



BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

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

Stephanie Hanker
Retirement Administrator
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CITY COUNCIL REPORT FOR June 2014

- **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 on 3/31/2014 was \$156,143,667 versus \$148,371,261 on 3/31/2013. In the 3/31/2014 Dahab report – For the first quarter, the Total Portfolio returned 2.5%, which was 0.7% greater than the Burlington Manager Shadow Index's return of 1.8% and ranked in the 12th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 7.5%, which was 0.6% below the benchmark's 8.1% performance, ranking in the 95th percentile. Since March 2004, the account returned 6.2% on an annualized basis and ranked in the 78th percentile.

In May 2013, we began the discussion about whether we should continue our affiliation with VPIC or if we could do as well or better constructing a portfolio with close to the same asset allocation but simpler and possibly cheaper. We were led in this discussion by our consultant, Barry Bryant of Dahab Associates. He presented us with such a portfolio that showed that in the current quarter would have returned 5.73% versus the 3.2% that VPIC returned ranking in the 37th percentile versus the 95th. In addition, the alternative portfolio would have returned, net of fees, 5.9% versus VPIC's 3% compounded annually. The concerns about portfolio returns, complexity and costs would continue through the year and are, as yet, unresolved.

Having received undesirable court verdicts relative to the revocation of retirement benefits, we adopted a policy – Hearing for suspension/revocation of disability retirement benefits – to bring ourselves in line with those decisions. Much of the summer was spent (primarily in executive session) discussing and taking action on these matters resulting in a formal hearing in September. In September, we had a detailed presentation from the State Treasurer and members of the VPIC Board. They discussed the history of the system and its investment performance indicating that they are now focusing on the liabilities and less exposure to market volatility. They noted the past year's highlights including the custodian change to JP Morgan, a new allocation to private equity, ESG policy creation, updated proxy voting guidelines, high yield manager transition, real estate allocation increase and updated mission and core processes statement.

In October the VPIC contract was extended through October 2014 although it is understood that we may terminate the contract with reasonable notice at any time. At that meeting there was considerable discussion about the recently formed retirement committee and its processes. That discussion continued at the November meeting with receipt of a memo from the Mayor about Addressing Burlington’s Retirement System Challenges – Post Summit Draft Plan. He requested feedback most of which was noted by Mr. Rusten and would be delivered by him. Long time Retirement Board administrator and secretary, Marina Collins, left City employment in December. The Board was asked to appoint two members (non-union) to the newly formed Council Pension Committee. The Board voted to appoint the chair and vice-chair.

In December we had a performance review with Barry Bryant and a telephone presentation by the firm Martin Currie who are our emerging markets manager.

We received and accepted the Sixtieth Actuarial Valuation of the Burlington Employees Retirement System prepared as of June 30, 2013 in February 2014. David Driscoll of Buck Consultants, our actuarial firm, was present at our February meeting to discuss and answer questions about the valuation. David gave a comprehensive review and satisfactorily answered a multitude of questions. We requested that City Council set the tax rate to fund the system in accordance with the actuary’s recommendation.

At the time of this writing there are 915 active members of the Retirement System, 571 retirees and beneficiaries, and 382 members who have left service with vested benefits. Pension benefits average about \$898,000.00 per month.

The FY13 members of the Board are James Strouse, Robert Hooper and Jeffrey Wick, who are appointed by the City Council, Bob Rusten, Chief Administrative Officer, who is the Ex-Officio member, Firefighter Benjamin O’Brien, Fire and Cpl. Ray Nails, Police who are elected by the Class “A” employees, and Munir Kasti and Matthew Dow, who are elected by the Class “B” employees.

Sincerely,

RETIREMENT BOARD

James T. Strouse, Chairman

Benjamin R. O’Brien

Robert Hooper, Vice-Chairman

Matthew Dow

Robert Rusten, CAO

Munir Kasti

Daniel Gilligan

Jeffrey Wick