

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – In-House Meeting
February 10, 2015 – 9:00 a.m.

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015
JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017
VAUGHN ALTEMUS, representing Secretary of Agency of Education
ELIZABETH PEARCE, VT State Treasurer
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2016

Members absent:

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016
Active Member Alternate Representative – vacant
Financial Regulation Representative - vacant

Also attending:

Laurie Lanphear, Director of Retirement Operations
Joshua McCormick, assistant to Kathie Kretzer
Karl Kroner, Chip Sanville, Jonathan Smith, and Valerie Baker, Great West Retirement
Matt Considine, Director of Investments
Katie Green, Investment Manager
John Booth, Director of Treasury Operations
Laura Soares, VEHI representative

The Chairperson, Jon Harris, called the Tuesday, February 10, 2015, meeting to order at 9:00 a.m., which was held in the Treasurer's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

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

- **December 11th, 2014**

On motion by Mr. Altemus, seconded by Ms. Pearce, the Board voted unanimously to approve the minutes of December 11, 2014, as submitted.

ITEM 2: **Great West Presentation**

Ms. Baker went over with the board the fund performance review. She said that overall funds are looking good through the morning star rating. T. Rowe Price Retirement Balanced Fund had a name change in October; it was formerly Retirement Income Fund. Ms. Baker did state that Pax World Global Environmental has been on the low end for the last 3 years. This is due to being a relatively new fund, a socially responsible fund with no assets in energy (oil and gas). However, Ms. Baker says there are no red flags as this was expected.

Ms. Baker stated that in September, the manager for the PIMCO World Global Environmental fund had left. She then asked how the board would like to proceed. Mr. Considine then spoke as

the PIMCO fund is in the VPIC portfolio. He stated that VPIC had some exposures to PIMCO; specifically an unconstrained bond fund through PIMCO. The VPIC committee decided to swap that fund into another unconstrained fund unrelated to PIMCO. Mr. Considine still stated that even with that change, they still have money with PIMCO. The board discussed and felt that for right now no change should be made. However, the board would like research done to see if there are any alternatives in case they decide to withdraw from the PIMCO World Global Environmental fund. Ms. Baker stated that she will gather information and give an update at the next presentation.

Ms. Pearce asked if there was any enrollment in the Pax World Global fund. Mr. Kroner said only on 457 plans, none for 403b because there has not been enough exposure due to being recently added. Ms. Pearce stated she thought these presentations/reports would have the specialty funds grouped together. Ms. Baker said that is difficult to do because it is an automated report. Ms. Baker and Mr. Kroner agreed to look into this further to see if something can be done to group the specialty funds together.

Valerie Baker left the meeting at this time.

Mr. Kroner then spoke to the board the latest quarterly numbers. He stated that total assets grew by 2.86 million; asset growth is up 10 million from 12/31/2013, with an 11 percent increase in participants balance. He went over the Plan Summary, contributions, and average contributions by fund, benefit payment distribution, and service utilization by assets.

Mr. Sanville then spoke about the field plan activity. Great West did 6 group meetings last quarter with 50 people. Over the last year, they have met with 450 people and 100 of them enrolled this year. He also stated that over the past year, there has been an increase of contributions by 231,000 and a total of 1.2 million in roll ins.

Ms. Pearce questioned that when these meetings first started, we provided a plan comparison mix of different competitors as well as a sole provider plan as a more enhanced service. She asked what is the current breakdown? Mr. Kroner stated he would need to find out and get back to the board with the answer. Mr. Harris asked if there was any sort of breakdown or explanation on the website of 403 options versus 457 options. Mr. Smith stated that it is not on the web but they do have a flyer. Mr. Harris stated it would be nice to have online. The board and Great West will follow up on this.

Mr. Kroner, Mr. Sanville, Mr. Smith, Mr. Considine, and Ms. Green all left the meeting at this time.

ITEM 3: VEH1 – Contribution renewal rates

Ms. Soarles spoke to the board about the new contribution rate for VEHI. That new rate is a 4.5% increase for fiscal year 16, following a 4.5% increase for fiscal year 15. Letters were sent to members in December and to board members in January.

Mr. Harris asked how long is VEHI going to survive. Ms. Soarles says the dynamic of VEHI's longevity has now changed with the recent announcement of Green Mountain Care being delay indefinitely, as now there is more of a need for VEHI. She stated that small schools can only keep VEHI if they plan to keep VEHI in the grandfathered status that it is currently in. Her office is currently working with the legislature to come up with a plan; their next meeting is February 25th. She will keep us updated on what VEHI's future holds.

Ms. Pearce asked what the requirements are for grandfathered status. Ms. Soarles stated there are 6 requirements. The Essential requirements are that employees can never be asked to pay more in co-insurance. Deductibles and co-pays cannot be increased more than they already were 2 years ago. Also, the premium cost share cannot change more than 5% between employer and employee. Ms. Pearce stated that the grandfather status will come into jeopardy with the cadillac tax in 2018. Ms. Soarles stated that they are looking at a legislative and/or regulatory solution and have started conversations with Blue Cross Blue Shield. However, it may take up to a year to get a definitive solution. Mr. Altemus asked about employee's contribution and how it affects the cadillac tax. Ms. Soarles stated that it doesn't matter what the contribution rates are between employee and employer, as the cadillac tax is based on total cost. She then stated that things are still unclear at this point pertaining to the cadillac tax and have reached out to NEA and Gallagher Benefits Service. Ms. Soarles stated that the cadillac tax will be based on plan value.

