

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees – In-House Meeting
September 25, 2017 – 2:00 p.m.

Members present:

JON HARRIS, Chairperson, Active Member Representative, term expiring– July 1, 2019
JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2021 – via telephone
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2020
DANIEL RADDOCK, Financial Regulation Representative
DEBORA PRICE, representing Secretary of Agency of Education
PERRY LESSING, Active Member Alternate Representative, term expiring July 1, 2021
BETH PEARCE, VT State Treasurer

Members absent:

LINDA DELIDUKA, VRTA Alternate Representative, term expiring July 1, 2020

Also attending:

Kathy Riley, Segal Consulting
Matthew Strom, Segal Consulting
Jonathan Smith, Empower Retirement
Ronald “Chip” Sanville, Empower Retirement
Nick Foss, Department of Finance and Management
Erin Carter, Vt-NEA Officer
Matt Considine, Director of Investments
Tim Duggan, Assistant Attorney General
Laurie Lanphear, Director of Retirement
Erika Wolffing, Retirement Office
Dawn Neddo, Retirement Office

The Chairperson, Jon Harris called the Monday, September 25, 2017, meeting to order at 1:58 p.m., which was held in the BGS-MTPL Conference Room, fourth floor, 109 State Street, Montpelier, VT.

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

- September 20, 2017

On motion by Ms. Pearce, seconded by Mr. Harris, the Board voted unanimously to approve the minutes of September 20, 2017 as submitted.

ITEM 2: **Meeting with the Actuaries to Set Mortality Rate Assumptions**

Ms. Pearce introduced the new actuaries from Segal and recapped the changes made in July to the investment rate of return assumptions and the COLA assumptions resulting in upward pressures. Ms. Pearce clarified that Segal is not doing a full experience study, but is recommending changes to the remaining key assumptions, mortality and salary. Changes to these assumptions require a vote by the VSTRS Board.

Ms. Riley went over the changes made in July to the investment rate of return assumption from 7.95% to 7.50%, and the COLA assumption from 3.0% to 2.50 % resulting in increased liabilities. Segal recommends changes to the mortality assumptions using updated tables.

Mr. Strom gave an overview of how the assumptions are set, using past experience (actual) with assumptions (expected). RP 2014 Mortality tables are currently the best available data to use. Mr. Strom clarified terminology used; mortality improvement refers to individuals living longer.

Mr. Strom explained that current mortality rates were based on RP-2000 Healthy Annuitant tables, with mortality improvement based on Scale BB projected to a static date of 2029. Segal recommended updating the base tables to RP-2014 mortality services and accounting for future mortality improvement by applying Scale SSA-2017 on a generational basis. For VSTRS all Groups, Segal recommended using 90% of RP-2014 White Collar Annuitant Table and for mortality improvement using Scale SSA-2017 on a generational basis. For disability retirees Segal recommended using RP-214 Disable Retiree Table with Scale SSA-2017 applied on a generational basis. For death in active service, Segal recommended using similar adjustments as those recommended for post-retirement, non-disabled mortality.

Mr. Strom discussed the salary scale assumptions as modified as part of the 2016 experience study. From the study of 3 years of experience, expected increases were higher than actual increases. Segal recommended a shift towards actual experience by reducing the rates in the current salary scale assumption by 0.37% from 4.94% to 4.57%.

Ms. Riley explained the cost impact of the proposed mortality rate assumptions and salary assumptions. The changes in mortality assumptions will result in an increase in actuarial accrued liability of \$87.9 million or 2.9%, a funded percentage decrease of 1.6%, and an employer contribution increase of \$7.3 million or 8.1%. The changes in salary assumptions will result in a decrease in actuarial accrued liability of \$22.9 million or 0.7%, a funded percentage increase of 0.4%, and an employer contribution decrease of \$2.9 million or 3.0%. Taking into account all assumption changes - the actuarial accrued liability increases by \$172.7 million or 5.9%, the funded percentage decreases by 3.2%, and the employer contribution increases by \$10.9 million or 13.0%.

On motion by Ms. Pearce, seconded by Mr. Mackey, the Board voted unanimously to accept the proposed changes to the mortality assumptions and salary assumptions as proposed by Segal on September 25, 2017.

Ms. Riley and Mr. Strom left the meeting at this time

ITEM 4: Discuss/Act on Disability Recommendation from Medical Review Board

- Elizabeth Unger

On a motion made by Mr. Lessing, seconded by Mr. Mackey, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Elizabeth Unger without further review.

ITEM 6: New Business

Mr. Duggan presented the draft Summary for the VEHI FY19 Rate Filing to be included in VEHI's recommendation made to the Department of Financial Regulation. For FY19, VEHI is proposing an overall rate increase for VSTRS members of 2.5%, the Board recommends that retiree-over-65 rates be increased by 1.4% and retiree under-65 rates be increased by 8%.

On a motion made by Ms. Pearce, seconded by Ms. Price, the Board voted to accept the summary to be included in VEHI's rate filing recommendation to the Department of Financial Regulation. Mr. Raddock abstained.

ITEM 3: Director of Investments Report

Mr. Considine presented the VPIC Meeting Attendance Report for fiscal year 2017 as required by 3 V.S.A. § 522.

Mr. Considine gave an update on the move to Prudential as the third party administrator for the supplemental retirement programs. The Prudential contract was signed August 23, 2017 and the office has extended the contract with Cammack to help with the transition. The existing record keepers have been contacted by Prudential and have assigned transition managers. The transition date is set for February 1, mid-quarter to show the balance moving over to Prudential.

The Board took a brief recess at 3:00 p.m.

At 3:11 the Board came into session, Mr. Sanville and Mr. Smith joined the meeting at this time.

ITEM 5: EMPOWER retirement Presentation on the 403(b) and SDIA Plans

Empower Retirement presented to the Board the latest quarterly results for the VSTRS 403(b) Retirement plan (4/1/17 – 6/30/17). Mr. Sanville went over the latest results of Total Assets, Asset Growth, and the percentage of Assets by Asset Class. Asset Growth is up \$5.11 million from the last quarter, which brings total assets to \$94.05 million. Participants since 4/1/17 have risen from 2,499 to 2,542 with an average account balance of \$37,000. Contributions increased to \$3.69 million this quarter, contributing participants are up to 1,796, with average contribution per participant at \$2,055.

Mr. Smith discussed field activity for the last quarter which included 6 group meetings, 97 appointments, 52 new enrollments, and \$435,944 in roll-ins. Mr. Smith noted that field activity tends to decrease in the 2nd quarter due to summer break, but stressed the usefulness of having an on-site contact to help set up meetings in the school districts. Mr. Harris helped coordinate meetings with EMPOWER field reps at his school district that resulted in more enrollments.

Mr. Sanville gave an overview of the latest SDIA quarterly report (4/1/17 – 6/30/17). Plan Assets are at \$47.36 million, which is a decrease of \$0.56 million, or 1.2% in the last quarter. There are still 1,305 participants in the plan, 1,062 of the participants are over the age of 65.

ITEM 7: Adjournment

On motion by Ms. Pearce, seconded by Mr. Mackey the Board voted unanimously to adjourn at 3:40 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a Conference Call meeting, October 12, 2017 at 3:30 p.m.

Respectfully submitted,

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

Erika Wolffing
Retirement Office