

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees – Conference Call Meeting

December 13, 2018 – 9:00 a.m.

VSERS Board Members present:

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2020)

ERIC DAVIS, VSEA Representative (term expiring September 30, 2019) – via telephone

JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2020) – via telephone

JAY WISNER, Governor's Delegate position – via telephone

BETH FASTIGGI, Commissioner of Department of Human Resources (ex-officio)

BETH PEARCE, Vermont State Treasurer

DAN POULIOT, Deputy Commissioner of Department of Human Resources, voting member

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:

THOMAS HANGO, Vice-Chair, VSEA Representative (term expiring September 30, 2020)

Also attending:

Eric Henry, Director of Investments

Tim Duggan, Assistant Attorney General

Erika Wolffing, Director Retirement Outreach & Policy

Will Kriewald, Chief Financial Officer

Dan Levin, Segal Consulting – via telephone

The Chair, Roger Dumas, called the Thursday, December 13, 2018, Conference Call Board Meeting to order at 9:00 a.m., which was held in the Treasurer's 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. Pouliot, the Board voted unanimously to approve the Board meeting agenda for December 13, 2018.

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

- November 8, 2018

On a motion made by Mr. Wisner, seconded by Mr. Davis, the Board voted by roll call to approve the minutes of November 8, 2018 as submitted with Mr. Dumas, Ms. Pearce, Mr. Davis, Mr. Wisner, Mr. Pouliot, and Mr. Greshin voting in the affirmative. Mr. Isabelle abstained.

ITEM 3: Other Post-Employment Benefits (OPEB) Report

Mr. Levin briefly presented portions of the GASB 74 report explaining that there was a decrease in the net OPEB liability of \$243,515,777 million from the prior valuation. Mr. Levin explained that a large part of the decrease was due to the changes made as a result of the most recent contract negotiation including better terms on prescription drug pricing. These changes reduced the expected claims costs moving forward and there was a favorable claim experience. Ms. Pearce explained the interest number is the interest paid on the liability, not the interest rate assumption. The discount rate increased from 3.58% to 3.87% and also resulted in decreasing the liability. Ms. Pearce requested a breakdown of the portion of the decreased liability due to the interest rate change.

Mr. Levin presented the OPEB funding report. The interest rate used for the unfunded plan is 3.58% versus 7.50% for a plan that is prefunded. The normal cost FY19 was \$45,921,632 but would have been \$16,319,997 if the plan was prefunded. Mr. Levin explained the normal cost for FY20 is \$39,689,215, the amortization payment on the unfunded liability is \$48,115,370 for a total actuarially determined contribution of \$87,804,585 or approximately 15% of payroll. Ms. Pearce inquired how much money the employer would need to be set aside for the plan to be considered pre-funded and therefore have a discount rate of 7.50%. Mr. Levin explained the employer would need to contribute significantly more than the benefits paid out and put a contribution policy in place stating that going forward the employer plans to contribute the actuarially determined contribution.

On a motion made by Ms. Pearce, seconded by Mr. Wisner, the Board voted unanimously to accept the report by the actuary and to affirm the actuarially determined contribution if pre-funding were enacted for FY20 of \$60.687 million.

Mr. Levin and Ms. Fastiggi left the meeting at 9:38 a.m.

ITEM 4: Disability recommendation(s) from the November 15, 2018 Meeting of the Medical Review Board:

- Alena Farrell (New)

On a motion made by Ms. Pearce, seconded by Mr. Pouliot, the Board voted unanimously to approve disability retirement for Alena Farrell without review.

ITEM 5: Other Business

Mr. Isabelle inquired if the Board members knew where the Express Scripts settlement money of around \$500K would be used. Board members were unsure of the settlement provisions.

ITEM 6: Adjournment

On a motion by Ms. Pearce, seconded by Mr. Greshin, the Board voted unanimously to adjourn at 9:42 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is a Conference Call Board Meeting on Thursday, January 10, 2019 at 9:00 a.m.

Respectfully submitted,

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

Erika Wolffing
Director Retirement Outreach & Policy