

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Quarterly In-House Meeting
February 13, 2018 – 9:00 a.m.

Members present:

JON HARRIS, Chairperson, Active Member Representative, term expiring– July 1, 2019
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2020 – via telephone
JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2021
LINDA DELIDUKA, VRTA Alternate Representative, term expiring July 1, 2020
PERRY LESSING, Active Member Alternate Representative, term expiring July 1, 2021
DEBORA PRICE, representing Secretary of Agency of Education
MICHAEL CLASEN, Deputy State Treasurer

Members absent:

DANIEL RADDOCK, Financial Regulation Representative
BETH PEARCE, VT State Treasurer

Also attending:

Matt Considine, Director of Investments
Katie Green, Investments Manager
Andy Cook, Investment Analyst
Laurie Lanphear, Director of Retirement
Tim Duggan, Assistant Attorney General
Erika Wolffing, Retirement Office
Ronald “Chip” Sanville, Prudential Retirement
Gilles Owen, Prudential Retirement
Brian Ficek, Prudential Retirement
Richard Gagne, Prudential Retirement

The Chairperson, Jon Harris called the Tuesday, February 13, 2018 meeting to order at 9:00 a.m., which was held in the BGS-MTPL Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT.

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

- January 11, 2018

On motion by Mr. Norris, seconded by Ms. Deliduka, the Board voted unanimously to approve the minutes of January 11, 2018 as submitted.

ITEM 2: **Prudential In-State Representatives Introduction**

The newly hired in-state counselors from Prudential were invited to attend the Board meeting. Mr. Sanville introduced himself to the Board. Mr. Sanville previously worked for Empower Retirement for 15 years and was hired by Prudential during the transition. Prior to his

employment with Empower, Mr. Sanville worked in the Retirement Office as a specialist. As a Prudential in state counselor, Mr. Sanville will cover Washington, Essex, Orleans, and Caledonia counties.

Mr. Gilles introduced himself to the Board. Prior to becoming employed by Prudential, Mr. Gilles attended Norwich University, he worked for Sentinel Investments (part of National Life) for 10 years as a wholesaler selling mutual funds. As a Prudential in state counselor, Mr. Gilles will cover Orange, Windsor, Windham and Bennington counties.

Mr. Ficek introduced himself to the Board. Mr. Ficek worked for Sentinel Investments for 11 years as a wholesaler. As a Prudential in state counselor, Mr. Ficek will cover Addison, Chittenden, Lamoille, Franklin, Grand Isle, and Rutland counties.

Mr. Sanville clarified the territories that would be covered by each in state counselor. He updated the Board that Prudential Retirement is currently working to hire a fourth counselor. Mr. Harris requested that Prudential provide to the Board a listing of territories, school districts, and supervisory unions covered by each Prudential representative. Mr. Sanville updated the Board on current and ongoing outreach to the supervisory unions and school districts.

Mr. Harris explained his frustration with the level of communication surrounding the transition. He suggested that the Prudential representatives work to introduce themselves to the superintendents in the coming weeks.

Mr. Gagne joined the meeting at this time.

The representatives from Prudential left the meeting at this time.

ITEM 3: Risk Assessment of the Pension Funds

Mr. Clasen presented the memorandum on risk assessments from Treasurer Pearce previously sent to the Board Chairs. The memo was sent following an October Vermont Business Roundtable presentation with Pew discussing stress testing the pension funds. Ms. Pearce stated in her memo that there is a recently released Actuarial Standard of Practice around risk assessments of the pension funds. This new standard will be required in all pension plans. Mr. Clasen recommended that the Boards early adopt this standard by one year based on the June 30, 2017 data. Mr. Clasen explained that the memo suggests that the Board adopt a stochastic method of calculating risk assessment as opposed to the deterministic method recommended by Pew.

On a motion by Mr. Norris, seconded by Ms. Deliduka, the Board voted unanimously to early adopt ASOP 51 using the FY 17 valuation and to contract with Segal Consulting or another actuary approved by the Board of Trustees.

ITEM 4: Legislative Update

Mr. Clasen explained that the miscellaneous retirement bill is currently in the House Committee on Government Operations. Mr. Duggan explained that retirement office staff is working with legislative counsel on the current draft. The House Committee on Government Operations plans to do a walk-through of the bill on Wednesday, February 14 and would like to vote out the bill on Friday, February 16.

Mr. Booth joined the meeting at this time.

ITEM 5: VSTRS FY19 Budget Overview

Mr. Booth presented the FY19 Budget Overview. Mr. Booth explained how costs for administrative support are allocated between the three retirement systems including costs for assets under management. The investment management fees are expected to increase in FY19 due to an increase in assets. Mr. Harris inquired if the savings for the Prudential transition would be reflected in the budget. Mr. Booth explained that the budget only reflects the VSTRS and the administration of the pension plan, savings from the Prudential transition do not appear on the budget overview. The overall budget increased by approximately 3.22% over the prior fiscal year.

On a motion by Mr. Clasen, seconded by Mr. Norris, the Board voted unanimously to approve the FY19 Budget as presented.

Mr. Booth, Mr. Considine, Ms. Green, and Mr. Cook left the meeting at this time.

ITEM 6: VEHI FY19 Health Insurance Rates

Mr. Clasen updated the Board on the status of the FY19 Health Insurance Rates. Mr. Clasen explained that the Board has a one-year contract with VEHI, and that the state contracted with Hickock Boardman to help with the rate filing process. The current rates as approved by the Department of Financial Regulation reflect an overall decrease of 0.9%, broken out as a decrease of 3.7% for retirees over 65 and an increase of 8% for retirees under 65.

On a motion by Mr. Clasen, seconded by Ms. Deliduka, the Board voted unanimously to enter Executive Session at 9:57 a.m. pursuant to Title 1, §313 for the purpose of discussing contract negotiations.

The Board came out of Executive Session at 10:11 a.m.

ITEM 7: VEHI Plan Offerings – Acupuncture Rider

Mr. Harris explained that in March 2016, the Board was approached about whether or not to offer an acupuncture rider to the VEHI plan offerings. At that time the Board was provided with a total cost impact to the system to add an acupuncture rider. Mr. Harris requested that retirement staff reach out to VEHI and inquire what the rider would cost per participant.

Mr. Harris requested the acupuncture rider information for the next Board meeting and invited Hickock and Boardman to the next meeting to discuss the health insurance contract with VEHI.

ITEM 8: Other Business

Ms. Deliduka informed the Board that she would like to attend a conference at Harvard discussing alternative ways to look at pension funding and investing. The conference is in Boston in June. Ms. Deliduka stated she would provide the Board with an estimated cost to attend the conference and additional information at the next Board meeting.

ITEM 9: Adjournment

On motion by Mr. Norris, seconded by Ms. Deliduka, the Board voted unanimously to adjourn at 10:20 a.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a Conference Call Meeting on March 8th, 2018 at 3:30 p.m.

Respectfully submitted,



Erika Wolffing
Retirement Office