



## **BURLINGTON EMPLOYEES' RETIREMENT SYSTEM**

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

Stephanie Hanker  
Retirement Administrator  
802-865-7097  
\*\*7-1-1\*\* (TTY)

### **CITY COUNCIL REPORT**

FOR June 2016

#### **MISSION**

The mission of the Retirement Board as defined by the Ordinance is to be trustees of the funds of the retirement system. The members have the authority to invest funds, determine asset allocation within guidelines, develop the guidelines, and hire such managers and consultants as may be needed. The members also set policy and oversee the general administration of, and have the responsibility for, the proper operation of the retirement system. The members make decisions on disability applications and follow-ups.

#### **HIGHLIGHTS**

The market value of assets as of June 30, 2016 was \$155,435,217 compared to a market value as of June 30, 2015 of \$159,598,595. Investment performance for the fiscal year was -0.9% putting us in the 78<sup>th</sup> percentile of public funds for the year.

In addition to its regular business of approving minutes, bill payments, refunds, rollovers and retirement applications the Board devoted much of its time in FY 2016 to discussion, planning and implementation of its exit from the VPIC investment portfolio. You may recall that I informed the Council in June 2015 that the Board was about to make that decision and that, over the course of the last two years had considered:

- Returns achieved since Burlington invested with VPIC in 2007;
- Risk and return potential of an independent portfolio relative to VPIC;
- The cost of an independent portfolio relative to VPIC;
- The administrative burden of assuming investment management responsibility;
- Burlington's funding needs as distinct from VPIC's.

And, of course, the decision to leave VPIC challenged the Board to become educated to make prudent investment allocation decisions and to implement those decisions. The shortness of this report belies the significant amount of discussion and debate and the amount of input required of our consultant that ultimately enabled us to be comfortable that we were sufficiently informed to make these decisions. The table following gives you the resulting asset allocation decision.

| <u>Asset type</u>         | <u>Percentage</u> |
|---------------------------|-------------------|
| Large Cap Equity          | 30                |
| SMID Cap Equity           | 18                |
| EAFE Equity               | 10                |
| Emerging market Equity    | 10                |
| Private Equity (existing) | 2                 |
| Timber (existing)         | 2                 |
| Fixed Income              | 28                |

In implementing the chosen allocations we chose BNY Mellon Index Funds for all investments other than our existing holdings. It is anticipated that about 35% of our allocation to fixed income will be shifted into a real estate investment as a fixed income alternative given the current interest rate environment.

As a result of these investment decisions we anticipate annual investment expense savings of approximately \$600,000.

At the time of this writing there are 790 active members of the Retirement System, 670 retirees and beneficiaries, and 375 members who have left service with vested benefits. Pension benefits average about \$\$1,195,685 per month.

The FY 2016 members of the Board are James Strouse, Robert Hooper and Jeffrey Wick, who are appointed by the City Council with Mayor presiding, Robert Rusten, Chief Administrative Officer, who is the Ex-Officio member, Lt. Benjamin O'Brien, Fire and Det. Cpl. Daniel Gilligan, Police who are elected by the Class "A" employees and Munir Kasti and Matthew Dow, who are elected by the Class "B" members.

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James Strouse, Chairperson