

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM  
Meeting of the Board of Trustees – Conference Call, Treasurer's Conference  
Room

**November 9, 2023 – 9:00 a.m.**

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

**Members present:**

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2024)  
ERIC DAVIS, VSEA Representative (term expiring September 30, 2025)  
JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2024) THOMAS  
MOZZER, VSEA Representative (term expiring September 30, 2024)  
ADAM GRESHIN, Commissioner of Finance and Management  
JAY WISNER, Governor's Delegate position  
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2024)  
JOHN VORDER BRUEGGE, VSEA Alternate Representative (term expiring September  
30, 2025)

**Members absent:**

MICHAEL PIECIAK, VT State Treasurer  
BETH FASTIGGI, Commissioner of Human Resources

**Also attending:**

Gavin Boyles, Deputy Treasurer, (\*designated voting member on behalf of Treasurer Pieciak)  
Tim Duggan, Director, Vermont Retirement Systems.  
Nicole Weidman, Director of Retirement Operations and Policy, Retirement Division  
Stephen Barry, Administrative Services Manager, Retirement Division  
Justin St. James, General Counsel, Vermont State Treasurer's Office  
Yori Rubinson, Segal Consulting  
Nicole Llorens, Segal Consulting  
Gabe D'Ulisse, Empower Retirement  
Ronald Sanville, Empower Retirement  
Susan Kibbe, Empower Retirement  
Kristin Green, Empower Retirement  
Joseph Fein, Empower Retirement

The Chair, Roger Dumas, called the Thursday, November 9, 2023 meeting to order at 9:06 a.m.,  
which was held by conference call.

**ITEM 1:      **Agenda approval and announcements****

**On a motion made by Mr. Wisner, seconded by Mr. Boyles, the Board voted unanimously  
to approve the agenda.**



He highlighted that important features such as fee structure, investment lineups, and custodial agreements are governed by the same terms and conditions of the agreement using the State's terms. Mr. St. James also informed the Board that his memo can be used to understand the larger contract when he presents it to the Board at a future meeting.

**ITEM 6: Sheriffs' Membership Discussion**

Mr. Duggan welcomed Sheriff Roger Marcoux of Lamoille County to the meeting. He presented on the history of the issue of Sheriffs and Deputy Sheriffs that are members of VSERS having Group F/F\* membership, which only allows for a 30-year retirement plan. Mr. Duggan also informed the Board that because of the changes from Act 114 and the creation of Group G, a framework solution that would allow Sheriffs a 20-year retirement plan may be allowing these members to join Group G.

Mr. Marcoux thanked the Board and staff for their time on the issue and expressed his approval for the framework moving forward.

**ITEM 7: Joint Pension Oversight Committee Report**

Mr. Boyles and Mr. Duggan spoke about the presentation by the Treasurer's Office on the State of the Pension Systems in Vermont to the Joint Pension Oversight Committee. They explained that presentations focused on the most recent Experience Studies and Valuations. They emphasized that the Committee was happy to see the work on pension reform that has been going on for the last few years is starting to materialize.

**ITEM 8: Adjournment**

Mr. Duggan informed the Board that the final ADEC letter for the Legislature had been included in the meeting materials.

Mr. Duggan also informed the Board that no action is needed on the proposal to engage an outside consultant for review of the supplemental plan fees and investment lineups. He told them that he originally thought he would need to Board to vote to authorize the ask, however he realized that the contract is under the Treasurer's Office, so no vote is needed.

**On a motion made by Mr. Isabelle, seconded by Mr. Davis, the Board voted unanimously to adjourn at 11:31 a.m.**

**Next Meeting Date:**

The next regularly scheduled VSERS Board meeting is on December 14, 2023 at 9:00 a.m.

Respectfully submitted,

A handwritten signature in black ink, consisting of the letters 'S', 'B', and 'G' in a cursive, stylized font.

Stephen Barry  
Secretary to the Board



## Vermont State Employees' Retirement System

# GASB 74 Actuarial Valuation Measured as of June 30, 2023

**November 2023**

**Yori Rubinson, FSA MAAA**  
**Nicole Llorens, ASA MAAA**



# Discussion Topics

## Agenda

- Valuation Highlights
- Assumptions and Methods
  - Summary
  - Experience Study
  - Per Capita Claims Costs
  - Trend Rates
- Market Value of Assets
- Valuation Results
- Reconciliation of the Total OPEB Liability
- Actuarially Determined Contribution
- Member Demographics

# Valuation Highlights

## June 30, 2023 GABS 74 OPEB Actuarial Valuation

### ➤ Actuarial Determined Contribution (ADC)

- ADC for FYE25 increased from \$67 million to \$78 million
- Expected \$2 million increase from annual payroll growth
- Additional \$9 million increase from assumption changes

\$ in millions	Year Ending June 30, 2025	Year Ending June 30, 2024	Year Ending June 30, 2023
Long-term investment return rate	7.00%	7.00%	7.00%
ADC	\$78	\$67	\$65
ADC as % of payroll	11.26%	10.35%	10.40%

### ➤ Total OPEB Liability (TOL) increased by 13.6% over prior year

- Expected 5.0% increase from normal plan operations
- TOL increased relative to expected by 8.1%

# Assumptions and Methods

## Summary

Assumption or Method	Description	Same as Pension?	Updated for 2023?
Funding Method	Entry Age Normal Funding Method	Yes	No
Asset Valuation Method	Market value	No	No
Discount Rate	A blend of long-term (pension valuation) and short-term rates	Yes	No
Salary Growth	Varies by age	Yes	Yes*
Mortality Rates	How long members live after retirement, and how many members die prior to retirement	Yes	Yes*
Termination Rates	How many members will leave the System prior to retirement	Yes	No
Retirement Rates	When members will retire	Yes	No
Plan Participation Rates	How many members will elect coverage upon retirement	N/A	Yes*
Spousal Participation Rates	How many spouses of members will elect coverage upon retirement	N/A	No
Spousal Age Difference	How much older are spouses of members	N/A	No
Per Capita Claims Costs (Premium Rates)	Monthly cost of health care	N/A	Yes*
Trend Rates	How health care costs will increase in the future	N/A	Yes*

