

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees – In-House Meeting
September 25, 2017 – 8:30 a.m.

VSERS Members present:

Roger Dumas, Chairperson, VRSEA Representative (term expiring October 31, 2018)
Thomas Hango, Vice-Chairperson, VSEA Representative (term expiring September 30, 2018)
Jeff Briggs, VSEA Representative (term expiring September 30, 2018)
Judy Rosenstreich, VSEA Representative (term expiring September 30, 2017)
Jay Wisner, Governor's Delegate position
Adam Greshin, Commissioner of Finance & Management (ex-officio)
Dan Pouliot, Deputy Commissioner of Department of Human Resources representing Beth Fastiggi, Commissioner (ex-officio)
Jean-Paul Isabelle, VSEA Alternate Representative (term expiring September 30, 2019)
Beth Pearce, Vermont State Treasurer
Allen Blake, VRSEA Alternate Representative (term expiring October 31, 2018)

Members absent:

Also attending:

Eric Davis, in-coming VSEA Representative (term expiring September 30, 2019)
Kathy Riley, Segal Consulting
Matthew Strom, Segal Consulting
Laurie Lanphear, Director of Retirement Operations
Matt Considine, Director of Investments
Scott Baker, Director of Financial Reporting
Tim Duggan, Assistant Attorney General
Andy Cook, Investment Analyst
Erika Wolffing, Retirement Division
Dawn Neddo, Program Technician, Retirement Division

The Chairperson, Roger Dumas, called the Monday, September 25, 2017, In-House Board meeting to order at 8:31 a.m., which was held in the BGS-MTPL Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of:**

- August 10, 2017

On motion by Mr. Pouliot, seconded by Ms. Pearce, the Board voted unanimously to approve the minutes of August 10, 2017.

ITEM 2: Meeting with the Actuaries to Discuss Mortality Rate Assumptions

Ms. Pearce introduced the Board to the new actuaries from Segal Consulting, Ms. Riley and Mr. Strom. Ms. Pearce reminded the Board that the actuaries are not doing a full experience study this year, and the Board will have the full actuarial report in October. Ms. Riley presented to the Board, recapping the change in July made to the investment rate assumption (7.95% to 7.50%) and the COLA assumption (3.0% to 2.50%) resulting in an increase in liabilities.

Ms. Riley stated the current Actuarial Standards Requirement recognize future mortality, these tables have been updated to reflect that individuals are living longer, using the RP 2014 mortality series. Actuaries are required to project mortality going forward using generational mortality tables determining their life expectancy based on their age and the year they were born.

Mr. Strom discussed how assumptions are set, comparing past experience "actual" and "expected". RP 2014 Mortality tables are currently the best available data to use. Mr. Strom clarified terminology used; mortality improvement refers to individuals living longer.

Mr. Strom explained that the 2016 mortality improvement was based on a projected 10 year valuation date; Segal recommended using a generational mortality table moving forward. Mr. Strom then explained Segal's recommendations by Group. For Groups A and F, Segal recommended using 101% of RP-2014 blended 30% Blue Collar/70% Healthy Annuitant. For Group C, Segal recommended using 100% of the RP-2014 Blue Collar Annuitant Table. For Group D, Segal recommended using 100% of the RP-2014 Healthy Annuitant Table. For all Groups Segal is recommended mortality improvement using Scale SSA-2017 on a generational basis. For disabled retirees, Segal recommended using RP-2014 Disabled Retiree Table with Scale SSA-2017 applied on a generational basis.

Ms. Riley explained the cost impact of these assumption changes, including the earlier agreed to changes in the investment assumptions and the COLA assumptions. Overall impact of all changes on actuarial accrued liability is an increase of \$48.9 million or 2.1%, a decrease in funded percentage of 1.6%, and an increase in employer contribution 10.6% or \$5.3 million. Ms. Pearce explained this is on the next valuation presented in October, and typically has a 36-40% impact on the general fund with the remainder of the increase paid by other funds. Ms. Riley explained that the strong investment performance over the past year will not have a large impact as it is spread out over a number of years.

On a motion by Ms. Pearce, seconded by Mr. Briggs, the Board voted unanimously to adopt the mortality assumptions as presented in the review of mortality tables dated September 25th, 2017 by Segal Consulting.

ITEM 3: Director of Investments Report

Mr. Considine presented the VPIC Meeting Attendance Report for fiscal year 2017 as required by 3 V.S.A. § 522.

Mr. Considine gave an update on the move to Prudential as the third party administrator for the supplemental retirement programs. The office has extended the contract with Cammack to help with the transition. The existing record keepers have been contacted by Prudential and have assigned transition managers. The transition date is set for February 1, mid-quarter to show account balances moving over to Prudential.

Mr. Hango inquired about the outreach plan to participants. Ms. Pearce explained that the initial announcement is going out soon, and Prudential will provide in-state staff to meet the level of service currently offered.

Ms. Pearce suggested the Board take a brief recess at 9:40 a.m. At this time Ms. Riley and Mr. Strom from Segal Consulting left the meeting.

At 9:55 a.m. the Board came back into session.

ITEM 4: Discuss/Act on Disability Retirement Recommendations for:

- Steven Betts
- Jeannie Bushey
- Sheila Coniff
- Daniel Marcellus
- Steven Mestyan
- Susan Perry
- Larry Shedrick

On motion by Ms. Rosenstreich, seconded by Mr. Hango, the Board voted unanimously to enter Executive Session at 9:56 a.m. pursuant to Title 1, § 313 for the purpose of discussing personnel issues.

The Board came out of executive session at 10:30 a.m.

On motion by Mr. Hango, seconded by Ms. Rosenstreich, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Steven Betts, Jeannie Bushey, Daniel Marcellus, Steven Mestyan, Susan Perry and Larry Shedrick without further review.

On motion by Mr. Wisner, seconded by Ms. Rosenstreich, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Sheila Coniff without further review. Mr. Dumas and Mr. Briggs abstained.

ITEM 5: Any other business to come before the Board

Ms. Pearce welcomed Mr. Greshin to the Board as the new Commissioner of Finance and Management and Mr. Davis as the new VSEA representative replacing Ms. Rosenstreich who is retiring.

On a motion made by Ms. Pearce seconded by Mr. Wisner, the Board voted unanimously to thank Ms. Rosenstreich for her years of service to the State and on the VSERS Board.

Ms. Pearce informed the Board of the Pension Presentation on October 10th with Vermont Business Roundtable at Champlain College. VPIC members have been invited and Ms. Pearce recommended that Mr. Dumas attend if possible.

ITEM 6: Adjournment

On motion by Mr. Briggs, seconded by Mr. Wisner, the Board voted unanimously to adjourn at 10:36 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is a Conference Call Meeting on Thursday, October 12, 2017, at 9:00 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolffing".

Erika Wolffing
Director Retirement Outreach & Policy