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VLCT Employment Resource and Benefits (VERB) Trust, Inc.

Board of Directors Meeting

June 7, 2021

Virtual Meeting via Telephone and GoToMeeting

Minutes

Directors present: Bill Shepeluk, Joel Cope, Charles Safford, Kathleen Ramsay and Carrie Johnson

VLCT staff present: Ted Brady, Seth Abbene, Joe Damiata, Jeremiah Breer and Kelley Avery

Others present: Magali Welch, Jillian Mulcahy (Johnson Lambert) and Lydia Jones (Equifax)

The meeting was called to order at 10:01 a.m.

Upon motion (Ramsay/Safford), duly adopted, the board voted unanimously to approve the agenda.

Upon motion (Safford/Ramsay), duly adopted, the board voted unanimously to approve the minutes of the December 17, 2020 meeting.

Magali Welch and Jillian Mulcahy presented the results of the 2020 VERB Trust audit. Despite delays in receiving necessary information from the VT Department of Labor, Ms. Welch reported this was an unmodified, clean audit for 2020 with no material weaknesses or adjustments. Jillian Mulcahy provided a brief overview of the testing process. Ms. Welch pointed out the Trust has the option of incorporating new, Key Audit Measures (KAMs) into future audits, but Jeremiah Breer and Joe Damiata noted PACIF did not incorporate these measures into their audit and recommended VERB follow suit.

Upon motion (Safford/Johnson), duly adopted, the board voted unanimously to approve the 2020 VERB Trust Audit.

Joe Damiata provided a brief organizational update to the board including the following:

- Seth Abbene has started as the new CFO and is in training with Michael Gilbar.
- The new VLCT ARPA Director will be announced this week.
- Ted Brady noted the state portal to request ARPA funding should go live soon, and VLCT will notify

members once it's available.

- Mr. Brady's Listening Sessions have been well attended and there are four left in June. A survey will also be sent to all members, and info from the sessions and surveys will be used to build a 5-Year Strategic Plan.
- The transition of former VERB products moved to VLCT is going smoothly; a carrier change from Lincoln Financial Group to Madison National Life is underway.
- The VERB and PACIF Annual Report will be finalized either this week or next week.

Jeremiah Breer reviewed the unaudited financials through the first quarter of 2021. The Trust's net position is down roughly 2.1% from the start of the year, largely due to unrealized losses on the Trust's fixed income investments. Liabilities are also down 48.8% as there was no accrual for 2020 contribution credits, and estimated Q1 claims, including the 50% credit, are down compared to Q1 last year. Total revenue is down 5.8% from this time last year due to commissions moved from VERB to VLCT on ancillary products; however, member contributions are up compared to this time last year, which nearly offsets this amount. Operating expenses are down 36.4% and under budget largely due to timing and a planned decrease in the VLCT administrative agreement.

Upon motion (Safford/Ramsay), duly adopted, the board voted unanimously to accept the Q1 unaudited financials.

Kelley Avery provided a Q4-2020 and annual claims overview. Costs for Q4, net of CARES Act credits, came to \$133,708. Costs for the year, also net of federal credits, came to just over \$1.18 million.

Previously, our highest year in costs was 2009 totaling \$824,725. Although the reported number of claims processed for 2020 totaled 734, Ms. Avery noted the number of claims for the year was undoubtedly higher as the VT Department of Labor (VDOL) sent the bulk of claims for Q2 directly to claimants without reporting them to Equifax. As a result, very few claims were protested at Equifax last year as well, as there was no classifying information received from the VDOL to accompany these claims. However, many claims for 2020 are still in "pending" status as we are protesting after the fact, and some claims are being protested for the first quarter of 2021 as well. Q1 claims, net of federal credits, are estimated at roughly \$125,000. This number is unreconciled as the Q1 bills from the VDOL have not yet been received. Ms. Avery noted the 50% credit will increase to 75% beginning Q2 under the American Rescue Plan, and this credit is scheduled to expire September 6th. Although fraudulent UI claims were prevalent in March through May of this year, we suspect many of the fraudulent claims impacting our members were caught due to mailings our members received and reported. Potential credits on any pending cases may be issued in the months ahead as claims continue to be reviewed.

