

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees
October 23, 2013

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2016
VAUGHN ALTEMUS, representing Secretary of Department of Education
THOMAS CANDON, representing Commissioner of Department of Financial Regulation
ELIZABETH PEARCE, VT State Treasurer

Members absent:

JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016
Active Member Alternate Representative – vacant

Also attending:

Stephen Wisloski, Deputy VT State Treasurer
Katie Green, Investments Manager
David Driscoll and Hope Manion, Buck Consultants
Stephen Klein, Joint Fiscal Office
David Beatty, Department of Finance & Management
Stephen Rauh, Chairman of VPIC
Laurie Lanphear, Director of Retirement Operations
Monica Chiren, Assistant to Kathie Kretzer

The Chairperson, Jon Harris, called the Wednesday, October 23, 2013, meeting to order at 2:01 p.m., which was held in the Governors' Conference Room, fourth floor, 109 State Street, Montpelier, VT.

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

- **September 12, 2013 – regular meeting**
- **September 20, 2013 – special meeting**

On motion by Ms. Deliduka, seconded by Mr. Candon, the Board voted unanimously to approve the minutes of September 12, 2013, as submitted.

On motion by Mr. Altemus, seconded by Mr. Candon, the Board voted unanimously to approve the minutes of September 20, 2013, as submitted.

ITEM 2: **Review/Act on FY '13 Actuarial Valuation**

Mr. Driscoll reviewed with the Board members the reason for having an actuarial valuation each year. Mr. Driscoll presented the results of the actuarial valuation for the fiscal year ending June 30, 2013. The Board discussed the demographic changes, some of which

included a decrease in active membership, a slight increase in compensation levels, an increase in retired members and retirement allowances. There was a discussion concerning the difference between inactive members and vested deferred members. There was a discussion concerning the actuarial assumptions, actuarial value of assets and market value of assets. There was a discussion concerning the smoothing of the value of the assets. There was a discussion concerning the gains and losses. There was a discussion concerning the unfunded liability. There was a discussion concerning conducting an experience study in 2014. There was a discussion about the Select & Ultimate method, the ARC and the amortization process. There was a discussion concerning the changes to the new GASB standards. There was a discussion about the rate of return. There was a discussion concerning the NPO (Net Pension Obligation) and the contributions. Mr. Driscoll answered the questions posed by the Board. There was a discussion about the health care costs and the new health exchange. There was a discussion concerning the funding ratio of the Teachers' system.

On motion by Mr. Altemus, seconded by Ms. Pearce, the Board unanimously voted to accept the recommendation of the actuary as presented in the FY '13 *Actuarial Valuation* report and forward to the Governor the contribution recommendation of \$73,859,170 for FY '15, and to advise the Governor of a contribution of \$77,496,469 for FY '16, and to urge the Governor to consider additional funding for the health care costs.

(Mr. Rauh left the meeting.)

ITEM 3: Review 2013 OPEB Update

Ms. Manion provided a review of the *Report on the Actuarial Valuation of Post Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2013* for Board discussion. There was a discussion concerning which states and counties were prefunding their health care costs. There was a discussion concerning the federal health care reform legislation and the Vermont single payer system. Ms. Pearce indicated VSERS has authorized the Treasurer's staff to negotiate with Buck to do an analysis of their health care plan compared with Green Mountain Care, including doing a comparison of costs. The Board members had questions how out-of-state retirees would access health care if it were to change. There was a discussion concerning the changes to the GASB standards.

On motion by Mr. Candon, seconded by Mr. Altemus, the Board unanimously voted to request that the Treasurer's Office engage with Buck to begin a study of the actuarial cost of the present health plan as it interacts with Green Mountain Care and to bring the information obtained back to the Board.

There was a discussion concerning the "Cadillac tax". There was a discussion concerning the implementation of EGWP. There was a discussion concerning the future of VEHI.

ITEM 4: Review/accept 2014 meeting schedule

The consensus of the Board was to accept the 2014 meeting schedule as presented.

ITEM 5: Any other business to come before the Board

Mr. Candon brought up the issue of retirees being approached about structured settlements and their pension. The Board discussed this item. Mr. Candon indicated this issue needs to be explored further.

ITEM 6: Adjournment

On motion by Mr. Altemus, seconded by Mr. Candon, the Board unanimously voted to adjourn at 3:50 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is an in-house meeting on Tuesday, November 12, 2013 at 9:00 a.m.

Respectfully submitted,

Kathie Kretzer
Executive Secretary to the Board