

**VERMONT STATE TEACHERS' RETIREMENT SYSTEM**  
Meeting of the Board of Trustees  
**March 23, 2011**

**Members present:**

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011  
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2012  
THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013  
THOMAS CANDON, representing Commissioner of BISHCA  
VAUGHN ALTEMUS, representing Commissioner of Education  
ELIZABETH PEARCE, VT State Treasurer

**Members absent:**

None

**Also attending:**

Linda Deliduka, VRTA Alternate representative, term expiring July 1, 2012  
Kevin Gaffney, Chairperson of the VSERS Board  
Laurie Lanphear, Deputy Director of Retirement Operations  
Bill Griffin, Assistant Attorney General  
David Driscoll, Buck Consultants  
Kai Petersen, Buck Consultants  
Cynthia Webster, Director of Retirement Policy and Outreach & Executive Secretary to the Board  
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Jon Harris, called the Wednesday, March 23, 2011, meeting to order at 12:54 p.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

The consensus of the Board was to move Item Number 6 to be the first item.

**ITEM 1:      **Discuss Medical Review Board****

**On motion by Ms. Pearce, seconded by Mr. Altemus, the Board voted unanimously to enter Executive Session at 12:54 p.m. pursuant to Title 1, § 313 for the purpose of discussing personnel matters.**

(Mr. Gaffney, Mr. Candon and Ms. Deliduka entered the meeting during Executive Session and Mr. Gaffney was invited to remain for the Executive Session.)

The Board exited Executive Session at 1:20 p.m.

**On motion by Mr. Mackey, seconded by Ms. Pearce, the Board voted unanimously to direct the staff to write a letter to Dr. Alban Coghlan on behalf of the VSTRS Board advising him that his services are no longer needed on the Medical Review Board effective immediately.**

(Mr. Griffin left the meeting at this time.)

**ITEM 2:      Approve the minutes of:**

**February 28, 2011**

**On motion by Mr. McConnell, seconded by Mr. Altemus, the Board voted unanimously to approve the minutes of February 28, 2011, as submitted.**

(Mr. Driscoll and Mr. Petersen entered the meeting at this time.)

**ITEM 3:      Review and discuss results of the Experience Study**

Mr. Driscoll provided the Board members an explanation for the reasoning behind an Experience Study. Mr. Driscoll explained the main reason for this Experience Study being conducted early was to review the rate of return assumption. Mr. Driscoll introduced Mr. Petersen and his role in the Experience Study. Mr. Driscoll reviewed the Experience Study.

Mr. Driscoll reviewed the active service demographic assumptions, which included the rates for termination, disability, death before retirement, and retirement. Mr. Driscoll indicated that only Group C was used since there are only about 12 members left in Group A. Mr. Driscoll indicated that no change was recommended for the current rates used for termination since the actual numbers of members leaving before service retirement eligibility were close to the expected numbers.

The Board discussed disabilities. Mr. Driscoll indicated the present assumed rates of disability produced expected disabilities that exceeded significantly the actual numbers observed among participants over age 45, and for that reason, recommended reducing the assumed disability rates at those ages.

Mr. Driscoll explained that the present assumed rates of mortality produced expected number of in-service deaths that were not substantially different than the actual numbers, therefore recommended no changes be made to the current rates.

Mr. Driscoll discussed the early retirement and service retirement assumptions. Mr. Driscoll indicated there was a recommendation that expected rates of retirement not be changed since there is not a large difference between the actual number and the assumed rates. There was a discussion about the recent changes to the Teachers' system.

There was a discussion about post-retirement mortality. Mr. Driscoll indicated the actual mortality among retired female teachers was higher than expected while that for male retired teachers was lower than expected. Mr. Driscoll indicated the recommendation for service retirees, terminated, vested members and beneficiaries change from the 1995 Buck Mortality Tables with a one-year setback for both males and females to the 1995 Buck Mortality Tables with a three-year setback for males and a one-year setback for females.

Mr. Driscoll indicated for disabled members the recommendation was to change from the unprojected RP-2000 Disabled Life Tables to the RP-2000 Disabled Life Tables with projection to 2016 using Scale AA.

There was a discussion about the Buck Mortality Tables and the Disabled Life Tables.

Mr. Driscoll explained what an inactive status was. Mr. Driscoll indicated that their recommendation is that the percentage of contributions with interest used to estimate the liability for members in an inactive status be raised from 300% to 350%.

The economic assumptions were addressed by Mr. Petersen. Mr. Petersen explained the GEMs model was used for these assumptions. There was a discussion about the GEMs model. Mr. Petersen indicated they recommend retention of the current assumptions for COLA's. There was a further discussion concerning COLA's. There was a discussion about the inflation assumption as related to the rate of return assumption.

