

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees – In-House Meeting

November 13, 2017 – 9:30 a.m.

VSERS Members present:

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2018)
THOMAS HANGO, Vice-Chair, VSEA Representative (term expiring September 30, 2018)
JEFF BRIGGS, VSEA Representative (term expiring September 30, 2018)
ERIC DAVIS, VSEA Representative (term expiring September 30, 2019)
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2018)
JEAN-PAUL ISABELLE, VSEA Alternate Representative (term expiring September 30, 2019)
JAY WISNER, Governor's Delegate position
ADAM GRESHIN, Commissioner of Finance & Management (ex-officio)
BETH FASTIGGI, Commissioner of Department of Human Resources (ex-officio)
DAN POULIOT, Deputy Commissioner of Department of Human Resources
BETH PEARCE, Vermont State Treasurer

Also attending:

Matt Considine, Director of Investments
Katie Green, Investments Manager
Laurie Lanphear, Director of Retirement Operations
Tim Duggan, Assistant Attorney General
Erika Wolffing, Retirement Division
Karl Kroner, EMPOWER Retirement
Ronald "Chip" Sanville, EMPOWER Retirement

The Chairperson, Roger Dumas, called the Monday, November 13, 2017, In-House Board meeting to order at 9:31 a.m., which was held in the Treasurer's Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of:**

- October 25, 2017

On motion by Ms. Pearce, seconded by Mr. Briggs, the Board voted to approve the minutes of October 25, 2017 with deletion of drafting mistake on page 3. Mr. Briggs and Mr. Hango abstained due to their absence at the October 25, 2017 meeting.

ITEM 2: **Review/Act on Other Post-Employment Benefits (OPEB) Report**

Ms. Pearce explained that the OPEB report from Segal Consulting is not yet ready for action by the Board of Trustees as scheduled. This year due to the transition with the Government Accounting Standards Board, there are now three reports required. Drafts of the report were submitted to Ms. Pearce and she raised the health care trend rate used as an issue and sent the

report back to Segal for revisions. Mr. Dumas recommended postponing presentation on the OPEB report until the December 14th conference call meeting.

ITEM 4: Review/Act on Disability Retirement Recommendations from the October 19, 2017 Medical Review Board Meeting for:

- Marie Bean
- Jamie Benneig
- Diane Dargie

On motion by Mr. Wisner, seconded by Mr. Briggs, the Board voted unanimously to approve the recommendation of the MRB to allow continuance of Marie Bean's disability retirement with an additional one-year review.

On motion by Ms. Pearce, seconded by Mr. Davis, the Board voted unanimously to accept the recommendation of the MRB to allow disability retirement for Jamie Benneig.

On motion by Mr. Wisner, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Diane Dargie without further review.

ITEM 5: Review/Adopt Proposed 2018 Meeting Schedule

Mr. Dumas presented the proposed 2018 Meeting Schedule keeping the meetings on the 2nd Thursday of every month with quarterly in-house meetings. The actuarial meetings will be scheduled as needed.

On a motion by Ms. Pearce, seconded by Mr. Wisner, the Board voted unanimously to adopt the 2018 Meeting Schedule as proposed.

ITEM 6: Other Business – Supplemental Retirement Plans Prudential Update

Mr. Considine presented an update on the transition of the supplemental retirement plans to Prudential as the third-party administrator. Some share classes of funds under the fragmented system will not be available when the State transitions to Prudential in February. The office is currently working with Prudential and Cammack to determine what options will be available. Mr. Considine informed the Board that the investment team will come before the Board within the next two weeks to present the share class options under Prudential. Members will be informed of the investment changes in the December newsletter scheduled to be released on December 15th. Because Ms. Pearce as Treasurer is the trustee of the defined contribution plan, the Board does not need to act, changes to the share classes will be informational only.

Mr. Considine explained that the office is working to make sure there is consistency in how the administrative fees are presented to plan participants. Mr. Dumas suggested holding a conference call meeting prior to the regularly scheduled December 14th meeting for the Board to hear updates on the share class changes and administrative fees.

Ms. Green presented the upcoming transition newsletter going out to participants this week with updated schedule confirming the blackout dates for the transition (January 24th- February 12th, 2018). Ms. Green explained that the blackout period is the time period during which participants will not be able to make transactional changes during the transition. Contributions will continue to be posted as usual during this period. Ms. Green updated the Board that the transition help desk phone line will be available with the November mailing, the transition website will be available in December, and informational meetings will likely take place in January.

