

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

October 23, 2012

VSEERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2013)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2014)
Jeff Briggs, VSEA Representative (term expiring September 1, 2014)
Paul White, Jr., VSEA Representative (term expiring September 1, 2014)
Thomas Hango, VSEA Alternate (term expiring September 1, 2013)
Kate Duffy, Commissioner of Human Resources (ex-officio)
James Reardon, Commissioner of Finance & Management (ex-officio)
Richard Johannesen, Governor's Delegate (ex-officio)
Elizabeth Pearce, VT State Treasurer

Members absent:

None

Also attending:

Allen Blake, VRSEA Alternate representative (term expiring September 1, 2014)
Stephen Wisloski, Deputy VT State Treasurer
Matthew Considine, Director of Investments
Katie George, Investments Manager
Scott Baker, Director of Financial Reporting
David Driscoll, Buck Consultants
Hope Manion, Buck Consultants
David Beatty, Dept. of Finance & Management
Stephen Rauh, Chairman of VPIC
Stephen Klein, Joint Fiscal Office
Laurie Lanphear, Director of Retirement Operations
Nancy Dimick, Secretary to the Board
Monica Chiren, Assistant to Nancy Dimick

The Chairperson, Kevin Gaffney, called the Tuesday, October 23, 2012, meeting to order at 8:05 a.m., which was held in the Governor's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

The Chairperson, Mr. Gaffney indicated Items #3 and 4 will be taken before Item #2. Mr. Driscoll and Ms. Manion introduced themselves to the Board members.

ITEM 1: Approve the Minutes of:

- **August 9, 2012**

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to approve the minutes of August 9, 2012, as submitted.

ITEM 2: Review/Act on FY '12 Actuarial Valuation

Mr. Driscoll presented the results of the actuarial valuation for the fiscal year ending June 30, 2012. The Board discussed the demographic changes. There was a discussion concerning the Select & Ultimate method and the single equivalent rate. There was a discussion relative to amortization. There was a discussion about the unfunded liability. There was a discussion about the ARC and the contribution rates. Mr. Driscoll indicated an amendment would be done to page two to include the 2% COLA in the final copy of the valuation report. There was a discussion about mortality and the use of the Mortality Scale of AA and the new scale BB. Mr. Driscoll indicated the mortality assumption might be one reason to have an experience study sooner than the five-year period. There was a discussion about asset smoothing, average salaries and the unfunded liability.

(Ms. Pearce left the meeting briefly during this item.)

(Mr. Klein entered the meeting during this item.)

The Board discussed the gains and losses. There was a discussion about the new GASB standards. Ms. Pearce reviewed with the Board members the handouts *Comparison of State Retirement ARC Calculation (Actuary and State Numbers)* and the true-up sheet of the contribution rates. There was a discussion concerning the NPO (Net Pension Obligation). It was indicated Mr. Reardon would do a budget presentation at one of the upcoming meetings. Mr. Driscoll answered all of the Board's questions.

On motion by Mr. Briggs, seconded by Ms. Pearce, the Board unanimously voted to forward to the Governor the contribution recommendation of \$40,217,666 for FY '14 and \$42,148,781 for FY '15 based on the FY '12 Actuarial Valuation report as presented by the actuary.

Ms. Pearce indicated once the few changes were made to the Valuation Report they would be provided to the Board members.

ITEM 3: Review 2012 OPEB Update

Ms. Manion provided a review of the *Report on the Actuarial Valuation of Post Retirement Benefits of the Vermont State Employees' Retirement System Prepared as of June 30, 2012* for Board discussion. There was a discussion about the demographics. There was a discussion about GASB 45. There was a discussion concerning the federal health care reform legislation and the Vermont single payer system. There was a discussion concerning the "Cadillac tax". Relative to the Vermont single payer health system Mr. Reardon indicated the State's focus now is on creating an exchange. Mr. Reardon indicated he would gladly discuss this with Ms. Manion at any time. There was a discussion about the Net OPEB Obligation (NOO). Ms. Manion indicated a new report will be provided once the required additions were added.

(Mr. Reardon and Mr. Klein left the meeting at this time.)

On motion by Ms. Pearce, seconded by Mr. White, the Board unanimously voted to accept the 2012 OPEB Report with the revisions to the amortization as stated.

(Mr. Beatty, Mr. Baker, Mr. Considine, Ms. Green, Mr. Driscoll, Ms. Manion and Mr. Rauh left the meeting.)

ITEM 4: Discuss/Act on disability retirement recommendations for:

- | | |
|-----------------------------|------------|
| • Dzemaal Mahmutovic | New |
| • Joseph F. Calevro | New |
| • Liana Deliduka | New |

Ms. Lanphear explained in response to an inquiry that when a member had a work-related injury they did not need five years of service credit in order to apply for a disability retirement.

On motion by Mr. Briggs, seconded by Mr. Dumas, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Dzemaal Mahmutovic, with a one-year review.

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Joseph F. Calevro, with a one-year review.

On motion by Mr. Briggs, seconded by Ms. Duffy, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Liana Deliduka, with no review.

ITEM 5: Review/Accept 2013 meeting schedule

The consensus of the Board was to accept the 2013 meeting schedule as presented.

ITEM 6: Any other business to come before the Board

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to enter Executive Session at 10:32 a.m. pursuant to Title 1, § 313 for the purpose of discussing personnel issues.

(The Board exited Executive Session at 10:35 a.m.)

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to approve the appeal for the emergency withdrawal request for Marion Fignar for the amount of \$2,200.00 based on the subsequent information provided.

Mr. Wisloski indicated at the next meeting they will discuss the parameters of the self-directed brokerage accounts with the 457 Plan.

ITEM 7: Adjournment

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board unanimously voted to adjourn at 10:40 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is an in-house meeting on Thursday, November 8, 2012 at 9:00 a.m.

Respectfully submitted,

Nancy Dimick
Secretary to the Board