

**VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM**  
Meeting of the Board of Trustees – In-House Actuarial Meeting  
**October 29, 2015 – 8:00 a.m.**

**VSERS Members present:**

Roger Dumas, Chairperson, VRSEA Representative (term expiring September 1, 2016)  
Thomas Hango, Vice-Chairperson, VSEA Representative (term expiring September 1, 2016)  
Allen Blake, VRSEA Alternate Representative (term expiring September 1, 2016)  
Judy Rosenstreich, VSEA Representative (term expiring September 1, 2017)  
Jeff Briggs, VSEA Representative (term expiring September 1, 2016)  
Maribeth Spellman, Commissioner of Human Resources (ex-officio)  
James Reardon, Commissioner of Finance & Management (ex-officio)  
Jay Wisner, Governor's Delegate position  
Elizabeth Pearce, VT State Treasurer

**Members absent:**

Jean-Paul Isabelle – VSEA Alternate Representative (term expiring September 1, 2017)

**Also attending:**

Laurie Lanphear, Director of Retirement Operations  
Joshua McCormick, Assistant to Nancy Dimick  
David Driscoll and Kevin Penderghest, Buck Consultants  
Hope Manion, Buck Consultants – via telephone  
Stephen Rauh, Chairperson of VPIC  
Scott Baker, Director of Financial Reporting  
Matt Considine, Director of Investments  
Katie Green, Investments Manager  
Nick Foss, Investments Analyst  
David Beatty, Dept. of Finance and Management  
Heather Gamble, Dept. of Finance and Management

The Chairperson, Roger Dumas, called the October 29, 2015, conference call meeting to order at 8:05 a.m., which was held in the Governor's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

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

- **October 8, 2015**

**On motion by Mr. Wisner, seconded by Mr. Hango, the Board voted unanimously to approve the minutes of October 8, 2015 as submitted.**

**ITEM 2:      Review/Act on FY '15 Actuarial Valuation and Assumptions**

Mr. Driscoll reviewed with the Board members the reasons for having an annual actuarial valuation. Mr. Driscoll spoke to the board about the experience study that was conducted earlier this year. At the time of the experience study, the Rate of Return was approved for 7.95%. Ms. Pearce added other aspects of the experience study needed to be researched further, including mortality and salary assumptions, as well as assumptions concerning accrued benefits for members in inactive status. Changes have been made to some of those assumptions and are reflected in the Valuation report. The Treasurer's office is recommending the adoption of the rebalance of the experience study.

Mr. Driscoll presented the results of the actuarial valuation for the fiscal year ending June 30, 2015. As of June 30, 2015, there are 121 more active employees than at June 30, 2014. Average compensation was increased by 4%, \$52,574 to \$54,707. The normal contribution rate decreased from June 30, 2014, from 4.13% to 2.93%. Mr. Driscoll reviewed with the board the breakdown of retiree member data, including number of members, members in each retirement group, and retirement allowances.

Mr. Driscoll reviewed and discussed with the board Assets, the unfunded liability of \$444 million, breakdown of gains and losses, contributions payable under the system of \$46,226,144. He also discussed with the board the experience and accounting information, valuation balance sheet of assets and liabilities, outline of actuarial assumptions and methods, and the summary of principal plan provisions.

Ms. Pearce then gave to the board a hand out concerning the amortization schedule and a recommendation to consider revisions to be scheduled to more rapidly pay down the unfunded liability.

**On motion by Ms. Pearce, seconded by Mr. Wisner, the Board unanimously approved to accept the Actuarial Assumptions and to forward to the Governor, and the chairs of the House and Senate, the contribution recommendation of \$48,503,358 for FY '17 based on the FY'15 Actuarial Valuation report as provided by the state independent actuary, Buck Consultants.**

There was a recess taken from 9:50 – 10:05

**ITEM 3:      Review 2015 OPEB update**

Mr. Penderghest reviewed with the board the FY '15 OPEB report. He stated to the board that this valuation is to measure liability for post-retirement medical benefits, and is done each year to project the cost of medical benefits for retiree's remainder of life. Mr. Penderghest stated to the board that the unfunded accrued liability is \$1.093 billion, which is lower than expected.

There was a discussion about the comparison of Pre-Funding Basis versus Pay-as-you-go Basis as well as an overview of retirees versus active members and age's pre-65 versus post-65.

Mr. Penderghest then reviewed with the board the the actuarial assumptions and methods, actuarial accrued liability, membership data by age and group, premium bills, and the net OPEB obligation. He then stated that next year there will be changes in OPEB due to the GASB Health care rules. Next year's report will also need to measure projections and assumptions concerning the Excise tax.

**On motion by Ms. Pearce, seconded by Mr. Wisner, the board voted to accept the OPEB report and encourage the General Assembly and the Governor to work with VSERS to identify alternatives to create a funding plan.**

**ITEM 4:      Review/accept 2016 Meeting Schedule**

Mr. Dumas indicated to the Board members the 2016 meeting schedule was contained in the board packets for their information. The VPIC meetings will need to be adjusted and a new calendar will be sent to the board members.

Mr. Dumas stated to the board that the November In-House meeting will need to be rescheduled as he and the vice-chair will not be available. Mr. McCormick will be working with Mr. Dumas and the other board members to reschedule.

**ITEM 5:      Any other business to be brought before the board**

Ms. Pearce gave to the board copies of a memorandum from the AG's office as well as a memorandum from the retirement office, to retirees, stating the COLA for 2016 will be 0.0%.

On Behalf of the Board, Mr. Dumas expressed gratitude and appreciation for all that Jim Reardon has contributed to the VSERS board over the years. He has always been a major contributor, made sure VSERS was well funded and well taken care of; he has outperformed all of his predecessors, and is a great team player. Mr. Dumas wished Mr. Reardon a happy and healthy Retirement. Mr. Briggs thanked him for all his hard work and commitment on behalf of the VSEA.

**ITEM 6:      Adjournment**

**On motion by Mr. Briggs, seconded by Mr. Wisner, the Board unanimously voted by roll call to adjourn at 11:04 a.m.**

**Next Meeting Date:**

The next scheduled VSERS meeting is an In-House meeting, to be determined

Respectfully submitted,

Nancy Dimick  
Secretary to the Board