

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

March 9, 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)
JEB SPAULDING, Vermont State Treasurer

Board members absent:

VACANT, Governor's Appointee

Also attending:

Donna Holden, Board Coordinator
Cynthia Webster, Director of Retirement Policy and Outreach
Michael Clasen, Director of Retirement Operations
Bill Rice, Law and Policy Director
David Driscoll, Buck Consultants
Kathy Harm, ICMA-RC
Joe Teague, David Young, and San Diep, ICMA-RC via conference call

The Chairperson, Steve Jeffrey, called the Friday, March 9, 2007, meeting to order at 9:03 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Approve the Minutes of January 5, 2007 and January 12, 2007 Meetings

On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to approve the minutes of January 5, 2007, and January 12, 2007, as submitted.

ITEM 2: Act on Disability Retirement for Carol C. Tift

On a motion by Mr. Spaulding seconded by Mr. Mitchell, the Board unanimously voted to approve the disability retirement for Carol C. Tift, as recommended by the Medical Review Board.

ITEM 3: Approve Actuarial Report Footnote and Accept FY '06 Actuarial Report

The Board reviewed the information provided by Buck Consultants regarding the reallocation of funds from Group A funds to Group B & C reflective of the migration of members to those groups, and representative of a more accurate funding level for each group.

On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to accept the FY '06 Actuarial Report, as amended on pages 1,5,6,8 and received on March 7, 2007.

ITEM 4: Health Care Premium Reimbursement Plan Design Discussion

The Board discussed at length the policy and funding proposal previously discussed, and revision proposals distributed by Mr. Jeffrey, dated March 6, 2007.

Mr. Driscoll joined the meeting via conference call, and affirmed his comfort in an initial transfer of assets of \$5 million to the healthcare accounts, and also adoption of the policy for future transfers to be from the system's actuarial gains, as designated in the Policy.

The Board discussed and also affirmed the current \$30.00/month stipend would continue and be reviewed annually to consider alternatives.

Mrs. Webster also stated the Retirement Office would compare the Retirement's internal data bases with Buck Consultants data base for the VMERS membership, to calculate future health plan allocations.

Along with Mrs. Webster and ICMA personnel, the Board reviewed a number of adoption agreement and trust language documents. All references to "employer" should be changed to "Plan Sponsor".

It was discussed, understood, and agreed that each member who has an account would receive shares to be divided between two sub-accounts – one for insurance premium reimbursements, and the other for any/all other qualified, or "universal" medical expenses.

Mr. Teague advised the Board of plans for an education program to introduce the new health plan, including an announcement letter that would include individual dollar amounts to be deposited and mailed the beginning of May, followed by two weeks of statewide meetings of two per day, during the last week of May and first week of June. He also said a designated transition Web site would be designed and could be linked to the VMERS page of the Treasurer's Web site, and would include Morningstar data, Q & A's, benefit plan introduction, etc.

Mrs. Webster agreed the Retirement Office would work with ICMA-RC to create a newsletter announcement, provide demographic data, and coordinate educational meetings throughout the state, including a kick-off meeting at the City & Town Manager's Annual Spring Meeting, May 17 & 18 at the Woodstock Inn.

The Board discussed the investment options available for participant accounts.

On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to automatically invest all initial and future member deposits into the age appropriate Advantage Point Milestone Account that would closest match each employee's age 65 target retirement date.

The Board agreed they may elect, at a later date, to provide additional or other investment options, to which ICMA responded there would be no conflict, costs, or issues with expanding the options.

Mr. Spaulding made a motion seconded by Mr. Mitchell, to adopt the policy and funding plan as amended and distributed dated 3/6/07, which included a \$5M initial funding based on the 6/30/06 actuarial data.

Mr. Lewis made a motion seconded by Mr. Mitchell, to amend the original motion to add an additional sentence to the Policy #2 clarifying that of the \$5M 2007 distribution, 5 shares for each eligible employee and retiree shall be deposited to the "universal accounts" and remaining shares shall be deposited to the "medical premium reimbursement account".

The Board unanimously voted to approve the amendment and original motions.

ITEM 5: Board Vacancy Discussion

Mr. Spaulding reported that no appointment or information on an appointment was available, to date.

ITEM 6: DC Plan Administrative Expenses Funding Discussion

Mr. Clasen joined the meeting and distributed an analysis of DC Plan revenue and expenses to date, which demonstrated a balance due from the DC Plan to the DB Plan of \$190,466 through FY '06. He explained the administrative expenses fee at only 5bp, which was erroneously not collected during the first two years of the Plan have averaged approximately \$4000, and fall short by nearly \$27K to cover the

year's expenses. The cumulative deficit, effective since 2001 inception, was due the DB Plan and would continue to grow without modification.

The Board agreed to request an opinion from the Attorney General's Office regarding the following:

1. would a bi-weekly increase of .15% to the employee and employer contribution rates for administration fees, and directed to the administrative expenses account, be permitted, and
2. can the current administrative fees be raised from the 5 bp to 30 bp for all participants.

The Board also requested the Retirement Office to review the Plan Document changes to identify potential efficiencies and optimal operational exposure. The Board further requested Mrs. Webster and/or Mr. Clasen present a comprehensive list of recommendations for consideration and resolution.

ITEM 7: Legislative Update

Mr. Rice provided an overview of recent omnibus bill changes.

Mrs. Webster explained issues considered controversial, including earnable compensation language, were separated from the omnibus bill and would be presented next year.

ITEM 8: Vested Deferred Benefit Update

At 11:45 a.m. On a motion by Mr. Spaulding seconded by Mr. Lewis, the Board unanimously voted to enter into executive session, pursuant to Title 1 §313, to discuss litigation.

At 12:10 p.m. the Board exited executive session.

ITEM 9: Old Business – Board Follow-Up

Mrs. Webster was asked to check each of the minutes for the items listed, and prepare a list of the issues and their resolutions, or status, in the form of a report to the Board.

ITEM 10: Any Other Business to Come Before the Board

None

ITEM 11: Adjournment

On a motion by Mr. Mitchell seconded by Mr. Lewis, the Board unanimously voted to adjourn at 12:25 p.m.

Next Meeting Dates:

The next scheduled VPIC meeting is scheduled for April 10, 2007.
The next VMERS Board meeting is scheduled for April 19, 2007.

Respectfully submitted,

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