

Burlington Employees Retirement System
Board Meeting Minutes
September 22, 2011

Board Members Present: James Strouse Ben O'Brien
William "Chip" Mason Robert Hooper
Ray Nails Munir Kastl
Rich Goodwin

Others Present: Susan Leonard Marina Collins
Barry Bryant Karen Paul (9:40 AM)

James Strouse convened meeting at 9:05 AM.

1. Agenda: Added 3a. VPIC Contract Extension. Added 4a. Actuarial Assumptions and under Other Business add Executive Session notes and Complaint received by Munir Kastl. Mr. Nails moved to amend the agenda, seconded by Mr. O'Brien. Motion carried 7:0.

2. Approval of Minutes 8/18/11: Mr. Strouse suggested two changes, motioned to moved and pointed out that Mr. Nails moved to adjourn. Mr. Hooper moved to approve, seconded by Mr. Nails. Motion carried 7:0.

3. Approval of Bills: Mr. Hooper moved to approve, seconded by Mr. Nails. Motion carried 7:0.

3a. Extension of VPIC Contract: Mr. Strouse summarized the pertinent changes to the VPIC contract; to extend the contract term to end on 10/31/12, replace the "Vermont Municipal Pension Investment Procedures" as originally adopted in 2007 with new procedures adopted on 12/10/10, update the notice list, increase the Custodian fee to \$10,000 per year and the Vermont State Treasurer's Office administrative fee to \$12,300 per year. Mr. Bryant discussed extending the contract through 2013 so that there would be a full 5 years to evaluate VPIC fund performance. Mr. Mason asked if it would be more beneficial to keep the contract shorter, for one year periods, in any case. Mr. Bryant agreed, that it may be more beneficial and it is a discussion that the board should consider. Mr. Strouse and Mr. Mason discussed evaluating performance just before the 5 year point in order understand if it makes sense to stay with VPIC or to consider other strategies. Mr. Bryant offered to help with that analysis, looking back at the numbers, as if BERS had used indexed funds, run the numbers from the point of entry to the end to determine if it makes sense. Mr. Strouse offered that we should look begin to examine this next summer in order to reach a decision. Mr. Bryant suggested that the best time to look at this would be in February 2013 but we can look at it a bit earlier. Mr. Goodwin opined that it doesn't have to be an "all or nothing" decision, meaning we could decide to keep 50% in VPIC, investing the rest in a way that would enhance returns or we could

decide to move 100% to VPIC if we determine that the results were positive. Mr. Bryant reminded the board that we did carve out 10% to invest in the alternative asset classes in order to enhance the portfolio. Mr. Hooper reminded members to attend the VPIC meeting next Tuesday. Mr. Nails moved to approve the VPIC contract extension subject to the City Attorney review and recommendation, seconded by Mr. Mason. Motion carried 6:0 with Mr. Hooper abstaining.

4. & 4a. Barry Bryant, Dahab Associates – Fund Performance and Actuarial

Assumption: Mr. Bryant by discussing the economic environment, index performance and the positive trend in the public fund universe. In the board asset classes we were in the 18th percentile for the quarter ending 6/30/11. He suggested that active management added value. Mr. Strouse stated that later this year we will be looking at our actuarial assumption with regard to rate of return and asked Mr. Bryant to give us some insight and to help evaluate whether it needs to be changed. Mr. Bryant discussed three views on rates of return; Pessimistic (RAFI/Pimco), Conventional (Wall Street consensus) and Historical (20-year history). The rates of return ranged from 6.5% to 9.5%. He explained how the Actuary looks at all of the plan demographics, trends and data; then figures out how much money is needed to fund the plan each year. There is an assumption about rate of return on the investments. If the investments grow at a lower rate than the assumed rate then typically the sponsor will reduce benefits or increase contributions. He discussed other considerations, for example, union negotiations. Mr. Mason opined that he is sensitive to the City's financial position but does not think that it is in the board's preview and that if the 8% is unrealistic then as a collective board we need to make that determination and let the powers that be figure out how to pay for it. Mr. Strouse agreed. Karen Paul opined on the topic and said that she agreed, I think that the role of this board is, don't worry how to pay for it, if you feel that the 8% is too high, then you should say that. I think that was what Don was trying to say, I didn't get the impression that was an opinion that was shared by other members of the board and obviously something you would want to give more thought to. Mr. Strouse said that in any event, we have consistently looked at the actuarial assumption, we always quiz the Actuary, and so far he has maintained that 8% is reasonable. The general consensus among the board was that that view may be starting to change. The board discussed continuing this discussion and Mr. Goodwin suggested within the next 60 days. Mr. Kasti asked if we could stagger lowering the rate of return to reduce the impact. Mr. Strouse offered to speak with David Driscoll and get back to the board. Mr. Bryant felt comfortable saying that 7-7.5% is reasonable. Mr. Bryant then moved into elaborating on the Real Estate and Fixed Income portion's of the VPIC portfolio, explaining the 9 Fixed Income investments and the 4 Real Estate investments in detail (see handout).

5. Executive Session: Mr. O'Brien moved to go into executive session to discuss matters which for which premature disclosure would potentially put the City at risk at 10:54, seconded by Mr. Kasti. Motion carried 7:0. The board moved out of executive session at 11:30 AM. Mr. Nails moved to send the disability applicant to follow up with the appropriate medical professional, Dr. Nash, for further evaluation, seconded by Mr. Kasti. Motion carried 7:0.

6. Consideration of Retirement Applications: Early Retirement for Claire Shepard. Mr. Nails moved to approve, seconded by Mr. O'Brien. Motion carried 7:0.

7. Ratify Refund/Rollover of Contributions: Mr. O'Brien moved to approve, seconded by Mr. Nails. Motion carried 7:0.

8. Other Business: Mr. Strouse had asked the Retirement Administrator to touch base with Attorney Fuller to get information about taking notes in executive session. Attorney Fuller responded that BERS can take notes, they should be kept separately and confidentially. There should be approval or acceptance of notes during executive session as well to keep them confidential. The caveat is that by having these notes they can potentially be discoverable and subpoenaed. The board agreed to record notes to be kept by the Retirement Administrator and maintained in a separate, confidential file. Mr. Kasti read a complaint sent to him by Sue Trainor regarding notification and receiving adequate information of the Return to Service issue. Mr. Hooper reminded people again to come to the VPIC meeting on Tuesday. The next meeting is on 10/20/11 at 8:30 AM at the Airport.

9. Adjournment: Mr. Mason moved to adjourn. Mr. Kasti seconded. Motion carried 7:0 at 11:39 AM.