

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees –In-House Meeting
March 8, 2018 – 9:00 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) –
via telephone
JEFF BRIGGS, VSEA Representative (term expiring September 30, 2018) – via telephone
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
DAN POULIOT, Deputy Commissioner of Department of Human Resources
BRAD FERLAND, Deputy Secretary of Agency of Administration
BETH PEARCE, Vermont State Treasurer

Members absent:

ADAM GRESHIN, Commissioner of Finance & Management (ex-officio)
BETH FASTIGGI, Commissioner of Department of Human Resources (ex-officio)

Also attending:

Katie Green, Investments Manager
Andy Cook, Investment Analyst
Laurie Lanphear, Director of Retirement Operations
Tim Duggan, Assistant Attorney General
Erika Wolffing, Retirement Division

The Chair, Roger Dumas, called the Thursday, March 8, 2018, In-House Board meeting to order at 9:00 a.m., which was held in the BGS-MTPL Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT.

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

- February 8, 2018

On a motion by Mr. Briggs, seconded by Ms. Pearce, the Board voted by roll call to approve the minutes of February 8, 2018 with Mr. Hango, Ms. Pearce, Mr. Briggs, Mr. Davis, Mr. Wisner, Mr. Pouliot and Mr. Ferland voting in the affirmative. Mr. Dumas abstained.

ITEM 2: **Director of Investments Report**

Ms. Pearce explained the rationale behind why staff is requesting the Board revisit the fees assessed for the supplemental retirement plans under Prudential. After the asset transfer on

February 1, staff was able to reevaluate the fee structure impact on participants based on actual account balances. Ms. Pearce felt there were more participants disadvantaged by the action taken on fees at the December Board meeting than initially anticipated.

Ms. Green explained the scope of the fee discussion to take place for the SDIA Plan and the 457 Plan. At the previous meeting, the Board acted to move to zero revenue share investment line-ups, this reevaluation of fees only addresses the recordkeeping fee and communication and education fee. Ms. Green stated the communication and education fee is derived from a total cost across all 7 supplemental retirement plans of \$390,000.

Ms. Pearce explained that under the prior recordkeeper for the 457 Plan, participants paid an annual 7 basis points (bps) on their total plan balance and a flat \$67.50 per year. This fee was offset by the Plan Expense Reimbursement Account (PERA) maintained by the Treasurer's Office, reducing the fee from approximately 10 bps to 7 bps. This fee was visible to participants as an asset-based charge on their statements. For the SDIA Plan, participants paid 30 bps on their total balance, and no fee was visible on participant statements.

Ms. Pearce explained the fee assessment options under Prudential for the VSERS 457 Plan. In December, the Board elected to implement a flat fee (Scenario 2, on page 9 of the presentation) and found that 1,516 participants would end up paying more than under the prior recordkeeper. Staff outlined 3 other options and the impact on participants. Ms. Green explained scenarios 3 and 4 and highlighted the difference between the scenarios is the communication and education (C/E) fee. Scenario 3 assesses a flat C/E fee of \$31.50 and Scenario 4 assesses a basis point C/E fee of 6.5 bps, with both Scenarios incorporating a 7.5 bps recordkeeping fee. Under Scenario 3, with the PERA offset, participants will see an approximate 3.5 bps fee for recordkeeping and communication and education.

On a motion made by Mr. Ferland, seconded by Mr. Wisner, the Board voted by roll call to change the Board's previous decision regarding the VSERS 457 Plan fees, and to adopt Scenario 3 on page 9 of the Director of Investments Report, which reflects a 7.5 bps fee for recordkeeping and a flat \$31.50 fee for communication and education with Mr. Dumas, Mr. Hango, Ms. Pearce, Mr. Briggs, Mr. Davis, Mr. Wisner, Mr. Pouliot and Mr. Ferland voting in the affirmative.

Mr. Isabelle left the meeting at this time.

Ms. Pearce presented the proposed fee options for the Single Deposit Investment Account (SDIA) Plan. Ms. Pearce explained that the plan is currently frozen, and that the flat fee previously adopted negatively impacts approximately 52% of participants. Ms. Pearce stated that the only scenario or option that does not negatively impact participants is Scenario 4, assessing a 7.5 bps recordkeeping fee and a 6.5 bps communication and education fee.

