

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Conference Call Meeting of the Board of Trustees

February 16, 2018 – 1:00 p.m.

VMERS Members present:

PETER AMONS, Chairperson, Employee Representative (term expiring July 1, 2020)
KIMBERLY GLEASON, Employer Representative (term expiring July 1, 2020)
DAVID ROWLEE, Employee Representative (term expiring July 1, 2018) – via telephone
MEL HAWLEY, Employer Representative (term expiring July 1, 2018) – via telephone
BETH PEARCE, Vermont State Treasurer

Also attending:

Tim Duggan, Assistant Attorney General
John Booth, Director of Treasury Operations
Laurie Lanphear, Director of Retirement Operations
Erika Wolffing, Retirement Office

Mr. Amons called the Friday, February 16, 2018 Conference Call meeting to order at 1:07 p.m. which was held in the Treasurer's Conference Room, Pavilion Building, 4th Floor, 109 State Street, Montpelier, VT. Mr. Amons inquired of the Board members if anyone had additional items for discussion or action. Ms. Pearce stated she would like to provide an additional update on S.273 under the legislative update action item.

ITEM 1: **Approve the minutes of:**

- January 12, 2018

On a motion by Ms. Pearce, seconded by Mr. Hawley, the Board voted unanimously to approve the minutes of January 12, 2018 as submitted.

ITEM 2: **Risk Assessment of the Pension Funds**

Ms. Pearce presented the memorandum sent to the Board chairs regarding risk assessments of the pension funds. Ms. Pearce explained that Pew is currently working on pension fund risk assessments around the country but typically uses a deterministic approach. As part of a new actuarial standard of practice (ASOP 51), actuaries will be required to identify and assess risks that may impact a plan's financial condition. Ms. Pearce recommended that the Board contract with an independent actuary to early implement ASOP 51 and conduct a risk assessment of the pension funds using a stochastic approach.

Mr. Hawley inquired as to how this assessment would be funded and whether the cost is included in the FY19 draft budget. Ms. Pearce explained that it would be funded by the pension system, and that work on the assessment would likely start this summer. The cost would be included as part of the regular valuation process and likely would not increase the budget by a significant amount.

Mr. Rowlee joined the meeting at 1:18 p.m.

Ms. Pearce explained that risk assessments will become a regular part of the valuation process and that the Board would be voting only to early implement the requirement. Mr. Hawley expressed concern that the assessment cost not challenge the FY18 actuarial line item on the budget. Ms. Pearce stated she would negotiate with the actuary and report back to the Board on costs and the impact to the budget.

On a motion by Ms. Pearce, seconded by Ms. Gleason, the Board voted unanimously to contract with an actuary to early implement a risk assessment of the pension fund as required by ASOP 51.

ITEM 3: Legislative Update

Ms. Pearce gave an update on the status of the miscellaneous retirement bill. The bill passed out of the House Committee on Government Operations by a vote of 9-0-2. Ms. Pearce explained that the majority of the bill contained clean up language in the Teachers' statutes and included the recommended VMERS employee contribution rates.

Ms. Pearce updated the Board on S. 273 currently in the Senate Committee on Government Operations. Section 6 of the bill would mandate that the Office of the Treasurer provide a plan in one year and move municipal law enforcement employees enrolled in VMERS into a comparable group to VSERS Group C. Ms. Pearce submitted a memorandum to the Senate Committee explaining that a comparable group already exists as Group D in the VMERS system. Ms. Pearce explained the main difference between the Groups is health insurance provided in retirement. Ms. Pearce stated that she submitted the memo in her capacity as Treasurer and not as a VMERS Board member.

Mr. Hawley expressed concern around the premise of S. 273 and expressed frustration that the bill was introduced without Board input.

On a motion by Mr. Hawley, seconded by Ms. Gleason, the Board voted unanimously to object to Section 6 of S. 273 and requests that it be removed and that any further discussion of retirement changes should be vetted with the VMERS Board of Trustees, the Vermont League of Cities and Towns, and employee groups.

ITEM 4: VMERS FY19 Budget Overview

Mr. Booth presented the VMERS FY19 Budget Overview. Mr. Booth identified the investment management fees for assets under management and explained the increase over the prior year is due to the increase in assets under management. Mr. Booth then explained the cost allocation method used to determine how much administrative support is charged to each system. Staff identifies how much time they work in each system and costs are allocated based on the % of staff time spent in each system. Mr. Booth explained the cost allocation is charged approximately 43% to VSTRS, 37% to VSERS, and 20% to VMERS. Mr. Booth explained the reduction in the

VPAS line item and explained the ongoing cost is now software maintenance. Mr. Booth explained the fee for space increase as a result of staffing changes and other internal service fund changes including the DII costs for email support, and the Finance and Management costs for the VISION system

Mr. Rowlee left the meeting at 2:09 p.m.

Mr. Booth explained that excluding the investment management fees, the change in the FY19 VMERS budget over the prior year is an increase of \$19,943 or 1.76%.

Mr. Rowlee rejoined the meeting at 2:16 p.m.

On a motion made by Ms. Pearce, seconded by Ms. Gleason, the Board voted by roll call to approve the VMERS FY19 Budget as presented with Ms. Pearce, Ms. Gleason, and Mr. Hawley voting in the affirmative and with Mr. Rowlee and Mr. Amons abstaining.

ITEM 5: Town of Putney Deadline Waiver Request

Ms. Pearce explained that 24 V.S.A. 5068 (f) outlines the process for municipalities to request a waiver of the enrollment deadlines from the VMERS Board of Trustees. The Board has the discretion to allow the waiver if it is determined that the retirement office can facilitate enrollment of the employees by July 1.

On a motion by Mr. Hawley, seconded by Ms. Pearce, the Board voted unanimously to approve the waiver request from the Town of Putney.

ITEM 6: Disability recommendations from the Medical Review Board:

- Alyce Daggett

On a motion made by Ms. Pearce, seconded by Ms. Gleason, the board voted unanimously to accept the recommendation of the MRB to allow disability retirement for Alyce Daggett without review.

ITEM 7: Any other business to come before the Board

Ms. Pearce notified the Board that it may be necessary to hold a special VMERS Board Meeting to discuss the rate structure for the VMERS Defined Contribution plan. Ms. Pearce further updated the Board on the status of the transition to Prudential. Mr. Hawley expressed concern about the late mailing sent from Prudential and asked that future correspondence be sent more timely.

ITEM 8: Adjournment

On motion by Ms. Pearce, seconded by Ms. Gleason, the Board voted unanimously to adjourn at 2:27 p.m.

Next Meeting Date:

The next scheduled VMERS meeting TBD.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolffing". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Erika Wolffing
Director Retirement Outreach & Policy