

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

March 24, 2011

VMERS Members present:

STEVEN JEFFREY, Chairperson Employee Representative (term expiring July 1, 2014)

PETER AMONS, Employee Representative (term expiring July 1, 2011)

JAMES QUINN, Employer Representative (term expiring July 1, 2012)

THOMAS GOLONKA, Governor's Appointee

ELIZABETH PEARCE, Vermont State Treasurer

Board members absent:

None

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board

Laurie Lanphear, Deputy Director of Retirement Operations

John Claussen, CFA, VP, Investment Consultant, Fidelity Investments

Suzanne Porter, VP, Managing Director, Fidelity Investments

Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Steven Jeffrey, called the Thursday, March 24, 2011 meeting to order at 9:04 a.m., which was held in the Treasurer's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the minutes of November 16, 2010**

On motion by Mr. Golonka, seconded by Mr. Amons, the Board unanimously voted to approve the minutes of November 16, 2010, as amended.

ITEM 2: **Defined Contribution Plan review by Fidelity Investments**

Ms. Porter and Mr. Clausen introduced themselves to the Board members. Ms. Porter advised the Board members she would present the demographics of the program and Mr. Claussen would present the investment information.

Ms. Porter provided a comparison of the total plan assets for the years 2008, 2009 and 2010. Ms. Porter reviewed the number of single fund holders and the funds they are holding. Ms. Porter agreed to provide the Board members information concerning single fund holders outside of the Freedom Funds. Ms. Porter reviewed the investments by age group. Mr. Jeffrey requested that Fidelity provide the size of the accounts that are held by the members, also. There was a discussion about the Freedom Funds. There was a discussion about participant allocation to equities and the chart that indicated that information.

There was a discussion about the number of members that opt for the Defined Benefit plan versus the Defined Contribution plan. There was a discussion that the default is the DB plan. It was discussed that the Board would like a report from Ms. Lanpher to reflect what election the new participants are making and if they are staying with the target date funds.

There was a discussion about the cumulative time-weighted returns. Ms. Porter discussed a breakdown of the plan assets. Ms. Webster was directed to provide an update on the Defined Contribution expenses and administrative assets. There was a discussion about the Freedom Funds. Ms. Porter provided information concerning participants utilizing the website.

Mr. Claussen reviewed the investments with the Board members. There was a discussion about inflation and inflation protection. There was a further discussion about Freedom Funds and the modeling for Freedom Funds. Ms. Pearce requested the plan statistics be charted for a few more years so she can do a comparative piece.

Mr. Claussen discussed the three funds that were on the watch list, the equity income, blue chip growth and the diversified international. Mr. Claussen indicated the equity income has had a very good year. Mr. Claussen also indicated the blue chip has a new portfolio manager and that he would take that fund off the watch list. Mr. Claussen indicated the diversified international is still struggling, but it did meet the benchmark this year. There was a discussion how funds are compared and to what they are compared.

There was a discussion about the market and what funds are doing well in this kind of atmosphere. Ms. Porter responded to Ms. Pearce's questions concerning the closing of the Marlborough office, indicating they were not downsizing, but simply eliminating some excess real estate. Ms. Porter indicated it is their intention to continue to have Mr. Mahoney work with the State.

Mr. Claussen indicated to the Board he did not see any reason to make a change at this point. There was a discussion about investment fund strategy policy. Mr. Claussen indicated he will submit a sample investment fund strategy policy for review and/or adoption with recommendations as appropriate.

There was a discussion about international funds and emerging market funds. There was a discussion about brokerage accounts. Ms. Porter indicated she will provide more information to the Board members concerning brokerage accounts.

There was a discussion concerning the benchmarks for stable value funds. Mr. Claussen discussed an institutional fact sheet. Mr. Claussen indicated he will provide the Board with the market value of funds to that benchmark, in addition to providing the latest market to book. There was a discussion about book to market and put notices. There was a discussion about wraps. Mr. Wisloski indicated that if there are custom materials on the stable value fund he would like to receive it. Mr. Claussen indicated they can have someone come in to do a presentation, if the Board would like. Mr. Claussen also indicated if the Board would like to have a presentation about the Freedom Funds they can arrange that. It was indicated there

would be follow-up concerning the Domini fund bases points. It was requested that the Board members be included on any communication emails that the participants are sent. The Board thanked Ms. Porter and Mr. Claussen for their presentation.

