

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees – Quarterly In-House Board Meeting
August 9, 2018 – 9:00 a.m.

VSERS Members present:

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2018)
THOMAS HANGO, Vice-Chair, VSEA Representative (term expiring September 30, 2018)
JEFF BRIGGS, VSEA Representative (term expiring September 30, 2018)
ERIC DAVIS, VSEA Representative (term expiring September 30, 2019)
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2018)
JAY WISNER, Governor's Delegate position
DAN POULIOT, Deputy Commissioner of Department of Human Resources
ADAM GRESHIN, Commissioner of Finance & Management (ex-officio)
MICHAEL CLASEN, Deputy State Treasurer

Members absent:

JEAN-PAUL ISABELLE, VSEA Alternate Representative (term expiring September 30, 2019)
BETH FASTIGGI, Commissioner of Department of Human Resources (ex-officio)
BETH PEARCE, Vermont State Treasurer

Also attending:

Tim Duggan, Assistant Attorney General
Laurie Lanphear, Director of Retirement Operations
Andy Cook, Investments Analyst
Erika Wolffing, Director Retirement Outreach & Policy
William Kriewald, Chief Financial Officer
Gabriel D'Ulisse, Prudential Retirement
Rocco Attanasio, Prudential Retirement
Tosha Whipple, Prudential Retirement
William Brennan, Prudential Retirement
Joseph Fein, Prudential Retirement
Ronald "Chip" Sanville, Prudential Retirement

The Chair, Roger Dumas, called the Thursday, August 9, 2018, Quarterly In-House Board Meeting to order at 9:03 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**

Mr. Duggan introduced the Board members to Will Kriewald the new Chief Financial Officer at the Treasurer's Office.

ITEM 2: **Approve the Minutes of:**

- July 12, 2018

On a motion made by Mr. Davis, seconded by Mr. Wisner, the Board voted unanimously to approve the minutes of July 12, 2018 as submitted with Mr. Dumas, Mr. Briggs and Mr. Pouliot abstaining.

ITEM 5: Disability Retirement Recommendations from the July 19, 2018 Meeting of the Medical Review Board for:

- Donald Nelson (New)
- Jeffrey Trudeau (Review)

On a motion made by Mr. Wisner, seconded by Mr. Briggs, the Board voted unanimously to enter Executive Session at 9:07 a.m. pursuant to 1 V.S.A. § 313 for the purpose of discussing personnel issues.

The Board came out of executive session at 9:23 a.m.

On a motion made by Mr. Wisner, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation of the MRB to allow disability retirement for Donald Nelson with a one-year review.

The Board discussed Mr. Trudeau's review and potential reduction to his pension. Mr. Hango inquired what would happen to Mr. Trudeau's retirement allowance if he suddenly lost his job and was no longer earning any wages. Mr. Duggan clarified that the beneficiary can request a review of their status and clarified that this process would have no impact on earned income verification. Mr. Wisner stated moving forward the Board may want to consider doing the retrospective review through the earned income disclosure and not require the full medical review every year.

On a motion made by Mr. Wisner, seconded by Mr. Briggs the Board voted unanimously to reduce the pension portion of Mr. Trudeau's retirement allowance by \$6,664.40 based on evidence of Mr. Trudeau's gainful occupation, and direct staff to provide Mr. Trudeau written notice of this decision.

ITEM 3: Prudential Retirement Quarterly Presentation

Mr. D'Ulisse presented the quarterly plan summary ending June 30, 2018 for the Single Deposit Investment Account. As of the end of the quarter, there were 1,153 participants with total assets of \$42,566,384. Of the total participants, 1,029 participants are over the age of 65 with an average account balance of \$40,004.

Mr. Greshin left the meeting at 9:59 a.m.

Mr. D'Ulisse presented the quarterly plan summary ending June 30, 2018 for the 457 Deferred Compensation Plan. As of the end of the quarter, there were 7,363 participants with total assets \$483,207,885 with an average account balance of \$65,626. Total contributions and rollovers coming into the plan were \$5,316,133, and total distributions were \$7,933,564. Assets in GoalMaker at the end of the quarter were \$21,589,430 representing 9.2% participation rate.

