



BURLINGTON RETIREMENT SYSTEM

City of Burlington

City Hall, Room 20, 149 Church Street, Burlington, VT 05401

Robert Hooper, Chairman of the Board

Munir Kasti, Vice-Chairman

Meeting – Monday, May 17, 2021

Start Time – 9:00 AM – 10:30 AM

Join Zoom Meeting:

<https://us02web.zoom.us/j/85261644826?pwd=SmI1amsvSkRmNzFSU29sV2VOMXhNUT09>

Meeting ID: 852- 6164- 4826

Passcode: 834923

You may join by phone, dial +1 929 205 6099, meeting # 852-6164-4826

1. Agenda
2. Public Forum
3. Approve Meeting Minutes
 - April 19, 2021
4. Approve Retirement Applications
 - Barry Simays, Class A, \$6,670.41
 - Bruce Maysilles, Class B, \$178.95
 - Douglas Chamberlain, Class B, \$2,068.94
 - Thomas Nash, Class A, \$4,082.48
5. Fiducient Advisors Presentation
 - Update on reallocation
 - Discuss Fossil Fuel Divestment Report
6. Administration Updates
7. Communication Small Checks
8. Adjourn

**BURLINGTON RETIREMENT BOARD
REMOTE MEETING WITH CALL-IN
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
April 19, 2021**

MEMBERS PRESENT:

Robert Hooper, Chairperson
Munir Kasti, Vice-Chairperson
Patrick Robins
David Mount
Ben O'Brien
Daniel Gilligan
Matthew Dow
Katherine Schad

OTHERS PRESENT:

Rich Goodwin
Chris Rowllins
Kate Pizzi
Jim Strouse
Justin St. James

1.0 CALL TO ORDER

Robert Hooper called the Retirement Board meeting to order.

MOTION by Patrick Robins, SECOND by Ben O'Brien, to adopt the agenda.

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments
None at this time.

3.0 APPROVE MEETING MINUTES

- January 21, 2021 -
- February 18, 2021 -
- March 15, 2021 -

David Mount noted that a motion to accept the COLA as presented was not captured in the January 21, 2021 meeting minutes.

MOTION by David Mount to amend the minutes of January 21, 2021 to add a motion to accept a COLA of 0% as presented by the City administration, with all in favor except for 1 opposing vote from Ben O'Brien.

VOTING: unanimous; motion carries.

MOTION to approve the January 21, 2021, February 18, 2021, and March 15, 2021 minutes as amended.

VOTING: unanimous; motion carries.

4.0 APPROVE RETIREMENT APPLICATIONS

4.01 Approve Retirement Applicants

- Betty Gill, Class B, \$1,109.33
- Bonni Clavelle, Class B, \$214.66
- Charles Cavanaugh, Class B, \$62.63
- Cynthia Cartier, Class B, \$169.24
- Jerry Tomlinson, Class B, \$549.20
- Julie Cadwallder, Class B, \$786.18
- Melissa Allen, Class B, \$734.35
- Michelle Lefkowitz, Class B, \$37.25
- Robert L'Ecuyer, Class B, \$602.19
- Rosemary Rawlings, Class B, \$32.76

Patrick Robins asked about when vesting occurs. Dan Gilligan replied that full vesting occurs after 5 years, but that employees are partially vested at 3 years.

Mr. O'Brien requested a discussion at a future meeting to discuss minimus payments, citing concerns about costs to the system. Finance Director Goodwin noted that the Board cannot deny members' applications, but the Board can elect to choose to approve retirement applications and pay out on a less frequent basis, such as quarterly, semi-annually, or annually.

MOTION by Ben O'Brien, SECOND by Matthew Dow, to approve the retirement applications as presented.

VOTING: unanimous; motion carries.

5.0 APPROVE CASH OUTS/ROLL FORWARDS

5.01 Approve Cash Outs/Roll Forwards

- Brian Fitzgerald, Class A, \$3,075.99
- Christopher Brassard, Class B, \$52.99
- Colton Dober, Class B, \$14,072.82

MOTION by Munir Kasti, SECOND by Ben O'Brien to approve the cash outs/roll forwards as presented.

VOTING: unanimous; motion carries.

6.0 APPROVE DISABILITY

6.01 Approve Disability

- Douglas Bedell, Class B, \$3,024.41

Finance Director Goodwin noted that the member worked for the City for 12.5 years and was injured while working on the job in the summer of 2020 and that his medical doctor has deemed him unfit to work.

MOTION TO TABLE by Chief Administrative Officer Schad until later in the meeting.

MOTION by Matthew Dow, SECOND by Munir Kasti, to enter into executive session.

VOTING: unanimous; motion carries.

MOTION by Matthew Dow, SECOND by Munir Kasti, to exit executive session.

VOTING: unanimous; motion carries.

MOTION by Ben O'Brien, SECOND by Daniel Gilligan, that having reviewed pertinent medical information, to approve the disability application as presented.

7.0 FIDUCIARY ADVISORS (FORMERLY DIMEO) PRESENTATION

7.01 Investment Report as of March 31, 2021

Ms. Pizzi provided a quarterly investment review of the BERS for the first quarter of 2021. She began by reviewing the fiduciary governance calendar. She noted that they focus on different areas of fiduciary importance every quarter, and they are focused on fees for Q1 2021. She reviewed the fees associated with the BERS investment portfolio, noting that fees are relatively low compared to peer group fees. Mr. Hooper asked if fossil fuel divestment would affect the fees. Ms. Pizzi replied that divestment would result in an increase of 10 basis points, though that would still result in extremely low fees.

Mr. Rawlins provided a summary of capital market performance for the quarter. He noted that global equity markets continue to ride higher, likely driven by mass vaccination efforts. He also noted that sectors associated with reopening—energy, industrial, and financial--saw more gains than the technology sector. He noted that inflation increases for the quarter may be related to stimulus checks sent directly to consumers. Ms. Pizzi called attention to the large returns in the global equities market over the past year. Mr. Rawlins also briefly noted updates for the fixed income and equity markets for the quarter. He noted that short-term liquidity decreased, due to increased benefit payments. He noted that the overall performance for the quarter increased by 4%, and increased over the fiscal year by approximately 24%. He said that the fixed income underperformed slightly and that the increased returns are being driven by both domestic and international

equities. Mr. Robins asked what equity would look like over the 15-month period that included the beginning of the pandemic, noting that the current increases are the result of a recovery market. Mr. Rawlins agreed, but noted that the recovery has been very strong.

Ms. Pizzi discussed the current asset allocation structure and provided recommendations for potential reallocation. The current allocation is 75% equity, 17% fixed income, and 7% alternative models. She noted that the current allocations are biased toward US equities over international equities. She suggested a more balanced allocation between US and international equities, which could increase the portfolio's expected return to 7% (it's currently at 6.8%). She also suggested adding a flexible bond manager (as opposed to a core bond manager) to cast a wider opportunity set to mitigate higher interest rates in terms of fixed income. Mr. Mount asked how domestic and international companies are defined, since the lines have blurred substantially over the last several decades. Ms. Pizzi replied that where a company is domiciled isn't necessarily where it's doing business. Ms. Pizzi said that specifically, they are suggesting decreasing the small cap space and increasing international developed market equities. She also proposed taking some assets from Johnson and reallocating them to a dynamic bond manager. She additionally suggested shifting from passive to active emerging market equities.

Ms. Pizzi outlined next steps, including potentially voting on the asset allocation and changes to the investment policy statement, transitioning to the new allocation over three monthly tranches (except for dynamic bond allocation and emerging market active manager), and then in May/June to review and select a custodian bank and review active managers for emerging markets and dynamic bonds, and finally in June/July to interview selected active managers. Mr. Hooper asked if it would be possible to maintain a "ghost" allocation, to see what would have happened had these suggested changes not been implemented. Ms. Pizzi replied that yes, that could be set up by adding a secondary benchmark.

Mr. Hooper asked about the impending infrastructure bill at the federal level and how that could affect these decisions. Ms. Pizzi replied that for this reason, they are advocating for a dollar-cost averaging approach and would like to implement this over months or quarters to hit the market over different periods of time.

MOTION by Patrick Robins, SECOND by David Mount, to modify the asset allocation as proposed on Slide 22 ("Frontier Engineer Analysis") of the Fiducient Advisors presentation.

VOTING: unanimous; motion carries.

MOTION by Patrick Robins, SECOND by David Mount, to modify the transition to the new allocation in a dollar-cost averaging approach over 3 quarterly tranches, with the exception of dynamic bonds.

VOTING: unanimous; motion carries.

MOTION by David Mount, SECOND by Daniel Gilligan, that notwithstanding the existing policy statement, an exemption shall be made for the first tranche to be moved.

VOTING: unanimous; motion carries.

