

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

In-House Meeting of the Board of Trustees

November 14, 2017 – 1:30 p.m.

VMERS Members present:

PETER AMONS, Chairperson, Employee Representative (term expiring July 1, 2020)
KIMBERLY GLEASON, Employer Representative (term expiring July 1, 2020) – via telephone
MEL HAWLEY, Employer Representative (term expiring July 1, 2018) – via telephone
DAVID ROWLEE, Employee Representative (term expiring July 1, 2018) – via telephone
BETH PEARCE, Vermont State Treasurer

Also attending:

Matt Considine, Director of Investments
Tim Duggan, Assistant Attorney General
Laurie Lanphear, Director of Retirement Operations
Erika Wolffing, Retirement Office

Mr. Amons called the Tuesday, November 14, 2017 In-House meeting to order at 1:34 p.m which was held in the Treasurer's Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT.

ITEM 1: Approve the minutes of:

- October 25, 2017

On a motion by Ms. Pearce, seconded by Mr. Rowlee, the Board voted unanimously to approve the minutes of October 25, 2017 as submitted.

ITEM 2: Review/discuss Employee & Employer Contribution Rates

Ms. Pearce presented how the current funding policy rates relate to the employer total rates needed based on the FY17 valuation by group. The current funding policy rates result in sufficiency percentages of 0.729% for Group A, 0.119% for Group B, -0.040% for Group C, 2.119% for Group D, and a total sufficiency rate of 0.341%. The unfunded liability is set to expire in 2038, and the employer amortization rate is collected for the payment on the unfunded liability. The VSERS and VSTRS systems are distributing the unfunded liability at a 5% rate, but will switch to 3% to save \$165 million on interest payments over the period of paying back the unfunded liability. The VMERS system is not required by statute to go from 5% to 3%.

At the last Board meeting, members requested a calculation of what impact moving from 5% to 3% would have on the sufficiency of the employer rates. If the VMERS Board were to adopt the 3% amortization schedule, the funding policy rates compared to the total rate needed would result in sufficiency rates of 0.143% for Group A, -0.718% for Group B, -1.041% for Group C, 0.883% for Group D, and a total sufficiency rate of -0.471%.

Ms. Pearce explained the impact of changing the funding method to Entry Age Normal (EAN) in line with the other two systems. The funding policy rates compared to the total rate needed under EAN would result in sufficiency rates of -2.503% for Group A, -2.802% for Group B, -1.899% for Group C, 1.164% for Group D, and a total sufficiency rate of -2.400%. Ms. Pearce suggested it was unrealistic to move to EAN method in one year due to a resulting significant increase in rates.

Ms. Gleason left the meeting at 2:13 p.m.

Ms. Pearce clarified that employee contribution rates are set in statute by the Legislature and employer contribution rates are set by the Board of Trustees. Ms. Pearce stated she would provide to the Board the schedule of payments on the unfunded liability under the current 5% payment schedule.

Mr. Amons and Ms. Pearce will meet with the stakeholder groups in the coming weeks to discuss the employer and employee rates and the impact of moving to a 3% amortization rate in FY20.

ITEM 3: Fidelity Contract Extension

Mr. Considine updated the Board on the transition of the supplemental retirement plans to Prudential. The transition date was moved to February 1, 2018 to accommodate the existing record keepers. Mr. Considine requested the Board approve a contract extension with Fidelity, the current administrator of the VMERS defined contribution plan, to March 31, 2018 to extend through the February 1 transition date.

On a motion by Mr. Hawley, seconded by Ms. Pearce, the Board voted unanimously to extend the end date for the Fidelity contract to March 31, 2018.

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

- John Lawrence

On a motion made by Ms. Pearce, seconded by Mr. Rowlee, the board voted unanimously to accept the recommendation of the MRB to allow disability retirement for John Lawrence with a one-year review.

ITEM 5: Any other business to come before the board

Mr. Duggan informed the Board that a request for quotation for a hearing officer for disability retirement appeals was advertised with the Vermont Bar Association. Quotations are due back to the Retirement Office by December 1, 2017.

ITEM 6: Adjournment

On motion by Ms. Pearce, seconded by Mr. Hawley, the Board voted unanimously to adjourn at 2:46 p.m.

Next Meeting Date:

The next scheduled VMERS meeting TBD.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolffing". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Erika Wolffing
Director Retirement Outreach & Policy