

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

November 14, 2012

VMERS Members present:

STEVEN JEFFREY, Chairperson, Employer Representative (term expiring July 1, 2014)

PETER AMONS, Employee Representative (term expiring July 1, 2016)

THOMAS GOLONKA, Employer Representative (term expiring July 1, 2016)

DAVID ROWLEE, Employee Representative (term expiring July 1, 2014)

ELIZABETH PEARCE, Vermont State Treasurer

Board members absent:

None

Also attending:

Stephen Wisloski, Deputy VT State Treasurer

Katie Green, Investments Manager

David Driscoll, Buck Consultants – via telephone

George Lovell

Members of the Public

Laurie Lanphear, Director of Retirement Operations

Tina Kawecki, Secretary to the Board

Monica Chiren, Assistant to Tina Kawecki

The Chairperson, Steven Jeffrey, called the Wednesday, November 14, 2012 meeting to order at 9:04 a.m., which was held in the Treasurer's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the minutes of October 23, 2012**

On motion by Mr. Golonka, seconded by Ms. Pearce, the Board unanimously voted to approve the minutes of October 23, 2012, as submitted.

ITEM 2: **Review revised valuation models provided by Buck Consultants**

- ▶ **Set FY '14 employer rates and recommend to Legislature FY '14 employee rates**
- ▶ **Review continuance of monthly \$25.00 retiree health stipend**

Mr. Driscoll reviewed with the Board members the November 13th and 14th emails he sent to Ms. Pearce. He answered all the questions posed by the Board members. There was a discussion that there should be an educational meeting concerning the changes to the GASB rules with all three Boards. There was a discussion about the amortization schedule and the length of the amortization period. There was a discussion about the four groups. There was a discussion about the liabilities. There was a discussion about the Select and Ultimate methodology. There

was a discussion about having another actuarial experience study prepared sooner than the five-year period. There was a discussion about increasing the employee and employer rates.

(A recess was taken from 9:37 a.m. to 9:40 a.m.)

Mr. Jeffrey reviewed with the Board members the creation of Group C. It was discussed the Board sets the employer contribution rates and recommends to the Legislature what the employee contribution rates should be set at, although the Legislature can still proceed as they like. Ms. Pearce indicated she would like to have further discussions concerning the employee contribution rates with interested parties before they were recommended. The Board discussed the individual town's option to pick up the employee contributions. Mr. Rowlee indicated the employee contributions might be part of negotiation of contracts. The Board discussed possible scenarios relative to increasing employer and employee contribution rates. It was discussed the employer contribution rates needed to be set sooner than later since the towns' are working on their budgets. There was a discussion what the contribution rates should be for the four groups.

On motion by Mr. Jeffrey, seconded by Mr. Golonka, the Board voted to establish the following employer contribution rates and recommend to the Legislature the employee contribution rates be set as follows for FY 2014 (July 1, 2013 to June 30, 2014)

| | |
|-------------------------------------|--------------------------------------|
| Group A employer rate: 4% | Group A employee rate: 2.5% |
| Group B employer rate: 5.25% | Group B employee rate: 4.75% |
| Group C employer rate: 6.75% | Group C employee rate: 9.5% |
| Group D employer rate: 9.75% | Group D employee rate: 11.25% |

Ms. Pearce moved that the motion be divided for consideration, that the employer rates be considered first and then to have consideration of the employee rates. Mr. Amons seconded the motion.

The Board voted unanimously to accept the establishment of the employer contribution rates for FY 2014 as outlined in Mr. Jeffrey's motion.

The Board further discussed employee contribution rates.

Ms. Pearce called the question of the motion to recommend to the Legislature the establishment of the following employee contribution rates for FY 2014 (July 1, 2013 to June 30, 2014)

| |
|--------------------------------------|
| Group A employee rate: 2.5% |
| Group B employee rate: 4.75% |
| Group C employee rate: 9.5% |
| Group D employee rate: 11.25% |

Mr. Jeffrey and Mr. Golonka voted aye. Ms. Pearce, Mr. Amons and Mr. Rowlee voted nay. The motion failed.

On motion by Ms. Pearce, seconded by Mr. Amons the Board voted unanimously to create a subcommittee of this Board Chair, the Treasurer and anyone else who was interested from the Board to meet with employee groups and Legislature for the purpose of informing them of the funding status and trend of the system and to make recommendations for employee contribution rates, and discuss long-term employer contribution rates. The motion carried after the friendly amendment to include both employer and employee groups.

On motion by Mr. Amons, seconded by Mr. Rowlee, the Board voted to approve the continuation of the monthly \$25.00 retiree health stipend for another year as a supplement to the monthly pension payments for Municipal retirees. Mr. Golonka voted nay, all others voted aye. The motion carried.

ITEM 3: Discuss Possible Legislative Proposals

- ▶ **anti-“spiking” language**
- ▶ **one-time transfer option from DC to DB**

Ms. Lanphear reviewed with the Board members the anti-“spiking” language of the Teacher and State systems. There was a discussion concerning the payout of hours for Municipal members. It was decided there would be further research conducted concerning the Municipal members and that this item would be further discussed at the next meeting.

ITEM 4: Discuss/Act on Delta Dental proposal

Ms. Lanphear reviewed with the Board members the Delta Dental PPO proposal. Ms. Lanphear answered the questions posed by the Board members. It was indicated the State of Vermont has already accepted this PPO option for the active State employees.

On motion by Ms. Pearce, seconded by Mr. Golonka, the Board voted unanimously to authorize Delta Dental to add the PPO Option to the dental insurance that is provided to the VMERS retirees.

The Board discussed the one-time transfer from DC to DB for VMERS members. Ms. Pearce indicated they would need to discuss this issue with Fidelity. Ms. Lanphear reviewed with the Board members several scenarios of transfers from the DC to DB plan. The Board discussed how this one-time transfer would work and what would be offered to the members. There was a discussion that the members would not be able to purchase prior service. There was a discussion how often this option should be available to members.

On motion by Mr. Amons, seconded by Ms. Pearce, the Board voted to allow the VMERS Board to suggest to Legislature to authorize a one-time change for VMERS members from the DC plan to the DB plan without allowing prior service purchases, and the Board directed the Treasurer’s Office staff to draft the language and work out the details for this

one-time option. Ms. Pearce, Mr. Amons and Mr. Rowlee voted aye. Mr. Golonka and Mr. Jeffrey voted nay. The motion carried.

ITEM 5: Any other business to come before the Board

None.

ITEM 6: Adjournment

On motion by Mr. Golonka, seconded by Ms. Pearce, the Board unanimously voted to adjourn at 11:37 a.m.

Next Meeting Date:

To be determined.

Respectfully submitted,

Tina Kawecki
Secretary to the Board