

**VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM**  
Meeting of the Board of Trustees – BGS-MTPL Conference Room  
**October 29, 2019 – 8:30 a.m.**

**Members present:**

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2020)  
JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2020)  
ERIC DAVIS, VSEA Representative (term expiring September 30, 2019) – via telephone  
THOMAS HANGO, Vice-Chair, VSEA Representative (term expiring September 30, 2020)  
JAY WISNER, Governor's Delegate position  
JOHN FEDERICO, VSEA Alternate Representative (term expiring September 30, 2019) – via telephone  
ADAM GRESHIN, Commissioner of Finance and Management  
DAN POULIOT, Deputy Commissioner of Department of Human Resources  
BETH PEARCE, VT State Treasurer  
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2020) – via telephone

**Also attending:**

Michael Clasen, Deputy State Treasurer  
Brad Ferland, Deputy Secretary of Administration  
Erika Wolffing, Director Retirement Operations  
Lesley Campbell, Administrative Services Coordinator IV  
Scott Baker, Director of Financial Reporting  
Eric Henry, Director of Investments  
Will Kriewald, Chief Financial Officer  
Steve Klein, Joint Fiscal Office  
Kathy Riley, Segal Consulting  
Tom Golonka, VPIC Chair – via telephone

The Chair, Roger Dumas, called the Tuesday, October 29, 2019 meeting to order at 8:33 a.m., which was held in the BGS-MTPL Conference Room, Pavilion Building, 4<sup>th</sup> Floor, 109 State Street, Montpelier, VT.

**ITEM 1:      Agenda approval and announcements**

**On a motion made by Mr. Wisner, seconded by Ms. Pearce, the Board voted unanimously to approve the agenda for October 29, 2019.**

**ITEM 2:      Approve the Minutes of:**

- October 10, 2019

**On a motion made by Ms. Pearce, seconded by Mr. Isabelle, the Board voted by roll call to approve the minutes of October 10, 2019 as submitted with Mr. Dumas, Ms. Pearce, Mr. Isabelle, Mr. Pouliot, and Mr. Davis voting in the affirmative. Mr. Hango and Mr. Wisner abstained.**

**ITEM 3: 2019 Actuarial Valuation**

Ms. Riley presented the 2019 VSERS Actuarial Valuation. As of June 30, 2019 there were 8,443 active members and 7,268 retired members and beneficiaries. There was a slight decrease in active members and the ratio of non-actives to actives was 0.95. This ratio is used as an indication of the plan's maturity. The average age of the active participants was 45.7 years with average years of creditable service of 10.8 years and average payroll of \$62,486. There are 1,443 inactive members and 747 vested deferred members. As of June 30, 2019 there were 6,567 retired members and 701 beneficiaries received total monthly benefits of \$12,050,134 compared to the prior year total monthly benefits of \$11,172,785. The average monthly benefit was \$1,657 and the average age was 70.5 years.

Ms. Riley explained that the report uses actuarial value of assets to smooth out market volatility and this value is \$1,964,500,825. The actuarial value exceeds the market value meaning there are deferred losses that have not been recognized. There was a total experience loss of \$33 million consisting of a \$13 million loss due to investments and \$19 million due to other experience. The rate of return was 6.10% compared to the 7.5% assumed rate of return resulting in an actuarial loss. Ms. Riley explained the historical investment return, with a five-year average market return of 5.19%, and 10-year average market return of 8.23%. The other experience losses were due to net turnover of \$1.5 million, retirement experience (earlier or later than projected) of \$13 million, \$1.8 million due to mortality, and \$14 million in miscellaneous losses. The Board requested a breakdown of the miscellaneous category of loss in future reports.

The actuarial accrued liability grew about 4.4% or by \$118 million, there were no changes to the actuarial assumption since the prior valuation. The prior valuation had an unfunded liability of \$780 million and was expected to increase by \$2 million. The unfunded actuarial accrued liability at the end of the year was \$815,464,698. The normal cost was \$55 million offset by the expected employee contributions of around \$37 million leading to an employer normal cost of \$17,719,313 or 3.22% of payroll. The actuarial accrued liability was \$2,779,965,523 compared to the actuarial value of assets yields the unfunded actuarial accrued liability of \$815 million. The payment on the unfunded liability increases at 3% per year versus 5% per year in the prior valuation. There was an expected change in the amortization payment due to payroll growth of \$2.5 million and an increase due to the change in amortization method of \$9 million. The actuarially determined contribution for FY21 is \$83,876,570. The funded percentage of the plan on an actuarial value of assets to actuarial accrued liability basis was 70.7% compared to the prior year funded percentage of 70.7%. The Board requested that future reports contain a projection of expected funding percentage on page 27 of the report.

Ms. Riley outlined the actuarial balance sheet for the report including total liabilities and total assets. Ms. Riley outlined the risk portion of the report, identifying investment, longevity and demographic risks.

**On a motion made by Ms. Pearce, seconded by Mr. Wisner, the Board voted unanimously to accept the 2019 Actuarial Report as amended during the meeting.**

**On a motion made by Mr. Wisner, seconded by Mr. Isabelle, the Board voted unanimously to convey to the Governor that the Board is recommending a total actuarially determined employer contribution (ADEC) for FY21 of \$83,876,570 broken out into \$18,339,489 for the employer normal cost and \$65,537,081 toward the unfunded liability. The Board further recommended full funding of the ADEC.**

**On a motion made by Mr. Wisner, seconded by Mr. Isabelle, the Board voted unanimously to include in the communication to the Governor, that the Board will also be making a recommendation on fully funding the Other Post-Employment Benefits in November.**

Mr. Ferland, Ms. Riley, Mr. Henry, Mr. Kriewald, Mr. Baker, Mr. Klein, and Mr. Golonka left the meeting at 10:03 a.m.

**ITEM 4: Other Business**

Mr. Isabelle asked for a status update on the disability case from the October meeting.

**On a motion made by Ms. Pearce, seconded by Mr. Wisner, the Board voted unanimously to enter Executive Session at 10:11 a.m. pursuant to 1 V.S.A. § 313 to discuss personnel records.**

The Board came out of Executive Session at 10:11 a.m.

**On a motion made by Mr. Isabelle, seconded by Mr. Wisner, the Board voted unanimously to approve disability retirement for Thelma Young with a one-year review.**

**ITEM 5: Adjournment**

**On a motion made by Ms. Pearce, seconded by Mr. Isabelle the Board voted unanimously to adjourn at 10:12 a.m.**

**Next Meeting Date:**

The next VSERS Board meeting is the Quarterly In-House on November 14, 2019 at 9:00 a.m.

Respectfully submitted,



Erika Wolffing  
Director of Retirement Operations