

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

Meeting of the Commission Members

November 4, 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

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:

Doug Wacek, member of the public appointed by the Governor

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 Wednesday, November 4, 2009, meeting to order at 8:05 a.m., which was held in Room 11 in the State House, 115 State Street, Montpelier, VT.

Mr. Spaulding indicated this would be a working meeting, with a review of what was done at the last meeting. Mr. Spaulding indicated the November 19th meeting would have more in-depth feedback and Ice Miller would be addressing the Commission. Mr. Spaulding indicated there would be a public hearing on December 3, 2009, but the details for the time and Interactive TV were still being worked out.

ITEM 1: Approve minutes of October 22, 2009

On motion by Mr. Coates, seconded by Mr. Lunderville, the Commission voted to approve the minutes of October 22, 2009 as submitted.

The Commission had no objection to taking Agenda Item 6 out of order.

ITEM 2: Follow-up on potential changes discussed at October 22, 2009 meeting

Normal and early retirement age adjustments
Possible revisions to the AFC period
Employee and employer contribution rates and possible risk sharing strategies

Ms. Pearce reviewed the four-page document provided which addressed the issue of Rule 87 and Rule 90 with three scenarios, members within five years of retirement, members within ten years of retirement and members with more than ten years of service credit. Ms. Pearce explained the document dealt with normal retirement age and early retirement age. The document addressed both Groups D and F of the State system and Group C of the Teachers' system. Ms. Pearce answered Mr. Coates' inquiry concerning the interest rate used of 8.25%.

The Commission discussed narrowing down items for discussion. The Commission reviewed the document entitled *Guiding Principles for a Retirement Plan*. The Commission discussed the 20% corridors, which are used. Ms. Webster explained the changes implemented with the State system starting July 1, 2008. Mr. Lunderville indicated it would be helpful to get all information on potential benefit or eligibility changes before a decision is made about what to keep on or take off the table.

The consensus of the Commission was to obtain information concerning the AFC using the same scenarios for the normal and early retirement age adjustments with the parameters of raising the AFC from 3 to 5 years for Group F and Teachers, from 2 to 3 years for Group C and 2 years for Group D. There was a discussion about the difference between raising the normal and early retirement age and raising the AFC – in raising the retirement ages was more on an eligibility issue, while lengthening the final compensation would reduce benefits somewhat.

Ms. Pearce addressed the document entitled *Cost Sharing*. Mr. Lunderville requested the same analysis be done splitting the total rather than splitting the difference, and having a cap or no cap at all.

ITEM 3: Review and discuss potential revisions to eligibility and contribution levels for post-retirement health care benefits

Ms. Pearce addressed the six-page document dealing with the 6/30/2009 OPEB Study. Ms. Pearce discussed GASB, their rules and discounts that apply. The Commission discussed the tiered system for the State system that was implemented July 1, 2008. Mr. Coates indicated he would like information what the cost is for the health insurance for early and normal retirement members until they become eligible for Medicare. After discussion, it was agreed that the Commission would like to see a scenario from the actuary for a tiered system, with tiers at 30% at 10 years, 50% at 15 years and 70% at 20 years.

(A ten minute recess was taken.)

ITEM 4: Continue discussion of potential Education Fund or local district funding for some or all of employer share of pension and/or retiree health benefits for VSTRS members, including discussion piece to be presented by the Chair

Mr. Spaulding reviewed the document entitled *Preliminary discussion outline for a phased-in transition of responsibilities for payment of employer share of VSTRS pension and retiree health care payments*. Mr. Spaulding indicated he prepared the above document in order for the Commission to have a starting point for discussion.

The Commission discussed the document section by section. The Commission discussed the effect raising property taxes would have on individuals. Ms. White indicated there is a huge difference between saving money on the way we are doing something and saving money from shifting the expense to somewhere else.

Mr. Macaig indicated he believed this was an issue beyond the scope of the Commission. Mr. Talbott indicated it is a huge issue, but would like to keep it on the table. Mr. Coates, Mr. Lunderville and Ms. White indicated they would like to continue to discuss this issue. Ms. White requested that pension be separated from health care when this item is discussed further. Mr. Spaulding indicated they will keep this issue on the table.

Ms. Pearce indicated she will obtain information from the actuary concerning retiree health pre-funding for new hires. Mr. Lunderville indicated he would like information from the actuary showing a three-year phase-in plan. Mr. Spaulding requested new information from the actuary assuming changes were made in the normal and early retirement age what would the ARC be. Ms. Pearce agreed to obtain this further information from the actuary.

ITEM 5: Discuss parameters and general provisions of a potential defined contribution and/or cash balance plan for Vermont state employees and/or teachers, with a possible decision as to whether the Commission favors continued consideration of this subject as part of its work

The Commission discussed the defined contribution and cash balance plan. The Commission discussed whether this item was an issue they should consider or if it was beyond the scope of the Commission. Mr. Macaig and Mr. Talbott indicated they would not like to continue to discuss this further. Mr. Coates and Mr. Lunderville indicated they would like to continue to obtain further information about this item and continue the discussion. Ms. White indicated she would like more information about the cash balance plan, but if they were to be discussed together her answer would be no. Mr. Spaulding indicated this subject might be better considered in the future. The consensus of the Commission was not to continue consideration of the development of a defined contribution/cash balance plan at this time.

ITEM 6: Preliminary discussion of employer and employee contribution rates for the various employee groups within State government

The Commission decided it did not have enough information on this issue. Ms. White indicated she would like to know what the average employee contribution is. Ms. Pearce reviewed the document entitled *Allocation of Costs and Benefits Between Plans in the Vermont State Retirement System July 30, 2009*.

Ms. Webster explained the benefits for Group D and Group C for the State system. Ms. Pearce indicated there are two issues: should employer contribution rates be varied by group and should anything be done with the overall rate. The Commission discussed whether the various State agencies should pay the same rate or different rates for different benefits. The Commission discussed the employee contribution rates. Mr. Talbott indicated he believed the employee contribution rates should be subject to the Group they are in and the employer contribution rates should all be the same. Mr. Lunderville indicated it was an important issue, but maybe not something that should be discussed at this Commission level since it would not reflect a savings. Mr. Talbott agreed with Mr. Lunderville.

Michael O'Neil addressed the Commission concerning the contribution rate levels.

The consensus of the Commission was not to address this item at this time, but that as part of the overall recommendation of the Commission an adjustment in contribution rates may be considered.

ITEM 7: Public Comments

Members of the public addressed the Commission, including Joseph Mackey, Joseph Mackey, VRTA Representative for the VSTRS Board and Joel Cook, Executive Director of Vermont-NEA.

Mr. Spaulding indicated November 19th is the next meeting. He indicated he hoped the VSEA, VT-NEA, and VLCT would provide input at the November 19th meeting.

ITEM 8: Any other business to come before the Commission

None.

ITEM 9: Adjournment

Hearing no objection, the Chair declared the meeting adjourned at 12:05 p.m.

Next Meeting Date:

The next scheduled Commission meeting is on Thursday, November 19, 2009 at 8:00 a.m. at Room 11 in the State House.

Respectfully submitted,

Monica Chiren
Treasurer's Office