

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

Meeting of the Commission Members

December 15, 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:

Beth Pearce, Vermont State Deputy Treasurer

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

Joel Cook, Executive Director of Vermont-NEA

Jes Kraus, Director of VSEA

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 Tuesday, December 15, 2009, meeting to order at 12:33 p.m., which was held in Room 410, the Boardroom, 133 State Street, Montpelier, VT.

Mr. Spaulding briefly reviewed the agenda and advised the Commission members the report was due by December 18, 2009. Mr. Spaulding advised the Commission members a letter would be sent to the Legislature indicating the report will be filed by the end of the month. The consensus of the Commission was to not have the letter include any content of the report.

ITEM 1: Approve minutes of November 19, 2009

On motion by Mr. Wacek, seconded by Mr. Coates, the Commission unanimously voted to approve the minutes of November 19, 2009 as amended.

ITEM 2: Discuss comments shared at December 3rd Public Hearing

The Commission discussed their impressions of the success of the public hearing. Mr. Spaulding stated most comments were favorable concerning the public hearing. Mr. Spaulding stated there were 275 people who attended, although they all did not testify. Mr. Spaulding stated three-quarters of the people who testified were teachers or retired teachers. Mr. Spaulding stated his frustration it was not a dialog with the public since people came with questions and left with questions unanswered.

The Commission members reviewed the document entitled *Materials for December 9th Commission Meeting, Recently Completed Analyses Based on Commission Member Requests*. Ms. Pearce reviewed the figures for Scenarios No. 1 and 2. Ms. Pearce reviewed the ARCs for the two scenarios.

(Mr. Talbott entered the meeting at this time.)

Ms. Pearce reviewed the tiered health care in conjunction with the two scenarios. The Commission discussed the tiered health care in conjunction with the ARC. Mr. Spaulding and Ms. Pearce explained all the charts associated with the above document.

Mr. Spaulding reviewed the one-page document he provided the Commission members concerning the Employer ARC, Employee Contribution % and State Contribution for both VSTRS and VSERS. Mr. Spaulding provided the Commission members the VSERS and VSTRS Employee Contribution sheet. Mr. Spaulding stated this sheet indicated the VSERS contribution for Group F.

The Commission members reviewed the *Average Final Compensation* document which was handed out. Ms. Webster stated these were actual members whose figures were used for the analysis. Ms. Webster explained what was included in the final compensation for the different groups. Mr. Talbott stated the figures did not include the COLA's that would be lost by the member so the figures would be even more than noted on the document.

It was stated the last document that was handed out was a draft document. Ms. Pearce stated she will obtain a revised document for the Commission members. The document provided Rule of 90 and Rule of 87 with the different components and the ARC. Ms. Pearce and Mr. Spaulding answered the Commission members' questions concerning this document. The Commission members discussed the 60% benefit.

The Commission briefly discussed what would be included in the final report, including items that were reviewed but not recommended.

ITEM 3: Public Comments

Jane Osgatharp, a retired State employee provided the Commission with her thoughts on how it would affect State employees. Paul White, VSEA Alternate of the VSERS Board provided the Commission with his thoughts that the Commission did not have enough time to address this important issue. Mr. Spaulding indicated the recommendations of the Commission will be massaged by the Legislature, and that the process is not over yet.

Jes Kraus, Director of VSEA, questioned what happened from two years ago when changes were last made. Mr. Kraus indicated his concern for these changes being implemented for people who are already vested. Mr. Spaulding responded it is a bad economy and demographic trends continue to change. Mr. Spaulding stated the system cannot be sustained. Mr. Spaulding stated impacting people on the job is a gray area, but instituting the changes for only new employees will not have a substantial impact. There was a discussion when the changes from 2008 will be seen in the ARC. There was a discussion about the assumptions that are used. There was a discussion about the experience study being conducted every five years. It was indicated the demographic changes are no surprise so why is this being addressed now. Mr. Spaulding stated really difficult financial times force you to address something you should have addressed earlier. There was a discussion about the changes in 2008 and the reduction in work force.

(A recess was taken from 2:15 p.m. to 2:30 p.m.)

ITEM 4: Develop recommendations for final report to Legislature

Mr. Lunderville stated the Commission should keep in mind the Joint Fiscal Committee's benchmark of 3.5%. The Commission discussed the issue of spiking. The Commission discussed the funding for OPEBs.

The question before the Commission was: Should the Commission recommend benefit changes for employees already vested? The Commission voted as follows: Mr. Spaulding, Ms. White, Mr. Lunderville, Mr. Talbott, Mr. Wacek and Mr. Coates voted yes. Mr. Macaig voted no.

The question before the Commission was: If the Commission is going to recommend benefit level changes for employees not close to retirement, would "close" be defined as more than five years from retirement? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Talbott, Ms. White and Mr. Macaig voted no.

The consensus of the Commission would be to include in the report other options were considered, and the whole area is a gray area.

The question before the Commission was: Should the contribution level increases apply to everyone? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek, Ms. White and Mr. Coates voted yes. Mr. Talbott and Mr. Macaig voted no.

The question before the Commission was: For State Group F and Teachers' Group C should the normal retirement age be raised from 62 or 30 years at any age to 65 or Rule of 90 for those more than five years from normal retirement eligibility? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Talbott, Ms. White and Mr. Macaig voted no.

The question before the Commission was: For State Group F and Teachers' Group C should the early retirement age be raised from 55 to 58 for those more than five years from early retirement eligibility?

The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek, Ms. White, Mr. Talbott, and Mr. Coates voted yes. Mr. Macaig voted no.

