

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

October 30, 2006

Board members present:

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2007)
DAVID LEWIS, Vice-Chairperson, Employer Representative (term expiring July 1, 2009)
W. JOHN MITCHELL, II, Employee Representative (term expiring July 1, 2008)
MARIE DUQUETTE, Governor's delegate
JEB SPAULDING, Vermont State Treasurer

Board members absent:

None

Also attending:

Donna Holden, Board Coordinator
Cynthia Webster, Director of Retirement Services
Elizabeth Pearce, Deputy Treasurer
Bill Rice, Law and Policy Director
David Beatty, Finance and Management Budget Analyst
Daniel Sherman and David Driscoll, Buck Consultants
Pauline Ellis, Buck Consultants, via conference call.
Mike McShane, Assistant Attorney General

The Chairperson, Steve Jeffrey, called the Monday, October 30, 2006, meeting to order at 10:09 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Approval of the minutes for the meeting of

- **June 27, 2006**
- **August 15, 2006**

On a motion by Ms. Duquette seconded by Mr. Lewis, the Board unanimously voted to approve the minutes of June 27, 2006, and August 15, 2006, as corrected.

ITEM 2: FY '06 Actuarial Valuation

- **Set Employer Rate for FY' 07**

Mr. Driscoll provided a review of the *June 30, 2006 Actuarial Valuation*. He reported the fund to have an \$11.8 million surplus, which represented a 104.3% funded ratio based on the adopted Projected Benefit Cost (PBC) funding method.

The Board discussed Buck's recommendation to consider the re-allocation of the assets associated with Group A to the appropriate group(s) where members may have migrated to, which ultimately would more accurately reflect the adjusted assets and unfunded accrued liability for each group. In the interest of full disclosure, Mr. Driscoll agreed to include a footnote to pages one and seven of the Valuation Report regarding the potential inclusion of other individual Groups' asset. The Board deferred acceptance of the Report pending a meeting to approve the footnote.

Pauline Ellis joined the meeting, via conference call.

ITEM 3: HAS vs. Premium Reimbursements

The Board discussed the alternative plan to establish a Trust Fund (like a 115 or VEBA Trust) to receive an annual deposit, at the discretion of the Board, to reimburse members for designated premiums pursuant to IRC Section 106. Ms. Ellis also advised the funding of the Trust would not be a transfer from the current VMERS trust fund, but an allocation of future assets and reviewed annually based on the Actuarial Valuation. The Board discussed potential methods of determining member allocations, which may be based on years of service and with future allocations based on a "shareholder dividends" model.

The Board reviewed sections of the RFP. Mrs. Webster agreed to re-draft the RFP as timely as possible and share with Ms. Ellis and Mr. Jeffrey prior to release, which would be coordinated with national advertising schedules for an anticipated release date of no later than November 9, 2006. The effective date of the plan will be July 1, 2007, and the Board further agreed to begin creating the plan and reviewing, as timely as possible, eligibility criteria recommendations to be presented by the Director of Retirement Operations.

ITEM 2: (CONTINUED) FY '06 Actuarial Valuation

- **Set Employer Rate for FY' 07**

On a motion by Ms. Duquette seconded by Mr. Mitchell, the Board unanimously voted to adopt the FY '08 employer funding policy rates effective July 1, 2007 at: Group A – 4.00%, Group B – 5.00%, Group C – 6.00%, and Group D – 9.50%.

The Board requested staff and Buck to develop an approximation of the amount to reallocate from Group A to the other groups, and a procedure for doing a partial re-allocations as transfers occur.

Mr. Mitchell left during the next item.

ITEM 4: GRS Actuarial Review Discussion

Ms. Pearce provided a written report, which isolated specific GRS actuarial recommendations as a result of their recent review. She advised the Board all issues were addressed with Buck Consultants and have been satisfactorily resolved.

ITEM 5: Act on Membership for Champlain Water District – Group B

On a motion by Mr. Spaulding seconded by Ms. Duquette, the Board unanimously voted to approve the membership of the Champlain Water District into Group B, effective October 1, 2006.

ITEM 6: Vested Deferred Members - Update

ITEM 7: Montpelier Ruling

At 12:15 p.m. on a motion by Ms. Duquette seconded by Mr. Spaulding the Board unanimously voted to enter into executive session, pursuant to Title 1 § 313, to discuss legal matters.

At 12:51 p.m. the Board exited executive session.

On a motion by Mr. Spaulding seconded by Ms. Duquette, the Board unanimously voted on the basis of the discussion in executive session, to request the Retirement Division send notice to those inactive vested members who have now reached normal retirement age and were notified in April

2006 but did not file application upon attainment of their normal retirement age, be advised of the following: 1) That they may be eligible for retirement benefits retroactive to their normal retirement age, 2) That the member may send a letter to the Board explaining the cause for the member's failure to file an application upon attainment of normal retirement age and requesting a retirement allowance retroactive to the date of the member's attainment of normal retirement age, 3) That in the event that the Board does not approve a retroactive retirement allowance based on the member's letter, the member may request a hearing before the Board to make his or her case as to why a retroactive retirement allowance should be granted, and 4) These notices need only be sent to those inactive vested members who have reached normal retirement age, did not file an application at normal retirement age, and who at the approximate time of separation from service were provided with some written notice concerning eligibility for a retirement allowance upon attainment of normal retirement age. And further the Board requested the Retirement Division send a notice to the two members who were previously told their benefit would begin at normal retirement age, and advise that they are eligible for retroactive benefits and ought to apply.

ITEM 8: Legislative Issues

Mrs. Webster advised she was continuing to work on the list of proposed legislative amendments that would be provided to the Board for comment as timely as possible. She said also anticipated for inclusion in the proposals would be language for a 70 ½ mandatory distribution provision.

ITEM 9: DC Plan RFP Process

Mr. Spaulding advised the Board the VSERS system was required, pursuant to Administrative Bulletin 3.5, to distribute an open competitive RFP for their DC Plan administrative services. The Board agreed to inclusion in the State's RFP, despite not having to seek an RFP for their Plan at this time.

ITEM 10: Any Other Retirement Business to Come Before the Board

None

Next Meeting Dates:

The next scheduled VPIC meeting is scheduled for November 29, 2006

Adjournment:

On a motion by Ms. Duquette seconded by Mr. Spaulding, the Board unanimously voted to adjourn at 1:02 p.m.

Respectfully submitted,

Donna Holden, Board Coordinator
for Cynthia Webster, Secretary to the Board

Vermont Municipal Employees Retirement System

GOALS

The Board established the following list of goals to be addressed in the future:

BOARD FOLLOW UP ITEMS

<u>Who</u>	<u>What</u>	<u>When</u>
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** = for possible legislative changes

AG	Opinion re: DC plan (8/17/04 #7)	ASAP
CLW	DC Admin expenses report (8/17/04 #7)	ASAP
David	DC TPA request (8/17/04 #7)	ASAP
Jeb	Results of AG's RFP follow-up (2/15/05 #1)	ASAP
CLW	Membership criteria follow up (2/15/05 #2a)	ASAP
CLW	Employee transfers within Plans discussion (2/15/05 #2a)	ASAP
David	DC Plan fund line-up review (2/15/05 #6b)	5/2005
All	Discuss/seek representation on §457 Board (5/17/05 #2c)	TBD