VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – BGS-MTPL Conference Room
November 13, 2018 – 9:00 a.m.

Members present:
JON HARRIS, Chairperson, Active Member Representative, term expiring July 1, 2019
JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2021
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2020 – via telephone
LINDA DELIDUKA, VRTA Alternate Representative, term expiring July 1, 2020 – via telephone
PERRY LESSING, Active Member Alternate Representative, term expiring July 1, 2021 – via telephone
DEBORA PRICE, representing Secretary of Agency of Education
DANIEL RADDOCK, Financial Regulation Representative
BETH PEARCE, VT State Treasurer – via telephone

Members absent:

Also attending:
Eric Henry, Director of Investments
Andy Cook, Investments Analyst
Laurie Lanphear, Director of Retirement Operations
Tim Duggan, Assistant Attorney General
Erika Wolffing, Retirement Office
Will Kriewald, Chief Financial Officer
Gabe D'Ulisse, Prudential Retirement
Joe Fein, Prudential Retirement
Chip Sanville, Prudential Retirement
Daniel Levin, Segal Consulting – via telephone
Yori Rubinson, Segal Consulting – via telephone

The Chair, Jon Harris, called the Tuesday, November 13, 2018 meeting to order at 9:02 a.m., which was held in the BGS-MTPL Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT.

ITEM 1: Agenda approval and announcements

There were no announcements or changes made to the agenda.

ITEM 2: Approve the Minutes of:

- October 30, 2018

On a motion made by Mr. Norris, seconded by Ms. Price, the Board voted unanimously to approve the minutes of October 30, 2018 as submitted.

<u>ITEM 4:</u> **Other Post-Employment Benefits (OPEB) Report**

Mr. Levin presented the FY20 funding report for the other post-employment benefits. The report outlines the actuarially determined contribution needed in FY20 to be on track to fully fund the plan by 2038. Mr. Levin explained that the actuarially determined contribution consists of the normal cost and the amortization of the unfunded actuarial accrued liability. Using the discount rate of 3.87%, the actuarially determined contribution for FY20 is $58,252,623, consisting of a normal cost of $21,684,112 and amortization of the unfunded actuarial accrued liability of $36,568,623. Mr., Levin explained that the normal cost would be lower if the benefits were 100% funded. If the plan were fully funded, and assuming a rate of return at 7.5%, the normal cost would be $9.7 million, and the amortization of the unfunded actuarial accrued liability would be $34.5 million for a total actuarially determined contribution of $44,271,609.

Ms. Pearce explained the new teacher assessment and the sunset provision in 2023. The rate is set in statute to increase by the rate of inflation of 2.6%. The rate used to be determined actuarially. Ms. Pearce further explained that the initial appropriation was made as a loan to the plan.

Mr. Raddock requested delaying action until the December meeting to allow more time to review the OPEB report. Ms. Pearce explained there is no deadline in statute by when the Board must convey the actuarially determined contribution to the Administration, but they may need the reports sooner for budgetary purposes.

On a motion made by Ms. Price, seconded by Mr. Norris, the Board voted by roll call to accept the report as presented by Mr. Levin from Segal Consulting, and to convey to the Administration, the importance of prefunding and the necessary actuarially determined contribution for FY20. The motion passed 5-1, with Mr. Harris, Ms. Pearce, Mr. Norris, Ms. Price, and Ms. Deliduka voting in the affirmative and Mr. Raddock voting against.

Ms. Pearce stated the new teacher assessment was set in statute at $1,275 at the end of the legislative session and adjusted annually for inflation. The rate of inflation was 2.6% and therefore the new teacher assessment will increase to $1,308.

On a motion made by Ms. Pearce, seconded by Mr. Norris, the Board voted unanimously to approve the FY20 new teacher assessment at $1,308 per employee.

Representatives from Segal left the meeting at 9:39 a.m.

<u>ITEM 3:</u> **Prudential Quarterly Presentation**

- **403(b) Plan & SDIA 3rd Quarter Report**

Mr. D'Ulisse presented the new consolidated quarterly report for the 403(b) Plan. As of the end of the quarter there were 2,583 participants, with an average participant balance of $41,328, total contributions of $1,728,871, total distributions of $3,005,694, and total assets of $106,750,612.

There were 170 participants with $3,552,923 in GoalMaker, 277 participants had $2,883,073 in Roth, and there were 91 new enrollees. There was a net negative cash flow to the plan of $1,276,824 for the 3rd quarter. There was $3,005,694 paid out in distributions, consisting of $2,660,418 in direct rollovers and $345,276 in cash. Mr. Harris requested that future reports contain field activity for the plan. Ms. Lanphear requested that the report also include a list of all the participating school districts and supervisory unions.

Mr. D'Ulisse presented the 3rd quarter report for the SDIA Plan. As of the end of the quarter there were 1,122 participants with total assets of $41,444,304. The rate of return was approximately 2.4%. Mr. D'Ulisse stated that future reports would contain the rate of return. Total distributions for the quarter were $1,436,809.

Mr. Fein presented the quarterly investment report for the 403b Plan. The report consists of a market commentary, plan summary and investment options review. Mr. Fein stated performance was strong for the 3rd quarter, returns for US stocks were positive and foreign markets were flat to down for the quarter. Mr. Fein presented the executive summaries for the both the exclusive and nonexclusive plans. Mr. Harris requested that the summaries be combined in future reports. Ms. Pearce requested that the ESG investment options be flagged in future reports. Mr. Fein explained that most of the investment options are meeting performance criteria, the highest possible ranking for a fund is 1 and the lowest is 100. There were two investment options that did not meet performance criteria as of the end of the third quarter, the Calvert Equity Fund and the T. Rowe Price Retirement I 2060. Mr. Fein used the Calvert Equity Fund to explain the format of the investment options review and the risk return analysis charts. Mr. Fein explained that the Calvert Equity Fund is now in the top ten percentile since the end of the quarter and would now meet performance criteria. Ms. Pearce requested the expense ratios in future reflect the net ratio.

Ms. Pearce requested an update from staff on the status of reviewing the investment options in the supplemental retirement plans. Mr. Henry stated the investments team is working with Prudential to do a review and will provide additional information to the Board at a later date.

Representatives from Prudential, Mr. Kriewald, Mr. Henry, and Mr. Cook left the meeting at 10:47 a.m.

ITEM 5: **2019 Board Meeting Calendar**

The Board briefly discussed the 2019 agenda keeping the same schedule of quarterly in-house meetings on the second Tuesday of the month starting at 9:00 a.m., and monthly conference call meetings the second Thursday of the month starting at 3:30 p.m.

ITEM 6: **Disability recommendation(s) from the October 18, 2018 Meeting of the Medical Review Board:**

- **Diane Cecere**

On a motion made by Ms. Pearce, seconded by Ms. Price, the Board voted unanimously to enter Executive Session at 10:50 pursuant to V.S.A. § 313 for the purpose of discussing personnel issues.

The Board came out of executive session at 11:08 a.m.

On a motion made by Mr. Norris, seconded by Ms. Price, the Board voted unanimously to approve the disability retirement for Diane Cecere with a one-year review.

<u>ITEM 7:</u> **Other Business**
None.

<u>ITEM 8:</u> **Adjournment**
On a motion made by Ms. Pearce seconded by Mr. Raddock, the Board voted unanimously to adjourn at 11:09 p.m.

<u>Next Meeting Date</u>:
The next VSTRS Board meeting is a Conference Call Meeting on December 13, 2018 at 3:30 p.m.

Respectfully submitted,

Erika Wolffing

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Retirement Office