Mr. Wisner asked what will happen to periodic payments during the blackout period. The Treasurer's Office staff will ask Prudential.

Mr. Pouliot suggested the Treasurer's Office staff contact Maura O'Brien to add information about the Prudential transition to the December HR Connect Newsletter.

On a motion by Ms. Pearce, seconded by Mr. Briggs, the Board voted unanimously to enter Executive Session at 10:14 a.m. pursuant to 1 V.S.A. § 313 in order to discuss personnel issues.

The Board came out of Executive Session at 10:18 a.m.

Mr. Dumas inquired about the status of the plan documents and any decisions the Board needs to make on those documents. Mr. Considine explained that the plan documents would be ready for review in December. Ms. Pearce explained that under the IRS Code, temporary employees may be afforded the opportunity to contribute to the 457 plans. The current plan document does not allow temporary employees to participate. Ms. Pearce asked the Board to discuss this issue and recommended that temporary employees be allowed to participate in the new plan document issued with Prudential.

Mr. Dumas inquired about the status of auto enrollment in the 457 Plans. Mr. Hango informed the Board that the side letter has not yet been signed by the non-management bargaining unit. Mr. Dumas also inquired what would happen to emergency withdrawals during the blackout period. Staff at the Treasurer's Office will inquire about emergency withdrawals with Prudential.

Mr. Sanville and Mr. Kroner joined the meeting at this time. Mr. Greshin left the meeting at this time.

ITEM 3: EMPOWER Retirement Quarterly Presentation

Mr. Kroner presented the latest quarterly results for the 457 Retirement plan (7/1/17 – 9/30/17). He went over the Total Assets, Asset Growth, and the Percentage of Assets by Asset Class. Total Assets are at 466.54 million with distributions from the quarter at 7.01 million and net asset change at 13.54 million. From July 1, 2017 through September 30, 2017, there were 7,277 total participants a net of 191 new participants. The target date funds are up to 15.4% of total

plan assets representing a new high. As of the end of the quarter the average account balance was \$64,111.

Mr. Briggs asked how many new employees were hired by the state within the last year. Mr. Pouliot provided the number shortly after the meeting to be an increase of 106 employees over the last year representing a 1.2% increase, compared to the increase in the last year for 457 plan participants of 165 or 2.7%.

Mr. Sanville discussed field activity for the last quarter which included 17 group meetings, 304 appointments, 76 new enrollments, and \$142,522 in roll-ins. State payroll has a new online form resulting in less roll-ins.

Mr. Kroner presented the performance summary of the individual funds, pointing out two funds the Board may want to address, the Lazard Emerging Markets Equity and FPA New income. Mr. Dumas inquired of Mr. Considine and Ms. Green what the process is for the Board to address funds that are performing poorly.

On a motion by Ms. Pearce, seconded by Mr. Wisner, the Board voted unanimously to direct Treasurer's Office staff identify a watch list of funds and present a recommendation at the next meeting of the Board.

Mr. Sanville gave an overview of the latest SDIA quarterly report (7/1/17 – 9/30/17). Plan Assets are at 45.96 million, which is a decrease of \$1.40 million in the last quarter. There are still 1,297 participants in the plan, 1,054 of the participants are over the age of 65.

This was the last presentation from Empower before the transition to Prudential in February. Mr. Kroner thanked the Board for their partnership and gave a historical overview of the plan and how it has grown since Empower took over. In 2002, total assets were at \$131 million, today total assets are \$456 million, contributions were at \$3.4 million and today are at \$4.5 million, and total plan participants in 2002 there were 5,091, today there are 7,277 participants. Mr. Dumas thanked Mr. Kroner and Mr. Sanville for their service with Empower on behalf of the Board.

ITEM 7: Other Business

Mr. Duggan informed the Board that a request for quotation for a hearing officer for disability retirement appeals was submitted and advertised with the Vermont Bar Association. Quotations are due to the Retirement Office by December 1, 2017.

ITEM 8: Adjournment

On motion by Mr. Briggs, seconded by Mr. Hango, the Board voted unanimously to adjourn at 11:17 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is a Conference Call Meeting on Thursday, December 14th at 9:00 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolff".

Erika Wolff
Director Retirement Outreach & Policy