

**COMMISSION ON THE DESIGN AND FUNDING OF RETIREMENT AND HEALTH  
BENEFIT PLANS FOR STATE EMPLOYEES AND TEACHERS**

Meeting of the Commission Members

**October 22, 2009**

**Commission Members present:**

Jeb Spaulding, VT State Treasurer, Chairperson

Terry Macaig, member of the House of Representatives

Jeanette White, member of the Senate

Neale Lunderville, Secretary of Administration

Doug Wacek, member of the public appointed by the Governor

David Coates, member of the public -

Appointed by the Speaker of the House and President Pro Tempore of the Senate

Bill Talbott representing the Commissioner of Education

**Members absent:**

None

**Also attending:**

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Retirement Boards

Beth Pearce, Deputy Treasurer

Monica Chiren, State Treasurer's Office

Staff members of VT-NEA and VSEA

Staff member of Joint Fiscal Office

Members of the VSTRS and VSERS Boards

Members of the Vermont State Police

Retired members of VSTRS and VSERS

Members of the public

Reporters

The Chairperson, Jeb Spaulding, called the Thursday, October 22, 2009, meeting to order at 8:00 a.m., which was held in Room 11 in the State House, 115 State Street, Montpelier, VT.

Mr. Spaulding welcomed the members of the public to the meeting, and indicated the primary focus of the meeting today would be the pension side.

**ITEM 1:      **Approve minutes of October 8, 2009****

**On motion by Mr. Lunderville, seconded by Mr. Wacek, the Commission voted to approve the minutes of October 8, 2009 as amended.**

The consensus of the Commission was to continue to post the draft minutes on the Vermont Treasurer's website.

Mr. Spaulding indicated that no member of the Commission is interested in undermining the pension for members but the payouts have increased every year and will continue to increase. Mr. Spaulding indicated the increase in payouts is a combination of factors. Mr. Spaulding again reiterated the

Commission has no plans to recommend a reduction in either pension or health benefits for those already retired.

**ITEM 2: Review and discuss financial and other impacts of possible changes to eligibility for “normal retirement” for members who are currently 5 or more years away from normal retirement**

Ms. Pearce indicated the three-page document provided in the packet addressed this issue. Ms. Pearce explained Number 3 was not included since that item dealt with health care. Ms. Pearce reviewed the first page of the document and the comparison of Current, Rule 87 and Rule 90 as it pertained to normal retirement. It was indicated new hires now have the Rule of 87. The Commission discussed who would be affected by these changes. The Commission requested a further analysis for members within ten years of retirement. Mr. Macaig requested a further analysis with Rule 87 and Rule 90 in the context of a ten-year vesting period. The Commission discussed some of these changes may help the long-term structure of the system but not the short-term issues.

(Ms. White arrived during Item 2.)

**ITEM 3: Review and discuss financial and other impacts of raising the minimum age for eligibility for “early retirement” for members who are currently 5 or more years away from normal retirement**

Ms. Pearce addressed page two of the three-page document pertaining to raising the minimum age for eligibility for early retirement from age 55 to 58. Ms. Pearce indicated this analysis excluded members within five years of early retirement. Ms. Pearce indicated each page of this three-page document stands on its own, but is also essentially cumulative. Ms. Pearce indicated she will confirm that with the actuary. Ms. Pearce indicated if you change something you change behaviors.

**ITEM 4: Review and discuss financial and other impacts of possible changes to definition of “average final compensation” for members who are currently 5 or more years away from normal retirement**

Ms. Pearce addressed page three of the three-page document pertaining to average final compensation. Ms. White inquired why the increase for VSERS Group C was from two to three years compared to an increase from three to five years for VSERS Group F and VSTRS Group C. There was a discussion about the different benefits for the different groups. Mr. O’Neil addressed the Commission and explained that any increase in benefits for Group C members has been paid for by the employees. The Commission discussed how contribution rates were determined.

(Ms. Webster arrived at this time.)

Mr. Spaulding requested input from the public concerning the first two pages of the document. Kevin Gaffney, Vice-Chairperson of the VSERS Board, addressed the Commission. Joseph Mackey, VRTA Representative for the VSTRS Board addressed the Commission. Jon Harris, Chairperson of

the VSTRS Board addressed the Commission. Linda Deliduka, VRTA Alternate Representative for the VSTRS Board, addressed the Commission. Dan Boomhower, retired teacher, addressed the Commission. Jane Osgatharp, State retiree, addressed the Commission. Mr. Spaulding thanked the public for their input.

