

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Conference Call Only
October 28, 2020 – 8:30 a.m.

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

Members present:

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2020)
ERIC DAVIS, VSEA Representative (term expiring September 30, 2021)
JOHN FEDERICO, VSEA Representative (term expiring September 30, 2020)
JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2020)
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2020)
BARBARA KESSLER, VSEA Alternate Representative (term expiring September 30, 2021)
BETH FASTIGGI, Commissioner of Human Resources, voting member
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

Also attending:

Michael Clasen, Deputy State Treasurer
Eric Henry, Chief Investments Officer
Katie Green, Deputy Chief Investments Officer
Erika Wolffing, Director Retirement Operations
Lesley Campbell, Administrative Services Coordinator IV
Ashlynn Doyon, Executive Assistant to the Treasurer
Will Kriewald, Chief Financial Officer
Kathy Riley, Segal Consulting
Matthew Strom, Segal Consulting
Patryk Tabernacki, Segal Consulting

The Chair, Roger Dumas, called the Wednesday, October 28, 2020 meeting to order at 8:33 a.m., which was held by conference call only.

ITEM 1: Agenda approval and announcements

On a motion made by Mr. Wisner, seconded by Ms. Pearce, the Board voted unanimously to approve the agenda for October 28, 2020.

ITEM 2: Approve the Minutes of:

- September 24, 2020 – VSERS Experience Study Meeting
- September 24, 2020 – Joint Meeting of VPIC, VSERS, VMERS & VSTRS

On a motion made by Mr. Wisner, seconded by Ms. Pearce, the Board voted unanimously to approve the minutes of the September 24, 2020 VSERS Experience Study Meeting as presented.

On a motion made by Mr. Wisner, seconded by Ms. Pearce, the Board voted unanimously to approve the minutes of the Joint Meeting with VPIC, VSERS, VMERS and VSTRS on September 24, 2020 as presented.

ITEM 3: VSERS 2020 Actuarial Valuation

Mr. Strom presented the 2020 VSERS Actuarial Valuation. Mr. Strom went over the demographics of the plan as of June 30, 2020. There were 8,538 active employees as of the end of the fiscal year and a ratio of non-active to actives of 0.96. A value of non-active to actives under 1.0 indicates a healthier plan and approximately a third of the active population has less than 5 years of service. The average age of actives was 45.6 years with average service credit of 10.8 years and average payroll of \$64,642. There were 4,82 inactive members and 768 deferred members with a vested benefit. As of June 30, 2020, there were 6,704 retired members and 720 beneficiaries receiving total monthly benefits of \$12,581,155 and an average monthly benefit of \$1,695.

Mr. Strom explained the financial information outlined in the report. Benefit payments have exceeded employer and member contributions. The actuarial value of assets as of June 30, 2020 was \$2,054,825,853 after the smoothing adjustment. Mr. Strom explained the actuarial experience for the year ended June 30, 2020, there was a \$21 million loss due to investment experience and a net gain from other experience resulting in a total net loss of approximately \$14 million. Mr. Strom outlined the investment experience and the rate of return on the market value of assets was 4.30% compared to the actuarial applied value of 6.37%. The assumed rate of return was 7.50% resulting in an actuarial loss. Other experience included net turnover, retirement, mortality, disability, salary and service, COLA, and miscellaneous experience. Other experience assumptions resulted in a total gain of \$9 million. The largest contributing factor in other experience was due to COLA experience that resulted in a \$24 million gain on the liability.

Mr. Strom explained the calculation of the actuarially determined employer contribution (ADEC). Mr. Strom outlined the development of the unfunded actuarial accrued liability which as of June 30, 2020 was \$1,040,265,119. The employer normal cost for 2020 was approximately \$34 million or 5.88% of payroll. Mr. Strom explained the preliminary contribution requirement as of June 30, 2020 and provided a reconciliation of how that amount was calculated. Mr. Strom explained the calculation of the ADEC, the payment on the unfunded liability for FY22 is \$84,801,408, and the normal cost is calculated as 5.88% of projected payroll and added to yield the ADEC for FY22 of \$119,967,769.

Ms. Riley presented the history of employer contributions since 2012. The employer contributions have exceeded the ADEC. The funding percentage has remained relatively flat. Ms. Riley explained the actuarial balance sheet and as of June 30, 2020 the total current and future assets was \$3.7 billion. Ms. Riley presented the risk section of the report.

On a motion made by Ms. Pearce, seconded by Mr. Wisner, the Board voted unanimously to accept the 2020 VSERS Actuarial Report as presented by Segal Consulting.

On a motion made by Mr. Wisner, seconded by Mr. Isabelle, the Board voted unanimously to recommend to the Governor and General Assembly that the FY22 actuarially determined employer contribution (ADEC) of \$119,967,769 be fully funded and appropriated in the next fiscal year in order to achieve and preserve the financial integrity of the fund.

The Board considered and discussed an additional motion, recognizing the significant increase to the ADEC as a result of recent assumption changes, to direct the Treasurer to work with stakeholder groups to come up with cost savings to the plan. Ms. Pearce stated that discussions took place last winter with the risk assessment, however she believed those conversations should continue with more urgency.

On a motion made by Ms. Pearce, seconded by Mr. Davis, the Board voted unanimously to direct the Treasurer to work with stakeholder groups to identify and review recommendations to lower the unfunded liability and the actuarially determined employer contribution (ADEC) to at least the previous 2021 projections, and to present those recommendations to the Governor and the Vermont General Assembly by January 15, 2021.

ITEM 4: Other Business

None.

ITEM 5: Adjournment

On a motion made by Mr. Isabelle, seconded by Ms. Pearce the Board voted unanimously to adjourn at 10:03 a.m.

Next Meeting Date:

The next VSERS Board meeting is on November 12, 2020 at 9:00 a.m.

Respectfully submitted,



Erika Wolfing
Director of Retirement Operations