

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – In House Meeting
August 9, 2016 – 9:00 a.m.

Members present:

JON HARRIS, Chairperson, term expiring– July 1, 2019
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2020
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2020
PERRY LESSING, Active Member Alternate Representative, term expiring July 1, 2017
DEBORA PRICE, Representing Secretary of Agency of Education
DANIEL RADDOCK, Financial Regulation Representative
TIM LUEDERS-DUMONT, Policy Director, State Treasurer Beth Pearce's designee

Members absent:

JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017
ELIZABETH PEARCE, VT State Treasurer

Also attending:

Karl Kroner, Chip Sanville, Jonathan Smith, and Valerie Baker – Empower Retirement
Laurie Lanphear, Director of Retirement Operations
Matt Considine, Director of Investments, Treasurer's Office
Katie Green, Investments Department, Treasurer's Office
Lilly Schwarz, Investments Department, Treasurer's Office
Joshua McCormick, Administrative Coordinator IV, Retirement Division

The Chairperson, Jon Harris called the Tuesday, August 9th, 2016, meeting to order at 9:03 a.m., which was held in the Governor's Fourth Floor Conference Room, fourth floor, 109 State Street, Montpelier, VT.

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

- **July 14, 2016**

On motion by Ms. Price, seconded by Mr. Lueders-Dumont, the Board voted unanimously to approve the minutes of July 14, 2016, as submitted.

ITEM 2: **Empower Retirement Presentation**

Empower Retirement presented to the Board the latest quarterly results for the VSTRS 403(b) Retirement plan (4/1/16 – 6/30/16). Mr. Kroner went over the latest results of Total Assets, Asset Growth, and the percentage of Assets by Asset Class. Asset Growth is up 4.9 percent in the last quarter, which brings total assets to \$77.52 million. Participants since 6/30/15 have risen from 2,323 to 2,427, with an average account balance of \$31,939. Mr. Kroner then discussed the percentage of Contribution History, Contribution by Fund, Plan Participation and Benefit Payment Distribution for the last quarter. Mr. Sanville discussed field activity for the last quarter

which included 11 group meetings, 251 appointments, 51 new enrollments, and \$330,906 in roll-ins.

Ms. Baker spoke to the Board about the fund performance for the last quarter. All funds are passing, including the PIMCO total Return III which has a neutral Mstar rating, but still at 3 stars. Ms. Baker discussed the Sharpe Ratio and Expense Analysis, Return Analysis, and the Annual Returns and Statistics. The Board discussed adding a new Target Date Fund. The Investments staff will conduct research and report back to the board with a recommendation, as well as a full lineup review at a later meeting.

Mr. Sanville gave an overview of the latest SDIA quarterly report (4/1/16 – 6/30/16). Plan Assets have reduced by \$.31 million this quarter and 7.2 percent in the last year. There are still 1,394 participants in the plan. 1,092 of the participants are over the age of 65. The rate of return is at 2.35 percent.

Karl Kroner, Chip Sanville, Jonathan Smith, and Valerie Baker left the meeting at this time. A ten minute recess was taken.

ITEM 3: 2015-2016 School Year Retiree Numbers

Ms. Lanphear stated that there were 411 total retiree's for the month of July, with 317 of them teachers. She stated the number of teacher retirees are the lowest the retirement office has seen since 2009. Last year, the Retirement Office processed 422 teacher retirees.

ITEM 4: State System Acupuncture Plan Information

Ms. Lanphear presented material about the state system acupuncture services that are a part of the State's health care plan. From January 1, 2015 through May 31, 2016, acupuncture coverage for members over 65 had 68 claimants, 544 visits, which resulted in the plan paying \$30,436.30. For members under 65, there were 54 claimants and 461 visits, which resulted in the plan paying \$36,739.32.

Ms. Lanphear stated the acupuncture rider policy for VEHI would cost \$85K per year, and it would take six months to set up. Mr. Harris stated that before the VSTRS Board adds the rider policy, analysis should be done with VEHI to determine what the impact of premiums would be and if adding this would impact the grandfathered status of the retiree's health plans.

ITEM 5: VPIC Sub-Committee Update

Mr. Considine gave an overview to the new members of the Board explaining the purpose of the VPIC sub-committee and why it was created. Mr. Considine stated that immediately following the regular scheduled VPIC meeting on August 23rd, the sub-committee will meet. Three managers for VPIC will be talking about how they incorporate ESG considerations into their analytic framework. Ms. Deliduka stated that no pension money is being used for this sub-

committee. Mr. Harris recommends that the Board check the Treasurer's website periodically to get information about VPIC and the sub-committee.

Katie Green and Lilly Schwarz left the meeting at this time.

ITEM 6: Retiring Times Newsletter Proposal

Mr. Lueders-Dumont spoke about the Memo Ms. Pearce sent to the VSTRS Board addressing the Retiring Times Newsletter. He stated that for all three systems, the cost per year is \$39K and the Treasurer's office anticipates that number will rise over time. The Treasurer's office would like to transition the newsletter to an electronic version and have it be available online. Members who still want a paper copy would be able to request one. If approved, the winter version of the newsletter would be the first issue to be electronic. The Board discussed different ways to notify people when an updated version is put online and how to collect requests from members who would want paper copies.

On motion by Mr. Mackey, seconded by Mr. Lessing, the Board voted unanimously to approve the Treasurer's office proposal, pending outreach strategies to transition the Retiring Times Newsletter to an electronic version, and to make sure members who want paper copies will receive them.

ITEM 7: Any other business to be brought before the board

Ms. Deliduka strongly encouraged board members to attend the NCTR conference in Providence, RI. The conference takes place 10/8/16 – 10/12/16. Mr. McCormick will send the online link to the rest of the Board members.

On motion by Mr. Mackey, seconded by Mr. Raddock, the Board unanimously voted to enter Executive Session at 11:28 a.m. pursuant to Title 1, § 313 for the purpose of contract discussions.

The Board came out of executive session at 11:44 a.m.

On motion by Mr. Mackey, seconded by Ms. Price, the Board unanimously voted to approve the Office of State Treasurer staff to retain a consultant to assist in the evaluation and development of 3rd party administrator contracts for the retirement funds.

Mr. McCormick advised the Board that the Treasurer's Office has a preliminary date of 10/27/16 as the day to hold the actuary meetings for all three systems.

Ms. Deliduka advised the Board that she attended the NEA-RA annual meeting and was frustrated about the lack of conversation about retirement and pensions.

Mr. Lueders-Dumont advised the Board that the Treasurer's Office is anticipating an increase in new members of the legislature. He stated that the Treasurer's Office is planning on doing more education for the legislature on the pension system(s).

ITEM 8: Adjournment

On motion by Ms. Price, seconded by Mr. Lessing, the Board voted unanimously to adjourn at 11:53 a.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call meeting, September 8th, at 3:30 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joshua McCormick", written in a cursive style.

Joshua McCormick
Assistant to Kathie Kretzer