7.02 Fossil Fuel Divestment Report for Burlington City Council

Ms. Pizzi noted that the draft divestiture report is available for the BERS board review and will need to be finalized prior to submission to the City Council.

7.03 Investment Policy Statement

Ms. Pizzi noted that proposed changes in the policy statement include modifying the asset allocation consistent with proposed and improved allocation, as well as modifications to better define the roles and responsibilities of stakeholders in the BERS plan and clarify the investment strategy and how to implement it.

8.0 RETIREMENT BOARD TERMS EXPIRING JUNE – PATRICK ROBINS, MUNIR KASTI, DANIEL GILLIGAN, APPLICATIONS DUE MAY 14 AT 4:30 PM.

8.01 Retirement Board Terms Expiring in June

The members appointed by City Council will file the appropriate paperwork, and the member appointed by the employees will need to go through a nomination and election process.

9.0 ADMINISTRATION UPDATES

9.01 Administration Updates

Finance Director Goodwin noted that an overview of the suggested indemnification insurance will be provided at the next BERS board meeting.

10.0 ADJOURN

10.01 Motion to Adjourn

MOTION by Patrick Robins, SECOND by Ben O'Brien, to adjourn the meeting.

VOTING: unanimous; motion carries.

RScty: AACoonrad

Calculation of Benefit Options

Form A

Burlington Employees' Retirement System, Class A - Fire Non-Union

Barry J. Simays

IMPORTANT: City of Burlington reserves the right to correct any errors in the Calculation of Pension Benefit and Options. If it is determined at any time that the information provided in this Pension Distribution Kit conflicts with the terms of the Plan, the terms of the Plan will govern. Under the law, a plan must be operated in accordance with its terms and errors must be corrected.

Type of Calculation

Vested - Early Retirement

Information Used in Benefit Determination

Participant Name:	Barrv J Simavs	Class:	A
Date of Birth:		Department:	Fire Non-Union
Date of Hire:	08/23/1999	Vesting Percentage:	100.0000%
Date of Termination:	04/01/2021	Normal Retirement Date (NRD):	08/23/2024
Beneficiary Date of Birth:		Payment Start Date:	04/01/2021
		Employee Contribution Balance w/ Interest as of 04/01/2021:	\$136,799.31

Earnings

Average Final Compensation*: \$96,295.55

Determination of Benefit Amount

(1) Years of Creditable Service (CS)		21.58333	
(2) Years of CS on or prior to June 30, 2006 [(2)+(3) is not to exceed 25 years] (6.83333 of overtime service)		6.83333	
(3) Years of CS after June 30, 2006 [(2) + (3) is not to exceed 25 years] (7.33333 of overtime service)		14.75000	
COLA Option	Full COLA	Half COLA	No COLA
(4) Accrual Rate on or prior to June 30, 2006 (not to exceed 25 years)	2.750%	3.250%	3.800%
(5) Accrual Rate after June 30, 2006 (not to exceed 25 years)	2.750%	3.250%	3.600%
(6) Retirement Accrual Percentage = [1.17 x (6.83333) x (4)] + [1.17 x (7.33333) x (5)] + [(0.00000) x (4)] + [(7.41667) x (5)]	65.9771%	77.9729%	87.9690%
(7) Monthly Vested Benefit Payable at NRD = (6) x Average Final Compensation/12 x Vesting Percentage	\$5,294.42	\$6,257.04	\$7,059.19
(8) Early Retirement Reduction Factor	0.9378	0.9378	0.9378
(9) Monthly Vested Benefit Payable at Payment Start Date (7) x (8)	\$4,965.10	\$5,867.85	\$6,620.10

Benefit Options Available

Form of Payment	Option Factor	Full COLA		Half COLA		No COLA	
		Initial Benefit	Survivor's Benefit (1)	Initial Benefit	Survivor's Benefit (1)	Initial Benefit	Survivor's Benefit (1)
Straight Life Annuity	1.0076	\$5,002.84	**	\$5,912.45	**	\$6,670.41	**
5 Year Certain & Life Annuity	1.0000	\$4,965.10	\$4,965.10	\$5,867.85	\$5,867.85	\$6,620.10	\$6,620.10
100% Joint & Survivor Annuity	0.9167	\$4,551.51	\$4,551.51	\$5,379.06	\$5,379.06	\$6,068.65	\$6,068.65
50% Joint & Survivor Annuity	0.9600	\$4,766.50	\$2,383.25	\$5,633.14	\$2,816.57	\$6,355.30	\$3,177.65
100% Joint & Survivor Pop-Up Annuity	0.9046	\$4,491.43	\$4,491.43	\$5,308.06	\$5,308.06	\$5,988.54	\$5,988.54
50% Joint & Survivor Pop-Up Annuity	0.9538	\$4,735.71	\$2,367.86	\$5,596.76	\$2,798.38	\$6,314.25	\$3,157.13
Return of Employee Contributions	N/A	\$136,799.31	N/A	\$136,799.31	N/A	\$136,799.31	N/A

(1) **Survivor Benefits:** for the Joint & Survivor Annuity payments, the survivor's benefit is only payable if the chosen survivor is alive upon the participant's death. If the chosen survivor is not alive, then no additional benefit is payable upon participant death. The choice of survivor may not be changed after benefit payments have commenced.

* Average is of the three highest years of base earnings

**Amount in excess (if any) of accumulated employee contributions, with interest, over payments made

Calculation of Benefit Options

Burlington Employees' Retirement System, Class B - Other

Form A

Bruce Maysilles

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Type of Calculation

Vested - Late Retirement

Information Used in Benefit Determination

Participant Name:	Bruce Mavsilles	Class:	B
Date of Birth:		Department:	Other
Date of Hire:	01/02/1986	Vesting Percentage:	83.3333%
Date of Termination:	07/20/1997	Normal Retirement Date (NRD):	01/24/2021
Beneficiary Date of Birth:		Payment Start Date:	05/01/2021
		Employee Contribution Balance w/ Interest as of 05/01/2021:	N/A

Earnings

Average Final Compensation*: \$37,262.34

Determination of Benefit Amount

(1) Years of Creditable Service (CS)	6.16667
(2) Years of CS on or prior to 06/30/2006 [(2) + (3) is not to exceed 25 years]	6.16667
(3) Years of CS after 06/30/2006 [(2) + (3) is not to exceed 25 years]	0.00000
(4) Years of CS in excess of 25 years	N/A

COLA Option

Full COLA

(5) Accrual Rate on or prior to 06/30/2006 (not to exceed 25 years)	1.200%
(6) Accrual Rate after 06/30/2006 (not to exceed 25 years)	1.200%
(7) Accrual Rate in excess of 25 years	0.500%
(8) Retirement Accrual Percentage = [(2) x (5)] + [(3) x (6)] + [(4) x (7)]	7.4000%
(9) Monthly Vested Benefit Payable at Payment Start Date = (8) x Average Final Compensation/12 x Vesting Percentage	\$191.49
(10) Monthly Vested Benefit at NRD: = [Years of CS on or prior to 06/30/2006 and prior to NRD (6.17000) x (5)] + [Years of CS after 06/30/2006 and prior to NRD (0.00000) x (6)] + [Years of CS in excess of 25 years and prior to NRD (0.00000) x (7)] x Average Final Compensation/12 x Vesting Percentage	\$191.49
(11) Month Vested Benefit Payable as of your Payment Start Date: = [Greater of (10)] x 1.029914 Late Adjustment Factor or (9)	\$197.21

Benefit Options Available

Form of Payment	Option Factor	Full COLA	
		Initial Benefit	Survivor's Benefit ⁽¹⁾
Straight Life Annuity	1.0941	\$215.77	**
10 Year Certain & Life Annuity	1.0000	\$197.21	\$197.21
100% Joint & Survivor Annuity	0.9074	\$178.95	\$178.95
50% Joint & Survivor Annuity	0.9920	\$195.63	\$97.82
100% Joint & Survivor Pop-Up Annuity	0.8911	\$175.73	\$175.73
50% Joint & Survivor Pop-Up Annuity	0.9897	\$195.18	\$97.59
Return of Employee Contributions	N/A	N/A	N/A

(1) **Survivor Benefits:** for the Joint and Survivor Annuity payments, the survivor's benefit is only payable if the chosen survivor is alive upon the participant's death. If the chosen survivor is not alive, then no additional benefit is payable upon participant death. The choice of survivor may not be changed after benefit payments have commenced.

* Average is of the three highest years of base earnings

** Amount in excess (if any) of accumulated employee contributions, with interest, over payments made

Calculation of Benefit Options

Burlington Employees' Retirement System, Class B - AFSCME Local 1343
Chamberlain

Form A

Douglas J.

