



BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

Robert Hooper
Chairman of the Board
Munir Kasti
Vice-Chairman

Alisha Abruntilla
Retirement Administrator

Retirement Board Meeting Agenda Conference Room 12 Call- In

1. Agenda
2. Public Forum
3. Approve Minutes – 03/16/2020
4. DAHAB - Real Estate Manager Analysis – Consideration of rebalancing, and next steps
5. Approve Retirement Application - Daniel Merchand - \$4,347.56
6. Other
7. Set Next Meeting Date
8. Adjourn



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DRAFT MINUTES

March 16, 2020

Burlington Employee's Retirement Board

City Hall, Conference Room 12

Via Phone:

RETIREMENT BOARD MEMBERS:

Robert Hooper, Chairperson
Munir Kasti, Vice Chairperson, Class B Employee Representative
Patrick Robins
Daniel Gilligan, Class A Employee Police Representative
Benjamin R. O'Brien, Class A Employee Fire Representative
Matthew Dow, Class B Employee Representative
David Mount – Class B Retiree

OTHERS PRESENT

Alisha Abruntilla – Retirement Administrator
Rich Goodwin – Director Financial Operations
Barry Bryant – Dahab – via phone

Called to order at 11:19 AM

1. Agenda

No changes to the agenda as presented Motion Munir Kasti, second by Dan Gilligan, motion carried unanimously

2. Public Forum

No public comments

3. Approve Minutes

NO ACTION

4. Approve Retirement Applications

Munir Kasti moved to approve the present refunds with the exception getting more detailed information, second by Dan Gilligan, motion carried unanimously

5. Ratify Refunds / Rollovers

Munir moved to approve the presented refunds and rollovers. Second by Dan Gilligan, motion carried unanimously

6. Approve Disability Retirement Benefit

Ben O'Brien abstaining his vote

Munir moved to approve the presented applications, Second by Dan Gilligan

Motion carries 5:0 with one abstention.

7. Discussion Overview of Daily volume and tasks of retirement position

Further discuss - Meeting March 30, 2020 at 11:00 AM

8. Approve Bills

1. Iron Mountain - \$950.00

Munir moved to approve, and Second by Gilligan, motion passed unanimously.

9. DAHAB - Real Estate Manager Analysis

- Rebalancing – Discussion will continue next meeting 3/30/2020 11:00am
- Consider allocate, rebalance, or not do anything.

10. Discussion Public Meetings will be posted - 72 hours in advance

- As we discussed, requested we received approval from the Retirement Board to utilize Board Docs for all retirement meetings.
- All meetings will be warned 72 hours before each meeting, Draft minutes in bare bones as required within five days, however; we set the standard that all draft minutes will be published within 48 hours.
- Finals minutes will be released upon approval from the Retirement Board.
- Both Lori and Amy are working with Alisha to train her on this new software.
- We will be providing a link to the Retirement members.

11. Other – Moved to approve by Bob Hooper, Second Munir Kasti to add Bob Hooper, `

Chairman, Munir Kasti, Vice-Chairman, and Katherine Schad,

Chief Administrative Office, motion passed unanimously

Munir moved to approve, and Second by Gilligan, motion passed unanimously.

12. No other business

12. Set Next Meeting Date – Please provide Date Bob 3/30 AT 11 AM.

13. Adjourn

Bob Hooper moved to adjourn without object at 12:40 PM

To Our Clients:

Everyone at Dahab is fine, I hope the same is true for you and yours. We continue to monitor events on a minute-by-minute basis. We are working remotely but our capabilities remain unchanged. Please do not hesitate to call, but I will be reaching out to you in the next couple of days.

The decision facing us -- if and when to rebalance -- contemplates the frightening step of selling bonds and buying stocks at a time when the stock market bottom cannot be seen. This letter updates you on recent events and explains why we believe you should rebalance in the midst of crisis. Although the opinions are mine and not necessarily those of the firm, it was prepared with the help of our research department. And we as a firm broadly agree that rebalancing is something we should do sooner rather than later.

Summary

- **Coronavirus (COVID-19) is worse than people realize.** The United States likely has much higher rates of COVID-19 infection than people outside the medical field realize. These high rates of infection will become apparent in the next two weeks as more test results come back. Healthcare facilities will become overwhelmed. We may watch the specter of life-and-death health care rationing play out.
- **Recession is likely regardless of Federal stimulus.** A recession in the Q1-Q3 period is likely. Economists are now estimating unemployment as high as 30%. If social isolation remains beyond April, businesses relying on summer travel and small businesses generally will experience unprecedented waves of bankruptcy.
- **Rebalancing to equity should be undertaken now or soon.** Our standard advice is to rebalance into market declines. The nature of this market decline is different, but we believe rebalancing now or soon is still warranted.

