

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Conference Call Only
January 14, 2021 – 9:00 a.m.

Please note all members participated via telephone, video, or teleconference:

Members present:

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2022)
ERIC DAVIS, VSEA Representative (term expiring September 30, 2021)
JOHN FEDERICO, VSEA Representative (term expiring September 30, 2022)
JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2022)
BETH FASTIGGI, Commissioner of Human Resources
ADAM GRESHIN, Commissioner of Finance and Management
BETH PEARCE, VT State Treasurer
JAY WISNER, Governor's Delegate position
DAN POULIOT, Deputy Commissioner of Department of Human Resources, voting member
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2022)

Members absent:

BARBARA KESSLER, VSEA Alternate Representative (term expiring September 30, 2021)

Also attending:

Michael Clasen, Deputy State Treasurer
Tim Duggan, Assistant Attorney General
Eric Henry, Chief Investments Officer
Katie Green, Deputy Chief Investments Officer
Andy Cook, Investments Analyst
Erika Wolffing, Director Retirement Operations
Lesley Campbell, Administrative Services Coordinator IV
Ashlynn Doyon, Executive Assistant to the Treasurer
Will Kriewald, Chief Financial Officer
Gabe D'Ulisse, Prudential Retirement
Joe Fein, Prudential Retirement
Steve Howard, VSEA

The Chair, Roger Dumas, called the Thursday, January 14, 2021 meeting to order at 9:04 a.m., which was held by conference call only.

ITEM 1: Agenda approval and announcements

On a motion made by Mr. Wisner, seconded by Mr. Davis, the Board voted unanimously to approve the agenda for January 14, 2021.

ITEM 2: Approve the Minutes of:

- January 7, 2021

On a motion made by Mr. Wisner, seconded by Ms. Pearce the Board voted unanimously to approve the minutes of the January 7, 2021 as presented.

ITEM 3: 457(b) Deferred Comp Large Cap Growth Fund Options – Prudential Retirement

Mr. D'Ulisse explained that the Growth Fund of America has been discussed at previous quarterly board meetings as a fund not meeting performance criteria in the 457(b) Deferred Compensation Plan. After discussion with Treasurer's office staff, Prudential provided two alternative large cap growth fund options for consideration.

Mr. Fein explained the two options, Jennison Fund and the Vanguard U.S. Growth Fund as potential alternatives. Mr. Fein disclosed that the Jennison Fund is a subsidiary of Prudential Retirement. The Board discussed the two funds and the fee structure. Staff provided additional positive feedback on both funds with a preference for Vanguard.

On a motion made by Mr. Federico, seconded by Mr. Davis, the Board voted unanimously to adopt the Vanguard U.S. Growth Fund to replace the Growth Fund of America in the investment line-up for the 457(b) Deferred Compensation Plan.

Representatives from Prudential left the meeting at 9:38 a.m.

ITEM 4: Update from the Treasurer on Work with Stake-Holder Groups & January 15 Report

Ms. Pearce updated the Board on her work with the Stake-Holder groups to come up with benefit changes to lower the unfunded liability and the actuarial determined employer contribution. Ms. Pearce stated that the report due to the Legislature and the Administration is almost complete and provided the summary overview of potential recommendations. The scenarios run by the actuaries included changes to the cost-of-living adjustments for all actives, changes to AFC, increasing employee contribution rates, and changes to the vesting period. Ms. Pearce outlined 4 options that she discussed at the previous Board meeting.

The Board discussed the summary and options presented at length and provided feedback.

On a motion made by Mr. Wisner, seconded by Mr. Pouliot, the Board voted on roll call 6-1 to acknowledge that it had received the Treasurer's Report and recognizes that the ADEC for FY22 and beyond may not be sustainable and as a result recognizes that changes in benefit levels to reduce the unfunded liability may be required. Mr. Dumas, Ms. Pearce, Mr. Isabelle, Mr. Davis, Mr. Wisner, and Mr. Pouliot voted in favor of the motion. Mr. Federico voted against the motion.

The Board further discussed additional work to continue after the January 15 report is released. Mr. Davis presented a potential motion with some additional requests for the Treasurer's Office and the actuaries. The Board discussed the motion and suggested changes to the wording.

On a motion made by Mr. Davis, seconded by Mr. Wisner, the Board voted unanimously the Board directed the Treasurer to: (1) identify and review strategies to reduce pressure on and increase the stability of ADEC contributions and lower the unfunded liability in future years, including risk/gain sharing models, establishment of a reserve fund, and separate or rolling amortization schedules (2) cost the options for benefit changes by group per member; (3) assess, to the extent possible, the potential for the options to affect assumed actuarial retirement projections and estimate the effect on the financial condition of the system, and supplement any prior report with this addition information by February 22nd.

ITEM 5: Discussion and Action on Communication from the Treasurer Regarding Pew

Ms. Pearce presented her response to the Pew letter from the Administration. The Board discussed the letter and provided feedback and revisions.

On a motion made by Mr. Federico, seconded by Mr. Isabelle, the Board voted by roll call 5-1 to adopt and support the Treasurer's Pew letter with technical revisions reviewed by the Board on January 14, 2021. Mr. Dumas, Ms. Pearce, Mr. Isabelle, Mr. Davis, and Mr. Federico. Mr. Pouliot voted against the motion.

ITEM 6: Disability recommendation(s) from the December 17, 2020 Meeting of the Medical Review Board

- Terry Gray (New)

On a motion made by Mr. Federico, seconded by Mr. Davis, the Board voted unanimously to approve disability retirement for Terry Gray without review.

ITEM 4: Other Business and Public Comment

None.

ITEM 7: Adjournment

On a motion made by Mr. Isabelle, seconded by Ms. Pearce, the Board voted unanimously to adjourn at 12:00 p.m.

Next Meeting Date:

The next regularly scheduled VSERS Board meeting is on February 11, 2021 at 9:00 a.m.

Vermont State Employees' Retirement System
Conference Call Meeting Board of Trustees
January 14, 2021

Page 4 of 4

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolffing". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Erika Wolffing
Director of Retirement Operations