Benefit Options Available – Option 1

Form of Payment	Option Factor	Full COLA		Half COLA		No COLA	
		Initial Benefit	Survivor's Benefit ⁽¹⁾	Initial Benefit	Survivor's Benefit ⁽¹⁾	Initial Benefit	Survivor's Benefit ⁽¹⁾
Straight Life Annuity	1.0516	\$1,589.09	**	\$1,829.02	**	\$2,068.94	**
10 Year Certain & Life Annuity	1.0000	\$1,511.12	\$1,511.12	\$1,739.27	\$1,739.27	\$1,967.42	\$1,967.42
100% Joint & Survivor Annuity	0.9664	\$1,460.35	\$1,460.35	\$1,680.83	\$1,680.83	\$1,901.31	\$1,901.31
50% Joint & Survivor Annuity	1.0000	\$1,511.12	\$755.56	\$1,739.27	\$869.64	\$1,967.42	\$983.71
100% Joint & Survivor Pop-Up Annuity	0.9537	\$1,441.16	\$1,441.16	\$1,658.74	\$1,658.74	\$1,876.33	\$1,876.33
50% Joint & Survivor Pop-Up Annuity	1.0000	\$1,511.12	\$755.56	\$1,739.27	\$869.64	\$1,967.42	\$983.71
Return of Employee Contributions	N/A	\$27,614.26	N/A	\$27,614.26	N/A	\$27,614.26	N/A

Benefit Options Available – Option 2

Benefit A

Form of Payment	Option Factor	Full COLA	
		Initial Benefit	Survivor's Benefit ⁽¹⁾
Straight Life Annuity	1.0516	\$252.42	**
10 Year Certain & Life Annuity	1.0000	\$240.03	\$240.03
100% Joint & Survivor Annuity	0.9664	\$231.96	\$231.96
50% Joint & Survivor Annuity	1.0000	\$240.03	\$120.02
100% Joint & Survivor Pop-Up Annuity	0.9537	\$228.92	\$228.92
50% Joint & Survivor Pop-Up Annuity	1.0000	\$240.03	\$120.02
Return of Employee Contributions	N/A	\$27,614.26	N/A

Benefit B

Form of Payment	Option Factor	Full COLA		Half COLA		No COLA	
		Initial Benefit	Survivor's Benefit ⁽¹⁾	Initial Benefit	Survivor's Benefit ⁽¹⁾	Initial Benefit	Survivor's Benefit ⁽¹⁾
Straight Life Annuity	1.0516	\$1,277.84	**	\$1,459.27	**	\$1,640.70	**
10 Year Certain & Life Annuity	1.0000	\$1,215.14	\$1,215.14	\$1,387.67	\$1,387.67	\$1,560.19	\$1,560.19
100% Joint & Survivor Annuity	0.9664	\$1,174.31	\$1,174.31	\$1,341.04	\$1,341.04	\$1,507.77	\$1,507.77
50% Joint & Survivor Annuity	1.0000	\$1,215.14	\$607.57	\$1,387.67	\$693.84	\$1,560.19	\$780.10
100% Joint & Survivor Pop-Up Annuity	0.9537	\$1,158.88	\$1,158.88	\$1,323.42	\$1,323.42	\$1,487.95	\$1,487.95
50% Joint & Survivor Pop-Up Annuity	1.0000	\$1,215.14	\$607.57	\$1,387.67	\$693.84	\$1,560.19	\$780.10
Return of Employee Contributions	N/A	\$27,614.26	N/A	\$27,614.26	N/A	\$27,614.26	N/A

(1) **Survivor Benefits:** for the Joint & Survivor Annuity payments, the survivor's benefit is only payable if the chosen survivor is alive upon the participant's death. If the chosen survivor is not alive, then no additional benefit is payable upon participant death. The choice of survivor may not be changed after benefit payments have commenced.

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** Amount in excess (if any) of accumulated employee contributions, with interest, over payments made

Calculation of Benefit Options

Form A

Burlington Employees' Retirement System, Class A - Police Non-Union

Thomas J. Nash, Jr.

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Type of Calculation

Vested - Early Retirement

Information Used in Benefit Determination

Participant Name:	Thomas J Nash	Class:	A
Date of Birth:		Department:	Police Non-Union
Date of Hire:	07/31/2000	Vesting Percentage:	100.0000%
Date of Termination:	03/24/2021	Normal Retirement Date (NRD):	07/03/2025
Beneficiary Date of Birth:		Payment Start Date:	04/01/2021
		Employee Contribution Balance w/ Interest as of 04/01/2021:	\$118,660.14

Earnings

Average Final Compensation*: \$79,700.48

Determination of Benefit Amount

(1) Years of Creditable Service (CS)			20.66667	
(2) Years of CS on or prior to June 30, 2006 [(2)+(3) is not to exceed 25 years]			5.91667	
(3) Years of CS after June 30, 2006 [(2) + (3) is not to exceed 25 years]			14.75000	
COLA Option		Full COLA	Half COLA	No COLA
(4) Accrual Rate on or prior to June 30, 2006 (not to exceed 25 years)		2.750%	3.250%	3.800%
(5) Accrual Rate after June 30, 2006 (not to exceed 25 years)		2.750%	3.250%	3.600%
(6) Retirement Accrual Percentage = [(2) x (4)] + [(3) x (5)]		56.8333%	67.1667%	75.5833%
(7) Monthly Vested Benefit Payable at NRD = (6) x Average Final Compensation/12 x Vesting Percentage		\$3,774.70	\$4,461.02	\$5,020.02
(8) Early Retirement Reduction Factor		0.9211	0.9211	0.9211
(9) Monthly Vested Benefit Payable at Payment Start Date (7) x (8)		\$3,476.88	\$4,109.04	\$4,623.94

Benefit Options Available

Form of Payment	Option Factor	Full COLA		Half COLA		No COLA	
		Initial Benefit	Survivor's Benefit ⁽¹⁾	Initial Benefit	Survivor's Benefit ⁽¹⁾	Initial Benefit	Survivor's Benefit ⁽¹⁾
Straight Life Annuity	1.0118	\$3,517.91	**	\$4,157.53	**	\$4,678.50	**
5 Year Certain & Life Annuity	1.0000	\$3,476.88	\$3,476.88	\$4,109.04	\$4,109.04	\$4,623.94	\$4,623.94
100% Joint & Survivor Annuity	0.8829	\$3,069.74	\$3,069.74	\$3,627.87	\$3,627.87	\$4,082.48	\$4,082.48
50% Joint & Survivor Annuity	0.9429	\$3,278.35	\$1,639.18	\$3,874.41	\$1,937.21	\$4,359.91	\$2,179.96
100% Joint & Survivor Pop-Up Annuity	0.8681	\$3,018.28	\$3,018.28	\$3,567.06	\$3,567.06	\$4,014.04	\$4,014.04
50% Joint & Survivor Pop-Up Annuity	0.9350	\$3,250.88	\$1,625.44	\$3,841.95	\$1,920.98	\$4,323.38	\$2,161.69
Return of Employee Contributions	N/A	\$118,660.14	N/A	\$118,660.14	N/A	\$118,660.14	N/A

(1) **Survivor Benefits:** for the Joint & Survivor Annuity payments, the survivor's benefit is only payable if the chosen survivor is alive upon the participant's death. If the chosen survivor is not alive, then no additional benefit is payable upon participant death. The choice of survivor may not be changed after benefit payments have commenced.

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**Amount in excess (if any) of accumulated employee contributions, with interest, over payments made



FIDUCIENT
Advisors

Helping Clients Prosper

Burlington Employees' Retirement System

Fossil Fuel Divestment Report - April 2021

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Past performance does not indicate future performance and there is a possibility of a loss.



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Section 1 Overview of City Resolution



Resolution Relating to Divestment of City Fund, Including Retirement, From Fossil Fuel Investments

Background:

In 2012, the City adopted a 2012 resolution which expressed its opposition to the transport of tar sands oil and requested the city's Retirement Board to examine the portion of pension funds' investments it oversees and remove money from investments for oil companies that profit from tars sands.

In 2014, the City Council then followed the 2012 divestment resolution with an additional resolution on December 1, 2014 creating a *Divestment Task Force* to examine the costs, benefits and means of divesting Burlington's public funds from the top 200 fossil fuel companies (also know as the Carbon Underground 200) as identified by the Fossil Fuel Index, LLC.

