

## **VERMONT STATE TEACHERS' RETIREMENT SYSTEM**

Meeting of the Board of Trustees – Board Room 410

**August 13, 2019 – 9:00 a.m.**

### **Members present:**

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

### **Members absent:**

BETH PEARCE, VT State Treasurer

### **Also attending:**

Eric Henry, Chief Investment Officer  
Katie Green, Deputy Chief Investment Officer  
Andy Cook, Investments Analyst  
Omeed Fallahi, Investments  
Tim Duggan, Assistant Attorney General  
Erika Wolffing, Director Retirement Operations  
Lesley Campbell, Administrative Services Coordinator  
Maribeth Spellman, Hickok and Boardman  
Steve May, Hickok and Boardman  
Barry Blixt, Hickok and Boardman  
Gabe D'Ulisse, Prudential Retirement  
Joe Fein, Prudential Retirement  
Chip Sanville, Prudential Retirement  
Susan Kibbe, Prudential Retirement

The Chair, Jon Harris, called the Thursday, August 13, 2019 Quarterly In-House Board meeting to order at 9:00 a.m., which was held in Board Room 410 at 133 State Street, Montpelier, VT.

### **ITEM 1:      **Agenda approval and announcements****

Mr. Harris moved the VEHI Rate Discussion on the agenda to be the first action item.

**On a motion made by Mr. Mackey, seconded by Mr. Clasen, the Board voted unanimously to approve the agenda as amended.**

### **ITEM 4:      **VEHI Rate Discussion****

Mr. Blixt presented an overview of the VSTRS plan experience for fiscal years ending 2018 and 2019. Mr. Blixt explained that over the past few years there has been a migration in the plan

between the under and over 65 populations. The split between the new groups is currently 88% in the over 65 group and 12% in the under 65 group. In FY18, the under 65 group experienced a deficit of 33.31%, and the over 65 experienced a 18.91% surplus, the overall surplus in FY18 was 7.24% or \$3.7 million. In FY19, the under 65 group experienced a deficit of 29.42% and the over 65 group experienced a 11.39% surplus, resulting in an overall surplus of 2.70% or \$1.375 million.

**On a motion made by Mr. Clasen, seconded by Mr. Mackey, the Board voted unanimously to find that premature public knowledge about VSTRS strategy in considering the VSTRS 2021 Health Care contract would put the Board at substantial disadvantage, and based on that finding, the Board entered Executive Session at 9:17 a.m. to discuss the VSTRS 2021 Health Care contract.**

The Board came out of Executive Session at 9:42 a.m.

**On a motion made by Mr. Clasen, seconded by Mr. Mackey, the Board voted by roll call to recommend to VEHI to allocate the proposed decrease in health insurance rates for FY2021 – currently anticipated to be approximately an overall 4.2% decrease – in a way that holds the under 65 rates constant and provides a decrease in the over-65 rates. This motion recognized that the anticipated impact on over-65 retirees will be an approximately 5.22% decrease, and also recognized that this amount might change slightly in advance of VEHI's September filing as the proposal continues to be developed and reviewed. Mr. Harris, Mr. Mackey, Mr. Norris, Ms. Simmons, and Mr. Clasen voted in the affirmative. Mr. Raddock abstained.**

Representatives from Hickok and Boardman left the meeting at 9:45 a.m.

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

- June 13, 2019

**On a motion made by Mr. Clasen, seconded by Mr. Mackey, the Board voted unanimously to approve the minutes of June 13, 2019 with edit to reflect that Perry Lessing participated by phone.**

Representatives from Prudential Retirement, Ms. Green, Mr. Cook, Mr. Henry and Mr. Fallahi joined the meeting at 9:47 a.m.

**ITEM 3:      Prudential Quarterly Presentation**

Mr. D'Ulisse presented the 2<sup>nd</sup> Quarter report for the 403(b) Plan. As of the end of the quarter, there were 2,660 participants with total contributions of \$3,640,078, total distributions of \$1,311,958, and total assets of \$116,386,162. There were 32 new enrollees with 23 new enrollees

under the age of 44. The plan experienced a positive cash flow of \$2.3 million. Roth participation increased to 14% participation rate or 373 participants with assets in Roth. Mr. D'Ulisse highlighted that amongst most age groups in the plan, the average contribution rate was higher than Prudential's book of business. The average account balance as of the end of the quarter was \$43,721.

There were approximately \$1.3 million in total distributions, \$1.177 million in rollovers and \$134,718 in cash distributions. Mr. D'Ulisse explained that rollovers are often attributed to retired teachers consolidating assets. There was 1 new loan for the quarter for a total of 28 active loans in the amount of \$234,719.

Mr. D'Ulisse presented the asset allocations in the plan, with approximately 10% of assets in Stable Value. The plan continues to see an increase in participants utilizing GoalMaker. As of the end of the quarter 347 participants had used GoalMaker representing \$7.17 million in assets.

Mr. D'Ulisse presented the SDIA 2<sup>nd</sup> Quarter report, as of the end of the quarter, the plan had 1,021 participants with \$36,945,157 in assets. Retirement office staff worked with Prudential to update the status of participants in the plan, there are only 30 active participants left in the plan and this update will be reflected on the next report. There were \$764,201 in distributions for the quarter, and the crediting rate for the Stable Value fund was 2.6%.

Mr. Sanville presented the report from the field. There were 92 individual meetings, 18 contribution rate increases and 17 rollovers into the plan representing \$237,005 in assets. Mr. Sanville explained that the in-state counselors are booked with appointments during in-service days and are reminding participants to increase their contributions. The Go-Green campaign is underway, and currently Vermont is beating Hawaii in online registrations and e-delivery with 603 total transactions. Mr. Sanville explained that the mergers underway are resulting in additional work restating plan documents and updating participant records.

Mr. Fein presented the investment review for the 403(b) Plan. The S&P 500 through the end of June was up 18.54%, through Friday it was up 17.8%. Fixed income interest rates were 7.8% year to date as of June 30. All funds in the plan line up were meeting performance criteria as of the end of the quarter except for the T. Rowe Price Retirement Balanced I Fund, but it is being compared to a more aggressive peer group.

Representatives from Prudential left at 10:32 a.m.

**ITEM 4: Other Business**

The Board discussed the NCTR annual meeting October 13-15 and will discuss possible attendance at the next meeting. The Board discussed additional ways to reach out to active teachers to discuss retirement and their health insurance benefits prior to retirement.

**ITEM 5: Adjournment**

**On a motion made by Mr. Raddock, seconded by Mr. Mackey, the Board voted unanimously to adjourn at 10:52 a.m.**

**Next Meeting Date:**

The next VSTRS Board meeting is a Conference Call Meeting on September 12, 2019 at 3:30 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolffing".

Erika Wolffing  
Director of Retirement