

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

Meeting of the Commission Members

August 20, 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, 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, August 20, 2009, meeting to order at 9:10 a.m., which was held in Room 10 in the State House, 115 State Street, Montpelier, VT.

Mr. Spaulding welcomed the members of the public to the meeting, inquired if there were any questions about the agenda and briefly indicated what the primary purpose of the meeting was.

ITEM 1: **Approve minutes of July 30, 2009**

On motion by Mr. Wacek, seconded by Mr. Lunderville, the Commission voted to approve the minutes of July 30, 2009 as amended. Mr. Talbott abstained from the vote. The motion passed.

ITEM 2: **Review questions that were required to be addressed by the enabling Legislation**

Ms. Pearce provided the group with a preliminary draft of the *Status of Work to Date and Review of Proposed Questions to be Addressed*. The group reviewed the document. Mr. Coates indicated he would have private sector information available for the next meeting. Ms. Pearce will be compiling the information that is obtained. The group reviewed the attachments to the preliminary draft. Ms.

Webster indicated a complete valuation would be completed in October and presented to the Boards in late October. There was a suggestion that it would be helpful if the valuation information could be provided sooner. It was also indicated RIFs and retirement incentives needed to be included in the analysis.

(Ms. White entered the meeting at this time.)

Ms. Pearce provided the Commission with the benchmark recommended by the Joint Fiscal Committee, which was a benchmark target of 3.5% for the rate of expenditure growth for retirement and retiree health benefits. The group discussed options for providing new benefit structures. The group discussed funding methods. Mr. Spaulding discussed the make-up of the State and Teacher Boards. Mr. Coates told the group about an article he read indicating in the private sector the union had taken over the responsibility for the benefits. It was indicated more information would be helpful about this subject. Ms. Pearce shared with the group her ideas surrounding development of base lines.

ITEM 3: Discuss accomplishments to date

Mr. Spaulding indicated Ice Miller was selected from the RFP for the outside legal advice. The group discussed some questions that should be posed to Ice Miller. It was suggested that staff should prepare a document which contained areas that Ice, Miller should explore, with the understanding Ice Miller might have their own suggestions.

On motion by Mr. Wacek, seconded by Mr. Lunderville, the Commission unanimously voted to approve the engagement of Ice Miller to evaluate what options are constitutionally and legislatively possible for the Commission to undertake.

**ITEM 4: Review and discuss trends and initiatives in other public retirement systems
across the country relating to pension benefits and other post retirement benefits**

Ms. Webster provided the group with a summary of trends that are occurring in the public sector in connection with pension benefits and post retirement health care benefits. The group discussed the changes some states were implementing. Ms. Webster indicated in connection with the COLA the Urban Index is used to determine the COLA. There was a discussion that the Urban Index may not be the appropriate index to use for Vermont. Mr. Wacek indicated he would like more information about the Federal Government Pension Plan. Ms. Webster indicated one question for Ice Miller would be if contributions could be increased without an increase to benefits. Mr. Spaulding indicated the Committee's responsibility was to make recommendations to Legislature and indicate why they made the recommendation, but it was also their responsibility to provide other options and indicate why they may not be viable. Ms. Webster provided an update on the retirement incentive.

Ms. Webster indicated it was more difficult to see trends related to health care. The group discussed options for reducing health care costs. Ms. White indicated Catamount might be an option to explore.

Mr. Spaulding indicated he would like more information concerning the pension side and whether all states have “x” number of years and out. Mr. Macaig inquired what the average pension was for State retirees and teachers. Ms. Pearce indicated she will obtain that information and provide it to the members. The Commission stated that providing information in matrix form would be very helpful and discussed what information should be contained in the matrix.

ITEM 5: Review benchmarks established by the Joint Fiscal Office and discuss what needs to happen to meet benchmarks

The Commission discussed the benchmark. Mr. Spaulding indicated he would like to change the order of the agenda so that public comments would be last after all the agenda items had been covered.

(A recess was taken from 10:55 a.m. to 11:13 a.m.)

ITEM 6: Establish list of issues/potential changes to pursue.

Mr. Lunderville provided the Commission with a sheet indicating compensation and salaries for State employees and a sheet comparing State workers to the private sector. The group discussed the handouts.

The Commission discussed items they would like to consider on the pension side and health care benefits side. It was decided this list would be compiled and provided to the Commission Members for review. It was suggested inquiry be made of the actuary whether these changes would result in a savings or not before they are pursued further. Ms. Webster suggested they inquire of Ice Miller what changes can be implemented before requesting the actuary to run the numbers.

ITEM 7: Discuss RFP to conduct review of pension benefits

The Commission discussed whether they wanted to go ahead with an RFP to conduct a review of the pension benefits. It was the consensus of the group to hold off on the consultant at this time.

The Commission decided it would decide by email what the next meeting date would be. The Commission members requested they receive pertinent information prior to the next meeting so they would have sufficient time to review it prior to the meeting.

ITEM 8: Public Comments

A retired State worker expressed her concerns about a change to the health care benefits. Mr. Jon Harris, Chairman for the Teacher Board, requested that all Board members be included in the emails and receive the handouts.

ITEM 9: Any other business to come before the Commission

None.

ITEM 10: Adjournment

Hearing no objection, the Chair declared the meeting adjourned at 12:40 p.m.

Next Meeting Date:

Respectfully submitted,

Monica Chiren
Treasurer's Office