- 2014 resolution also called from research into other municipalities' Divestment Policies
- Task force met eleven (11) times between July 2015 and June 2016 to hear from experts and the public



Resolution Relating to Divestment of City Fund, Including Retirement, From Fossil Fuel Investments

The *Divestment Task Force* issued preliminary report in November 2015 and final draft report in March 2017, and found that the BERS, as of January 2016, had stock investments in fossil fuel companies totaling a little over \$3 million, less than 2% of its total equities' portfolio

- Task Force acknowledged that the analysis **was of stocks only** and that further analysis was needed to determine the City's other fossil fuel holdings in investments such as corporate bonds

Since then, the *Divestment Task Force* heard from investment experts, notably Eric Becker of Clean Yard, and examined divestment policies from other institutions, including municipalities. The *Divestment Task Force's* final report recommended:

- An annual analysis and review of fossil fuel exposure in the investment portfolio, using the Carbon Underground 200 as a metric;
- An annual review of fossil fuel free investment product availability;
- Working to further limit/eliminate Carbon Underground 200 in Burlington's investment portfolio, where feasible;
- Assessing what other municipalities are doing with divestment from fossil fuels

The *Divestment Task Force's* final report will serve as the basis for the City's resolution passed in November 2002



Resolution Directives for BERS:

Consistent with the directives from the resolution, BERS is tasked with the following:

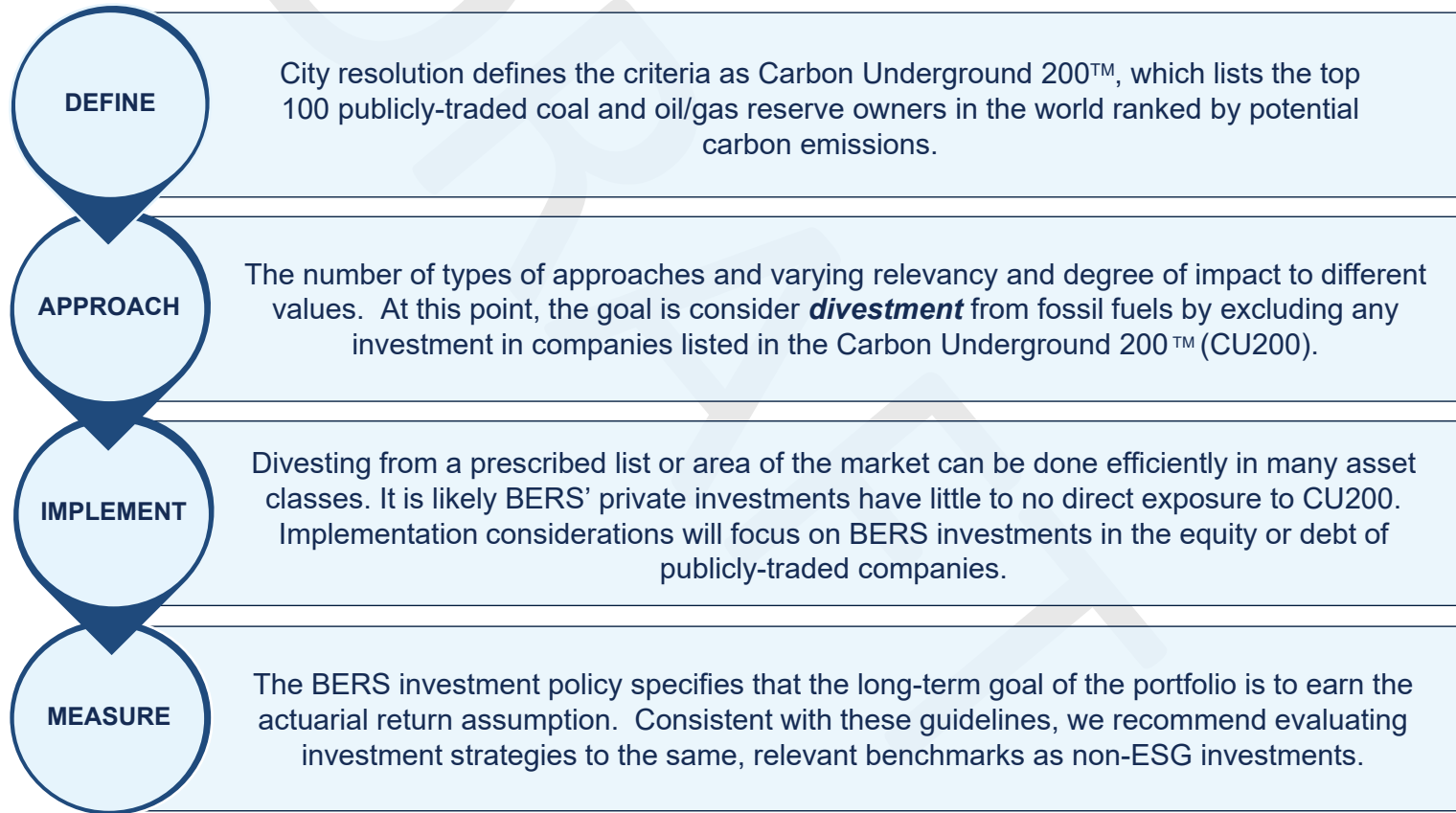
- BERS provided the City Council with a current accounting of the fossil fuel investments in its investment portfolio, including non-stock investments, as soon as possible, but in any event **no later than its last meeting in April 2021** (April 26, 2021)
- City Council request that BERS commit to a full divestment from fossil fuel companies and outline a timeline by which that divestment will be completed and towards this end, at this **same meeting in April 2021**, report to the City Council on the feasibility of:
 - Making an annual analysis and review of fossil fuel exposure in the investment portfolio, using the Carbon Underground 200 as a metric;
 - Making an annual review of fossil fuel free investment product availability;
 - Further limiting and/or eliminating Carbon Underground 200 in Burlington's investment portfolio, where feasible and in concert with the timeline for divestment;
 - Assessing what other municipalities are doing with regard to fossil fuel investments



Mission-Aligned Investing

Fossil Fuel Divestment

Burlington Employees' Retirement System



Fossil Fuel Divestment

Define

DEFINE

Carbon Underground 200™

- Identifies the 100 largest public coal companies, and the 100 largest publicly traded oil and gas companies, based on estimates of the potential CO2 emissions of their reported reserves.
- Ranking of these largest emitters are constructed on a reserves-based methodology with the underlying core data based on “reported” reserves.
- Compiled and maintained by Fossil Free IndexesSM
- Names include Coal India, Gazprom, ExxonMobil

Source: Fossil Free Funds

Rankings are constructed using a reserves-based methodology with the underlying core data based on “reported” reserves. Coal reserves are the sum of proven and probable reserves based on the last reported reserves amount by mine. Reserves are allocated to listed companies based on percentage ownership of individual mines. Oil and gas companies are ranked on proven reserves (1P) net of royalty payments. The Carbon Underground 200™ relies on the IPCC Revised 1996 Guidelines for National Greenhouse Gas Inventories as a methodological framework. The calculation of CO2 emission potential requires several conversions to the raw reserves figure.



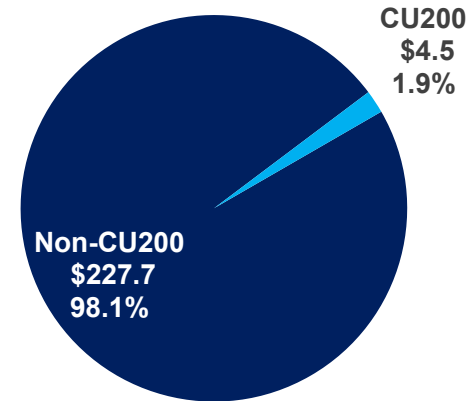
Section 2 Fossil Fuel Divesting - Exposure



BERS Investment Portfolio

Overall Fossil Fuel Exposure

- Total investment in companies identified by the Carbon Underground 200™ (CU200) is \$4.5 million as of 12/31/2020, which represents 1.9% of the total BERS assets.
- Of the \$4.5 million, \$2.3 million (51%) represents international companies while \$2.2 million (49%) represents US companies.
- International equities have the largest exposure to CU200, with 5.5% of the international developed market exposure invested in companies on the list and 4% of the BERS investment in emerging market companies.



City of Burlington Employees Retirement System				12/31/2020 Allocation*		Exposure to CU200 ¹	
Investment	Type	Percentage	Dollar	Percentage	Dollar		
Johnson Institutional Core Bond Fund I	Core Bonds	17.9%	40,820,480	0.40%	164,616		
BNYM Mellon Stock Index Fund	US Large Cap	32.7%	74,473,546	1.79%	1,333,076		
BNYM Mellon Smid Cap Stock Index Fund	US Small Cap	21.4%	48,640,021	1.39%	676,096		
BNYM Mellon International Stock Index Fund	International Dev Markets	10.2%	23,341,844	5.50%	1,283,801		
NYM Mellon Emerging Markets Stock Index Fund	Emerging Markets	11.2%	25,402,453	4.00%	1,016,098		
Private Investments	Private Investments	7.7%	17,523,931	N/A	N/A		
<u>Cash & Equivalents</u>	<u>Cash</u>	<u>-1.1%</u>	<u>-2,466,316</u>	N/A	N/A		
Total		100.0%	227,735,959			4,473,689	1.96%

*Per Dahab Associates 12/31/2020 Investment Report for the City of Burlington Employees Retirement Plan

¹Exposure to the companies listed on the Carbon Underground 200 (CU200) as of Q3 2020 and reported by FFI Solutions, .