(Ms. Porter, Mr. Claussen and Mr. Wisloski left the meeting at this time.)

It was the consensus of the Board to move Item Number 8 up on the agenda.

ITEM 3: Discuss Medical Review Board

On motion by Mr. Amons, seconded by Mr. Quinn, the Board voted unanimously to enter Executive Session at 11:12 a.m. pursuant to Title 1, § 313 for the purpose of discussing personnel matters.

The Board exited Executive Session at 11:20 a.m.

On motion by Ms. Pearce, seconded by Mr. Quinn, the Board voted unanimously to direct the staff to write a letter to Dr. Alban Coghlan on behalf of the VMERS Board advising him that his services are no longer needed on the Medical Review Board effective immediately.

The Board directed the staff to find a replacement for Dr. Alban Coghlan and to develop a set of guidelines for the Medical Review Board.

(Ms. Pearce left the meeting at this time.)

ITEM 4: Act on Town of Wilmington's request for waiver of membership for Fred Ventresco

Ms. Webster provided the board members information concerning this issue. The Board discussed this request.

On motion by Mr. Amons, seconded by Mr. Golonka, the Board unanimously voted to exempt Fred Ventresco from membership in VMERS pursuant to 24 V.S.A. Section 5053 (d).

ITEM 5: Act on the following requests to join VMERS:

Town of Athens	effective 1/1/11
Town of Middletown Springs	effective 7/1/11
Rutland Housing Authority	effective 7/1/11

Ms. Webster provided the Board members background on these three requests.

On motion by Mr. Golonka, seconded by Mr. Amons, the Board unanimously voted to approve the Town of Athens, Town of Middletown Springs and Rutland Housing Authority's requests to join VMERS effective January 1, 2011, July 1, 2011 and July 1, 2011 respectively.

ITEM 6: Act on Joseph Paul Routhier's request to purchase past service

Ms. Webster provided the Board members the background concerning this item, indicating that Mr. Routhier wanted to purchase past service but that no one can document his time. The Board discussed this item.

On motion by Mr. Golonka, seconded by Mr. Amons, the Board unanimously voted to allow Joseph Paul Routhier retroactive membership effective upon his hiring in the appropriate VMERS plan with the Grand Isle Supervisory Union provided full back contributions by employer and employee are made, and that it is indeed certified that Mr. Routhier met the 30 hours a week requirement.

ITEM 7: Revisit policy on employees who work qualifying time in more than one municipality

Ms. Webster indicated this issue was never truly resolved. The Board discussed members working for more than one municipality at the same time. The consensus of the Board was for the staff to come back with a recommendation to the Board.

ITEM 8: Legislative update

Ms. Webster indicated the Committee Bill will provide for the employee contribution rates to remain stable for one more year.

Ms. Webster indicated to the Board she was scheduled to testify on Friday concerning the COLA issue. The Board discussed the COLA's and the CPI. Ms. Webster provided the Board members with a copy of Mr. Gaffney's email from March 10, 2011 concerning the CIP-U NE and CPI-U US. The Board members shared their views of changing the CPI. Ms. Webster reviewed the COLA piece from last year's session. Ms. Webster indicated the Teachers' Board remained neutral, and that the Treasurer's Office would also remain neutral. Ms. Webster indicated the change would be cost neutral to the system. The consensus of the Board was to remain neutral on this issue.

ITEM 9: Any other business to come before the Board

None.

ITEM 10: Adjournment

On motion by Mr. Golonka, seconded by Mr. Amons, the Board unanimously voted to adjourn at 12:02 p.m.

Next Meeting Date:

There is no VMERS meeting currently scheduled.

Respectfully submitted,

Cynthia L. Webster, Secretary to the Board