Upon motion (Safford/Ramsay), duly adopted, the board voted unanimously to accept the unemployment claims reports.

Ms. Avery introduced Lydia Jones, the Trust's new Account Manager from Equifax, who was assigned to VLCT at the start of the year. Ms. Jones reviewed the Equifax Annual Executive Summary for the board.

The summary noted that Equifax removed \$19,356 in potential liability at the initial protest level in 2020. This amount would no doubt have been higher if Equifax had received more information to accompany and categorize separation reasons for these 2020 claims. The report also showed \$11,169 in benefit payments were credited back in 2020, for a total savings of \$30,525 for the year.

President Shepeluk briefed the board on the Joint Investment Committee meeting held in March. The committee met with Dan Smereck from Strategic Asset Alliance (SAA) and also representatives from

Insight (formerly Mellon). The committee discussed the pandemic's impact on the Trust's budget and portfolio. The strategy for this year is to move excess surplus back into equity investments to replenish much of what was liquidated last year. The same asset allocation strategy will be used. Dan Smereck also trained the committee regarding ESG (Environmental, Social and Governance) investing.

Ms. Avery provided a brief review of federal and state legislative updates, focusing on the changes under the American Rescue Plan Act (ARPA) which impact unemployment. The enhanced federal weekly benefits of \$300 will continue until September 6th. Other federal programs such as Pandemic Unemployment Assistance (PUA) for sole proprietors and subcontractors will also continue until that time, in addition to PEUC (Pandemic Emergency Unemployment Compensation) which allows for an additional 13 weeks of federally funded benefits beyond the standard 26 weeks of state benefits.

Mr. Damiata briefly reviewed a necessary change to the 2021 budget due to the VLCT board's decision to allow a salary increase for VLCT staff beginning in April. This resulted in an increase of \$2,078 in administrative expenses, and copies of the revised budget and Addendum to VLCT Administrative Support Services were provided to the board.

Upon motion (Safford/Johnson), duly adopted, the board voted unanimously to approve the amended 2021 VERB Trust Budget and VERB Trust Annual Addendum to the Administrative Support Services Agreement.

Ms. Avery provided a legislative update, noting provisions of Act 91 from last year, which made several COVID-19 related allowances for unemployment eligibility, have continued into 2021 until the state of emergency is lifted. In addition, a new bill, S.62, was signed into law last week. This bill provides incentives for relocating or remote workers in Vermont but also stipulates several new unemployment provisions: the maximum weekly benefit amount will never decrease below \$531, the year 2020 will be removed from the UI tax rate calculation for taxable employers and a new, \$25 weekly supplemental UI benefit will be added once the \$300 weekly federal benefit ends. Costs for the new weekly benefit will start in October of this year, and Ms. Avery estimates the new benefit will increase the Trust's annual costs from \$80,000 to \$114,000 per year, depending on claims activity. The bill states \$100 million will be designated for this new supplemental benefit to be paid out of the state's UI Trust Fund until this amount is exhausted, which may take anywhere from 13 to 18 years.

President Shepeluk has a conflict for the scheduled August meeting and asked that the meeting be rescheduled for another date. The board chose August 25th as the new meeting date.

Upon motion (Safford/Ramsay), duly adopted, the board voted unanimously to reschedule the next VERB Trust Board meeting to August 25th.

Upon motion (Ramsay/Safford), duly adopted, the board voted unanimously to adjourn the meeting (12:01 p.m.).

Respectfully submitted,
Kelley Avery
Assistant Secretary

Board or Committee:

VERB Board of Directors

Board/Committee Meeting Date:

Monday, June 07, 2021

Resource Category:

- Minutes
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