THE VIRUS

Our public discourse about the disease has come to rest on beliefs that I think will prove false within the next two weeks. The markets trade on new information, so these are important:

False Belief #1: The disease will peak in a couple of weeks and the crisis will soon be over, following the path of China and South Korea.

After an initial delay in China, both countries mounted an aggressive public health response early in the disease process when the rate of infection was low. This response included:

- 1) mandatory social isolation;
- 2) widespread testing, with results available in hours;

3) identification, testing and quarantine of those an infected person came in contact with.

The United States has taken none of these steps. We do not know our rate of infection or how fast the disease is spreading. Many still believe danger from the disease is hype.

False Belief #2: The disease affects mostly old people.

The disease *kills* mostly old people. But the CDC released data Thursday showing that 40% of those hospitalized are 20-55 years of age, and they utilize medical resources which become unavailable for non-COVID patients. Both COVID and non-COVID patients may die as a result. As a society, we have yet to see the specter of people dying due to lack of resources.

Given these two realities, we are likely to get a spike in reported infection within the next two weeks beyond what most expect, followed by maxing out of available healthcare resources in the most severely affected areas like New York City.

Social isolation could last 10-20 weeks. Where we fall within that range is critical. If we remain in social isolation over the summer, it will bankrupt businesses that depend on summer travel like lodging, food, beverage and transportation. It will also bankrupt small businesses in general. An estimated 75% of businesses with less than 100 employees have less than two months operating cash. Federal aid will soften this blow somewhat.

Some argue that the cure (social isolation and widespread bankruptcy) is worse than the disease (elevated mortality). As of this morning President Trump made this argument. Google *NYT It's Dangerous to Be Ruled By Fear*. This piece by conservative columnist Brett Stephens has a balanced discussion of this topic.

THE ECONOMY

Most economists were expecting solid if unspectacular growth in 2020 of around 2% before the virus struck. Below are consensus estimates for GDP from major Wall Street firms as of this weekend. Wall Street is using wide ranges to express uncertainty, so imagine wide ranges around these midpoint estimates.

1Q: -2% 2Q: -20% 3Q: -2% 4Q: +10% FY 2020: -3.5%

I have confidence that the second quarter will be deeply negative. If either the first or third quarters is also negative, our economy will officially be in recession. I consider this likely. Of note: 3Q GDP is scheduled for release five days before the Presidential election.

President Trump expects a surge of economic activity in the second half of the year as the economy recovers. If that happens, demand will be magnified by the stimulus about to be dumped into the economy. That's the good news scenario, and it is the one to which I currently

subscribe. The bad news scenario is that the virus will go away in the summer only to return in the fall, forcing us to choose again between social isolation and elevated mortality.

THE MARKET

A portfolio with a 60/40 split between stocks and bonds and a 2:1 ratio of domestic to foreign equity has declined 18.5% in the quarter through close Friday.

MARKET SEGMENT	RETURN	PORTFOLIO WEIGHT
Domestic Equity	-30.0%	40%
Foreign Equity	-31.5%	20%
Domestic Fixed income	-0.6%	40%
Typical Portfolio*	-18.5%	100%

40% domestic equity, 20 foreign equity, 40% domestic fixed income

Individual portfolio results will differ. The following factors will tend to lower return relative to the values above:

- Higher percentages of equity relative to core fixed income;
- Higher percentages of small cap relative to large cap;
- Higher percentages of domestic value equity relative to growth;
- Use of risky credit such as high-yield bonds in place of core fixed income.

The following factors will tend to raise portfolio returns:

- Allocations to illiquid asset classes used as bond substitutes: real estate, timber, agriculture;
- Allocations to private equity relative to public equity;
- Use of active management (we hope, but we'll see).

We can pull and calculate returns on your individual portfolios for all allocations with daily pricing, but values are changing so much day to day that this information is of limited usefulness. However, if you want a calculation of your portfolio as of a certain date, let us know.

Rebalancing

We do not know where the market bottom is. In determining when to rebalance, we look to history.

