

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Conference Call Meeting
January 11, 2018 – 3:30 p.m.

Members present:

JON HARRIS, Chairperson, Active Member Representative, term expiring– July 1, 2019 – via telephone
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2020 – via telephone
JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2021 – via telephone
LINDA DELIDUKA, VRTA Alternate Representative, term expiring July 1, 2020 - via telephone
DEBORA PRICE, representing Secretary of Agency of Education – via telephone
DANIEL RADDOCK, Financial Regulation Representative
BETH PEARCE, VT State Treasurer

Members present:

PERRY LESSING, Active Member Alternate Representative, term expiring July 1, 2021

Also attending:

Michael Clasen, Deputy Treasurer
Matt Considine, Director of Investments – via telephone
Andy Cook, Investment Analyst
Laurie Lanphear, Director of Retirement
Tim Duggan, Assistant Attorney General
Erika Wolffing, Retirement Office
Christine McHugh, Prudential Retirement – via telephone
Bill Brennan, Prudential Retirement – via telephone

The Chairperson, Jon Harris called the Thursday, January 11, 2018 meeting to order at 3:31 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:**

- December 14, 2017

On motion by Ms. Price, seconded by Mr. Mackey, the Board voted unanimously to approve the minutes of December 14, 2017 as submitted.

ITEM 2: **Prudential Transition Plan Design Review & Discussion**

Mr. Cook introduced the members from Prudential Retirement and explained that revisions to the plan designs for the SDIA Plan and 403(b) Plans reflect current best practices and industry standards.

Ms. McHugh presented the proposed five changes to the Single Deposit Investment Account plan design. Representatives from Prudential met with Treasurer's office staff over the past few months to recommend changes to the plan designs in an attempt to update these documents. The first change recommended for the SDIA was to update the plan year end to 12/31 to provide consistency across all plans. Mandatory distribution options were updated to reflect current administrative practice of not forcing out small balances. Forms of payment were updated to indicate that both installment and partial payments are allowed, and removed the requirement for installment payments once a participant has elected a partial payment. The beneficiary elections were updated to reflect that a beneficiary can choose a beneficiary, and the hierarchy for beneficiaries was updated to spouse, children, parents, and estate. Ms. Pearce explained that both the State and Teachers Boards are trustees of the SDIA plan. The State Board voted to adopt these changes at the meeting earlier in the morning.

On a motion by Mr. Norris, seconded by Mr. Mackey, the Board voted unanimously to accept the five recommended changes to the SDIA Plan as presented by Prudential Retirement for an effective date of February 1, 2018.

Ms. McHugh explained the proposed 403b plan designs. As part of the transition, Prudential retirement is working with each supervisory union/school district (SU/SD) to understand what options they have elected for their 403b plan. The base plan documents outline what options are available to supervisory unions/school districts depending on whether they are exclusive or nonexclusive. There were no plan provisions changes proposed for the 403b Base Plan designs. Prudential is discussing with each supervisory union/school district changes to payroll remittance and funding processes and alternatives to loan repayment methods. Ms. McHugh updated the Board on how outreach efforts are going, all SUs/SDs that are currently using a paper roster to remit payroll have agreed to move to electronic remittance of payroll information through Prudential's online portal.

On a motion by Ms. Pearce, seconded by Mr. Norris, the Board voted unanimously to approve the transition of the 403b plan documents to Prudential with no substantive changes to the plan design to bring the document up to date with IRS statute.

Mr. Harris expressed his concern about communication of the transition to the Board of Trustees specifically around hiring the in-state representatives and where those individuals will be located. Ms. McHugh updated the Board on the number of in-state representatives currently hired and in training. Three representatives have been hired, two are currently in training in Scranton, PA. One of the in-state representatives will be collocated with retirement office staff in Montpelier. As Prudential is talking to SUs/SDs about their payroll process, they are also inquiring about education and outreach they have received from the prior recordkeeper and setting up future meetings with Prudential representatives. Mr. Norris inquired if it would be possible for the in-state representatives to come to the next quarterly in-house board meeting on February 13th. Ms. McHugh stated she believed it would be possible and would reach out to the appropriate Prudential staff to schedule the representatives for the next Board meeting.

Ms. McHugh, Mr. Brennan, Ms. Green, Mr. Cook, Mr. Considine and Mr. Clasen left the meeting at this time.

ITEM 3: Approval of New Entrant Health Care Assessment for FY19

Ms. Pearce presented the recommended new entrant health care assessment for FY19 as determined by the actuary Segal Consulting. For any new teacher joining the system on or after July 1, 2015, SUs/SDs are assessed an annual amount for those teachers' health and medical benefits. She further explained the difference between what the assessment would be depending on whether it is calculated using Projected Unit Credit (PUC) versus Entry Age Normal (EAN). Using PUC the FY19 new teacher assessment would be \$1,275 versus \$2,152 under EAN. Ms. Pearce recommend the Board act to implement the FY19 new teacher assessment at \$1,275 using Projected Unit Credit.

On a motion by Ms. Pearce, seconded by Mr. Mackey, the Board voted unanimously to approve the FY19 new teacher assessment of \$1,275 as determined using Projected Unit Credit.

ITEM 4: Review/Act on Title 16 Proposed Language

Mr. Harris discussed his concern with the proposed disability retirement language changes surrounding reexamination and potential reemployment. He believed it would be difficult for a teacher retired on disability to be rehired as a teacher in a SU/SD if he/she were found able to work after reexamination by the Medical Review Board. Ms. Pearce explained that the language surrounding reemployment provides Board discretion before removing the pension benefit if the individual were unable to find employment after the two year period.

Ms. Deliduka expressed concern that the language unintentionally creates unfairness for a teacher living in a rural area with smaller schools versus a teacher in Chittenden County where there are more employment options. Ms. Pearce reiterated that the language provides Board discretion by specifically stating 'may.' Mr. Harris recommended that the staff work on an administrative policy stating the Board's intent for future use.

On a motion by Ms. Pearce, seconded by Mr. Raddock, the Board voted unanimously to adopt the changes to the disability retirement statute to be included in the miscellaneous retirement bill.

ITEM 5: Review/Act on disability recommendations from the December 21, 2017 meeting of the Medical Review Board:

- Nancy Spier

On a motion by Ms. Pearce, seconded by Ms. Price, the board voted unanimously to approve continuance of disability retirement for Nancy Spier without further review.

ITEM 6: Other Business

None.

ITEM 7: Adjournment

On motion by Ms. Price, seconded by Ms. Pearce, the Board voted unanimously to adjourn at 4:34 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a Quarterly In-House Meeting on February 13th, 2018 at 9:00 a.m.

Respectfully submitted,



Erika Wolffing
Retirement Office