

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees – In-House Actuary Meeting
June 27, 2015 – 11:00 a.m.

VSERS Members present:

Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2016)
Jeff Briggs, VSEA Representative (term expiring September 1, 2016)
Thomas Hango, VSEA Representative (term expiring September 1, 2016)
Paul White, Jr., VSEA Representative (term expiring September 1, 2015)
Allen Blake, VRSEA Alternate Representative (term expiring September 1, 2016)
Jay Wisner, Governor's Delegate position
Maribeth Spellman, Commissioner of Human Resources (ex-officio)
Elizabeth Pearce, VT State Treasurer

Members absent:

James Reardon, Commissioner of Finance & Management (ex-officio)

Also attending:

Brad Ferland, Finance and Management, representative for Jim Reardon
Laurie Lanphear, Director of Retirement Operations
Joshua McCormick, Assistant to Nancy Dimick
Matt Considine – Director of Investments
Katie Green – Investments Manager
Nick Foss, Investments Analyst
David Driscoll, Buck Consultants
Kai Peterson, Buck Consultants
Robert Hooper

The Vice-Chairperson, Roger Dumas, called the June 11, 2015, conference call meeting to order at 11:03 a.m., which was held in the Large Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

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

- **June 11, 2015**

Correction to the minutes: disability applicant – wrong name

On motion by Ms. Pearce, seconded by Mr. White, the Board voted by roll call to approve the minutes of June 11, 2015, as amended.

ITEM 2: **Update on vacant VSERS position and election of Chairperson**

On Motion by Ms. Pearce, seconded by Mr. White, the board unanimously voted to accept the nomination for Roger Dumas to become Chairperson for the VSERS board of trustees.

On motion by Mr. Briggs, seconded by Mr. White, the board unanimously voted to accept the nomination for Thomas Hango to become Vice-Chairperson for the VSERS board of trustees.

ITEM 3: Discuss/act on disability retirement recommendation for:

- **Janice Cox**
- **Jane Heal**
- **John Hurley II**
- **Jeffrey Sollace**
- **Bernard Valley**

On motion by Ms. Pearce, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Janice Cox, with no review.

On motion by Ms. Pearce, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Jane Heal, with a one year review.

On motion by Mr. Briggs, seconded by Mr. Wisner, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for John Hurley II, with no review.

On motion by Mr. Briggs, seconded by Mr. Hango, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Jeffrey Sollace, with no review.

On motion by Ms. Pearce, seconded by Mr. Briggs, the board voted unanimously by roll call to enter Executive Session at 11:11 a.m. pursuant to Title 1, § 313 for the purpose of discussing personnel issues.

The Board came out of executive session at 11:13 a.m.

On motion by Mr. Briggs, seconded by Mr. Wisner, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Bernard Valley, with a one year review.

ITEM 3: Review and discuss results of Draft Experience Study

Mr. Driscoll presented to the board the results of the draft Experience Study for the State Employees Retirement System. This report covers the period of July 1, 2010 through June 30, 2014. Mr. Driscoll gave an overview of what an experience study is, and two parts it is broken down into, demographic and economic assumptions. These assumptions are suggested by the results of the time period studied. Categories that were studied included but not limited to Active terminations, mortality, and interest rate of return.

Mr. Dumas expressed concern that the board received the draft late and did not have sufficient time to review.

Terminations – Mr. Driscoll directed the board to the appendix of the report where a graph was made showing terminations broken down by age group and genders. Terminations are defined as an employee who leaves the system but is not able to collect a pension. Buck Consultants are recommending that the assumed rates of withdrawal for Groups A, C, D, and F be increased by 25%.

Disability Retirement – Mr. Driscoll stated that in-service disabilities were fewer than expected. The assumed rate was low, and the actual was lower than the assumed rate. Buck Consultants is recommending reducing the disability rates by 50%.

Active Deaths – Mr. Driscoll stated that active deaths, like disability, are a small portion of the overall population. Buck Consultants is recommending using a RP-2000 table, scale BB, to assume active deaths. The board noted that State H.R. data in the workforce report may be helpful in reviewing this. There was significant discussion and no conclusion on this item.

Service Retirement – Overall, the incidence of service retirements was below expected levels in the four years covered by the study. Mr. Driscoll is proposing a decrease of 20% to service retirement for Groups A and D. It is recommended that no change be made to the Group C retirement assumption.

Post-Retirement Mortality – Mr. Driscoll stated that mortality over the past four years has conformed well to the current assumption. Buck Consultants is recommending that assumed mortality be set at probabilities in the RP-2000, scale BB mortality table. The board discussed industry trends in mortality. This issue needs more review. The board noted that State H.R. data in the workforce report may be helpful in reviewing this.

Inactive Status – there is no change recommended to this category. Liabilities for members in inactive status have been maintained at 250% of their accumulated contributions with interest.

Mr. Driscoll addressed the board's questions and concerns, including clarity on the RP-2000, scale BB that is being recommended for mortality. Other charts, like the RP-2014 has big inconsistencies and is also not designed for the public sector.

A recess was taken from 12:24 p.m. – 12:52 p.m.

Mr. Driscoll then spoke to the board about the economic assumptions. He stated that there are three categories, Salary increase, inflation, and Rate of Return. He stated there is no assumption for overtime wages. He also stated that VSERS has assumed long term inflation at 3% and recent year's data has been below that. However, Buck Consolidates is recommending that the inflation assumption remains at 3%. It is also recommended that the assumed rate of return projected long-term over 30 years, be at 7.95%

Mr. Driscoll then turned the presentation over to Mr. Peterson to discuss the economic assumptions. Mr. Peterson talked to the board about the GEMS model that is used and how it works. He spoke about the target asset allocation and capital market assumptions. He also spoke to the board about going from the former method of interest rate assumption, the select and ultimate method, to the now proposed Assumed Rate of Return method.

On Motion by Mr. Briggs, seconded by Mr. Hango, the board voted to accept the recommended assumed rate of return from Buck Consultants, at 7.95%.

The board decided to defer on adopting the complete Actuary Experience Study until more information is gathered. The board also had concerns that they did not have sufficient time to review and requested additional time for review of the demographic assumptions.

ITEM 7: Any other business to be brought before the board

The Board asked about the progress of the retirement incentive. Ms. Pearce stated it is going smoothly so far. Letters were mailed out to an estimated 950 eligible members. Ms. Lanphear stated that the retirement office has received 125 estimate requests. Ms. Pearce gave thanks to the retirement staff for their hard work in the month of July.

Mr. Dumas stated to the board that the NASRA conference was coming up.

A question was asked about a possible excise tax. Ms. Pearce stated that the deputy Treasurer, Stephen Wisloski, was looking into this and stated that he can present something to the board at August's In-House Meeting.

ITEM 8: Adjournment

On motion by Mr. Briggs, seconded by Mr. Wisner, the Board unanimously voted by roll call to adjourn at 1:44 p.m.

Next Meeting Date:

The next scheduled VSERS meeting is an In-House meeting, August 13th, at 9:00 a.m.

Respectfully submitted,

Nancy Dimick
Secretary to the Board