Ms. Soarles stated that the latest numbers (from 9/2014) show that there are 1000 participants in the JY health plan, 4100 in 300 comp, and 700 in VHP. Ms. Pearce discussed the Master trust agreement. Ms. Soarles explained that they are regulated under I-90-1 if the health program was to end, all responsibilities would need to be paid out. The VEHI board has authority to decide where to go with the health plan but members could override if they had a majority.

The board thanked Ms. Soarles for her answering all their questions and praised the work her office has been doing.

Ms. Soarles left the meeting at this time.

ITEM 4: Retirement Budget Overview

Mr. Booth went over the handout sheet "Fiscal year 2016 Budget – Teacher Retirement System" that was given to the board members. This budget sheet served as a general overview of the FY 2014 actual expenses, FY 2015 Budget, and FY 2016 Budget Request. It outlines five sections:

Investments – costs that are associated with VPIC

Agency Support – costs that are charged to the Treasurer's office by other departments such as the AAG office.

Third Party Support – majority is from VPAS, which are in the final year of progress payments. Ms. Pearce stated that VPAS was 1.8 million or 13% under budget for all three retirement systems.

Benefits - health insurance costs

Office and Administrative Support – costs associated with staffing

Mr. Booth stated overall that there is a 2.76% increase to the overall costs to run VSTRS. Most of that increase is attributed to health care and investment services.

Mr. Booth left the meeting at this time.

ITEM 5: Discuss/Act on Disability Retirement recommendation for:

▪ Kathleen Ball

On motion by Mr. Norris, seconded by Ms. Deliduka, the Board unanimously voted to accept the recommendation of the Medical Review Board for the disability retirement for Kathleen Ball, with no review.

ITEM 6: Legislative Update

Ms. Pearce gave the board an update on the legislative session. She stated a miscellaneous bill has been presented with proposed changes to it. Ms. Pearce also gave a copy of this to the board. First piece is the proposed change to the Municipal contribution rates. The request is for small increases by both the employee and the employer.

Second, proposed amendments to retirement statutes. The Treasurer's office received a favorable IRS determination letter for VSTRS and in good stead providing amendments are made to the following statutes – section 1943a(i), 1940(b), and 1944(i). Ms. Pearce stated that these amendments will have no cost impact on VSTRS.

Third, Vista will now be known as AmeriCorps.

ITEM 7: Vacant Board opening – letter of interest from Donald Collins

The board cannot consider Donald Collins for this vacant position as he is a retired teacher. The vacant position is for an Active Teacher. The retirement office will be notifying Mr. Collins of this.

ITEM 8: Update on Tom Candon's vacant board position

Mr. Candon's spot is still open. The commissioner of financial regulation will need to appoint someone to take his place.

ITEM 9: VPAS Update

Ms. Pearce stated that on February 4th, the warranty period for VPAS ended but the treasurer's office have sent letters extending the warranty on pieces that haven't had a 1 year cycle. She then stated testing is going well and also stated that the funding is 1.8 million under budget for all three retirement systems. Ms. Pearce also stated that booklets will be mailed to members within the next couple of weeks.

ITEM 10: Update on disability policy and procedures

Ms. Pearce stated that the Treasurer's office has been meeting with the AAG's office concerning the disability review process. One of the problems the office is struggling with is that all three statutes for each system have different language. Some other complications are Insurance and annuity contributions. Ms. Pearce stated that the office is working on the state system first as she feels that once the state disability is figured out; the other systems may be able to follow that model. The Treasurer's office will provide an update for the teacher's board at the next In-House Meeting.

ITEM 11: Update on Health Insurance Reference Sheet

Ms. Lanphear presented to the board a reference sheet entitled "Helpful Links for Medicare Eligible Retirees". This sheet has useful links for Medicare and VEHI. The board thanked Ms. Lanphear and the retirement office for putting this together. The board requested that this be added to the state treasurer's website in some capacity.

Ms. Lanphear also presented to the board a packet titled "Answers to Common Medicare Questions from Teacher Retirees in VSTRS". This packet will be used internally within the retirement office.

ITEM 12: Update on workshops for active members

Ms. Lanphear stating that the retirement office is looking at doing workshops in the fall for teachers with over 5 years of service.

ITEM 13: Discussion of Athletic Directors and sports referee's

The discussion was had by the board to determine if athletic directors and sports referees are qualified to participate in the VSTRS program. After discussion, it was decided by the board that athletic directors would need to be looked at as a case by case scenario due to different schools having different requirements for their respective athletic directors. For example, if an athletic director is carrying an administrative or a teacher's license, then yes, that would qualify them. However, some schools do not have requirements for an athletic director to carry a license.

The board decided that referee's do not qualify for VSTRS membership.

ITEM 14: Any other business to come before the board

None

ITEM 15: Adjournment

On motion by Ms. Pearce, seconded by Mr. Altemus, the Board unanimously voted to adjourn at 12:13 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call meeting, March 12th, at 3:30 p.m.

Respectfully submitted,

Kathie Kretzer
Secretary to the Board