

## VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

April 29, 2009

### **VMERS Members present:**

STEVEN JEFFREY, Chairperson Employee Representative (term expiring July 1, 2010)

PETER AMONS, Employee Representative (term expiring July 1, 2011)

STEPHEN RAUH, Governor's Appointee

JEB SPAULDING, Vermont State Treasurer

### **Board members absent:**

DAVID LEWIS, Vice-Chairperson, Employer Representative (term expiring July 1, 2009)

### **Also attending:**

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board

Pat Scheidel

David Driscoll, Buck Consultants

Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Steven Jeffrey, called the Wednesday, April 29, 2009 meeting to order at 9:00 a.m.

### **ITEM 1:      **Approve minutes of April 9, 2009****

**On motion by Mr. Rauh, seconded by Mr. Amons, the Board unanimously voted to approve the minutes of April 9, 2009 as submitted.**

The Board discussed ICMA and decided to make ICMA an agenda item for the May meeting.

### **ITEM 2:      **Presentation of 5 Year Experience Study by Buck Consultants****

Mr. Driscoll provided the Board a report for the 5 Year Experience Study. Mr. Driscoll indicated the recommendations of Buck Consultants as follows:

#### **Active Service Demographics:**

**Termination:** Mr. Driscoll indicated that an examination of the rates of termination indicate a much stronger correlation to the length of service than to the age of the participants. Buck Consultants proposed a change to a service based table starting at 25% and 30% for men and women, respectively. The table grades down to 4% for men and 5% for women after 9 years of service.

The Board discussed how the AFC is adjusted by the CPI, and that this item should be reviewed in the future.

**Disability:** Mr. Driscoll indicated since the experience has not been significantly different from expected Buck Consultants recommended no changes.

Death: Mr. Driscoll indicated since the mortality rates have been lower than expected Buck Consultants recommends a 30% reduction in the assumed rates of mortality for active participants.

Retirement: Mr. Driscoll indicated there has been a significant increase in the rates of retirement at earlier ages and a significant difference between male and female participants at certain ages. Buck Consultants recommends sex distinct retirement rates for group A, B and C, and small modifications at certain ages. Group D was not separately analyzed since its population is too small and the group is too new to yield meaningful results.

Retiree Mortality: Mr. Driscoll indicated the actual mortality rates among retirees over the past five years were higher than expected. Mr. Driscoll also indicated it is anticipated that mortality improvement will be seen in the coming years and for that reason Buck Consultants does not recommend a change.

Economic Assumptions:

Salary Increases: Mr. Driscoll indicated at 4.6%, the rate of salary increases has been less than the 5.6% expected. Buck Consultants does not want to give undue weight to recent past experience, given the long-term nature of this assumption and therefore recommends a reduction to 5% per year.

The Board discussed inflation and deflation. Ms. Webster indicated she would investigate if benefits can decrease. Mr. Driscoll indicated the assumption can be changed at any time.

Investment Return: Mr. Driscoll indicated the investment return on the market value of assets over the past 5 years has been 7.9%, slightly less than the 8% assumption. Mr. Driscoll indicated Buck Consultants did not feel that recent experience provides a complete basis for evaluating this assumption, due to its long-term nature. Buck Consultants asked the Board's investment consultant, New England Pension Consultants to provide a recommendation that will incorporate the System's current investment policy and other aspects of its expected investment experience on which they are well-qualified to comment. New England Pension Consultants indicated the 8% assumption is fine and therefore Buck Consultants recommended retention of the 8% assumption.

Inactive Status: Mr. Driscoll indicated Buck Consultants was recommending an increase from 150% to 200% for members in an inactive status.

**On motion by Mr. Rauh, seconded by Mr. Spaulding, the Board unanimously voted to accept the 5 Year Study Report and all the recommendations by Buck Consultants.**

The Board discussed new factors would need to be developed by the actuary and adopted by the Board at the May 18, 2009 Board meeting for implementation on July 1, 2009

**ITEM 3: Any other business to come before the Board**

The Board discussed the ICMA contract which expires on June 30, 2009, but has an option for two one-year renewals. The Board also discussed the option to go out to bid.

**On motion by Mr. Spaulding, seconded by Mr. Rauh, the Board unanimously voted to extend the ICMA contract for one year, with an ending date of June 30, 2010.**

The Board requested that ICMA give a presentation to the Board. Ms. Webster indicated she will arrange a presentation from ICMA at a future meeting. The Board briefly discussed ICMA giving more options at retirement, perhaps from lifestyle to a stable fund. Ms. Webster indicated she will obtain statistics from ICMA concerning how many members never touch their money.

The Board asked staff to determine whether the investment options offered in the RHS account were specifically identified in the contract. If they are, the Board asked staff to defer renewing the contract until after the May 18, 2009, board meeting when the Board could decide whether it was prudent to change any of the investment options at this time.

**ITEM 4:     Adjournment**

**On motion by Mr. Rauh, seconded by Mr. Spaulding, the Board unanimously voted to adjourn at 10:46 a.m.**

**Next Meeting Date:**

The next scheduled VMERS meeting is an in-house meeting on Monday, May 18, 2009 at 9:00 a.m.

Respectfully submitted,

Cynthia L. Webster, Secretary to the Board