The question before the Commission was: For State Group D should the normal retirement age be raised from age 62 to age 65 for those more than five years from normal retirement eligibility? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek, Mr. Talbott, Ms. White and Mr. Coates voted yes. Mr. Macaig voted no.

The question before the Commission was: For State Group C should the early retirement age be raised from age 50 to age 52 for those more than five years from early retirement eligibility? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Talbott, Ms. White and Mr. Macaig voted no.

It was the consensus of the Commission once all the pieces have been decided upon an analysis would be done containing all the components.

The question before the Commission was: For State Group F and Teachers' Group C should the AFC be raised from three years to five years for those more than five years from retirement eligibility? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Talbott, Ms. White and Mr. Macaig voted no.

The question before the Commission was: For State Group C should the AFC be raised from two years to three years for those more than five years from retirement eligibility? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Talbott, Ms. White and Mr. Macaig voted no.

The question before the Commission was: For State Group D should the AFC be raised from one year to two years for those more than five years from retirement eligibility? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek, Ms. White and Mr. Coates voted yes. Mr. Talbott and Mr. Macaig voted no.

There was a discussion concerning raising the maximum benefit from 50% to 60% for State Group F and Teachers' Group C. There was a discussion concerning State Group C and enhancements they have had in the past.

The question before the Commission was: Sharing cost of total actuarial contribution (50/50, 60/40) to be determined by actuary to get to 3.5% recommendation? The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Talbott, Ms. White and Mr. Macaig voted no.

The question before the Commission was: For State Group F and Teachers Group C should there be an increase to the maximum benefit from 50% to 60% of final compensation? The Commission voted as

follows: Mr. Spaulding, Mr. Talbott, Ms. White, Mr. Macaig, and Mr. Coates voted yes. Mr. Wacek and Mr. Lunderville voted no.

The Commission discussed the health insurance and the tiered system that is in place for new State employees. The Commission discussed whatever they recommend now may still be changed in the future if there are major changes with the health care system.

The question before the Commission was: Should a tiered system be implemented for health care so that the degree of premium assistance is linked to the length of service for those more than five years from retirement eligibility? The scenario that was voted on was 40% - 10 years, 60% - 20 years, 80% - 30 years. The Commission voted as follows: Mr. Spaulding, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Talbott, Ms. White and Mr. Macaig voted no.

The question before the Commission was: Should there be the ability to “recapture” the health benefit with 20 years of service upon drawing of retirement benefit? The Commission voted as follows: Mr. Spaulding, Mr. Macaig, Mr. Wacek, Ms. White and Mr. Coates voted yes. Mr. Talbott, and Mr. Lunderville voted no.

The consensus of the Commission was to include a comment discussion was held concerning adding spouses to coverage for VSTRS members. A vote was held and the final vote was 5-2 not to add spouses for VSTRS members. The Commission voted as follows: Mr. Spaulding and Mr. Macaig voted yes. Mr. Lunderville, Mr. Wacek, Mr. Coates, Mr. Talbott, and Ms. White voted no.

The consensus of the Commission was to include a comment discussion was held concerning the Education Fund/local districts contribution to pension and/or retiree health costs, but there is no recommendation by the Commission. The Commission voted as follows: Mr. Spaulding, Mr. Macaig, Mr. Lunderville, Mr. Wacek, Mr. Coates, Mr. Talbott, and Ms. White voted yes.

The consensus of the Commission was to include a recommendation to the Legislature to begin a structural process to fund the OPEB obligations and set money aside in a material way in a separate, independent funding mechanism. The Commission voted as follows: Mr. Spaulding, Mr. Macaig, Mr. Lunderville, Mr. Wacek, Mr. Coates, Mr. Talbott, and Ms. White voted yes.

Mr. Spaulding stated as Vermont State Treasurer he was going to request the Legislature address the governance of the Boards.

The Commission discussed including a comment recommending further consideration for a defined contribution/cash balance plan alternative to the current defined benefit plan. The Commission voted as follows: Mr. Talbott, Mr. Lunderville, Mr. Wacek and Mr. Coates voted yes. Mr. Macaig, Ms. White and Mr. Spaulding voted no.

The consensus of the Commission was to include a comment discussion was held concerning use of pension obligation bonds to pay off a portion of the unfunded liability, but there is no recommendation to use pension obligation bonds.

The consensus of the Commission was to include a comment discussion was held and there is not a recommendation to lengthen the amortization period for unfunded liabilities from 30 years. The Commission voted as follows: Mr. Spaulding, Mr. Macaig, Mr. Lunderville, Mr. Wacek, Mr. Coates, Mr. Talbott, and Ms. White voted yes.

The consensus of the Commission was to include a comment discussion was held and there is not a recommendation to revise the assumptions. The Commission voted as follows: Mr. Spaulding, Mr. Macaig, Mr. Lunderville, Mr. Wacek, Mr. Coates, Mr. Talbott, and Ms. White voted yes.

The consensus of the Commission was to leave spiking out of the report, as that is an issue for the Boards to deal with.

ITEM 5: Determine format and content, and procedures of producing final report

Mr. Spaulding stated the letter that is sent to Legislature will indicate the Commission is working on the final report and will not include any recommendations. The consensus of the Commission was they needed to review the final figures before the recommendations are finalized. Mr. Spaulding stated once the draft is created he will circulate it to Commission members for comments. There was a discussion of possibly having a phone conference the week after Christmas.

ITEM 6: Any other business to come before the Commission.

None.

ITEM 7: Adjournment

Hearing no objection, the Chair declared the meeting adjourned at 4:17 p.m.

Next Meeting Date:

The next scheduled Commission meeting is on

Respectfully submitted,

Monica Chiren
Treasurer's Office