

**VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM**  
Meeting of the Board of Trustees – BGS-MTPL Conference Room  
**February 13, 2020 – 9:00 a.m.**

**Members present:**

ROGER DUMAS, Chair, VRSEA Representative (term expiring October 31, 2020)  
JEAN-PAUL ISABELLE, VSEA Representative (term expiring September 30, 2020)  
ERIC DAVIS, VSEA Representative (term expiring September 30, 2021)  
JOHN FEDERICO, VSEA Representative (term expiring September 30, 2020) – via telephone  
JAY WISNER, Governor's Delegate position  
ADAM GRESHIN, Commissioner of Finance and Management  
BETH FASTIGGI, Commissioner of Human Resources  
DAN POULIOT, Deputy Commissioner of Department of Human Resources  
BETH PEARCE, VT State Treasurer  
ALLEN BLAKE, VRSEA Alternate Representative (term expiring October 31, 2020)

**Members absent:**

BARBARA KESSLER, VSEA Alternate Representative (term expiring September 30, 2021)

**Also attending:**

Michael Clasen, Deputy State Treasurer  
Tim Duggan, Assistant Attorney General  
Erika Wolffing, Director Retirement Operations  
Lesley Campbell, Administrative Services Coordinator IV  
Will Kriewald, Chief Financial Officer  
Dan Levin, Segal Consulting – via telephone  
Yori Rubinstein, Segal Consulting – via telephone  
Gabe D'Ulisse, Prudential Retirement  
Rocco Attanasio, Prudential Retirement  
Joe Fein, Prudential Retirement  
Chip Sanville, Prudential Retirement  
Susan Kibbe, Prudential Retirement

The Chair, Roger Dumas, called the Thursday, February 13, 2020 meeting to order at 9:00 a.m., which was held in the BGS-MTPL Conference Room, Pavilion Building, 4<sup>th</sup> Floor, 109 State Street, Montpelier, VT.

**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 February 13, 2020.**

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

- January 9, 2020

**On a motion made by Mr. Davis, seconded by Mr. Isabelle, the Board voted unanimously to approve the minutes of January 9, 2020 as submitted.**

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

Mr. Rubinstein presented the VSERS OPEB Report. As of the end of FY19 the ADC was \$100 million, composed of the normal cost and payment on the unfunded liability. Mr. Rubinstein explained the calculation of the discount rate of 3.5%, showing the target allocation and the long term rate of return used by the trust account. The results are sensitive to the discount rate; a 100 basis point increase or decrease would change the net OPEB liability by approximately 15%.

Mr. Rubinstein explained the factors impacting the change in the OPEB liability over the prior year. There was an increase due to service cost and interest and a decrease due to changes in assumptions and benefit payments. Mr. Rubinstein explained that if the plan were fully funded, they would assume a rate or return of 7.5%, and the actuarial accrued liability would decrease by approximately \$600 million. The Board discussed the benefits of prefunding the plan.

**On a motion made by Mr. Wisner, seconded by Mr. Isabelle, the Board voted unanimously to accept the OPEB report as presented.**

Mr. Kriewald and Representatives from Segal Consulting left the meeting at 9:56 a.m.

Representatives from Prudential Retirement joined the meeting at 9:58 a.m.

**ITEM 4: Prudential Quarterly Presentation – 457(b) & SDIA 4<sup>th</sup> Quarter Reports**

Mr. D'Ulisse explained provisions in the recently passed SECURE act that may impact the deferred compensation plan, primarily increasing the RMD age from 70.5 to 72, and reducing the minimum age for in service distributions to 59.5 (optional).

Mr. D'Ulisse presented the 4<sup>th</sup> quarter report for the 457(b) Deferred Compensation Plan. As of the end of the quarter, the plan had total assets of \$536.2 million with average account balances of \$56,779, and total participants of 7,781. Over the year, the market value went from \$9 million to \$95 million. There were 664 enrollments with 1,497 participants in Roth representing 19.2% participation rate.

Mr. D'Ulisse explained the net activity of the plan. As of the end of the quarter, the plan was in a net negative cash flow in the total amount of \$6.6 million. As of the end of the quarter, there were total distributions of \$36 million, \$24 million in rollovers and \$12 million in cash distributions. Mr. D'Ulisse explained the asset allocation of the plan, there were \$104 million in assets in Stable Value representing 19.4% of assets in the plan.

Mr. Attanasio discussed plans for marketing the 457(b) Plan. The participation rate/open rate on communications is approximately 30%, higher than the average book of business. The plan has partnered with the LiveWell initiative, and 697 went through the financial assessment as a result.

Vermont HR Connect includes content about the plans in their monthly communication. The LiveWell and Go Green campaigns have been submitted for a NAGDA award. Mr. Sanville presented the statistics from the field for the quarter, there were 16 group presentations, 448 individual participant meetings, 122 new enrollments, and 19 rollovers representing \$995,528.

Mr. D'Ulisse presented the 4<sup>th</sup> quarter report for the SDIA. As of the end of the quarter, there were 953 participants with total participant balances of \$34.6 million. The investment account for the plan is the Stable Value Fund. The market to book value ratio for the fund was 1.0196 and the yield was 2.61%.

Mr. Fein presented the investment review report for the 457(b) Plan. US Equities for the year were up 30% and small cap stocks were up 25%, and emerging markets were up 19% largely in the 4<sup>th</sup> quarter. Mr. Fein presented the year to date results, the plan assets were \$547 million and the S&P is up 4% for the year. All funds are meeting performance criteria except for the Lazard fund, including all funds in GoalMaker are meeting performance criteria. For the quarter, the Lazard Emerging Markets Fund was up 11.15%.

Ms. Fastiggi left the meeting at 10:45 a.m. Mr. Greshin left the meeting 10:52 a.m.

Representatives from Prudential left the meeting at 10:54 a.m.

**ITEM 5: Legislative Update**

Ms. Pearce updated the Board on the funding status of the ADEC and discussed various bills introduced that impact the VSERS.

Ms. Pearce left the meeting at 11:00 a.m. Mr. Clasen joined the meeting in Ms. Pearce's place.

Ms. Wolffing briefly updated the Board on the status of the miscellaneous retirement bill and provided the most recent draft of the language. Ms. Wolffing explained the most substantial change is in the ordinary disability statute, and sets a timeframe by which the State may offer a position to a member who is denied disability retirement because he or she is found to be able to perform other types of suitable work. The bill also contains language that would authorize VPIC to invest assets in the other post-employment benefits trust fund.

**ITEM 6: Disability recommendations from the January 16, 2020 meeting of the Medical Review Board:**

- **Foster Sherman (Review)**
- **Kenneth Thissell (New)**
- **Randy Thomas (New)**

**On a motion made by Mr. Wisner, seconded by Mr. Davis, the Board voted unanimously to approve the disability retirement recommendations from the Medical Review Board for Foster Sherman, Kenneth Thissell, and Randy Thomas.**

**ITEM 7: Other Business**

None.

**ITEM 8: Adjournment**

**On a motion made by Mr. Isabelle, seconded by Mr. Clasen the Board voted unanimously to adjourn at 11:09 a.m.**

**Next Meeting Date:**

The next VSERS Board meeting is a Conference Call on March 12, 2020 at 9:00 a.m.

Respectfully submitted,

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

Erika Wolff  
Director of Retirement Operations