

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

October 29, 2019 – 11:00 a.m.

VMERS Members present:

MAURA CARROLL, Chairperson, Employer Representative (term expiring July 1, 2022)
KIMBERLY GLEASON, Vice-Chair, Employer Representative (term expiring July 1, 2020)
MORGAN DAYBELL, Employee Representative (term expiring July 1, 2020) – via telephone
CHRISTOPHER DUBE, Employee Representative (term expiring July 1, 2022)
BETH PEARCE, Vermont State Treasurer

Members absent:

Also attending:

Erika Wolffing, Director of Retirement Operations
Lesley Campbell, Administrative Services Coordinator IV
Scott Baker, Director of Financial Reporting
Eric Henry, Chief Investments Officer
Will Kriewald, Chief Financial Officer
Kathy Riley, Segal Consulting

The Chair, Ms. Carroll called the Tuesday, October 29, 2019 Board Meeting to order at 11:05 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**

On a motion made by Mr. Dube, seconded by Ms. Pearce, the Board voted unanimously to approve the agenda as presented.

ITEM 2: **Approve the minutes of:**

- **October 15, 2019**

On a motion made by Ms. Pearce, seconded by Mr. Dube, the Board voted unanimously to approve the minutes of October 15, 2019 as amended.

ITEM 3: **2019 Actuarial Valuation**

Ms. Riley presented the 2019 Actuarial Valuation for VMERS. As of June 30, 2019 there were 7,630 active members (2% increase), 896 deferred members, 3,415 retired members, and 4,311 non active members. The ratio of Non-Actives to Actives was 0.57 and is an indication of the plan's maturity. The average age of the active population was 48 years, with an average 8.5 years of creditable service and average payroll of \$40,118. There were 2,814 inactive members and 896 vested deferred members. As of June 30, 2019, there were 3,173 retired members, with an

average age of 71.6 years, and total monthly benefits of \$2,858,689. The average monthly benefit for retired members and beneficiaries was \$837.

Ms. Riley explained that the plan is in a cash flow positive position, where the employer and employee contribution exceed the amount of benefits paid. Ms. Riley explained the derivation of the actuarial value of assets, smoothing out volatility. The method used for VMERS starts out with the market value of assets at the end of the fiscal year and looks back over the last 5 years at the gains and losses relative to the investment return assumption. The loss for the year ending June 30, 2019 was \$9.8 million. The loss is recognized at a percentage amount per year. The actuarial value of assets was \$718,337,020. Ms. Riley presented the allocation of assets based on group.

Ms. Riley explained the net experience loss of \$26 million, \$14 million from investments and \$12 million from other experience. The market return was 6.03% compared to the assumed rate of return of 7.5%, and the actuarial return after smoothing was 5.44% leading to the \$14 million loss from investments. The five-year average market return was 6.56% and the ten-year average market return was 6.62%. There were approximately \$1 million in administrative expenses and \$39 million in contributions. Ms. Riley explained the other experience gain/loss, a loss of \$3.6 million from net turnover, \$6.4 million loss from retirement, a gain of \$1.8 million from salary increases, and a \$1.4 million gain from COLA experience. There was an additional loss of \$4.4 million from miscellaneous sources including refunds, service purchases, and corrections in benefits that were unexpected.

Ms. Riley explained that the actuarial accrued liability under Entry Age Normal as of June 30, 2019 was \$896 million, an increase of \$68 million or 8.3%. There were no changes to the assumptions since the prior valuation. The actuarial shortfall in the prior valuation was \$206 million, the shortfall was projected to increase and ended up at \$241 million at the end of the fiscal year.

The present value of future contributions was \$412 million with \$151 million from employees and \$260 million from employers. The normal cost was \$22 million, projected member contributions of \$18 million and an employer normal cost of \$3.8 million or 1.193% of payroll. The normal cost combined with the payment on the actuarial shortfall yields a total recommended employer contribution of \$22,618,468 for FY20 or 7.04% of payroll. Ms. Riley presented the results by Group. The current funding policy contribution rate is 5.9% resulting in a contribution shortfall of 1.139% primarily due to the changing in the amortization method from 5% to 3%. The amortization payment is set to increase by 3% each year through 2038. The actual employer contribution has exceeded the actuarially determined contribution since 2011. The plan funding ratio went from 82.2% to 80.1% on an actuarial basis and from 80.7% to 79.2% on a market value basis.

Ms. Riley outlined the actuarial balance sheet with total liabilities \$1,130,632,416 and total assets of \$718,337,020. Ms. Riley highlighted the risk section of the report and referenced the previously presented risk assessment.

ITEM 4: Other Business

Ms. Wolffing stated that the regularly scheduled VMERS meeting in November conflicts with VPIC due to the Thanksgiving holiday, and asked if the meeting could start later in the day. The Board agreed to start the November 19, 2019 meeting at 2:00 p.m. Ms. Carroll stated she cannot attend the November meeting and asked if the vice-chair could run the meeting. VMERS did not have a vice-chair elected.

On a motion made by Ms. Pearce, seconded by Mr. Dube, the Board voted unanimously to elect Kim Gleason as the VMERS vice-chair.

ITEM 5: Adjournment

On a motion made by Ms. Pearce, seconded by Mr. Dube, the Board voted unanimously to adjourn at 12:06 p.m.

Next Meeting Date:

The next scheduled VMERS meeting is Tuesday, November 19, 2019 at 2:00 p.m.

Respectfully submitted,



Erika Wolffing
Director Retirement Operations