

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – In House Meeting
November 8, 2016 – 9:00 a.m.

Members present:

JON HARRIS, Chairperson, term expiring– July 1, 2019
JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2020
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2020
DEBORA PRICE, Representing Secretary of Agency of Education
DANIEL RADDOCK, Financial Regulation Representative
MICHAEL CLASEN, Deputy Treasurer
TIM LUEDERS-DUMONT, Policy Director, State Treasurer Beth Pearce's designee

Members absent:

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2020
PERRY LESSING, Active Member Alternate Representative, term expiring July 1, 2017
ELIZABETH PEARCE, VT State Treasurer

Also attending:

Laurie Lanphear, Director of Retirement Operations
Matt Considine, Director of Investments, Treasurer's Office
Katie Green, Investments Department, Treasurer's Office
Joshua McCormick, Administrative Coordinator IV, Retirement Division
Judith Palmeri, Active VSTRS member
Richard Bowen, Attorney for Judith Palmeri
Mark Hage and Laura Soarles, VT NEA
Cynthia Webster, Retired State Employee, Former Director of Retirement
Mark DiStefano, Attorney General's Office

The Chairperson, Jon Harris called the Tuesday, November 8th, 2016, meeting to order at 9:00 a.m., which was held in the Governor's Fourth Floor Conference Room, fourth floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of:**

- **October 27, 2016**

On motion by Mr. Norris, seconded by Ms. Price, the Board unanimously voted to approve the minutes of October 27, 2016, as submitted.

ITEM 2: Judith Palmeri with Attorney Richard Bowen – prior service

Ms. Palmeri and Mr. Bowen discussed with the Board Ms. Palmeri's prior service of 4.5 years that they believe should be credited to Ms. Palmeri's VSTRS retirement account.

On motion by Mr. Clasen, seconded by Ms. Price, the Board unanimously voted to enter Executive Session at 9:20 a.m. pursuant to Title 1, § 313 for the purpose of hearing advice from legal counsel.

The Board came out of executive session at 10:17 a.m.

On Motion by Mr. Clasen seconded by Ms. Deliduka, the Board voted unanimously to defer a decision on this subject to the next VSTRS in-house meeting on 2/14/17, due to review of the materials presented to the Board and further analysis from the VSTRS council.

Mr. Harris advised Ms. Palmeri and Mr. Bowen that if they have any further information they would like to submit before 2/14/17, they can do so.

Judith Palmeri, Richard Bowen, Cynthia Webster, and Mark DiStefano left the meeting at this time.

****ITEM 8**: Any other business to be brought before the Board**

Mr. Clasen asked the chair if we could cover some topics under any other business due to another meeting he needed to attend. The Chair approved this request.

On motion by Mr. Clasen, seconded by Ms. Price, the Board unanimously voted to enter Executive Session at 10:20 a.m. pursuant to Title 1, § 313 for the purpose to discuss a contract status.

The Board came out of executive session at 10:23 a.m.

On motion by Mr. Clasen, seconded by Ms. Deliduka, the Board voted to direct the Treasurer's office, in concurrence with the other two retirement board systems to work on developing a contract with a bidder for retiree dental insurance to find the most cost advantage rates to the system. Mr. Raddock abstained from the vote.

Mr. Clasen gave an update to the Board about the increase in fees scheduled for the SDIA program. The Treasurer's office is currently drafting a letter to send out to all members of the SDIA plan. Mr. Clasen provided an update on the RFP process for 3rd party funds.

A 5 minute recess was taken.

ITEM 3: VEHI Presentation – Mark Hage, Laura Soarles

Mr. Hage and Ms. Soarles provided updates to the Board about the VEHI transition to the Affordable Care Act effective January 1, 2018. Mr. Hage stated that on 12/31/17, current grandfathered and non-grandfathered plans for active employees and their dependents will close and school districts that elect to stay with VEHI will transition to 4 new plans, effective January 1, 2018, that are ACA compliant and non-grandfathered. This particular transition will not affect VSTRS retirees and their dependents. Mr. Hage also stated that the VEHI is in current negotiations to obtain ASO status (Administrative Services Only) with Blue Cross Blue Shield and the Federal Government.

Ms. Soarles stated to the Board that there will be no new rates for FY18 for active employees and retirees under 65. Additionally, a 2% rate decrease is recommended for retirees over 65. She stated that there are two broad changes from the grandfathered plans compared to the ACA plans. First, preventative services are free under the ACA. Second, the ACA plans provide a cap for co-pays.

Mr. Clasen stated to the Board that at the last meeting, a motion was approved to hire a consultant to construct an RFP for health care plans. He stated that it is required to do a competitive bid process for services so he advised the Board not to go into further detail.

Michael Clasen left the meeting at this time. Tim Lueders-Dumont joined the meeting at this time.

ITEM 4: VPIC Attendance Report

The Board was presented the VPIC Meeting Attendance Report for Fiscal Year 2016.

ITEM 5: Director of Investments Report

Ms. Green presented to the Board, the Director of Investments Report. The first item of the report was a Target Date Fund recommendation. The investment staff recommends that the 2050, and 2060 T. Rowe Price Target date retirement funds be added to the 403(b) lineup as there is no additional cost.

On motion by Mr. Norris, seconded by Ms. Deliduka, the Board unanimously voted to have Empower Retirement add the 2050 and 2060 T. Rowe Price Target Date funds.

Ms. Green also presented to the Board findings of the investment staff's recommendation that the VSTRS Board move to the Institutional Share Class (CEYIX) for the Calvert Equity fund in the 403(b) lineup to save participants in direct fees.

On Motion by Mr. Norris, seconded by Ms. Deliduka, the Board unanimously voted to move from Calvert Equity Portfolio Class A to Calvert Equity Portfolio Class I.

On Motion by Ms. Deliduka, seconded by Mr. Norris, the Board unanimously voted to direct the investments staff to research other holdings to see if they can be moved to the Institutional Share Class.

Mr. Considine gave an overview of the Vermont Pension Investment Committee's (VPIC) fund performance referencing the *VPIC Flash Report* as of June 30, 2016. He detailed the fund's total equity, fixed income and alternative returns for the fiscal year versus benchmarks and peers, and then reviewed asset allocation changes the Committee voted to implement throughout fiscal year 2016 and 2017. The VSTRS Board thanked the investments staff for the report and asked if they could share this report on an annual basis and to also include an allocation table.

ITEM 6: Discuss/act on disability retirement recommendation for:

- Carol McHugh

On motion by Mr. Norris, seconded by Mr. Raddock, the Board voted to accept the recommendation of the Medical Review Board for the disability retirement for Carol McHugh, with a one year medical review. Ms. Price and Ms. Deliduka abstained from the vote.

ITEM 7: Review/Accept 2017 Meeting Schedule

The Board reviewed and accepted the 2017 meeting schedule. Mr. McCormick informed the Board that once VPIC votes on their meeting dates, a new overview meeting calendar will be distributed.

ITEM 8: Any other business to be brought before the board

Mr. Harris asked that at the next in-house meeting, a program or procedure is in place to allow disability and other confidential information to be accessible electronically. The Board strongly support Mr. Harris's request.

Mr. Harris asked for an update on the administrator contracts. Ms. Lanphear stated that Mr. DiStefano is still waiting on information to be able to provide an update to the Board.

ITEM 9: Adjournment

On motion by Mr. Norris, seconded by Ms. Deliduka, the Board voted unanimously to adjourn at 11:42 a.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call meeting, December 8th, at 3:30 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joshua McCormick". The signature is written in a cursive style with a large, sweeping initial "J".

Joshua McCormick
Administrative Coordinator IV