

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees – Conference Call Only
October 28, 2021 – 8:30 a.m.

Please note all member participated via telephone, video, or teleconference:

Members present:

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2022)
ERIC DAVIS, VSEA Representative (term expiring September 30, 2021)
JOHN FEDERICO, VSEA Representative (term expiring September 30, 2022)
JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2022)
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2022)
THOMAS MOZZER, VSEA Alternate Representative (term expiring October 31, 2022)
BETH FASTIGGI, Commissioner of Human Resources, voting member
ADAM GRESHIN, Commissioner of Finance and Management
BETH PEARCE, VT State Treasurer
JAY WISNER, Governor's Delegate position
DAN POULIOT, Deputy Commissioner of Department of Human Resources

Also attending:

Eric Henry, Chief Investments Officer
Katie Green, Deputy Chief Investments Officer
Lesley Campbell, Administrative Services Coordinator IV
Stephen Barry, Financial Administrator I, Retirement Division
Ashlynn Doyon, Executive Assistant to the Treasurer
Will Kriewald, Chief Financial Officer
Scott Baker, Financial Director III
Kathy Riley, Segal Consulting
Matthew Strom, Segal Consulting
Ptryk Tabernacki, Segal Consulting
Austin Miller, Segal Consulting
Jim Salsgiver, VPIC Representative
Jeff Briggs, VPIC Representative

The Chair, Roger Dumas, called the Wednesday, October 28, 2021 meeting to order at 8:35 a.m., which was held by conference call only.

ITEM 1: Agenda approval and announcements

On a motion made by Mr. Davis, seconded by Mr. Wisner, the Board voted unanimously to approve the agenda for October 28, 2021.

ITEM 2: Approve the Minutes of:

- October 14, 2021

On a motion made by Mr. Wisner, seconded by Mr. Isabelle, the Board voted unanimously to approve the minutes of the October 14, 2021.

ITEM 3: VSERS 2021 Actuarial Valuation

Mr. Strom presented the 2021 VSERS Actuarial Valuation. Mr. Tabernacki went over the demographics of the plan as of June 30, 2021. There were 8,192 active employees as of the end of the fiscal year and a ratio of non-active to actives of 1.04. The average age of actives was 45.7 years with average service credit of 10.9 years and average payroll of \$67,421. There were 1,716 inactive members and 771 deferred members with a vested benefit. As of June 30, 2021, there were 6,973 retired members and 743 beneficiaries receiving total monthly benefits of \$13,581,175 and an average monthly benefit of \$1,744.

Mr. Strom explained the financial information outlined in the report. Benefit payments have exceeded employer and member contributions. The actuarial value of assets as of June 30, 2021 was \$2,054,825,853 after the smoothing adjustment. Mr. Strom explained the actuarial experience for the year ended June 30, 2020, there was a \$21 million loss due to investment experience and a net gain from other experience resulting in a total net loss of approximately \$14 million. Mr. Strom outlined the investment experience and the rate of return on the market value of assets was 4.30% compared to the actuarial applied value of 6.37%. The assumed rate of return was 7.50% resulting in an actuarial loss. Other experience included net turnover, retirement, mortality, disability, salary and service, COLA, and miscellaneous experience. Other experience assumptions resulted in a total gain of \$9 million. The largest contributing factor in other experience was due to COLA experience that resulted in a \$24 million gain on the liability.

Mr. Strom explained the calculation of the actuarially determined employer contribution (ADEC). Mr. Strom outlined the development of the unfunded actuarial accrued liability which as of June 30, 2020 was \$1,040,265,119. The employer normal cost for 2020 was approximately \$34 million or 5.88% of payroll. Mr. Strom explained the preliminary contribution requirement as of June 30, 2020 and provided a reconciliation of how that amount was calculated. Mr. Strom explained the calculation of the ADEC, the payment on the unfunded liability for FY22 is \$84,801,408, and the normal cost is calculated as 5.88% of projected payroll and added to yield the ADEC for FY22 of \$119,967,769.

Ms. Riley presented the history of employer contributions since 2012. The employer contributions have exceeded the ADEC. The funding percentage has remained relatively flat. Ms. Riley explained the actuarial balance sheet and as of June 30, 2020 the total current and future assets was \$3.7 billion. Ms. Riley presented the risk section of the report.

On a motion made by Ms. Pearce, seconded by Mr. Wisner, the Board voted unanimously to accept the 2021 VSERS Actuarial Report as presented by Segal Consulting.

On a motion made by Mr. Wisner, seconded by Mr. Davis, the Board voted unanimously to recommend to the Governor and General Assembly that the FY23 actuarially determined

employer contribution (ADEC) of \$125,938,400 be fully funded and appropriated in the next fiscal year in order to achieve and preserve the financial integrity of the fund.

The Board considered and discussed an additional motion, recognizing the significant increase to the ADEC as a result of recent assumption changes, to direct the Treasurer to work with stakeholder groups to come up with cost savings to the plan. Ms. Pearce stated that discussions took place last winter with the risk assessment, however she believed those conversations should continue with more urgency.

On a motion made by Mr. Wisner, seconded by Ms. Pearce, the Board voted unanimously to direct the Treasurer to convey to the Governor that the Board, as a matter of principle, believes that prefunding is a more prudent approach than pay-go for the funding of the OPEB benefits.

ITEM 4: Other Business

None.

ITEM 5: Adjournment

On a motion made by Mr. Isabelle, seconded by Ms. Pearce the Board voted unanimously to adjourn at 10:25 a.m.

Next Meeting Date:

The next VSERS Board meeting is on November 10, 2021 at 9:00 a.m.

Respectfully submitted,



Lesley Campbell
Administrative Services Coordinator IV