BERS Fossil Fuel Exposure

US Large Cap

BNYM Mellon Stock Index Fund: \$74,473,546 (32.7% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	S&P 500	Fund	S&P 500	Difference
Total Constituents	505	505	100.00%	99.84%	0.16%
Non-CU200	491	490	98.21%	97.65%	0.56%
CU200	14	15	1.79%	2.19%	-0.40%
Coal 100	1	1	0.05%	0.08%	-0.03%
Oil and Gas 100	13	14	1.74%	2.10%	-0.37%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Exxon Mobil Corporation	XOM	New York Stock Exchange	Oil & Gas	0	4
Chevron Corporation	CVX	New York Stock Exchange	Oil & Gas	0	10
ConocoPhillips	COP	New York Stock Exchange	Oil & Gas	0	18
Occidental Petroleum Corporation	OXY	New York Stock Exchange	Oil & Gas	0	22
EOG Resources, Inc.	EOG	New York Stock Exchange	Oil & Gas	0	23
Cabot Oil & Gas Corporation	COG	New York Stock Exchange	Oil & Gas	0	31
FirstEnergy Corp.	FE	New York Stock Exchange	Coal	81	0
Hess Corporation	HES	New York Stock Exchange	Oil & Gas	0	42
Marathon Oil Corporation	MRO	New York Stock Exchange	Oil & Gas	0	43
Diamondback Energy, Inc.	FANG	NASDAQ	Oil & Gas	0	44
Pioneer Natural Resources Company	PXD	New York Stock Exchange	Oil & Gas	0	45
Concho Resources Inc.	CXO	New York Stock Exchange	Oil & Gas	0	48
Apache Corporation	APA	NASDAQ	Oil & Gas	0	49
Devon Energy Corporation	DVN	New York Stock Exchange	Oil & Gas	0	57

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020

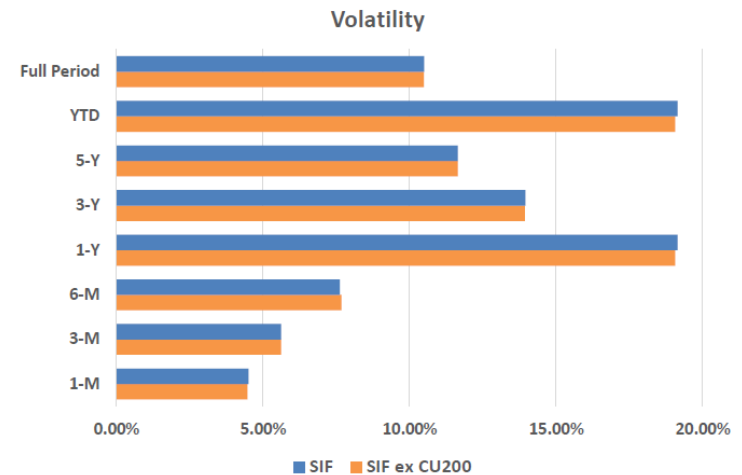
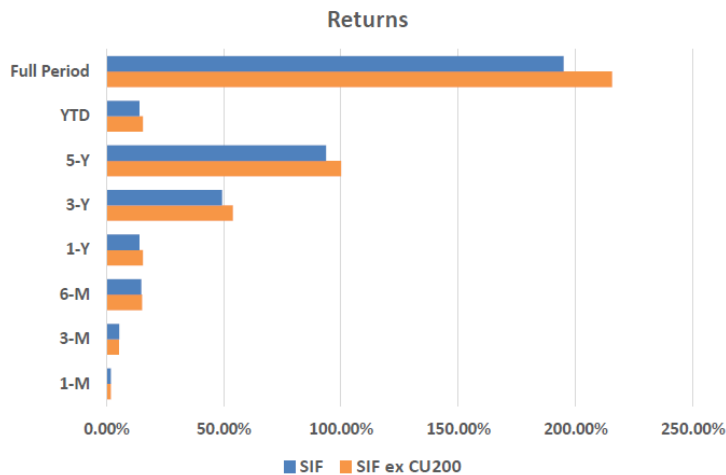


Performance Comparison

US Large Cap

BNYM Mellon Stock Index Fund: \$74,473,546 (32.7% of the total portfolio)

Stock Index Fund (SIF) vs SIF Divested of *The Carbon Underground 200™*



		1-M	3-M	6-M	1-Y	3-Y	5-Y	YTD	Full Backtest
DS SIF	Return	1.89%	5.40%	14.92%	14.03%	49.34%	93.62%	14.03%	194.96%
	Volatility	4.51%	5.62%	7.62%	19.14%	13.95%	11.65%	19.14%	10.50%
DS SIF ex CU200	Return	1.89%	5.37%	15.28%	15.59%	53.94%	100.12%	15.59%	215.57%
	Volatility	4.48%	5.62%	7.68%	19.06%	13.94%	11.65%	19.06%	10.49%

Source: FFI Solutions Portfolio Diagnostic Report, backtested data as of 9/30/2020



BERS Fossil Fuel Exposure

US Small/Mid Cap

BNYM Mellon SMID Cap Stock Index Fund: \$48,640,021 (21.4% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	Benchmark	Fund	Benchmark	Difference
Total Constituents	2,450	2,120	100.00%	99.65%	0.35%
Non-CU200	2,424	2,074	98.61%	94.40%	4.22%
CU200	26	46	1.39%	5.25%	-3.86%
Coal 100	6	16	0.16%	1.89%	-1.73%
Oil and Gas 100	20	32	1.23%	2.98%	-1.75%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Peabody Energy Corporation	BTU	NYSE	Coal	16	0
Arch Resources, Inc. Class A	ARCH	NYSE	Coal	27	0
NACCO Industries, Inc. Class A	NC	NYSE	Coal	48	0
Antero Resources Corporation	AR	NYSE	Oil & Gas	0	26
Range Resources Corporation	RRC	NYSE	Oil & Gas	0	27
EQT Corporation	EQT	NYSE	Oil & Gas	0	28
ALLETE, Inc.	ALE	NYSE	Coal	66	0
Southwestern Energy Company	SWN	NYSE	Oil & Gas	0	34
Ovintiv Inc	OVV	NYSE	Oil & Gas	0	35
Continental Resources, Inc.	CLR	NYSE	Oil & Gas	0	37
Warrior Met Coal, Inc.	HCC	NYSE	Coal	72	0
CNX Resources Corporation	CNX	NYSE	Oil & Gas	0	41
Marathon Oil Corporation	MRO	NYSE	Oil & Gas	0	43

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Diamondback Energy, Inc.	FANG	NASDAQ	Oil & Gas	0	44
Black Hills Corporation	BKH	NYSE	Coal	90	0
Apache Corporation	APA	NASDAQ	Oil & Gas	0	49
Murphy Oil Corporation	MUR	NYSE	Oil & Gas	0	51
Comstock Resources, Inc.	CRK	NYSE	Oil & Gas	0	52
Devon Energy Corporation	DVN	NYSE	Oil & Gas	0	57
Parsley Energy, Inc. Class A	PE	NYSE	Oil & Gas	0	63
PDC Energy, Inc.	PDCE	NASDAQ	Oil & Gas	0	65
Cimarex Energy Co.	XEC	NYSE	Oil & Gas	0	67
WPX Energy, Inc.	WPX	NYSE	Oil & Gas	0	68
National Fuel Gas Company	NFG	NYSE	Oil & Gas	0	71
SM Energy Company	SM	NYSE	Oil & Gas	0	77
Matador Resources Company	MTDR	NYSE	Oil & Gas	0	99