\* Further discussion on following pages



# Assumptions and Methods

## Experience Study

- The salary scale, mortality, and disability rates were updated in accordance with the Actuarial Experience Review prepared by Segal adopted by the Vermont Pension Investment Commission during their meeting on July 25, 2023

## Plan Participation Rates

- Modified for future retirees based on recent demographic experience

# Assumptions and Methods

## Per Capita Claims Costs

- Monthly cost of health care (i.e. premium rates)
- Varies by recipient type, plan elected, and Medicare status
- 2024 premiums, developed by Hickok & Boardman, are based on experience from July 2022 through June 2023
  - Self-sustaining rates for non-Medicare retirees increased by roughly 9% more than expected
  - Self-sustaining rates for Medicare retirees increased by roughly 4% more than expected

## Trend Rates

- Trend rates were updated, based on most recent Segal Trend Survey, other published surveys and the composition of health care elected by participants
- The long-term trend rate of 4.50% is consistent with industry standards

# Market Value of Assets (\$ in millions)

	<b>Fiscal Year Ending June 30, 2023</b>	<b>Fiscal Year Ending June 30, 2022</b>
Beginning of Year	\$105	\$120
Employer Contributions	65	35
Benefit Payouts	(42)	(35)
Administrative Expenses	(0)	(0)
Investment Income (net)	<u>10</u>	<u>(16)</u>
End of Year	\$138	\$105
Rate of Return	8.7%	-13.1%

# Valuation Results (\$ in millions)

	June 30, 2023	June 30, 2022
Discount Rate	7.00%	7.00%
Total OPEB Liability (TOL):		
• Active Members	\$450	\$401
• Retirees and Beneficiaries	<u>580</u>	<u>506</u>
Total	\$1,030	\$907
Plan Fiduciary Net Position	<u>138</u>	<u>105</u>
Net OPEB Liability (NOL)	\$892	\$803
Plan Fiduciary Net Position as a percentage of TOL	13.38%	11.55%

# Reconciliation of Total OPEB Liability (\$ in millions)

	Liability	% Change
Total OPEB Liability (TOL) as of June 30, 2022	\$907	
Expected Liability	\$952	
Changes		
Demographic Experience	(20)	-2.1%
Per Capita Claims and Claims Curve	86	9.1%
Contribution Rates	(18)	-1.7%
Trend Rates	32	3.2%
Pension Experience Study Updates	(2)	-0.1%
Plan Participation	<u>0</u>	0.0%
Total Change	78	
Total OPEB Liability (TOL) as of June 30, 2023	\$1,030	13.6%

# Actuarially Determined Contributions (ADC)

- The ADC for the fiscal year ending June 30, 2025 uses the Projected Unit Credit actuarial method
  - Assets are projected forward from June 30, 2023 assuming contributions equal the ADC for the year ending June 30, 2024 (\$67 million)
  - The Unfunded Actuarial Accrued Liability was amortized over 24 years calculated as a level percent of projected payroll (3.50% annual payroll growth)

\$ in millions	Year Ending June 30, 2025	Year Ending June 30, 2024	Year Ending June 30, 2023
Long-term investment return rate	7.00%	7.00%	7.00%
Actuarial Accrued Liability	\$1,072	\$944	\$901
Health Care Fund Assets	<u>(156)</u>	<u>(125)</u>	<u>(129)</u>
Unfunded Liability	\$916	\$818	\$773
Normal Cost	\$24	\$20	\$21
Amortization of the Unfunded Liability	<u>54</u>	<u>47</u>	<u>44</u>
Total ADC	\$78	\$67	\$65
ADC as % of payroll	11.26%	10.35%	10.40%

# Member Demographics

	June 30, 2022 <sup>1</sup>	June 30, 2021 <sup>1</sup>
<b>Active Members</b>		
Number	8,590	8,448
Average Age	45.4	45.9
Average Years of Service	10.5	11.0
<b>Retirees Enrolled in Health Care</b>		
Number of Retirees	5,211	5,219
Average Age of Retirees	71.6	71.2
Number of Spouses and Dependents (excluding children)	2,595	2,572
Average Age of Spouses	68.3	67.8
<b>Surviving Spouses Enrolled in Health Care</b>		
Number	264	265
Average Age	77.1	76.9

<sup>1</sup>Total OPEB Liability was measured as of June 30, 2023 and 2022 determined from actuarial valuations using data as of June 30, 2022 and 2021 respectively.

# Caveats

The assumptions, plan provisions and data used are described in the Vermont State Employees' Retirement System Governmental Accounting Standards Board (GABS) Statement 74 Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) Measured at June 30, 2023.

This presentation is based on the results of the June 30, 2023, actuarial valuation performed for the Board of Trustees of the Vermont State Employees' Retirement System. The actuarial valuation report has information on the plan provisions, data, methods and assumptions used in the valuation. Use of the information in this presentation is subject to the caveats described in that document. The measurements in this presentation may not be appropriate for purposes other than those described in the actuarial valuation report.

Segal accounting results are based on proprietary actuarial modeling software. The accounting valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

The results are also based on models for cost projections developed by Segal actuaries and programmers. The client team customizes and validates the models, and reviews the results, under the supervision of the responsible actuary.

Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.