Assets in Roth were 15.6% or \$9,277,406, Mr. D'Ulisse explained that typically younger individuals are utilizing Roth.

There were 230 new enrollees for the period. The plan offered 24 investment options compared to 12.9 investment options across Prudential's book of business. Mr. D'Ulisse highlighted the plan's high participation rate compared to other similar plans. The Board further discussed the reasons why the participation rate is comparatively high, including the presence of the in-state counselors.

Mr. D'Ulisse explained that the plan saw a net negative cash flow of \$2,617,431 largely due to the high number of individuals over the age of 65. Mr. D'Ulisse stated there were \$6,577,223 termination payments as of the end of the quarter, rollovers amounted to \$5,506,884, largely due to individuals consolidating assets. Mr. D'Ulisse explained that educating members on the benefits of the plan and lower fees could help address rollovers out due to consolidations.

Mr. D'Ulisse explained the difference between automatic enrollment and automatic escalation. Auto enrollment has been more difficult to implement in the governmental sector due to legislative changes required, or provisions being subject to bargaining. Within Prudential's book of business only one governmental plan has implemented auto enrollment. The Board further discussed other ways to encourage individuals to join the plan and utilize the tools available to save toward retirement.

Mr. Clasen joined the meeting at 10:33 a.m.

Mr. D'Ulisse gave an overview of asset allocation as of the end of the quarter, with 20.1% of assets in the Stable Value fund. Mr. Briggs stated that in the past, the quarterly reports used to include a discussion of the different investment options and performance to date. Mr. Briggs inquired if this could be included in future reports from Prudential. Mr. Fein stated that Prudential does not have the formal report today but would discuss the fund performance generally and would present a more formal report at a future meeting. Mr. Fein stated that overwhelmingly the funds are performing extremely well. Two areas that could be considered underperforming were the Dodge and Cox International Stock and the Lazard Emerging Markets. These funds have a value orientation as opposed to growth. Mr. Fein stated that Prudential would continue to work with the Treasurer's office investment staff to review the fund line-up and provide updates at the next quarterly meeting.

Ms. Whipple updated the Board on the post transition communications strategy. Ms. Whipple works with the in-state counselors to make sure their communication needs are met to help educate employees about the plan. Ms. Whipple outlined the two campaigns around account registration and beneficiaries already completed resulting in a 4.8%-5.5% "take action" rate. There were 15,390 unique visitors to the website. Ms. Whipple noted the high rate of participants using the retirement income calculator, 1,313 participants or 24%, and inquired if online contribution increases might be possible in the future. Currently, it is a paper process to increase your contribution rate. Ms. Whipple outlined a calendar of communication campaigns in next 6-9 months.

The Board discussed the Prudential website and various functionality ideas. Mr. D'Ullise explained it might be difficult to make some of these changes but would report back to the Board. Mr. D'Ullise explained the upgrades coming to the Prudential website including a new program called "My Financial Life". Participants will be prompted to establish a new password but will be notified that this change is coming.

ITEM 4: Prudential Transition – 457 Plan Employer Contributions

Mr. Dumas had previously inquired if it might be possible to allow employer contributions into the 457 Plan. Mr. Duggan explained that allowing employer contributions would require a legislative change and further appropriations by the Legislature and may not be feasible in this funding environment. The statute does not provide the Board with the authority to implement employer contributions to the 457 Plan.

Representatives from Prudential left the meeting at this time.

ITEM 6: Other Business

Mr. Briggs announced his retirement from the Board of Trustees and stated that this will likely be his last Board meeting as a trustee. The VSEA will elect a new Board member at the annual meeting in September. The Chair and other Board members thanked Mr. Briggs for his years of service on the Board and wished him luck in his retirement.

ITEM 7: Adjournment

On a motion by Mr. Briggs, seconded by Mr. Wisner, the Board voted unanimously to adjourn at 11:20 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is a Conference Call Meeting on Thursday, September 13, 2018 at 9:00 a.m.

Respectfully submitted,



Erika Wolffing
Director Retirement Outreach & Policy