

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

January 5, 2007

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 Policy and Outreach
Elizabeth Pearce, Deputy Treasurer
Vendor Representatives

The Chairperson, Steve Jeffrey, called the Friday, January 5, 2007, meeting to order at 9:10 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 October 30, 2006

On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to approve the minutes of October 30, 2006, as amended.

The Board requested a standard agenda item be added to future meetings for review of outstanding issues.

ITEM 2: Approve Group A Membership for:

- **Brattleboro School District**
- **Brattleboro UHS**
- **Guilford Town School District**
- **Putney Town School District**
- **Windham Southeast SU**

On a motion by Mr. Lewis seconded by Ms. Duquette, the Board unanimously voted to approve the July 1, 2007 Group A membership for Brattleboro School District, Brattleboro UHS, Guilford Town School District, Putney Town School District, Windham Southeast SU, as requested.

The Board requested the Retirement Office identify and send letters to other non-participating entities to encourage enrollment into the VMERS.

ITEM 3: Act on Disability Retirement Waiver Request

The Board was advised the member's termination date was verified and the issue was resolved, therefore no Board action was needed.

ITEM 4: Approve Annual Election Procedures

On a motion by Mr. Lewis seconded by Ms. Duquette, the Board unanimously voted to approve the annual election procedures until further amendment is required, not including changes to election dates and other standard details.

The Board requested future annual procedures be distributed to the Board, for information purposes only.

ITEM 5: Vested Deferred Benefit Update

Mrs. Webster advised the Board that letters were sent, pursuant to the October 30, 2006 Board action, to the two vested deferred members who at the approximate time of separation from service were provided with written notice concerning their retirement benefit eligibility and their requirement to file application for the benefits, however, did not file upon attaining normal retirement age. She said, the letter also allowed for requesting retroactive benefits. Mrs. Webster said she was now seeking the Board's direction in paying the potential retroactive benefits.

On a motion by Mr. Lewis seconded by Ms. Duquette, the Board unanimously voted to authorize the Retirement Office to pay retroactive benefits (if or when requested) for appropriate just cause, to the two vested deferred members who were notified at the approximate time of termination of their retirement benefits and application obligations, that did not file for benefits upon attainment of normal retirement age, and upon recent Retirement Office notice filed for their benefits after reaching their normal retirement age.

ITEM 6: Discuss/Act on Burlington City VPIC Investment

Mr. Spaulding reviewed the investment approval process and the VPIC action taken at the November 29, 2006, meeting. Also distributed was a copy of the November 16, 2006, City of Burlington letter of interest.

Upon discussion, the Board acknowledged that each entity's request for the VPIC to invest their retirement plan funds would be on a case-by-case basis; however, factors considered in the Burlington request were that they had their own retirement benefits plan that differ from those offered by VMERS, their own investment consultant, and their own actuarial study.

On a motion by Mr. Spaulding seconded by Ms. Duquette, the Board unanimously voted to approve the Burlington City request to have the VPIC provide investment management for their retirement funds, contingent upon meeting the conditions adopted by the VPIC on November 29, 2006.

ITEM 7: Health Care Savings Account Discussion

The Board discussed potential current, and future funding scenarios. It was also determined the \$30 per month health care stipend currently being paid to retirees would continue until further action was considered.

Mr. Jeffrey disclosed that pursuant to the Code of Conduct Policy, he regrettably may have had inappropriate contact with one of the potential vendors and distributed a copy of an e-mail which contained the exchange. He apologized for the laps of judgment, and volunteered to recuse himself from any vendor deliberations.

The Board briefly discussed the conduct infraction, verified that Mr. Jeffrey was not prejudiced, influenced, or had impact upon his objectivity during the evaluation of RFP responses.

By consensus, the Board unanimously agreed they had no objection to Mr. Jeffrey's continued participation in the remainder of the RFP process.

ITEM 8: RFP Finalist Interview

Nationwide: Ms. Keri Metres, Operations Director, Mr. Mark Jones, Program Director, Mr. Paul Pfeiffer, Regional VP - Business Development, Mr. Tim Crossin, Nationwide PEHP Founder and Consultant (via telephone) and Mr. Bill Heydt, Vice President - Business Development (via telephone).

ITEM 9: Any Other Retirement Business to Come Before the Board

Ms. Pearce provided the Board with a copy of the FY'08 \$2,014,689 budget along with a current supporting cost allocation worksheet demonstrating the non-asset based cost to VMERS be set at 20% for FY'08 budget vs. the prior year's 18.9%.

Mr. Jeffrey advised the Board he was considering action to request a State appropriation to make the VMERS system whole in light of the Treasurer's Office responsibility and actions that contributed toward the Montpelier litigation and approximate \$250K expense to the system.

Mr. Spaulding advised the Board that neither the Governor's Office nor the Attorney General's Office supported such an appropriation.

Mr. Lewis made a motion seconded by Mr. Jeffrey, to request a State appropriation be made to the VMERS in response to the Montpelier litigation ruling. Motion failed. Mr. Jeffrey and Mr. Lewis voted yes. Mr. Spaulding and Mr. Mitchell voted no. Ms. Duquette abstained.

ITEM 8: (CONTINUED) RFP Finalist Interview

AETNA: Nathan Drapkin, Sales Vice President, Daniel Davenport, Sales Director – Flexible Spending Accounts, and Karen Moran, Head Consultative Strategy.

ICMA-RC: Donald Dow, Vice-President, Institutional Sales, Ross Graham, Product Director – Retiree Health Savings Plans, Angela Montez, Corporate Legal Counsel, Joe Teague, Regional Vice President, David Young, Retirement Plans Specialist

ITEM 10: Deliberations

At 3:25 p.m. on a motion by Mr. Mitchell seconded by Ms. Duquette, the Board unanimously voted to enter into executive session pursuant to Title 1 § 313 to discuss contractual matters,

Mrs. Webster and Mrs. Holden were invited into the executive session.

At 3:45 p.m. the Board exited executive session

On a motion by Ms. Duquette seconded by Mr. Mitchell, the Board unanimously voted to authorize the Treasurer's Office to enter into a best and final negotiations with Nationwide and ICMA-RC, to verify the section 105 and 106 approach would be allowable for the VMERS plan implementation, and that no additional charges would be assessed for that plan design.

Staff will discuss the RFP responses with Buck Consultants and verify any other legal questions. The Board will make a final decision after negotiations, via conference call on January 12, 2007 at 9:00 a.m.

ITEM 11: Legislative Update

Mrs. Webster distributed a list of legislative proposals, along with some proposed language. The Board agreed to divide the issues into two bills.

ITEM 9: (CONTINUED) Any Other Retirement Business to Come Before the Board

None

Next Meeting Dates:

The next scheduled VPIC meeting is scheduled for February 14, 2007.

The next VMERS Board meeting is scheduled for March 9, 2007.

Adjournment:

On a motion by Mr. Mitchell seconded by Ms. Duquette, the Board unanimously voted to adjourn at 4:02 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
CLW	Obtain footnote from Buck re: Group A (10/30/06 #2)	ASAP
CLW	Obtain reallocated Group A expense estimate (10/30/06 #2)	ASAP
CLW	DC Plan RFP follow-up (10/30/06 #9)	TBD
CLW	Identify and send letters to non-participating entities (1/5/07 #2)	ASAP