

Burlington Employees Retirement System
Board Meeting Minutes
February 22, 2013

Board Members Present: James Strouse (via phone) Jeff Wick
Bob Hooper Paul Sisson (8:39 AM)
Munir Kasti Ben O'Brien
Ray Nails (8:35 AM)

Others Present: Marina Collins Springer Harris
Christopher Talbert Barry Bryant
Stephen Roth

James Strouse convened meeting at 8:33 AM.

1. Agenda: No Changes.
2. Approval of 01/17/2013 Minutes: Mr. Hooper moved to approve, seconded by Mr. Kasti. Mr. O'Brien had a correction to the Tar Sands item; it was Mr. Bryant who made the comment. Motion carried 5:0.
3. Approval of Bills: Mr. Kasti moved to approve, seconded by Mr. Hooper. Mr. Nails entered. Mr. Wick would like copies of the invoices attached to the summary page. The Administrator will include going forward. Motion carried 6:0.
4. Consideration of Retirement Applications: Mr. Hooper moved to approve, seconded by Mr. Nails. Motion carried 6:0.
5. Ratify Refund/Rollover of Contributions: Mr. Nails moved to approve, seconded by Mr. Kasti. Motion carried 6:0.
6. Executive Session: There was no need for executive session.

Mr. Sisson entered at 8:39 AM.

7. 2008 Resolution – Shift Supervisors: The board discussed the 2008 resolution which moved shift supervisors to a 5 year AFC in exchange for an increase in compensation. The Administrator determined that it would result in a decrease of \$72.68 per month of what was previously calculated using a 3 year AFC. It was also determined that even if we took the original compensation and applied cost of living adjustments that the 5 year AFC would still result in a higher benefit. Mr. Wick moved to defer discussion pending an opinion from Attorney Blackwood, seconded by Mr. Nails. Mr. Sisson agreed to email Attorney Blackwood

with the request. Motion carried 7:0.

8. Barry Bryant, Dahab Associates – VPIC Analysis: Mr. Strouse briefed the board that during the transfer of assets to the VPIC portfolio we later found that there were 92 shares in Interpublic Group which did not get transferred and rather than have this small investment it would be a good idea to sell the shares and consolidate the funds as we intended. Mr. Wick moved that a resolution be signed by Mr. Hooper to effectuate the sale, seconded by Kasti. Motion carried 6:0.

9. Barry Bryant – Alternative Investments: Mr. Bryant presented a handout analyzing VPIC over the last 5 years and potential alternatives to consider. Mr. Bryant first talked about the performance of the last quarter, basically it wasn't spectacular, nothing happened. The portfolio returned 2.3%. The market is up around 6% year to date and Mr. Bryant doesn't expect that to change going forward. The board asked if Mr. Bryant could incorporate the fiscal year ending numbers in the performance booklets. Mr. Bryant will try to accommodate that request. The board began a discussion about the rate of return and reiterated much of what they have been discussing previously at board meetings. Mr. Bryant offered to spend time with the board at another meeting to discuss this; it is a budget planning tool. They discussed if that lowering the actuarial assumption will increase the city contribution. Mr. Nails asked if our assumption should be what VPIC's is. Mr. Bryant responded, as he has said before, that if we are different we are making a statement about what we think the market is going to do relative to what VPIC thinks it's going to do and I am not sure that I agree with what they are doing or what their methodology is, if you see that they are assuming that in the later years it will be much higher. The board agreed it is an "Assumed" number, and that it is a best guess. They also agreed that it does have implications. Mr. Bryant opined that he thinks that he would be more comfortable with something lower, but he suggested that he come to a meeting to discuss and come to a final conclusion, and make a decision. Mr. Hooper suggested that what the board decides in terms of an assumed rate of return dictates what City Hall will have to pay to keep the plan whole. Mr. Hooper said, it is a tool for future planning. Mr. Sisson said you have to look at it from the big picture side, that the Council and the Mayor have initiatives underway to determine how we are going to solve the underfunding. Mr. Sisson didn't want to get off track; we have already had this discussion with our Actuary, who said 8% is within the range. Mr. Sisson opined that not making the actuarial contribution is not a sound practice and that this Administration will always make the actuarial required contribution, and will do so in a way that is neutral to the City but this is not always neutral to the taxpayers because of the way the dedicated retirement tax rate works. Mr. Sisson also opined that 8% is probably too high but really does not have a suggested rate. The board generally agreed to wait and see what the experience study, combined with what the Actuary says and with what our Investment Consultant says. Mr. Strouse asked that we move along to the VPIC presentation, which was the primary topic for today. Mr. Bryant handed out a VPIC Analysis (see handout). Mr. Bryant opined that VPIC has been an unqualified success and will attempt to answer the following 3 questions: 1) Has VPIC done a good job on an absolute basis? 2) Has VPIC done a good job on a relative basis? And 3) Are there attractive alternatives to VPIC? Performance on an absolute basis: the 5-year portfolio return is 3.4%, the percentile rank is 38th. Sometimes ranking in the 38th percentile is enough to retain a strategy. Mr. Bryant went through the performance since inceptions and discussed that in 2008 VPIC ranked in the 98th percentile, which is not good, however, VPIC worked and has been working to mitigate risk. Mr. Bryant thinks that overall return is likely to remain slightly above average due to the derisking and future change will likely build on this model. Performance on a relative

basis: Mr. Bryant compared the VPIC portfolio to an "alternative" portfolio which showed slightly higher returns, however, hindsight is 20/20. Mr. Bryant tried not to pick things that he would have recommended if he were helping BERS to manage their funds. He chose some indexed funds, etc. To summarize, a prospective portfolio holds the potential for higher returns, less risk, slightly lower fees and greater simplicity. (Mr. Sisson left at 10:05 AM) However, there is also a chance for lower returns. Mr. Bryant went on to discuss the cost, political considerations and a prospective portfolio. VPIC has provided excellent service, creation of a self-managed portfolio invites comparison and if the board decided to move away from VPIC it would continue to be compared. Mr. Bryant suggested that nothing we do short of portfolio immunization can guarantee any level of absolute or relative results. (Mr. Nails left at 10:13 AM) Mr. Strouse urged the board to think about discuss at the next meeting, and ultimately make a decision to either stay or go. Mr. Bryant said the board probably needs to make a decision by July as the contract is up in October.

10. Other Business: Mr. Hooper moved that the board endorse a member of the board or staff or the Administrator to attend the NCPERS conference next month, seconded by Mr. O'Brien. Discussion continued with Mr. Strouse pointing out being budget conscious. Mr. Strouse offered a friendly amendment, "subject to available funding and the desire of the Administrator". Amendment accepted and motion carried 5:0.

11. Adjournment: Mr. O'Brien moved to adjourn at 10:25 AM, seconded by Mr. Hooper. Motion carried 5:0.