

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Quarterly In-House Meeting
November 8, 2018 – 9:00 a.m.

VSERS Board Members present:

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2020)
THOMAS HANGO, Vice-Chair, VSEA Representative (term expiring September 30, 2020)
ERIC DAVIS, VSEA Representative (term expiring September 30, 2019) – via telephone
JAY WISNER, Governor's Delegate position
MICHAEL CLASEN, Deputy State Treasurer
DAN POULIOT, Deputy Commissioner of Department of Human Resources
ADAM GRESHIN, Commissioner of Finance & Management (ex-officio)
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2020)
JOHN FEDERICO, VSEA Alternate Representative (term expiring September 30, 2019) – via telephone

VSERS Board Members absent:

JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2020)
BETH FASTIGGI, Commissioner of Department of Human Resources (ex-officio)
BETH PEARCE, Vermont State Treasurer

Also attending:

Eric Henry, Director of Investments
Katie Green, Investments Manager
Andy Cook, Investments Analyst
Tim Duggan, Assistant Attorney General
Laurie Lanphear, Director of Retirement Operations
Erika Wolffig, Director Retirement Outreach & Policy
Gabe D'Ulisse, Prudential Retirement
Joe Fein, Prudential Retirement
Rocco Attanasio, Prudential Retirement
Ronald "Chip" Sanville, Prudential Retirement

The Chair, Roger Dumas, called the Thursday, November 8, 2018, Quarterly In-House Board Meeting to order at 9:03 a.m., which was held in the BGS-MTPL Conference Room, 4th Floor, Pavilion Building, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda approval and announcements**

On a motion made by Mr. Wisner, seconded by Mr. Hango, the Board voted unanimously to approve the Board meeting agenda for November 8, 2018.

ITEM 2: **Approve the Minutes of:**

- October 25, 2018

Mr. Hango requested the minutes reflect that the VSEA never signed off on automatic enrollment but only had verbal discussions. Mr. Greshin expressed concern with a statement on page 3 of the minutes regarding the percentage portion of the entire budget relating to pensions. Mr. Greshin stated that while the statement was factually correct, he believed it is misleading and that the state has \$5.8 billion in total revenues the vast majority of which is not discretionary, including federal funds and transportation funds that cannot be used to pay pension liabilities. Mr. Greshin stressed that between teachers and state employees, the budget includes over \$190 million from the general fund for pensions from a total of \$1.3 billion, resulting in approximately 16% of the general fund used to pay benefits for retirees. Mr. Greshin requested that his comments be included in the November minutes.

On a motion made by Mr. Wisner, seconded by Mr. Hango, the Board voted by roll call to approve the minutes of October 25, 2018 with edits requested. Mr. Hango, Mr. Davis, Mr. Wisner, Mr. Pouliot, Mr. Greshin, Mr. Clasen and Mr. Federico voting in the affirmative. Mr. Dumas abstained.

ITEM 3: Prudential Retirement Quarterly Presentation

• 457 Deferred Comp Plan \$ SDIA 3rd Quarter Update

Mr. D'Ulisse presented the 3rd quarter update for the 457 Deferred Compensation Plan. As of the end of the quarter there were 7,248 participants with total assets of \$497,798,091. Total contributions for the quarter were \$6,191,103 and total distributions were \$8,942,592. There were 881 participants in GoalMaker reflecting \$26,837,624 in assets. There were 163 total new enrollees for the quarter, 107 enrollees were under the age of 44. Mr. D'Ulisse explained that the participation rate for the plan based on the data received is around 78.5%, but Prudential does not receive the full demographic file and that the actual participation rate is likely closer to 67%. The average account balance was \$67,016.

Mr. D'Ulisse outlined the average contribution rate of \$293, the net activity on the plan resulted in a negative cash flow of \$2,751,489 due to 72% of assets held by participants over the age of 55. Mr. D'Ulisse stressed that there is a positive cash flow amongst younger participants. As of the end of the quarter, there was a total of \$8,942,592 in distributions including 58 rollovers (\$6,027,925) and 780 cash distributions (\$2,914,667). Mr. D'Ulisse explained that the participation rate in Roth contributions is up about 1% and that Prudential is working to change the scales on the Roth Summary pages to start at zero. Mr. D'Ulisse presented the asset allocation by age group and stated Prudential was concerned with the high number of younger participants in Stable Value but stressed that these are individuals that the counselors are working to contact.

Mr. D'Ulisse presented the 3rd quarter update for the Single Deposit Investment Account (SDIA). There were 1,122 participants in the plan as of the end of the quarter reflecting total assets of \$41,444,304. Mr. Dumas asked what the fund is earning. Mr. D'Ulisse explained that the SDIA is currently earning 2.4% and that Prudential would include the rate or return in future reports capturing the change in return quarter over quarter.

Mr. Fein presented the 3rd quarter investment report for the 457 Plan explaining that the report consists of three sections, market commentary, the plan summary, and investment option review. Mr. Fein stated that overall the plan funds performed very well in the 3rd quarter. Mr. Fein presented the executive summary, showing that most funds in the plan meet the performance criteria with the exception of the Dodge & Cox International Stock and the Lazard Emerging Markets. Ms. Green explained that staff will be working with Prudential to perform a review of all the funds in the supplemental plans and will recommend any changes if necessary.

Mr. Greshin left the meeting at 9:48 a.m.

Mr. Fein explained how to understand the format of the investment option review for each fund and how to read the category return and risk return analysis charts. Mr. Fein explained that the highest ranking a fund can receive is 1 and the lowest is 100.

Mr. Sanville presented a field update for the quarter. Representatives from Prudential attended the State of Vermont Health Fairs. Mr. Sanville worked with the Department of Human Resources to feature the 457 Plan in the HR Connect Newsletter and they are planning a financial wellness campaign in January.

Representatives from Prudential left the meeting at 10:10 a.m.

ITEM 4: 2019 Board Calendar

Mr. Dumas presented the 2019 Board Calendar maintaining the previously adopted schedule of quarterly in-house meetings and monthly conference call meetings on the second Thursday of the month at 9:00 a.m.

ITEM 5: Disability recommendation(s) from the October 18, 2018 Meeting of the Medical Review Board:

- Robert Peter Young (New)

On a motion made by Mr. Wisner, seconded by Mr. Hango, the Board voted unanimously to approve disability retirement for Robert Peter Young without review.

ITEM 6: Other Business

Mr. Dumas requested an update on the status of the Other Post-Employment Benefits Report. Mr. Clasen stated that the report was delayed but would be sent out to the Board in advance of the next meeting.

ITEM 7: Adjournment

On a motion by Mr. Hango, seconded by Mr. Pouliot, the Board voted unanimously to adjourn at 10:13 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is a Conference Call Board Meeting on Thursday, December 13, 2018 at 9:00 a.m.

Respectfully submitted,

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

Erika Wolffing
Director Retirement Outreach & Policy