

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Conference Call Only
January 8, 2021 – 1:30 p.m.

DRAFT COPY – NOT YET APPROVED BY BOARD

Please note all members participated via telephone, video, or teleconference:

Members present:

JON HARRIS, Chairperson, VRTA representative, term expiring July 1, 2024
JUSTIN NORRIS, Vice-Chair, Active Member Representative, term expiring July 1, 2021
ERIN CARTER, Active Member Representative, term expiring July 1, 2023
BETH PEARCE, VT State Treasurer
EMILY SIMMONS, representing Secretary of Agency of Education
DANIEL RADDOCK, Financial Regulation Representative
LINDA DELIDUKA, VRTA Alternate Representative, term expiring July 1, 2024

Members absent:

Vacant, Active Member Alternate Representative, term expiring July 1, 2021

Also attending:

Michael Clasen, Deputy State Treasurer
Eric Henry, Chief Investments Officer
Katie Green, Deputy Chief Investments Officer
Erika Wolffng, Director Retirement Operations
Lesley Campbell, Retirement Administrative Coordinator
Will Kriewald, Chief Financial Officer
Ashlynn Doyon, Executive Assistant to the Treasurer
Jeff Fannon, VtNEA
Chris Rupe

The Chair, Jon Harris, called the Friday, January 8, 2021 Board meeting to order at 1:30 p.m., which was held by conference call only.

ITEM 1: Agenda approval and announcements

On a motion made by Mr. Norris, seconded by Ms. Simmons, the Board voted unanimously to approve the agenda.

ITEM 2: Approve the Minutes of:

- December 10, 2020

On a motion made by Mr. Norris, seconded by Ms. Carter, the Board voted unanimously to approve the minutes of December 10, 2020 as presented.

ITEM 3: Update from the Treasurer on Work with Stake-Holder Groups

Ms. Pearce explained a presentation outlining how the recent demographic and economic assumption changes adopted after the Experience Study has led to a significant increase in the unfunded actuarially accrued liability (UAAL) and the actuarially determined employer contribution (ADEC). The unfunded liability increased by \$379 million over the 2019 valuation and the ADEC increased by \$60.6 million over the prior valuation. The VSTRS Board authorized the Treasurer to work with stakeholder groups to try and come up with benefit changes that would lower the unfunded liability and the ADEC to the previous FY21 projections.

Ms. Pearce explained the various scenarios that were discussed with the Vermont NEA and explained that it would be difficult to achieve \$379 million in savings on the unfunded liability. Beth presented and the Board discussed a proposal to eliminate COLAs for all actives, moving to the rule of 90 for the grandfathered Group C members, moving to a 7-year AFC, and increasing the employee contribution rates to 7% or 8%. The proposed changes would save \$254.2 million on the unfunded liability and \$45.3 million on the ADEC at 7% employee contribution rate or \$52.3 million on the ADEC at 8% employee contribution rate.

The Board discussed the Pew letter from the administration and a potential response from the Treasurer.

The Board discussed the proposed changes and provided feedback. Members expressed concern on the impact of these changes on those active employees within 5 years of retirement.

On a motion made by Mr. Norris, seconded by Mr. Harris, the Board voted unanimously to recognize that eliminating the COLA does not recognize the impacts on those with a lower benefit and in an effort to try to provide some retirement security the Board directed the Treasurer's office to research a range of COLA options for those in retirement with a lower benefit amount to provide to the general assembly.

The Board discussed a concern about dramatically increasing the employee contribution rates in one year. There was disagreement amongst the Board members, some members were uncomfortable with moving the contribution rate higher than 7%, other preferred to present both the 7.0% and 8.0% options.

Mr. Fannon provided testimony on behalf of VtNEA stating that the NEA does not support these changes at this time.

On a motion made by Ms. Simmons, seconded by Mr. Raddock, the Board voted by roll call to accept the Treasurer's recommendation on employee contribution rates with the caveat that a possible phase-in is examined at either 7 or 8 percent recognizing the impact of COVID-19 on active teachers. Mr. Harris, Ms. Pearce, Mr. Raddock and Ms. Simmons voted in favor of the motion. Mr. Norris and Ms. Carter voted against the motion.

ITEM 4: Other Business

None.

ITEM 5: Adjournment

On a motion made by Ms. Simmons, seconded by Mr. Norris, the Board voted unanimously to adjourn at 3:50 p.m.

Next Meeting Date:

The next VSTRS Board meeting is on January 14, 2021 at 3:30 p.m.

Respectfully submitted,



Erika Wolffing
Director of Retirement Operations