Burlington Employees Retirement System
Board Meeting Minutes
November 15, 2012

Board Members Present:	James Strouse (via phone)	Ray Nails (enter 9:29 AM)
	Bob Hooper (8:40 AM)	Rich Goodwin
	Munir Kasti	Ben O'Brien
	Jeffrey Wick	

Others Present:	Marina Collins	Springer Harris
	Christopher Talbert	Dale Riker
	Barry Bryant	Karen Paul (8:40 AM)

James Strouse convened meeting at 8:34 AM.

1. Agenda: Add to the agenda item 3a. Approval of Court Settlement.

2. Approval of 10/18/12 Minutes: Mr. O'Brien moved to approve, seconded by Mr. Kasti. Mr. Strouse asked that Rail be changed to Rich. Motion carried 5:0.

3. Approval of Bills: Mr. O'Brien moved to approve, seconded by Mr. Kasti. Motion carried 5:0.

3a. Approval of Court Settlement: Mr. Kasti moved to approve a Stipulated Order with Christian Hunt, that he shall repay $12,791.81 by November 1, 2013, seconded by Mr. Goodwin. Motion carried 5:0.

4. Consideration of Retirement Applications: Mr. Kasti moved to approve, seconded by Mr. O'Brien. Motion carried 5:0.

5. Ratify Refund/Rollover of Contributions: Mr. O'Brien moved to approve, seconded by Mr. Goodwin. Motion carried 5:0.

Mr. Hooper and Councilor Paul entered at 8:40AM.

6. Barry Bryant, Dahab Associates – Performance Update: Mr. Bryant discussed the economy, which we are in a typical pattern of recovery from a recession. He asked that the board look to page 4 and discussed GDP, employment and how each of the markets are performing generally. He described this as a "risk-on" quarter, one where you would want to own stocks rather than bonds, small cap vs. large cap as well as corporate bonds and emerging market investments. He explained that when the spread between stocks and bonds is 4% or greater that the more risky assets do well. He then pointed to page 6, performance summary. He explained how the rankings show how well you did compared to other public funds. This was a quarter where the

diversified asset managers brought the BERS numbers up. Mr. Wick asked about illiquid funds in our portfolio. Mr. Bryant pointed them out to the board and gave a detailed explanation of the particular illiquid investments; in the BERS portion are Hamilton Lane and Molpus. Mr. Wick asked about distributions with the Timber. Mr. Bryant explained that with a timber investment, they manage the properties, when they harvest and sell it generates money and it is typically distributed to the partners. The typical cash flow is 3-5%. In the beginning there is typically no cash flow, depending on what kind of investment they made, and they are typically irregular. They are generally 10 year agreements with 2 two year extensions as agreed upon by the partners. Mr. Goodwin asked whether the alternatives that BERS has equals 10%. Mr. Bryant said it is more like 7%, however the Hamilton Lane investments are not fully funded. Mr. Bryant handed out Asset Class Grouping and the historical rankings that Mr. Kasti had requested. Mr. Bryant explained the various Fixed Income strategies that VPIC uses and went through the characteristics of each individual manager; PIMCO, Allianz, Wellington, Pimco Core Plus, Brandywine, Mondrian, Barclays TIPS, KDP, Post and Wellington Emerging Markets.
Mr. Strouse asked if Mr. Bryant could construct a portfolio similar to VPIC with the costs or associated fees and returns? Mr. Bryant can do this, however, hindsight is 20-20 and he will try to do it in a way to minimize what we already know.

7. Discussion - Buck Consultants Proposal for ALM and Experience studies: Mr. Strouse asked Mr. Bryant to comment. A lot of this is actuarial but wanted to encourage the board to think about this. As long as you are in VPIC and follow their asset allocation what are you going to get out of the study that is going to change anything. The ALM study takes the various return assumptions scenarios, and asset allocation scenarios and develops various potential outcomes for the board consider related to the health of the plan. The conversation changed to the assumed rate of return. Mr. Wick said he was concerned with the current assumption of 8% and asked Mr. Bryant to comment on that. Mr. Bryant explained that rate of return is a planning tool, and it should be thought of in that context. What I said to the board last time was that we now have 8%, think about it like this; if you lower it to 7%, what are the implications if you lower it. If you lower to 7% and then from the standpoint of the plan then only good things can be happen but on the other side, what happens at the political level. If the contribution is higher, you have to raise taxes, lower benefit, etc. Mr. Wick said we are not a political board, I am on the board appointed by the City Council but I am an independent. The board is looking for our experts to give us advice. Mr. Bryant went on to say, 90% of our assets are with VPIC. If you want to have an actuarial assumption markedly different than VPIC then you are taking the intellectual position that BERS is right and VPIC is wrong. (Ray Nails entered 9:29 AM)You also want to be careful about changing it to something so unreasonable that the City simply cannot or does not fund the contributions and they change the plan in some way. Mr. Wick pointed out that at some point we need to bring this to a vote. Mr. Hooper pointed out that this is an annualized number, and it does not mean that each time we don't get 8% we are wrong. Hooper mentioned that we may be over obsessing about it and Mr. Wick asked that we bring it to a vote or what is our process to bring it to a vote. Mr. Kasti spoke and said that that Actuarial Valuation will be done in a few weeks. Buck has been saying 8% was in the range for years. VPIC uses the select and ultimate method. Mr. Bryant said that VPIC uses 6.7% for 7 years and 7.2% after. He said most plans have come down and are in the range of 6-8%. Mr. Hooper pointed out that if the rate is lowered that the City will have to contribute more. Mr. Wick thinks we are betting on perfection and thinks that we have to raise taxes, cut taxes and lower benefits and lower the assumed rate. Mr. Nails pointed out that benefits have been lowered; when more people are on the new system

rather than on the old system. Mr. Wick said, that is why we are asking for an experience study, right?
That will take into account the future changes. Mr. Wick asked if we could vote now. Mr. Bryant advised that BERS look to VPIC for the assumption and he would recommend something around 7%. Mr. Goodwin pointed out that the Actuarial study would be completed, then we would do some "what-ifs" and see what the effect on the City contribution with each scenario. He said that maybe it makes sense to move more slowly and not jump right to 7%. Karen Paul talked about an informal group of Councilors and Jeff who are meeting. According to David Driscoll, who we met with last week, the 8% is too high. When the valuation is done we can ask Driscoll to run the different return assumptions, what if we go to select and ultimate. By January or February the board can have a discussion about ROR. Mr. Wick asked Karen Paul whether she thought we should do both the ALM and the Experience Study. She replied that we should wait until the scenarios are vetted and then see if we need the experience study, but that is just her opinion and she is not a voting member on the board. Mr. O'Brien pointed out that we previously discussed that we would do the experience study a little early.

Mr. Wick moved to decline the ALM, seconded by Mr. Goodwin. Motion carried 7:0.

Mr. Wick moved to accept the Experience Study, seconded by Mr. Nails. Mr. Wick asked if the experience study will amend the valuation report. (Mr. Kasti left the room) Motion carried 6:0.

Mr. Nails asked about the group that is meeting and stated that he hoped BERS is not being charged for Mr. Driscoll's time. Karen Paul responded that it is an informal group of a couple of City Councilor's and Jeff Wick that are meeting, that's all, it's a group.

Mr. Strouse thought that no executive session would be necessary. Mr. Nails moved to approve the retirement for Ms. White, seconded by Mr. Wick. Motion carried 6:0.

8. Adjournment: Mr. Hooper moved to adjourn at 10:35 AM, seconded by Mr. Wick. Motion carried 6:0.