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020

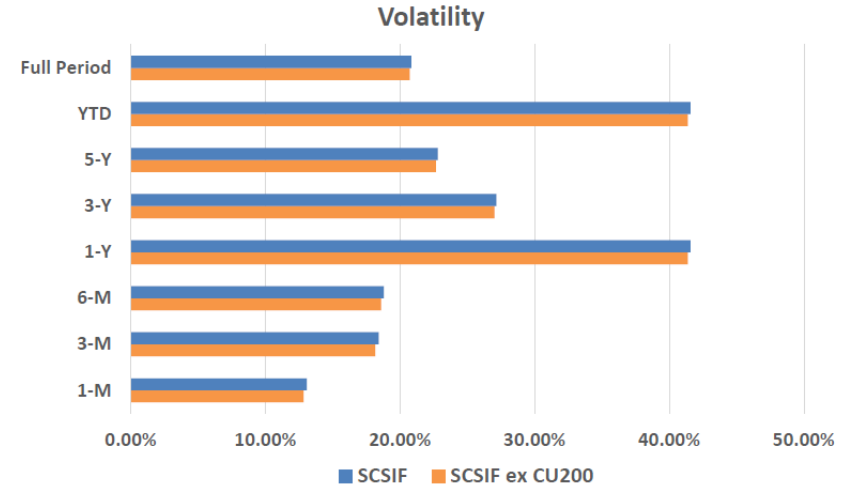
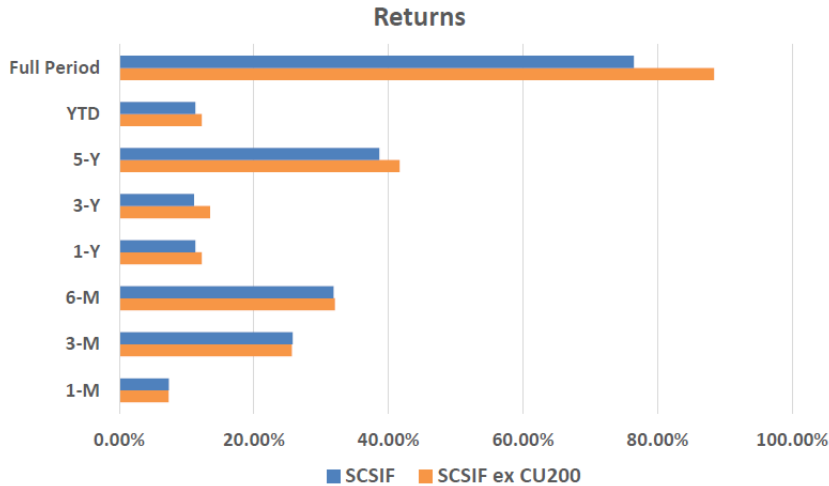


Performance Comparison

US Small/Mid Cap

BNYM Mellon SMID Cap Stock Index Fund: \$48,640,021 (21.4% of the total portfolio)

SMID CAP STOCK INDEX FUND (SCSIF) vs SCSIF Divested of *The Carbon Underground 200™*



		1-M	3-M	6-M	1-Y	3-Y	5-Y	YTD	Full Backtest
SCSIF	Return	7.32%	25.75%	31.79%	11.28%	11.07%	38.63%	11.28%	76.44%
	Volatility	13.05%	18.40%	18.78%	41.56%	27.15%	22.80%	41.56%	20.84%
SCSIF ex CU200	Return	7.30%	25.60%	32.00%	12.21%	13.47%	41.62%	12.21%	88.34%
	Volatility	12.82%	18.14%	18.58%	41.37%	27.00%	22.66%	41.37%	20.71%

Source: FFI Solutions Portfolio Diagnostic Report, backtested data as of 9/30/2020



BERS Fossil Fuel Exposure Developed Markets (ex US)

BNYM Mellon International Stock Index Fund: \$23,341,844 (10.2% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	Benchmark	Fund	Benchmark	Difference
Total Constituents	875	917	100.00%	99.53%	0.47%
Non-CU200	845	886	94.50%	93.90%	0.60%
CU200	30	31	5.50%	5.63%	-0.13%
Coal 100	15	15	2.65%	2.38%	0.26%
Oil and Gas 100	18	19	2.85%	3.25%	-0.40%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Glencore plc	GLEN	London Stock Exchg	Coal	11	0
BP p.l.c.	BP	London Stock Exchg	Oil & Gas	0	6
BHP Group Ltd	BHP	Australian Securities Exchg	Dual	14	56
BHP Group Plc	BHP	Australian Securities Exchg	Dual	14	56
RWE AG	RWE	Deutsche Boerse AG	Coal	15	0
Mitsubishi Corporation	8058	Tokyo Stock Exchg	Coal	20	0
Total SE	FP	Euronext - Paris	Oil & Gas	0	9
Royal Dutch Shell Plc Class A	RDSA	London Stock Exchg	Oil & Gas	0	13
Royal Dutch Shell Plc Class B	RDSB	London Stock Exchg	Oil & Gas	0	13
Eni S.p.A.	ENI	Borsa Italiana	Oil & Gas	0	15
Anglo American plc	AAL	London Stock Exchg	Coal	29	0
Equinor ASA	EQNR	Oslo Stock Exchg	Oil & Gas	0	17
AGL Energy Limited	AGL	Australian Securities Exchg	Coal	37	0
South32 Ltd.	S32	Australian Securities Exchg	Coal	42	0
Evraz PLC	EVR	London Stock Exchg	Coal	43	0

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
INPEX CORPORATION	1605	Tokyo Stock Exchg	Oil & Gas	0	21
Itochu Corporation	8001	Tokyo Stock Exchg	Coal	51	0
Mitsui & Co.,Ltd	8031	Tokyo Stock Exchg	Dual	62	74
Repsol SA	REP	Bolsa de Madrid	Oil & Gas	0	30
CLP Holdings Limited	0002	Hong Kong Stock Exchg	Coal	73	0
ArcelorMittal SA	MT	Luxembourg Stock Exchg	Coal	77	0
OMV AG	OMV	Wiener Boerse AG	Oil & Gas	0	40
Sumitomo Corporation	80530	Tokyo Stock Exchg	Coal	87	0
Idemitsu Kosan Co., Ltd.	5019	Tokyo Stock Exchg	Coal	98	0
Woodside Petroleum Ltd	WPL	Australian Securities Exchg	Oil & Gas	0	55
Santos Limited	STO	Australian Securities Exchg	Oil & Gas	0	75
GALP Energia SGPS SA Class B	GALP	Euronext - Lisbon	Oil & Gas	0	78
Lundin Energy AB	LUPE	Stockholm Stock Exchg	Oil & Gas	0	79
ENEOS Holdings, Inc.	5020	Tokyo Stock Exchg	Oil & Gas	0	86
Oil Search Limited	OSH	Australian Securities Exchg	Oil & Gas	0	87

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020

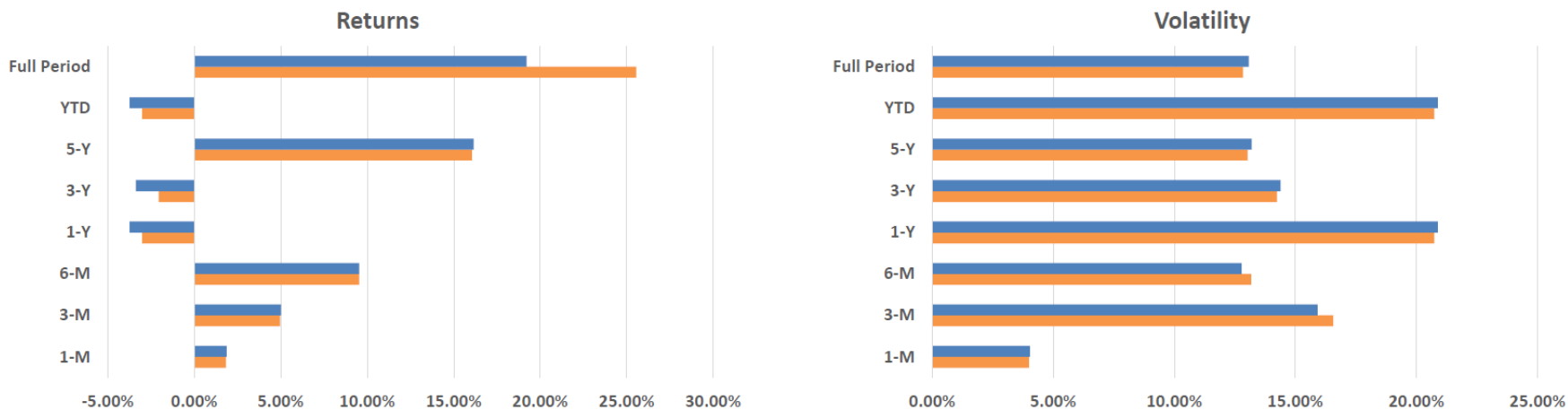


Performance Comparison

Developed Markets (ex US)

BNYM Mellon International Stock Index Fund: \$23,341,844 (10.2% of the total portfolio)

International Stock Index Fund (ISIF) vs ISIF Divested of *The Carbon Underground 200™*



		1-M	3-M	6-M	1-Y	3-Y	5-Y	YTD	Full Backtest
ISIF	Return	1.86%	5.01%	9.53%	-3.74%	-3.38%	16.14%	-3.74%	19.20%
	Volatility	4.03%	15.91%	12.77%	20.87%	14.38%	13.19%	20.87%	13.07%
ISIF ex CU200	Return	1.82%	4.95%	9.53%	-3.01%	-2.05%	16.05%	-3.01%	25.55%
	Volatility	3.99%	16.55%	13.17%	20.73%	14.23%	13.02%	20.73%	12.83%