Ms. Pearce indicated Buck did a reality check with NEPC which was very close. There was a discussion about the short-term and long-term assumptions.

The Board discussed the rate of return assumption, the select-and-ultimate approach, the use of the single equivalent rate with the select-and-ultimate approach, and the scale used with the select-and-ultimate approach. The Board members shared their views on the select-and-ultimate approach. There was a discussion about the ARC.

Ms. Pearce indicated she had a meeting with Fitch. Ms. Pearce indicated she advocated the Select-and-Ultimate approach, and indicated she would like more information from Buck indicating how they modeled this so she can provide it to Fitch.

There was a discussion about the interest rates used with the Select-and-Ultimate model. The Board talked about using a single equivalent rate with the Select-and-Ultimate model. There was a discussion about using 7.9% as the factor.

There was a discussion about salary increases. Mr. Driscoll addressed the Board member's questions about the Select-and-Ultimate model being used in the private sector. There was a discussion about the recommendations that are given to the Governor.

**On motion by Mr. Mackey, seconded by Mr. Altemus, the Board unanimously voted to accept the recommendations of the actuarial consultants in the Experience Study as presented in the *Report on the Results of an Experience Study of the Vermont State Teachers' Retirement System Covering the Period July 1, 2005 through June 30, 2010*, including the use of the full select-and-ultimate methodology as the actuary outlined in their recommendations, with the understanding that for administrative purposes an equivalent single rate will be used.**

Ms. Pearce indicated there will need to be further work done with LRS (Levi, Ray & Shoup) to translate the assumptions into factors to be used for calculations. Ms. Pearce indicated there will be a need to come back to the Board with a resolution to be approved.

(Mr. Driscoll and Mr. Petersen left the meeting at this time.)

(A recess was taken from 3:10 p.m. to 3:22 p.m.)

**ITEM 4: Discuss/act on disability application request of:**

**Mary E. Pomeroy                      New**

**On motion by Mr. Altemus, seconded by Mr. McConnell, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Mary E. Pomeroy, without further review.**

**ITEM 5: Legislative update**

Ms. Webster indicated to the Board she was scheduled to testify on Friday concerning the cost-of-living adjustment (COLA) index. The Board discussed the COLA's and the CPI. Ms. Webster provided the Board members with a copy of Mr. Gaffney's email from March 10, 2011 comparing the CPI-U NE (Northeast) and CPI-U US. The Board members shared their views of changing the CPI. There was a discussion when the change might go into effect, if it was passed. Ms. Webster indicated the change would be cost neutral to the system. The consensus of the Board was to remain neutral on this issue.

Ms. Webster provided the Board an update about the member who had appealed to the Board to waive the June 30<sup>th</sup> deadline for purchasing service credit relative to the changes that were put into place July of 2010. Ms. Webster reminded the Board this was the appeal that the Attorney General's Office advised the Board had no authority to act on. The Board discussed how members were notified of the upcoming changes. Ms. Webster indicated she did not have the real cost this would cause to the system, but that there was a cost involved.

Ms. Webster indicated there was also an issue relative to a retired teacher wanting to change his option and his beneficiary. Ms. Webster indicated other items that are out there are single payer insurance, state-wide contracts and consolidation of the supervisory unions. Ms. Webster indicated they would have an impact, but nothing is happening with those issues currently.

(Mr. Gaffney left the meeting at this time.)

**ITEM 6: Election update**

Ms. Webster provided the Board members with the updated version of the *Vermont State Teachers' Retirement System Board of Trustees Responsibilities of Member Representatives and Alternate* for their review, along with the *Rules and Regulations of the Board of Trustees*. Ms. Webster indicated notices will be going out shortly concerning the election. The Board agreed to avoid going through rule-making if possible.

**ITEM 7: Continuation of Discussion of Medical Review Board**

The Board directed the staff to find a replacement for Dr. Alban Coghlan and to develop a set of guidelines for the Medical Review Board. The consensus was that the Medical Review Board members would serve at the pleasure of the Vermont State Teachers' Retirement Board and that Medical Review Board members needed to be in good standing with Vermont licensure.

**ITEM 8: Any other business to come before the Board**

None.

**ITEM 9: Adjournment**

**On motion by Mr. Candon, seconded by Mr. McConnell, the Board unanimously voted to adjourn at 4:00 p.m.**

**Next Meeting Date:**

The next scheduled VSTRS meeting is a conference call meeting on Thursday, April 14, 2011 at 3:30 p.m.

Respectfully submitted,

Cynthia L. Webster  
Executive Secretary to the Board