

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Meeting of the Board of Trustees

August 24, 2001

**Board members present:**

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2004)

DAVID LEWIS, Employer Representative (term expiring July 1, 2003)

JAMES DOUGLAS, Vermont State Treasurer

**Member(s) absent:**

W. JOHN MITCHELL, II, Vice-Chairperson, Employee Representative (term expiring July 1, 2002)

SHELDON PRENTICE, Governor's delegate

**Also attending:**

Cynthia L. Webster, Director of Retirement Operations

Marie Duquette, Director of Investment Services

Richard Charlton, Ellen Griggs, David Moseley

New England Pension Consultants

Paul McGinley

The Chairperson, Steve Jeffrey, called the meeting to order at 8:42 a.m. on Friday, August 24, 2001 in the Treasurer's Conference Room #1 at 133 State Street, Montpelier, Vermont.

**ITEM 1:** Approval of minutes for the May 18, 2001 Board meeting and joint Board meetings of June 13, 2001 and June 28, 2001

**On a motion by Mr. Douglas seconded by Mr. Lewis, the Board unanimously voted to approve the minutes of the May 18, 2001 Board meeting and joint Board meetings June 13, 2001 and June 28, 2001, as submitted.**

**ITEM 2:** Correspondence

- Waiver of filing deadline to offer the DC plan – Town of Morristown

**On a motion by Mr. Lewis seconded by Mr. Douglas, the Board unanimously voted to waive the filing deadline for the Town of Morristown to offer the Defined Contribution (DC) plan to their Town Administrator.**

**ITEM 3:** State Treasurer's report

Mr. Douglas reported since the Education and Communication Specialist position had been filled newsletters were being published and mailed on a regular schedule to both active and retired members for all three systems.

**ITEM 4:** Investment consultant quarterly review

Mr. Charlton, Ms. Griggs and Mr. Moseley appeared before the Board and reviewed the second quarter 2001 performance. They reported a fund balance of \$172.1 million and a quarterly return of 3.5%. The one-year return was 0.6%, three-year return 6.8% and a five-year return of 12.2%.

The Board discussed and agreed that several areas of the Policy & Guidelines need review and possible revisions.

- High yield bond report

The discussion of high yield bonds was included in the Investment Consultant presentation and will be a topic for an educational workshop to be presented by the consultant at a later date.

**ITEM 5:** Defined Contribution Plan presentation – Fidelity Investments

Ms. Suzie Sylvester and Mr. George Mellman appeared before the Board. The Board discussed their desire to expand the VMERS membership and agreed that by offering a DC plan they expected an expansion of their membership. The Board requested a renewed effort by Fidelity to recruit new members through an educational campaign that includes inviting non-participating entities into the plan.

**On a motion by Mr. Lewis seconded by Mr. Douglas, the Board unanimously voted that effective October 1, 2001 an age-appropriate Freedom Fund would become the default fund for all new enrollees and that existing accounts that have defaulted to the Managed Income Portfolio will have new contributions going into an age-appropriate Freedom Fund default.**

Fidelity Investments will identify the participants who have defaulted to the Managed Income Portfolio account and provide the educational component needed to advise them of the changes.

Members of the Fidelity Investments team will join staff from the Retirement Office at the “Town Fair” sponsored by the Vermont League of Cities and Towns to be held September 27, 2001.

Ms. Sylvester will prepare for the Board’s review an outline of the amendments to the Plan Document that the Board *must* adopt and those that the Board *may* adopt to be compliant with the *Economic Growth and Tax Relief Reconciliation Act of 2001*.

**On a motion by Mr. Douglas seconded by Mr. Lewis, the Board unanimously voted to reconsider the previous motion.**

**On a motion by Mr. Douglas seconded by Mr. Lewis, the Board unanimously voted to amend the prior motion to extend the implementation date of the new default plan to November 1, 2001.**

Mr. Jeffrey asked Fidelity to put the members of the VMERS Board on a mailing list to receive the typical information that is sent to participants. He also requested that Fidelity be put on the schedule for an annual visit with the Board.

**ITEM 6:** Vermont Investment report

Ms. Duquette distributed a list of the current holdings that are included in the Vermont Investment holdings.

**ITEM 7:** Ratify the disability retirements for: *Patricia Martin* and *Mary J. Jenkins*

**On a motion by Mr. Lewis seconded by Mr. Douglas, the Board unanimously voted to ratify the ballot vote to accept the recommendation of the Medical Review Board to deny the disability retirements for Patricia Martin and Mary J. Jenkins.**

**ITEM 2:** (Continued) Correspondence

- Waiver of filing deadline to offer Group C – Franklin Central SU

**On a motion by Mr. Lewis seconded by Mr. Douglas, the Board unanimously voted to approve the waiver request.**

- Waiver of filing deadline of DC election form – Larry Kempton

**On a motion by Mr. Lewis seconded by Mr. Douglas, the Board unanimously voted to approve the waiver request.**

The Board discussed the following correspondence:

- Ballot procedure/identity theft – Nicolette White
- Newsletter to DC payroll officers

**ITEM 9:** Benchmarking Effectiveness of Benefit Administration Operations

Ms. Webster advised the Board of her interest in having a contractor benchmark the three retirement systems. She explained that she is awaiting information from Sean Campbell of Finance and Management prior to moving forward. She will keep the Board informed.

**ITEM 10:** Other business to be brought before the Board

Mr. Douglas advised the Board that there might be some renewed requests before the legislature in the coming year regarding Vermont venture capital investments.

Ms. Webster updated the Board on the requests for information by non-participating entities that are considering joining the Vermont Municipal Employees' Retirement System.

**On a motion by Mr. Douglas seconded by Mr. Lewis, the Board unanimously voted to adjourn at 1:05 p.m.**

Respectfully submitted,

Cynthia L. Webster  
Secretary to the Board