There have been five years since 1970 in which the S&P 500 has had negative returns in the first calendar quarter. In the table below we list five of those years followed by the date on which the decline bottomed:

YEAR DATE DECLINE BOTTOMED

1973	December 5 th , 1973
1974	October 3, 1974
1977	November 2 nd , 1977
1982	August 12 th , 1982
2008	November 20 th , 2008

This table implies we should wait to rebalance. But are there reasons to think the nature of this decline is different? There are three.

- The magnitude of the decline;
- The lack of liquidity;
- The expected economic upsurge after the virus abates.

The second factor, the lack of liquidity, requires explaining. An unintended consequence of financial regulation following 2008 is that banks no longer engage in proprietary trading. These so-called prop desks in past downturns provided the buy side of trades for panicked sellers. Without prop desks, sellers are forced to take lower prices to exit their positions, magnifying volatility. The Fed has announced it will now play this role in the fixed income market. But to date the fixed income market has lacked liquidity, making rebalancing difficult. And the stock market decline has been sharper and steeper than it otherwise would have been.

Let's look at history in another way.

In seven of the last eight monthly drawdowns exceeding 10% since 1970, the market increased in value over the following year. Those increases ranged from 10% to 58%. The sole exception was the 1973 drawdown during the price spike in oil caused by the Arab oil embargo. Ironically oil prices are now at record lows and acting to cushion the economic damage from the virus, except for the entities unlucky enough to be in the oil business.

Combining these various factors – our expectation of a fourth quarter economic rebound, the extreme speed of this drawdown, and the history of market recovery in one year – we believe it is time or nearly time to rebalance. Rebalancing is most effective when the outlook is darkest. I will be calling you in the next couple of days to discuss rebalancing.

Barry Bryant, CFA (631) 561-8417
Steve Roth, CFA (516) 509-6936
Tom Donegan, CIPM (631) 946 0820



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March 17, 2020

Ms. Alisha Abruntilla
Burlington Employees' Retirement System
City Hall – Clerk Treasurer's Office
149 Church Street
Burlington, VT 05401

Re: Calculation for Daniel Merchand

Dear Ms. Abruntilla:

Based on the data contained in your report of January 10, 2020, we have calculated that on account of the early retirement on November 27, 2019 of Daniel Merchand, Active Number 3300, Class A, he is entitled to an early service benefit of \$4,347.56 per month commencing November 27, 2019, payable for his lifetime.

Mr. Merchand's benefit was calculated based on an accrual rate of 3.80% for service through June 30, 2006 and 3.60% for service after June 30, 2006 with no cost of living adjustment. It has been actuarially reduced since it is payable prior to his Normal Retirement Date. This benefit has also been adjusted to reflect the Straight Life Annuity option he selected.

Please let me know if you need any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve A. Lemanski'.

Steve A. Lemanski, FSA, FCA, MAAA, Enrolled Actuary

/mmh
Enclosure

Calculation of Retirement Benefit

Burlington Employees' Retirement System

Daniel Merchand

IMPORTANT: The Burlington Employees' Retirement System reserves the right to correct any errors in this calculation. If it is determined at any time that the information provided in this calculation 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

Early Service

Information Used in Benefit Determination

Participant Name:	Daniel Merchand	Class:	A
Date of Birth:		Department:	Police
Date of Hire:	08/16/1999	Vesting Percentage:	100%
Date of Termination:	11/26/2019	Normal Retirement Date (NRD):	10/09/2032
Beneficiary Date of Birth:	N/A	Payment Start Date:	11/27/2019

Earnings

Final Average Earnings: \$76,394.59

Determination of Benefit Amount

(1)	Years of Credited Service (CS)	20.25000
(2)	Years of CS on or prior to June 30, 2006	6.83333
(3)	Years of CS after June 30, 2006	13.41667
	COLA Option	No COLA
(4)	Accrual Rate on or prior to June 30, 2006	3.80%
(5)	Accrual Rate after June 30, 2006	3.60%
(6)	Retirement Accrual Percentage = [(2) x (4)] + [(3) x (5)]	74.2667%
(7)	Monthly Vested Benefit Payable at NRD (or payment start date if later) = (6) x Final Average Earnings x Vesting Percentage / 12	\$4,727.98
(8)	Early Retirement Reduction Factor	0.9136
(9)	Payment Form Adjustment Factor*	1.0065
(10)	Monthly Vested Benefit* Payable at Payment Start Date = (7) x (8) x (9)	\$4,347.56

* Payable as a Straight Life Annuity.