**ITEM 5:      Review and discuss impact of possible changes in early retirement reductions**

This item was discussed during prior items.

(A recess was taken from 9:20 to 9:30 a.m.)

**ITEM 6:      Discuss employer and employee contributions and risk-sharing strategies**

Ms. Webster addressed page two of the document entitled *Pension Rate Risk Sharing*. Ms. Webster explained to the Commission the reasons for the increases in contribution rates. Ms. Webster did not have an answer for where the original rate of 2.75% originated from. Ms. White discussed having contribution rates tied into salary rates.

(Mr. Coates left the meeting.)

Mr. Dumas, VRSEA Representative from the VSERS Board, expressed his concern that the employees' contribution rates do not benefit from asset gains as do the State's rate.

Ms. Webster addressed the contribution rates for the VSTRS system contained in the document entitled *Pension Rate Risk Sharing*. Mr. Wacek indicated the Commission in some ways should be putting structural mechanisms in place to work better for the future. Mr. Lunderville indicated he does not want to see another Commission created when times get rough again. The Commission further discussed this issue.

(Mr. Coates returned to the meeting.)

Ms. Pearce addressed page one of the document entitled *Pension Rate Risk Sharing*. The Commission discussed percentage splits and the uncertainty associated with possible fluctuation in contribution rates. Ms. Pearce was directed by the Commission to obtain information from the actuary concerning 70/30, 50/50 and 60/40 contribution rate splits and discounting employee contribution issues. The Commission discussed if the State's share increases that means the taxpayers' share will increase.

Mr. Spaulding indicated a date was not yet set for the full public hearing. Ms. Webster indicated Ms. White had a good suggestion of having the hearing on Interactive T.V. Ms. Webster provided Ms. White an explanation of the average final compensation for Group D.

**ITEM 7:      Discuss possible funding sources for Teachers' pension benefits and post-retirement benefits**

The Commission referred to the draft of *VSTRS Pension and Health Care Funding Issues and Education Fund Sources* while addressing this item.

Ms. Pearce provided the Commission an overview of the Pension Funding Stresses. Ms. Pearce explained the 25% limitation in the Health Care Funding Stresses. Ms. Pearce indicated looking at the funding source for health care is clearly something the Commission needs to address. The Commission decided this item would be discussed further when they address the health care issue.

Ms. Pearce outlined Possible Options for Consideration. The Commission discussed at what levels the funding should be assessed. Rep. Howard Crawford addressed the Commission in reference to private institutions. The Commission further discussed what obligations they had as far as going to the local levels for funding. The Commission discussed providing recommendations and pros and cons, but not to make decisions which way to go.

Mr. Wacek inquired whether local districts provide additional health benefits. Ms. Webster indicated Essex used to reimburse health insurance premiums. Mr. Wacek indicated he believed Burlington still provided reimbursement. Mark Hage from VTNEA indicated they did not. It was indicated it would be easy enough to obtain this information from the Superintendents concerning districts contributions. The consensus of the Commission was this item would be discussed further when they discuss the health care issue.

**ITEM 8:      Public comments**

This item occurred throughout the meeting.

**ITEM 9:      Any other business to come before the Commission**

The consensus of the Commission was to address the health care issue before inviting Ice Miller to attend a meeting. Mr. Spaulding indicated he would like to discuss whether the State employee and employer group rates are appropriate. Mr. Lunderville indicated an interest for the DC/Cash Balance plan for new hires in conjunction with short-term recommendations. Mr. Coates indicated he would have information available from the roundtable concerning average private salaries. Mr. Wacek indicated they would need to start making some decisions at the all day meeting in November when Ice Miller would be in attendance.

**ITEM 10:     Adjournment**

Hearing no objection, the Chair declared the meeting adjourned at 11:55 a.m.

**Next Meeting Date:**

The next scheduled Commission meeting is on Wednesday, November 4, 2009 at 8:00 a.m. at Room 11 in the State House.

Respectfully submitted,

Monica Chiren  
Treasurer's Office