



BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

James T. Strouse
Chairman of the Board
Robert Hooper
Vice-Chairman

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Retirement Board
December 19, 2013
Burlington Electric Conference Room

Board Members Present: Jim Strouse (JS) Ben O'Brien (BO)
Bob Rusten (BR) Munir Kasti (MK)
Bob Hooper (BH) Matt Dow (MD)
Jeff Wick (JW) John Federico (JF)

Others Present: Susan Leonard (SL)
Stephanie Hanker (Acting Secretary)
Kim Sturtevant
Barry Bryant – Presenter Dahab Associates (BB)
Martin Currie via Conference Call – Mel and John (MC)

JS convened the meeting at 9:00am

1. Agenda: JS stated to remove agenda item number 3, Approval of Bills, as there were no bills to approve. BR stated that an agenda item was needed to elect the two members to sit on the Pension Committee. JS added the agenda item immediately following the approval of the minutes.
2. Approval of Minutes 11/21/2013: BH moves to approve the minutes as presented. BO 2nd. Motion carries 8:0
3. Election of Members for Pension Committee: BR stated the City Council would like to add two non-employee members to the Pension Committee. BS stated the Committee would have its work done by the end of May and at that time the Committee would send a communication to the City Council on its work. MD nominated BH. BR 2nd the motion. BO abstained from the vote stating he did not agree with the process the City Council was taking. The motion carried 7:0:1

JF nominated JS. JW 2nd motion. BO abstained from the vote stating he did not agree with the process the City Council was taking. The motion carried 7:0:1

4. Consideration of Retirement Applications: BO moved to approve applications presented. MK 2nd motion. Motion carries 8:0
5. Ratify Refund/Rollover of Contribution: BO moved to approve refunds/rollovers presented. MK 2nd motion. Motion carries 8:0

JS stated that the Board will start the item number 7, Barry Bryant – Performance Evaluation and Contract discussion, until Martin Currie calls in for 9:15am.

6. Martin-Currie Presentation: 9:15 call in time. Mel and John joined via conference call to give an update on performance on the Martin Currie investments. Martin Currie provided detailed handouts for the Board (Please see the attached). BB asked MC why they believed money has started to flow to US stocks. MC stated the last couple of years the US has had low interest rates and equity remains stable with investors looking for income the US has propelled the market with both the strength of the recover and equity market recovery. JF asked MC why China is on the lower end of the list. MC stated that China does not have a big macro economic pool shareholders do not equate to GPE returns and cash flow on a long term basis. BH asked if certain companies were chasing the lowest labor cost. MC stated that Mexico and some other countries wages have adjusted down to make for a more competitive market. BB asked about Mexico's big success with domestic economy. MC stated Mexico has now passed Europe with a competitive economy along with Russia; both are now good places for opportunities to invest in. MC ended call 9:50am
7. Barry Bryant- Performance Evaluation & Contract Discussion: BB provided the Board with two handouts (please see attached titled Public Pension Plan Actuarial Rate Assumption Survey and Net Fees * Performance by Asset Class Burlington VPIC vs. Alternative Portfolio with Private Real Estate Periods Ending 03/31/2013) BB stated the VPIC portfolio has earned 3.7%, which is in the 91st percentile. BB stated the manager performance hurt a little bit but was not a bad asset allocation. BB stated some of the negatives are low pure equity, which is much less than typical and high percentage in real assets. 9:15am conversation on hold, Martin Currie called in.

Continuation began 9:50am.

BB stated that the Board may want to do a review at a future meeting on Hamilton Lane and Timber. BB stated VPIC real estate did not perform well either, but just because it did not do well, does not mean that the portfolio is bad. MK stated that the retirement fund investment allocation is about 55% in bond/fixed income and 45% in equity and there was a loss of 40 to 50% and how were we going to recoup this money with this allocation, with each year the underfunding going up, stating, we need to reduce the City's liability. . BB stated that he would need to do some analyst. BB stated he would not suggest pulling

money out until we have a downfall, it would not be sustainable, he would not rerisk because we are too late in the cycle, if there were a market crash you would be worse off. BR stated he would like to see if we save 5% loss in downturn he would like to understand how much would it save us in a downturn? Can we pull some of the money vs. all of the money we should have the conversation because we want to be ready quickly. JW asked what do we have to be prepared to do. BB stated if we stayed in liquids we could move around more, but nothing is going to give you 100% return. JW stated he was concerned where we stand being in the 91st percentile. BB stated to focus on the 5-year number, 2008 to now you have made 8%, which is right in the middle. JW asked if the 8% was compounded. JS stated 8% is not great now in the 4th quarter, but the 3rd quarter was receding. JS stated the 5-year number should get better and better. MK stated even getting 8% is not going to solve the Administrations problems in a practical timeframe to reduce the underfunded liability. BB stated that the amount is normal, to payoff the underfunded liability he suggests making required payments and do not change the benefit and it should be okay. MK stated he did not think that it was sustainable. JF stated the Board needed to do its due diligence and have the actuary come in and educate the Board. BB stated again that the bulk of peoples return is about 8%. BR stated that 8% over 30 years makes sense but any year that is below the underfunded portion still increases and asked if we are being too conservative. JW stated he felt we should be facing the issue. BR asked if we should be lowering the rate of return. JF stated he believed that conversation should be with the actuaries. BB stated the actuaries would not be able to tell you anything they can talk about assumptions, guesses at best.

BR exit 10:40am.

JS stated that the actuary selected a method; it is not the only available methods are there better ways? BH stated that you could take less out or put more in. BB stated that management and labor, both sides should come together for a solution. JF asked when the City was going to provide the requested numbers to Buck for the annual valuation. SL stated the information had been sent to Buck by Rich Goodwin.

MK exit 10:50

BB explains the fees for Dahab and stated that they are reducing fees because they are not doing what they were hired for, not providing all services. BB stated that they agree to 4-6 meetings per year; analyze results and talking about appropriateness of VPIC relationships but would not be doing management selection. We are charging 7 base points on the first 50 million 5 base points on the next 50 million and 2 base points beyond that. If the Board relieving of making manager selection will reduce to 40000, keep at that level as long as VPIC choosing our managers, doing fee reduction as recognition of not providing the service, since BERS is charged from VPIC for that. BH asked if the figure was based on invested funds or total funds. BB stated total funds. BB stated as

per our VPIC agreement it encourages independent financial advisor. BB stated if wanted he could bring something in writing to be effective 01/01/2014.

JS stated the Board would enter into executive session to discuss a legal matter.

8. Possible Executive Session - Executive session entered into at 11:01am.

Executive Session ended 11:15am.

JW exit 11:15am

BH moved to send a letter to previous administrator for years of service. Motion carries 5:0

JS moves to table agenda item #10 and #11. Motion carries 5:0

9. Discussion – RFP – Actuarial Services – JF moved to table agenda item. BO 2nd.

Motion carries 5:0

12. Discussion – Funded Status – JS stated he feels we have had that conversation throughout the meeting today. The basic reason, significant changes in benefits made and concurrent with that the market tanked. Year's subsequent have not been kind in a returns.

13. Other Business – JF requested a new room be used for future meetings.

MD motion to adjourn meeting. JF 2nd the motion. Motion carries 5:0

Meeting adjourned 11:20am

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