

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Conference Call Meeting of the Board of Trustees

March 8, 2018 – 11:30 a.m.

VMERS Members present:

PETER AMONS, Chairperson, Employee Representative (term expiring July 1, 2020) – via telephone

KIMBERLY GLEASON, Employer Representative (term expiring July 1, 2020) – via telephone

MEL HAWLEY, Employer Representative (term expiring July 1, 2018) – via telephone

BETH PEARCE, Vermont State Treasurer

Members absent:

DAVID ROWLEE, Employee Representative (term expiring July 1, 2018)

Also attending:

Katie Green, Investments Manager

Andy Cook, Investments Analyst

Tim Duggan, Assistant Attorney General

Laurie Lanphear, Director of Retirement Operations

Erika Wolffing, Retirement Office

Mr. Amons called the Thursday, March 8, 2018 Conference Call meeting to order at 11:33 a.m. which was held in the BGS-MTPL Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT. Mr. Amons inquired of the Board members if anyone had additional items for discussion or action. Ms. Gleason inquired if it would make sense to set a standing VMERS Board meeting as the Board has met on a monthly basis recently. Mr. Amons suggested Retirement staff think about setting standing meetings with the ability to cancel as needed.

ITEM 1: **Approve the minutes of:**

- February 16, 2018

On a motion by Ms. Pearce, seconded by Ms. Gleason the Board voted unanimously to approve the minutes of February 16, 2018 with minor edits under Item 3.

ITEM 2: **Director of Investments Report**

Ms. Pearce provided background and the rationale for revisiting the Prudential fee discussion. After receiving participant account data from the prior recordkeepers, Treasurer's Office staff reevaluated the action taken in December on fees to determine the impact on individual participants.

Ms. Green explained the fee structures for the VMERS 457 Plan and VMERS DC plan under the prior recordkeepers. Under EMPOWER, the VMERS 457 Plan charged a recordkeeping fee of 7 basis points (bps), visible as an asset-based charge on participant statements. The VMERS DC

Plan consisted of a 15 bps fee, this was not reflected on participant statements because Fidelity used revenue share collected from investments to offset the recordkeeping fee.

Ms. Green explained the actions taken in December and the various other options/scenarios available to the Board for fees in the VMERS 457 Plan. The recordkeeping fee (RK) covers the custodial services and the communication and education fee (C/E) covers legal services, compliance, plan document review, and the in-state retirement counselors.

Ms. Pearce explained that at the December meeting, the Board elected to implement scenario 2 on page 8 of the report consisting of a flat fee for both RK and C/E. After further research, staff determined that this fee structure would negatively impact 58% of participants. Ms. Green explained the differences between scenario 3 and 4. Both scenarios assess a 7.5 bps RK fee, scenario 3 charges a flat \$31.50 C/E fee and scenario 4 charges a 6.5 bps for C/E. Both scenarios do not negatively impact any plan participants, but scenario 4 provides more savings to the average participant.

On a motion by Ms. Pearce, seconded by Ms. Gleason, the Board voted unanimously to modify their previous determination regarding fees for the VMERS 457 Plan to adopt scenario 4 set forth on page 8 of the Director of Investments Report, which uses a 7.5 basis point fee for recordkeeping and a 6.5 basis point fee for communication and education.

Ms. Pearce explained that for the VMERS DC plan, the action taken in December (scenario 2) would negatively impact 61% of plan participants. Ms. Pearce recommended that the Board implement a similar basis point recordkeeping fee and communication and education fee as the VMERS 457 Plan.

On a motion by Ms. Pearce, seconded by Ms. Gleason, the Board voted unanimously to modify their previous determination regarding fees for the VMERS DC Plan to adopt scenario 4 set forth on page 9 of the Director of Investments Report, which uses a 7.5 basis point fee for recordkeeping and a 6.5 basis point fee for communication and education.

Ms. Green explained the new asset allocation tool from Prudential, GoalMaker. For the VMERS 457 Plan, participants have access to managed account services through Morningstar, but must pay an additional fee, whereas GoalMaker is available to participants at no additional cost. Staff intends to recommend that the Board act to move away from managed accounts at a later date. Ms. Gleason stressed that such a move would require extensive outreach and education to participants currently using managed accounts.

Ms. Green and Mr. Cook left the meeting at this time.

ITEM 3: Legislative Update

Ms. Pearce updated the Board on the status of S.273, Ms. Pearce conveyed the Board's concerns about the bill to the Senate Committee on Government Operations. The section pertaining to the retirement groups was removed from the bill.

Ms. Wolffing updated the Board on the status of the miscellaneous retirement bill containing the VMERS employee contribution rate increases. The bill was referred to and voted out of the House Committee on Ways & Means and is currently slated for action on the House Floor after town meeting break.

Ms. Gleason inquired if the education funding bill currently proposed impacts anything under the authority of the VMERS Board. Ms. Pearce stated that the bill primarily impacts VSTRS.

ITEM 4: Disability recommendations from the Medical Review Board:

- Charles Lake

On a motion made by Mr. Hawley, seconded by Ms. Pearce, the board voted unanimously to accept the recommendation of the MRB to allow disability retirement for Charles Lake without review.

ITEM 5: Other business

Ms. Pearce expressed her frustration with the communication surrounding the transition to Prudential and her intent to meet with representatives from Prudential to voice her concerns and ensure better communication moving forward. Ms. Pearce asked the Board members to share any additional concerns with Ms. Wolffing in advance of her meeting with Prudential.

Mr. Hawley announced his decision to not seek reappointment as town manager this summer, and since his term expires July 1, 2018, he will not seek reelection to the VMERS Board. The Board thanked Mr. Hawley for his service.

ITEM 6: Adjournment

On motion by Ms. Pearce, seconded by Ms. Gleason, the Board voted unanimously to adjourn at 12:24 p.m.

Next Meeting Date:

The next scheduled VMERS meeting TBD.

Respectfully submitted,



Erika Wolffing
Director Retirement Outreach & Policy