

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

In House Meeting of the Board of Trustees

September 25, 2017 – 11:00 a.m.

VMERS Members present:

Kimberly Gleason, Employer Representative (term expiring July 1, 2020)

Mel Hawley, Employer Representative (term expiring July 1, 2018) – via telephone

David Rowlee, Employee Representative (term expiring July 1, 2018)

Beth Pearce, Vermont State Treasurer

Board members absent:

Peter Amons, Chairperson, Employee Representative (term expiring July 1, 2020)

Also attending:

Kathy Riley, Segal Consulting

Matthew Strom, Segal Consulting

Matt Considine, Director of Investments

Tim Duggan, Assistant Attorney General

Laurie Lanphear, Director of Retirement Operations

Erika Wolffing, Retirement Office

Dawn Neddo, Program Technician, Retirement Office

Ms. Pearce called the Monday, September 25, 2017 in-house meeting to order at 11:01 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 17, 2017

On a motion made by Mr. Rowlee, seconded by Mr. Hawley, the Board voted unanimously to approve the minutes of August 17, 2017 as submitted.

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

Ms. Pearce introduced the new actuaries Ms. Riley and Mr. Strom from Segal Consulting and reminded the Board of the change to the investment assumptions and COLA assumptions in July. The Board is also required to vote on any assumption changes to the mortality rates.

Ms. Riley explained that an update to the mortality assumptions causes an increase in liabilities to the system based on the assumption that individuals are living longer. Segal Consulting has not done a full experience study, but are recommending following the Actuarial Standard of Practices that were revised recently to take into account future mortality improvements. Segal is

proposing updating the base tables and to apply these tables in a generational direction, life expectancy depends on your age and the year you were born.

Mr. Strom discussed how mortality assumptions are set. Segal compared past experience (actual) with assumptions (expected), and recommended using the 2014 RP tables - refers to the base mortality rates, and recommended accounting for future mortality improvement by using the SSA-2017 Scale on a generational basis.

Ms. Pearce explained that when the RP 2014 scale came out there were a number of people that felt the scale overstated how long individuals were going to live. It was based on private sector data not public sector data. They are currently working on a new report based on public sector data but it will not be available in time for use this year.

Mr. Strom explained the current rates for Groups A/B/C are based on RP-2000 blended 60% Blue Collar, 40% Healthy Annuitant. Group D rates were based on RP-2000 Blue Collar Annuitant. Mortality improvement was based on rates projected 10 years from the valuation date. Segal recommended for future mortality improvement applying SSA-2017 on a generational basis. Experience showed fewer deaths than expected.

For Groups A/B/C, Segal recommended 98% of RP-2014 blended 60% Blue Collar/ 40% Healthy Annuitant. For Group D, Segal recommended using 100% of RP-2014 Blue Collar Annuitant. For all groups Segal recommended for mortality improvement, that the Board use Scale SSA-2017 on a generational basis. For disability retirees, Segal recommended using RP-2014 Disabled Retiree Table with Scale SSA-2017 applied on a generational basis.

Ms. Riley went over the cost impact of the investment return assumption, COLA assumption, and mortality assumption changes. The mortality assumption changes result in an increase in actuarial accrued liability of \$2.6 million, a decrease in funded percentage by -0.3%, and an increase in employer contribution of \$0.5 million. Taking into account all three changes, the actuarially determined employer contribution with the proposed assumptions is \$15.1 million, an increase of \$2.2 million or 17.1% over the current assumptions. Ms. Pearce clarified that this amount is slightly less than the actual amount of contributions collected last year.

On a motion by Mr. Rowlee, seconded by Mr. Hawley, the Board voted unanimously to adopt the mortality assumption changes put forward by Segal Consulting dated September 25th, 2017.

Ms. Riley and Mr. Strom left the meeting at this time.

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 Treasurer's Office signed the contract with Prudential on August 23, 2017 and 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, to coincide with mid-quarter to show account balances moving over to Prudential. The Treasurer's Office is working closely with Prudential to make this as seamless a transition as possible for participants.

ITEM 4: Elect new VMERS VPIC Alternate

The Board discussed the need to elect a new VMERS VPIC Alternate to serve out Mr. Jeffrey's term and Ms. Gleason expressed interest in serving.

On a motion made by Mr. Rowlee, seconded by Mr. Hawley, the board voted unanimously to appoint Ms. Gleason as the VMERS VPIC Alternate to serve out the current term through June 30, 2018.

ITEM 5: Any other business to come before the board

None.

ITEM 6: Adjournment

On motion by Mr. Rowlee, seconded by Mr. Hawley, the Board voted unanimously to adjourn at 11:41 a.m.

Next Meeting Date:

The next scheduled VMERS meeting is an In-House Meeting on Wednesday, October 25th, 2017 at 11:00 a.m.

Respectfully submitted,



Erika Wolfing
Director Retirement Outreach & Policy