

Minutes of the Burlington Employees' Retirement Board
January 16, 2014
Burlington Electric Department

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

Others Present: Susan Leonard (SL)
Stephanie Hanker (SH) (Acting Secretary)
Steven Goodkind (SG) (Public)

JS convened the meeting at 9:00am

1. **Agenda:**

JS stated to remove agenda item number 6, Possible Executive Session

2. Approval of Minutes 12/19/2013:

MK stated that on page 2 section 7 discuss was related to VPIC bonds and equity. MK stated he would send the changes to SH to be corrected. BO moves to approve the minutes as corrected. BH 2nd. Motion carries 7:0

3. **Approval of Bills:**

BO move to approve. BH 2nd. The motion carries 7:0. BH requested that if bills are going to more than usual to alert the Board.

4. **Consideration of Retirement Applications:**

BH moves to approve the two vested retirements and stated the Mr. Goodkind was present to discuss his retirement on the agenda for approval. Mk 2nd. Motion carries 8:0 for the two vested retirements
SG stated that he announced his retirement sometime in May or June and there has been a hold up due to the actuaries. SG stated that he was divorced and had a DRO in place that he thought was straight forward, he was to get 68.5% and his ex-spouse was to received 31.5% of a 50% option based on the time of marriage. SG stated that Buck had come back with a bizarre interpretation of the DRO and did not agree with their interpretation. SG stated that Buck hangs on to one thing, they said the benefit will be split, not based on his benefit of 50%, but of the normal benefit, which is a larger benefit, then reduces his benefit, based on the 50% option, and leaves him with the remaining 68.5%. SG stated this is not fair and not the intent of the order. SG stated it should be, you take the 50% benefit and split it 68.5% to him and 31.5% to his ex-spouse. JF stated he thought the Boards attorney

needs to review the documents could be adversely affecting the retirement system. JS stated if Buck was incorrect we have an obligation to get this right. JW stated that he agreed the Board needed to start with the Attorney's review. SL stated she agreed with SG's interpretation of the DRO. BH stated he would like this sent to Attorney and have her come back and report to the Board. MK asked if this is holding up SG's retirement check. SG stated yes. BH asked if we could approve the amount presented then revise when this is resolved. JW stated we should have the Attorney take a look and hold a special meeting to discuss and make a decision for approval then. JS stated we could approve the retirement subject to the clarification of the City Attorney and request the City Attorney to confer with Buck. BH stated he was uncomfortable and would want to meet after attorney advice, feeling that would be like approving a blank check. JW moves to table until City Attorney provides advice to the Board and would request this be expedited and hold a special meeting. JF 2nd. Motion carries 7:0

5. Ratify Refund/Rollover of Contribution:

BH moved to approve refunds/rollovers presented. JF 2nd. Motion carries 7:0

6. **Other Business:**

BH asked if there was any discussion regarding the Dahab presentation. BH stated sooner or later we are going to have to start talking about what to do. JW asked when the valuation would be complete. SH stated a draft was available and should be completed by Friday. JW asked if SH could send out the draft copy to the Board. JF asked if BH was referring to VPIC, in terms of his above comment. JS stated that there is a 30 day notice that is required to withdraw from VPIC. JF asked if Barry's side by side comparison is ongoing. BH stated he still was not convinced that it is apple to apple. MK stated that he feels the comparison is meaningless; Barry is still using the same assumptions, the same percentage of stocks and the same percentage of bonds, the question is really, what should be our percentage of stocks and bonds to get that 8% rate of return or more to lower that underfunded liability, what are the risk and benefits. JW stated Mk raised a good question, one of asset allocation. JW asked MK how you would like to get more comfortable with answering, should we have someone come in and present on asset allocations. MK stated the consultant we pay every month should be making that presentations or recommendations; we are not getting out of him what we are supposed to get. JW stated that should be a simple question to Barry, Asset allocations, what's your view, can you help educate us on the right asset allocations for our pension plan. MK stated with the city's intention of reducing the City's unfunded liability. Getting 8% a year will take 30 years, assuming the stock market is going to give you 8% year. JF stated that hearing from VPIC their philosophy leans towards they are protected from going over the cliff, if their philosophy is going to be too conservative then we need a money manager to be responsive not leave it all

in the same thing similar with the previous manager. BH stated if you look at the three systems the teachers are in the same boat, not enough money to maintain, but in same allocation as opposed to municipal which is close to 100 funded, the difference is they are having more money coming in. JW stated that he does not believe anyone is going to tell them, this is what you should do in terms of allocations, are you looking for more education about asset allocation or someone to tell you what to do. BH stated he felt it was the responsibility of the Board, when VPIC has their asset allocation presentation and says this is what we are thinking about doing it is reviewed annually, we have to be there. JW ask for confirmation they would go to VPIC. BH stated that way you get the background and rational. BH stated he would let the Board know when the annual meeting is. MK stated that currently we have 55% in fixed incomes, some in high yield bonds, the question is should we have 50% in fixed incomes and 50% in equity. JF stated we do not make those decisions, VPIC does. BH stated the Board has not looked at rebalancing the 90/10% split. JW asked if the board would want to take back some of our discretionary authority. JW stated the Board is vested with the authority to invest our funds. BH stated that was a different opinion by a prior CAO. BH asked if a clarification for the Board. JS stated the Board voted to go with VPIC. BH stated he felt that everyone should attend a VPIC meeting first before talking about this to get a flavor of difference in consultant's interest and capabilities. MK wanted to clarify, not criticizing VPIC's allocations, but is this the best allocation for the City, is the question. JW asked how do we get to that answer of that question. MK stated understanding VPIC and having Barry give more guidance and more explanation to the board; we look at him as an expert. JF asked what others know of other systems use in terms of number of allocations, with two different asset allocations, two different managers and two pots of money. BH stated no that is not correct one asset allocation little set aside for alternatives VPIC doesn't use. BH stated he thought the board spends a lot of time talking about the wrong end of this fund, money going out to retirees and not money that we are managing. JS gave an update about the Mayor's committee and confirmed he was attending on the 28th.

BH moved to adjourn meeting. JW 2nd. Motion carries 7:0
Meeting adjourned 10:15am