

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Conference Call, Treasurer's Conference
Room
December 9, 2021 – 3:30 p.m.

Please note all members participated via telephone, video, or teleconference:

Members present:

JON HARRIS, Chairperson, VRTA representative, term expiring July 1, 2024
SANDRA MINGS-LAMAR, Active Member Representative, term expiring July 1, 2025
ERIN CARTER, Active Member Representative, term expiring July 1, 2023
EMILY SIMMONS, representing Secretary of Agency of Education
DANIEL RADDOCK, Financial Regulation Representative
BETH PEARCE, VT State Treasurer
PERRY LESSING, VRTA Alternate Representative, term expiring July 1, 2024
GENVIEVE HAMBY, Active Member Alternate Representative, term expiring July 1, 2025

Also attending:

Michael Clasen, Deputy Treasurer
Tim Duggan, Assistant Attorney General
Eric Henry, Chief Investments Officer
Lesley Campbell, Retirement Administrative Coordinator IV
Stephen Barry, Financial Administrator I
Owen Doherty, Executive Assistant to the Treasurer
Will Kriewald, Chief Financial Officer
Scott Baker, Financial Director III
Daniel Levin, Segal Consulting
Yori Rubinson, Segal Consulting

The Chair, Jon Harris, called the Thursday December 9, 2021 Board meeting to order at 3:00 p.m. which was held by conference call only.

ITEM 1: Agenda approval and announcements

On a motion made by Ms. Pearce, seconded by Mr. Raddock, the Board voted unanimously to approve the agenda of December 9, 2021 as presented.

ITEM 2: Approve the Minutes of:

- November 30, 2021

On a motion made by Ms. Pearce, seconded by Mr. Raddock, the Board voted unanimously to approve the minutes of November 30, 2021 as presented.

ITEM 3: VBA Update

Mr. Duggan updated the Board on the status of the transition to Vermont Blue Advantage (VBA). For the population of members in the Comprehensive or JY plans, the transition is proceeding as planned. These members are expected to receive their new ID cards from VBA the week of December 20, 2021. There was an error in the enrollment file and approximately 50 members who submitted and opt-out application were enrolled in the VBA plan. VBA has corrected this error and the members affected have been mailed an apology letter and received a phone call from a representative. This mailing and a mailing from Blue Medicare Rx, the current prescription drug plan, resulted in high call volumes for both the VBA call center and the Retirement Division. The main theme of the calls was members looking for clarification and reassurance.

Mr. Duggan continued by providing an update concerning the transition for the approximately 1,000 members that will remain on the VEHI VSTRS 65 contingency plan and the approximately 250 members who will transition to the VBA VSTRS 65 plan. VBA is conducting an outbound call campaign to the population remaining on the VEHI VSTRS 65 Contingency plan to proactively answer any questions the members might have. The mailing concerning the Contingency plan resulted in high call volumes for both the VBA call center and the Retirement Division. The main theme of the calls was members looking for clarification of the member's options and next steps.

Mr. Duggan provided an update concerning the staff's work with Hickcock and Boardman to secure a different vendor for the members in the VEHI Contingency plan to receive the additional benefits that would have provided vision, hearing, and telehealth benefits. Currently, no vendor has been identified that will offer a one-year product that offers all three additional benefits. Staff will focus on the vision benefits, as it is the most popular. It is unlikely a solution will be in place by January 1, 2022.

Mr. Duggan also discussed long term decisions that will need to be made with the Board. VBA will be seeking reconsideration of the waiver decision with CMS and if successful will allow the plan to be offered as first intended. The Treasurer's office will be working with all parties to understand options if not approved, including continuation of the contingency plan as offered by VEHI, development of additional Part D benefit options with VBA, as well as other offerings from outside vendors.

ITEM 4: VEHI Contract

Mr. Duggan explained the amendment to the contract with VEHI that is needed to ensure the VSTRS 65 Contingency plan population.

On a motion made by Ms. Simmons, seconded by Ms. Pearce, the Board voted unanimously to authorize the Chair to execute an amendment to the VEHI Contract to provide coverage to members in the VSTRS 65 Plan, as described by staff.

ITEM 5: VSTRS Other Post-Employment Benefits (OPEB) Report

Mr. Levin presented the 2021 VSTRS other post-employment benefits report. As of the end of

FY21 the net OPEB liability was \$1,290 million, an increase of 1.7% over the prior year. Mr. Levin explained that the increase was largely due to the decrease in the discount rate from 2.21% to 2.20% and the per capita claims costs from an increase in covered retirees and beneficiaries in the health insurance plans. The actuarially determined contribution (ADC) for the period ending June 30, 2023 calculated using the 2.20% rate of return is \$109 million versus the pre-funded method with an assumed 7.00% rate of return, the ADC is \$55 million. A prefunding plan would require an additional appropriation beyond the pay-go amount and a pre-funding policy in statute. The variable rate of return on Municipal AA bonds as well as the increased actual benefit payment cost of approximately \$31 million are the main drivers of the increased liability to the fund.

On an amended motion made by Ms. Pearce, seconded by Ms. Carter, the Board voted unanimously to accept the 2021 VSTRS Other Post-Employment Benefits Valuation as presented by Segal and convey to the Governor and General Assembly the importance of moving to pre-funding.

Mr. Levin and Mr. Rubinson left the meeting at 4:15 p.m.

ITEM 6: VSTRS FY23 Budget Overview

Mr. Kriewald presented the FY23 VSTRS Budget Overview. The overall budget decreased 21.26% due mostly to the Vermont Pension Investment Commission (VPIC) budget being separated from the Treasurer's office budget this fiscal year. This decreased the investment management services and administrative cost.

Mr. Kriewald informed the Board that staff is requesting an additional 2 staff members and their salary was not included in the presented budget. If the positions receive approval, an updated budget will be presented to the Board.

On a motion made by Ms. Carter, seconded by Mr. Raddock, the Board voted unanimously to approve the FY23 VSTRS Budget as presented.

ITEM 7: 2022 Board Calendar

Ms. Campbell presented the 2022 board calendar, keeping the regular scheduled of Quarterly In-House meetings on the second Tuesday of February, May, August and November at 9:00 a.m. and all other months the Second Thursday of the month at 3:30 p.m. Ms. Carter noted the November meeting should be moved because it is election day. The Board discussed and Mr. Harris requested the November meeting be moved to the 9th. Ms. Campbell will make this change and share the updated calendar with Board members and Treasurer's staff.

ITEM 8: Disability recommendation(s) from the November 19, 2021 meeting of the Medical Review Board:

- Stephen Labree

On a motion made by Ms. Carter, seconded by Ms. Simmons, the Board voted unanimously to approve the disability retirement for Stephen Labree with a one-year review.

ITEM: Other business and public comment

Ms. Pearce thanked the Retirement Division and Board staff for their work this year.

ITEM 5: Adjournment

On a motion made by Ms. Pearce, seconded by Mr. Raddock, the Board voted unanimously to adjourn at 4:46 p.m.

Next Meeting Date:

The next VSTRS Board meeting is on January 14, 2022 at 3:30 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Lesley Campbell". The signature is written in a cursive, flowing style.

Lesley Campbell
Administrative Services Coordinator IV