On a motion made by Mr. Briggs, seconded by Mr. Davis, the Board voted by roll call to change the Board's previous decision regarding the SDIA fees and to adopt Scenario 4 on

page 10 of the Director of Investments Report, which reflects a 7.5 bps fee for recordkeeping and a 6.5 bps fee for communication and education with Mr. Dumas, Mr. Hango, Ms. Pearce, Mr. Briggs, Mr. Davis, Mr. Wisner, Mr. Pouliot and Mr. Ferland voting in the affirmative.

Ms. Pearce explained that as the trustee of the VSERS Defined Contribution Plan, she decided to implement a 7.5 bps recordkeeping fee and a flat \$31.50 fee for communication and education. Ms. Green explained the new asset allocation tool, GoalMaker included in the fee assessed by Prudential. Under Empower, participants were able to participate in Managed Account services at an additional cost of approximately \$170,000 across all plan participants. Prudential will continue to offer the managed account option, but Treasurer's Office staff intends to request that the Board consider eliminating managed account services in the future. This will give Prudential Retirement Counselors an opportunity to educate participants on GoalMaker and give participants time to transition over.

Ms. Green and Mr. Cook left the meeting at this time.

ITEM 3: Legislative Update

Ms. Pearce updated the Board on the status of pending legislation that impacts the retirement systems. S.273 required the Treasurer's Office to provide a plan to move VMERS law enforcement members into a new comparable group to VSERS Group C. This section of the bill was removed by the Senate Committee on Government Operations after testimony from the Treasurer's Office. The miscellaneous retirement bill (H.894) included minor technical changes to the state retirement system. The bill passed out of House Government Operations and House Ways & Means and is currently scheduled for House floor action the week after town meeting break.

Ms. Pearce updated the Board on the status of funding the ADEC, the current version of the FY19 budget includes fully funding the ADEC.

ITEM 4: Disability Retirement Recommendations from the Medical Review Board for:

- Jeffrey Trudeau

The Board discussed the process on how to address a disallowance recommendation from the Medical Review Board (MRB). Ms. Wolffing updated the Board on the next steps available to the Board and the new provisions passed in 2015. The Board can send a disability beneficiary who was found to have residual functional capacity by the MRB to a Vocational Rehabilitation Counselor for assessment. If the individual is found to have the capacity to earn more than the difference between their AFC and disability retirement, the Board may reduce their pension by that amount and must give the individual an opportunity to be heard and notify the individual of their reemployment rights. Ms. Wolffing explained that based on the new legislation, staff would like an opportunity to outline the process moving forward for a disability disallowance and bring back a recommendation to the Board at a later date on how to proceed.

On a motion by Ms. Pearce, seconded by Mr. Briggs, the Board voted by roll call to accept the recommendation of the MRB for Jeffrey Trudeau, and to direct staff to work on a process to move forward and complete his disability reexamination with Mr. Dumas, Mr. Hango, Ms. Pearce, Mr. Briggs, Mr. Davis, Mr. Wisner, Mr. Pouliot, and Mr. Ferland voting in the affirmative.

ITEM 5: Other Business

Mr. Dumas shared feedback he has received on the transition to Prudential specifically surrounding participants' inability to view prior statements. Mr. Briggs stated he has heard from members that were unable to verify all their shares moved over. Ms. Pearce stated that participants still have access to their prior statements through the old recordkeepers. Ms. Pearce expressed her frustration with the communication around the transition and asked members to forward any concerns and complaints to Ms. Wolffng. Ms. Pearce stated she intends to have a conversation with representatives from Prudential about the concerns surrounding communication to date.

ITEM 6: Adjournment

On a motion by Mr. Briggs, seconded by Ms. Pearce, the Board voted unanimously to adjourn at 11:21 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is a Conference Call on Thursday, April 12, 2018 at 9:00 a.m.

Respectfully submitted,



Erika Wolffng
Director Retirement Outreach & Policy