Source: FFI Solutions Portfolio Diagnostic Report, backtested data as of 9/30/2020



BERS Fossil Fuel Exposure

Emerging Markets

BNYM Mellon Emerging Markets Stock Index Fund: \$25,402,453 (11.2% of the total portfolio)

	Number of Companies		Allocation Weight		
	Fund	Benchmark	Fund	Benchmark	Difference
Total Constituents	1,297	917	100.00%	99.53%	0.47%
Non-CU200	1,263	886	96.00%	93.90%	2.10%
CU200	34	31	4.00%	5.63%	-1.63%
Coal 100	18	15	1.32%	2.38%	-1.06%
Oil and Gas 100	18	19	2.68%	3.25%	-0.56%

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Saudi Arabian Oil Co.	2222	Saudi Stock Exchg	Oil & Gas	0	1
Coal India Ltd.	COALINDIA	National Stock Exchg of India	Coal	1	0
Gazprom PJSC	GAZP	Moscow Exchg	Oil & Gas	0	2
Shaanxi Coal Industry Co., Ltd. Cla	601225	Shanghai Stock Exchg	Coal	3	0
China Shenhua Energy Co. Ltd. Class	1088	Hong Kong Stock Exchg	Coal	5	0
China Shenhua Energy Co. Ltd. Class	601088	Hong Kong Stock Exchg	Coal	5	0
Rosneft Oil Co.	ROSN	Moscow Exchg	Oil & Gas	0	3
Yanzhou Coal Mining Co. Ltd. Class	1171	Hong Kong Stock Exchg	Coal	7	0
Exxaro Resources Limited	EXX	Johannesburg Stock Exchg	Coal	10	0
PetroChina Company Limited Class A	601857	Hong Kong Stock Exchg	Oil & Gas	0	5
PetroChina Company Limited Class H	0857	Hong Kong Stock Exchg	Oil & Gas	0	5
Oil company LUKOIL PJSC	LKOH	Moscow Exchg	Oil & Gas	0	7
Shanxi Xishan Coal & Electricity Po	000983	Shenzen Stock Exchg	Coal	17	0
NOVATEK JSC Sponsored GDR RegS	NVTK	Moscow Exchg	Oil & Gas	0	8
Shanxi Lu'An Environmental Energy D	601699	Shanghai Stock Exchg	Coal	21	0
Petroleo Brasileiro SA Pfd	PBRA	BM&F BOVESPA	Oil & Gas	0	12
Petroleo Brasileiro SA	PBR	BM&F BOVESPA	Oil & Gas	0	12

Constituents	Ticker	Primary Exchange	Reserve Type	Coal 100 Rank	O&G 100 Rank
Sasol Limited	SOL	Johannesburg Stock Exchg	Dual	25	62
TATNEFT PJSC	TATN	Moscow Exchg	Oil & Gas	0	14
Oil & Natural Gas Corp. Ltd.	ONGC	Bombay Stock Exchg	Oil & Gas	0	16
Tata Steel Limited	TATASTEEL	Bombay Stock Exchg	Coal	31	0
PT Adaro Energy Tbk	ADRO	Jakarta Stock Exchg	Coal	35	0
Vale S.A.	VALE3	BM&F BOVESPA	Coal	45	0
CNOOC Limited	883	Hong Kong Stock Exchg	Oil & Gas	0	20
Severstal PAO	CHMF	Moscow Exchg	Coal	63	0
PTT Public Co., Ltd. NVDR	PTT	Stock Exchg of Thailand	Dual	89	46
Shanxi Meijin Energy Co., Ltd. Clas	000723	Shenzen Stock Exchg	Coal	64	0
Ecopetrol SA	ECOPETROL	Colombia Stock Exchg	Oil & Gas	0	29
Vedanta Limited	VEDL	Bombay Stock Exchg	Coal	75	0
PGE Polska Grupa Energetyczna S.A.	PGE	Warsaw Stock Exchg	Coal	84	0
YPF SA Sponsored ADR Class D	YPF	Buenos Aires Stock Exchg	Oil & Gas	0	47
African Rainbow Minerals Limited	ARI	Johannesburg Stock Exchg	Coal	94	0
SK Innovation Co., Ltd	096770	Korea Stock Exchg	Oil & Gas	0	58
Polskie Gornictwo Naftowe i Gazowni	PGN	Warsaw Stock Exchg	Oil & Gas	0	72

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020

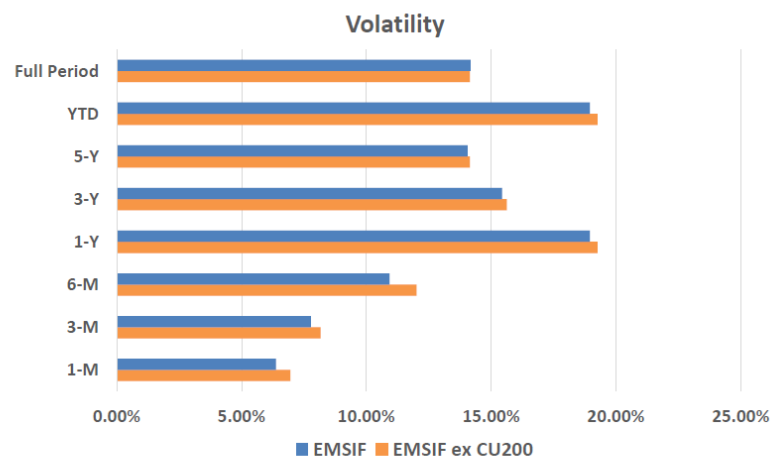
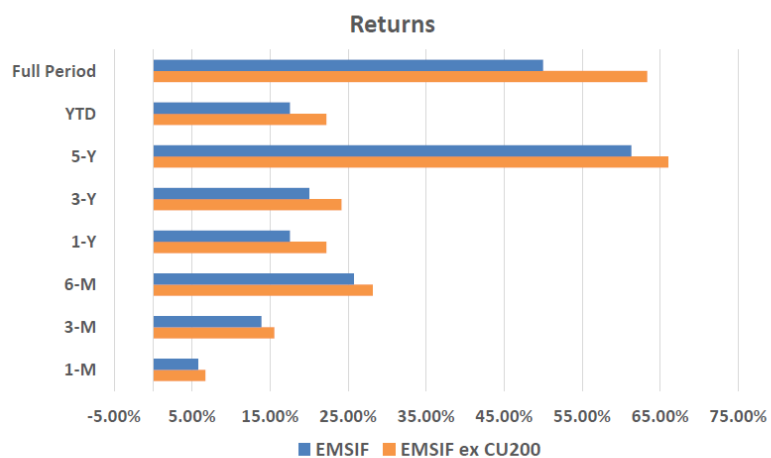


Performance Comparison

Emerging Markets

BNYM Mellon Emerging Markets Stock Index Fund: \$25,402,453 (11.2% of the total portfolio)

EMERGING MARKETS STOCK INDEX FUND (EMSIF) vs EMSIF Divested of *The Carbon Underground 200™*



		1-M	3-M	6-M	1-Y	3-Y	5-Y	YTD	Full Backtest
EMSIF	Return	5.76%	13.88%	25.72%	17.52%	20.00%	61.30%	17.52%	49.99%
	Volatility	6.38%	7.78%	10.92%	18.95%	15.43%	14.06%	18.95%	14.17%
EMSIF ex CU200	Return	6.67%	15.52%	28.15%	22.19%	24.14%	66.02%	22.19%	63.32%
	Volatility	6.95%	8.16%	12.01%	19.26%	15.62%	14.14%	19.26%	14.14%

Source: FFI Solutions Portfolio Diagnostic Report, backtested data as of 9/30/2020



BERS Fossil Fuel Exposure

Fixed Income

Johnson Institutional Core Bond Fund I: \$40,820,480 (17.9% of the total portfolio)

	Number of Companies	
	Count	Allocation
Total Constituents	483	100.00%
Non-CU200	482	99.60%
CU200	1	0.40%
Coal 100	0	0.00%
Oil and Gas 100	1	0.40%

Constituents	Reserve Type	Coal 100 Rank	O&G 100 Rank
Royal Dutch Shell Plc - Shell International Finance Company	Oil & Gas	0	13

