

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Quarterly In-House Meeting
August 14, 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
PERRY LESSING, Active Member Alternate Representative, term expiring July 1, 2021
DANIEL RADDOCK, Financial Regulation Representative
BETH PEARCE, VT State Treasurer

Members absent:

JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2021
LINDA DELIDUKA, VRTA Alternate Representative, term expiring July 1, 2020
DEBORA PRICE, representing Secretary of Agency of Education

Also attending:

Michael Clasen, Deputy Treasurer
Katie Green, Investments Manager
Andy Cook, Investments Analyst
Nancy Dimick, Retirement Specialist
Tim Duggan, Assistant Attorney General
Erika Wolffing, Retirement Office
Will Kriewald, Chief Financial Officer
Rich Gagne, Prudential Retirement
Susan Kibbe, Prudential Retirement
Gilles Owen, Prudential Retirement
Ronald “Chip” Sanville, Prudential Retirement
Bill Brennan, Prudential Retirement – via telephone
Tosha Whipple, Prudential Retirement – via telephone
Bob Crews, Hickok & Boardman
Maribeth Spellman, Hickok & Boardman
Barry Blixt, Hickok & Boardman

The Chair, Jon Harris, called the Tuesday, August 14, 2018 meeting to order at 9:05 a.m., which was held in the BGS-MTPL Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda approval and announcements**

Mr. Harris asked if there were any additions to the agenda or announcements. Mr. Duggan introduced Will Kriewald the new Chief Financial Officer to the Board. There were no additions or changes to the agenda.

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

- June 14, 2018

On a motion by Mr. Lessing, seconded by Ms. Pearce, the Board voted unanimously to approve the minutes of June 14, 2018 as submitted.

ITEM 3: Prudential Quarterly Presentation – 403(b) Plan & SDIA 2nd Quarter Report

Mr. Gagne introduced himself and the other representatives from Prudential to the Board of Trustees. Mr. Gagne presented the 2nd quarter report for the exclusive 403(b) Plan. As of the end of the quarter, the plan had 2,011 participants with an average account balance of \$42,227, total contributions of \$2,824,568, and total assets of \$84,918,740. There were \$2,393,704 assets enrolled in Goalmaker representing 2.8% of plan assets. The participation rate total was 1,778 with 326 contributing and 1,434 enrolled not contributing. 164 participants completed the retirement income calculator and 2 participants made a contribution rate increase as a result. There was a total of \$1,943,473 in distributions and 19 outstanding loans with an average balance of \$8,417 and a total outstanding balance of \$159,931.

Ms. Pearce requested that future quarterly reports combine the non-exclusive and exclusive 403(b) plan data into one report for comparison with the reports from the prior recordkeeper. Mr. Mackey requested that future quarterly reports for the 403(b) Plan and SDIA Plan contain investment performance information.

Mr. Gagne presented the quarterly report for the non-exclusive 403(b) Plan. As of the end of the quarter there were 564 participants with an average account balance of \$35,264 and total assets of \$19,888,766.

Mr. Gagne presented the quarterly report for the SDIA Plan. As of the end of the quarter there were 1,153 participants with average participant balance of \$36,969, total distributions of \$759,325, and total assets of \$42,625,071. Ms. Pearce requested more demographics on the population in the plan in future reports, specifically more detail in the over 65 population.

Mr. Brennan updated the Board on consolidations effective July 1. Prudential has been working with school districts and supervisory unions updating their payroll reporting system to reflect these consolidations. Prudential is trying to find a better way to receive termination statuses from the payroll officers. Ms. Pearce stated the Retirement Office may have additional data and directed staff to work with Prudential and determine if there are any confidentiality issues in sharing data.

Ms. Whipple introduced herself to the Board. Ms. Whipple is the communications consultant assigned to the plan and discussed various communication issues with the Board. Mr. Sanville gave a brief field update to the Board, including updates from Mr. Gilles and Ms. Kibbe on their experiences in the field.

Representatives from Prudential and Mr. Kriewald left the meeting at 10:24 a.m.
The Board recessed for 10 minutes at 10:24 a.m.

The Board reconvened at 10:37 a.m.

Ms. Green updated the Board on the status of the ICMA RC Stable Value fund for the SDIA Plan. The Treasurer and investments staff are closely monitoring the fund as there was a decrease in the market value to book value from March to June to 98.85%. Ms. Green stated that this drop is likely due to turmoil during the period. The investments staff will come back to Board to provide an update after their status call.

ITEM 4: FY2019 Budget Impacts Update

Ms. Pearce informed the Board of additional funding to the VSTRS pension system as a result of the FY19 Budget. The budget included fully funding the ADEC/ARC and an additional appropriation of \$26.2 million in FY18 and \$10 million in FY19 for a total of \$36.2 million above the ADEC/ARC.

Ms. Pearce further updated the Board on the status of the Retired Teachers' Health and Medical Benefits Fund. Initially \$28.5 million was borrowed for the Fund, the Retirement office is on track to start paying down the loan in FY19. Ms. Pearce also discussed the new teacher assessment issue surrounding the auditor's opinion that it should be transferred as a liability to the school districts and supervisory unions. The AGs office provided an opinion that the fee should remain as a liability to the state budget, and the auditors recently signed off on this determination.

ITEM 5: 2018 Actuarial Process & Risk Assessment Update

Ms. Pearce provided an update on the risk assessment of the pension funds. The Board chairs are meeting with Administration to discuss the risk assessment. The Board previously voted to early implement ASOP 51 and authorized the office to contract with Segal to perform a stochastic modeling of the pension funds as opposed to the deterministic method recommended by PEW. Ms. Pearce provided the Board with cost estimates from Segal to perform the risk assessment.

Representatives from Hickok & Boardman and Mr. Clasen joined the meeting at this time.

ITEM 6: Review and discussion of VEHI Proposed FY20 Rate – Hickok & Boardman

On a motion made by Ms. Pearce, seconded by Mr. Mackey, the Board found that premature public knowledge about VSTRS strategy in considering the VSTRS 2020 Health Care contract would put the Board at substantial disadvantage and further moved that the Board go into Executive Session at 11:37 a.m. pursuant to 1 V.S.A. § 313 to discuss the VSTRS 2020 Health Care contract.

The Board came out of Executive Session at 12:24 p.m. Representatives from Hickok & Boardman left the meeting at this time.

ITEM 7: Disability recommendation from the July 19, 2018 Meeting of the Medical Review Board for:

- Cynthia Gage (New)

On a motion made by Ms. Pearce, seconded by Mr. Mackey the Board voted unanimously to accept the recommendation of MRB to allow disability retirement for Cynthia Gage with a one-year review.

ITEM 8: Other Business

Mr. Mackey encouraged members to consider attending the National Council on Teachers' Retirement (NCTR) Annual Conference in October.

ITEM 9: Adjournment

On a motion made by Ms. Pearce, seconded by Mr. Harris, the Board voted unanimously to adjourn at 12:26 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a Conference Call Meeting on September 13, 2018 at 3:30 p.m.

Respectfully submitted,



Erika Wolffing
Retirement Office