pickers, and the investment policy is generally that investments are indexed. Ms. Pizzi noted pending litigation in the State of New York over their divestment from fossil fuel investments and their board's obligation to divest or not. She said that she will provide more information on this pending litigation at the BERS Board's next meeting, given that it could set precedent one way or another once resolved. Chair Hooper noted that the portfolio's exposure to fossil fuel investments was estimated at around 4% when its divestment analysis was conducted.

MOTION by Robert Mount, SECOND by Kyle Blake to adopt the investment policy statement as presented.

VOTING: unanimous; motion carries.

6.03 Fiduciary Training

Ms. Pizzi provided an overview of fiduciary duties. These include the five key duties of loyalty, prudence, diversifying investments, following plan documents, and avoiding prohibited transactions. She noted that while government plans are not subject to Title I of ERISA, they are subject to applicable provisions in the IRC code and state laws, and that satisfaction of ERISA rules would generally be sufficient to satisfy IRC code requirements. She noted that many states have adopted "prudent investor" language, which includes many of the basic ERISA fiduciary principles (including duty of loyalty, duty of prudence, and duty to diversify). She also spoke to best practices around Committee/Board best practices for administering public pensions, noting that the BERS Board already implements these best practices and that Fiducient does not have additional feedback or areas of concern to flag.

7.0 ADJOURN

7.01 Motion to Adjourn

MOTION by David Mount, SECOND by Kyle Blake, to adjourn the meeting.

VOTING: unanimous; motion carries.

The meeting adjourned at 10:45 AM.

RScty: AACoonrad