Source: FFI Solutions Portfolio Diagnostic Report, CU200 list as of 9/30/2020



Section 3 Fossil Fuel Divesting – Approach,
Costs, and Reporting



Approach and Timeline Considerations

- If BERS decides to divest from fossil fuels where feasible, a custodial banking relationship would need to be established because divesting would require separately managed accounts for each strategy.
 - Fiducient would conduct a search on behalf of the City – typical timeframe to conduct a search and evaluate responses is 60-90 days
 - Typical timeframe to open a new custody account once a bank is selected is 60 days

	Approach	Timing
Core Fixed Income	Transition current Johnson mutual fund to separately managed account in order to divest in accordance with the Carbon Underground 200.	Johnson can transition as soon as custodial relationship is established. Implementation September 2021.
Dynamic Bonds	Given the recommended position size of this mandate a separate account would not be feasible as the investment would fall below minimum investment requirements.	N/A
US Equities	Maintain passive approach via separate account manager that can divest in accordance with the Carbon Underground 200.	Ability to transition once custodial relationship is established and manager is approved by BERS. November 2021 implementation.
International Developed Markets	Maintain passive approach via separate account manager to divest.	Ability to transition once custodial relationship is established and manager is approved by BERS. November 2021 implementation.
Emerging Markets	Not feasible at this time to divest. Revisit once the market has matured to allow for more entrants into this market.	Revisit feasibility at least annually.
Alternatives	Not feasible to divest at this time.	N/A



Costs of Divesting

There are two main components to evaluating the costs of divesting:

- 1. Direct costs** – Costs associated with maintaining investment strategies that exclude exposure to companies included in the Carbon Underground 200

Estimated Direct Costs	
Custodian Costs	\$20,000 - \$40,000 (<0.02% of assets)
Incremental Investment Management Costs (Passive)	\$170,000 (~0.07% of assets)
Total Estimated Direct Costs	\$190,000 – \$210,000 (~0.08%- 0.09% of assets)

- 2. Indirect costs** – Costs associated with the performance considerations from excluding companies included in the Carbon Underground 200
 - Limiting the investment universe may have a negative (or positive) impact on performance
 - Based on backtesting previously conducted¹, an investment strategy excluding the CU200 list of companies would have added 0.45% in annualized return based on the 12/31/2020 backtested BERS portfolio²
 - During the first two months of 2021, a divesting strategy would have likely underperformed the broader market as MSCI ACWI Index returned 0.41% more than the MSCI ACWI ex Fossil Fuel Index³

¹FPI Solutions, as of 12/31/2020

²Portfolio values per Dahab Associates 12/31/2020 Investment Report for the City of Burlington Employees Retirement Plan

³Factset, 2/28/2021



Proposed BERS Divested Portfolio: Passive Exposure in Public Equities

Asset Class / Manager	Style	Allocation as of February 28, 2021 ¹		Expense Ratio ²
Fixed Income		39,707,859	16.8%	
Johnson Core Bond - Divested	Core Bonds	39,707,859	16.8%	0.25%
US Equities		128,837,850	54.6%	
Russell 3000 Index - Divested	Passive All Cap	128,837,850	54.6%	0.12%
International Equities		49,993,508	21.2%	
MSCI EAFE Index - Divested	Passive Intl. Dev.	23,615,003	10.0%	0.12%
Mellon Emerging Markets	Passive Emerging Mkts	26,378,505	11.2%	0.05%
Private Equity		1,105,131	0.5%	
Hamilton Lane II	Private Equity	74,773	0.0%	N/A
Hamilton Lane VII A	Private Equity	630,114	0.3%	1.0%
Hamilton Lane VII B	Private Equity	400,244	0.2%	1.0%
Real Assets		16,348,476	6.9%	
UBS TPF	Private RE	14,242,454	6.0%	0.916%
Molpus SWF II	Timber	2,106,022	0.9%	1.0%
Total		235,992,825	100.0%	0.20%

*Allocation above does not include cash or amounts payable. ¹Hamilton Lane & UBS capital balances are valued as of 12/31/2020. Molpus capital balance is valued as of 9/30/2020 as year-end data is not yet available. ²Expense ratios shown above do not include any applicable performance based fees. UBS TPF expense ratio is the estimated annual fee based on the following fee schedule: 0.955% on first \$10 million; 0.825% on next \$10 million. Hamilton Lane Secondary Fund II ceased from charging management fees in August 2020.

- Johnson can offer the same strategy in a separate account format to screen out the CU200 list. The separate account is modestly cheaper than the mutual fund, but custody and screening costs would likely offset the savings.
- The cost to divest US and international developed equities by screening out the CU200 list while still using a passive approach would be approximately 10-11 basis points for each strategy.
- Fossil fuel divestment in emerging markets equities is the hardest to achieve. Due to the nature of emerging market economies and fossil fuel dependence, divestment would require significant exclusion of a larger proportion of companies, reducing the diversification and significantly altering the composition and market capitalization of the asset class.

Sources: Johnson, Mellon, Hamilton Lane, UBS, and Molpus capital statements



Proposed BERS Divested Portfolio:

Active Exposure in Fixed Income and Emerging Markets

Asset Class / Manager	Style	Allocation as of February 28, 2021 ¹		Expense Ratio ²
Fixed Income		39,707,859	16.8%	
Johnson Core Bond - Divested	Core Bonds	32,579,756	13.8%	0.25%
US Bonds - Dynamic	Dynamic Bonds	7,128,103	3.0%	0.76%
US Equities		128,837,850	54.6%	
Russell 3000 Index - Divested	Passive All Cap	128,837,850	54.6%	0.12%
International Equities		49,993,508	21.2%	
MSCI EAFE Index - Divested	Passive Intl. Dev.	23,615,003	10.0%	0.12%
Active Emerging Markets	Active Emerging Mkts	26,378,505	11.2%	1.00%
Private Equity		1,105,131	0.5%	
Hamilton Lane II	Private Equity	74,773	0.0%	N/A
Hamilton Lane VII A	Private Equity	630,114	0.3%	1.0%
Hamilton Lane VII B	Private Equity	400,244	0.2%	1.0%
Real Assets		16,348,476	6.9%	
UBS TPF	Private RE	14,242,454	6.0%	0.916%
Molpus SWF II	Timber	2,106,022	0.9%	1.0%
Total		235,992,825	100.0%	0.32%

*Allocation above does not include cash or amounts payable. ¹Hamilton Lane & UBS capital balances are valued as of 12/31/2020. Molpus capital balance is valued as of 9/30/2020 as year-end data is not yet available. ²Expense ratios shown above do not include any applicable performance based fees. UBS TPF expense ratio is the estimated annual fee based on the following fee schedule: 0.955% on first \$10 million; 0.825% on next \$10 million. Hamilton Lane Secondary Fund II ceased from charging management fees in August 2020.

- The current low interest rate environment leaves investors with few opportunities to earn meaningful income from their fixed income assets. A dynamic bond strategy can use its flexibility to identify and gain exposure to sectors with greater income opportunities. Feasibility of fossil fuel divestment in a strategy with this size is limited. Separate account minimum requirements are typically much larger.
- Active management in emerging markets equities would also be recommended given the ability of strong active managers to outperform the index sufficiently to more than offset the increased cost.

Sources: Johnson, Mellon, Hamilton Lane, UBS, and Molpus capital statements



Disclosure

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BURLINGTON RETIREMENT SYSTEM

City of Burlington

To: Retirement Board

From: Rich Goodwin, Director of Financial Operations & Retirement Administrator

Date: May 17, 2021

Re: Small Check Update

The BERS plan currently has 21 retirees with benefit amounts of under \$50 per month. Many of these retirees were covered under previous bargaining agreements with smaller benefit multipliers, as well as under prior vesting schedules that allowed for partial vesting. Going forward, we would expect fewer such retirees as benefit multipliers are larger and the partial vesting provisions are soon to be obsolete, so the potential future impact is limited.

Almost all of the 21 current retirees receive payments via ACH. The fees incurred for ACH are \$1 per transaction, and checks are \$3 per transaction. Therefore, the fee savings by limiting the number of transactions is very minimal.

Section 24-33(d) of the Code of Ordinances states that if the monthly benefit amount is less than \$25, the benefit shall be paid according to a schedule determined by the retirement board, but no less than annually. Therefore, extending the threshold up to \$50 per month would likely require an amendment to the Code of Ordinances.

I have confirmed that Schwab is able to accommodate paying quarterly, semi-annually or annually as opposed to monthly, although we rarely see this occur in practice. Instead, we see many plans that will pay out a lump sum to settle all benefits with the participant if the present value is under \$5,000. Once paid, this type of provision relieves the plan of all obligations to the participant and the plan sponsor of having to track the participant in the future. The Code of Ordinances for Burlington does not currently allow for this type of provision, so it would need to occur through an amendment. Please note that this type of provision would likely only be used for future retirees, as it may be difficult to settle with retirees already in pay status.

I hope this is useful information. Please let me know if you have any questions or would like to discuss.