

# VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

September 25, 2007

## **Board members present:**

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2010)

DAVID LEWIS, Vice-Chairperson, Employer Representative (term expiring July 1, 2009) – **arrived later in the meeting**

W. JOHN MITCHELL, II, Employee Representative (term expiring July 1, 2008)

JEB SPAULDING, Vermont State Treasurer

STEPHEN RAUH, Governor's Appointee

## **Board members absent:**

None

## **Also attending:**

Donna Holden, Board Coordinator

Cynthia Webster, Director of Retirement Policy and Outreach

Beth Pearce, Deputy Treasurer

Nancy Allen & Emily Judd

Katie McSorley

The Chairperson, Steve Jeffrey, called the Tuesday, September 25, 2007, meeting to order at 9:05 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

## **ITEM 1: Election Results, Annual Election of Officers, and VPIC Investment/Search Subcommittee Representative Election**

- **Election Results**

The Board was advised of the recent elections requests, which included 827 votes cast with 663 in Mr. Jeffrey's favor.

- **Election of Officers**

Mrs. Webster opened the floor for nominations for the position of Chairperson.

Mr. Spaulding nominated Mr. Jeffrey for the position of Chairperson.

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board unanimously voted to close nominations, and to instruct the Secretary to cast one ballot in favor of the election of Mr. Jeffrey to serve as Chairperson.**

Mr. Jeffrey assumed the role of Chairperson.

Mr. Jeffrey opened the floor for nominations for the position of Vice-Chairperson.

Mr. Spaulding nominated Mr. Lewis for the position of Vice-Chairperson.

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board unanimously voted to close nominations and to instruct the Secretary to cast one ballot in favor of the election of Mr. Lewis to serve as Vice-Chairperson.**

- **VPIC Investment Search Subcommittee Election**

Mr. Spaulding nominated Mr. Rauh to serve on the VPIC Investment Search Subcommittee.

**The Board unanimously voted to elect Mr. Rauh to serve as VMERS' representative on the VPIC Investment Search Subcommittee.**

**ITEM 2:      Approve the Minutes of April 19, 2007 Meetings**

**On a motion by Mr. Spaulding seconded by Mr. Mitchell, the Board unanimously voted to approve the minutes of April 19, 2007, as submitted.**

*Mr. Lewis arrived at the meeting during the next item.*

**ITEM 3:      Ratify the Ballot Approval to Allow the Town of Vershire Group A Membership**

**On a motion by Mr. Spaulding seconded by Mr. Rauh, the Board unanimously voted to ratify the Town of Vershire Group A membership, previously approved by ballot.**

As follow-up to the meeting of April 19, Mrs. Webster and the Board reviewed §5051 regarding entity memberships. Mrs. Webster advised that due to a lack of records dating back to 1975 it was her opinion that the system had no authority to make a non-participating entity join the system; however, she would pursue an outreach effort to non-participating entities.

**ITEM 4:      Discuss/Act on Request for Town of Rockingham and Village of Bellows Falls to Join VMERS' Group B Plan**

**Mr. Mitchell made a motion seconded by Mr. Lewis, to approve the Town of Rockingham and Village of Bellows Falls Group B membership, effective January 1, 2008.**

**On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to amend the main motion to add, approval was contingent upon receipt of written clarification of which Group was being selected for membership, and which group or groups of people were to be covered.**

**The main motion was then unanimously passed.**

**The Board also discussed and agreed** that Mrs. Webster should develop, in consultation with Mr. Rice, a resolution and appropriate forms for entities to sign and submit in addition to the entity's minutes, which would include information regarding the Group selected, who and/or what groups of employees would be participating, that all wages would be reported, whether prior service was being rolled over, etc.

**ITEM 5:      Discuss/Act on Request from Nancy Allen to Withdraw**

Nancy Allen, VMERS member, and Katie McSorley, Retirement Office staff, joined the meeting. Mrs. Allen reviewed her work history, current employment status, and presented reasons for her request to withdraw her non-vested membership.

Mrs. McSorley and Mrs. Webster explained the process for implementing the statutory provisions for members with "reduced hours", and quarterly process for withdrawal requests. They explained the need to be consistent in the information disseminated to payroll officers, and Mrs. McSorley also explained that while individual member circumstances are unique, the methods for administration must be consistent.

The Board agreed there appeared to be a reduced hours situation, and that there was an absence of a clear separation or termination of service from an employer, which indicated there would no longer be a relationship with the entity, that no work would be performed or compensation received, in any manner.

Mrs. Webster recommended the Retirement Office prepare a policy and forms if needed to implement a reduced hour schedule, for the Board's consideration at the October 30, 2007, meeting.

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board voted to deny the request due to a lack of separation from the member's employer. Mr. Spaulding voted no.**

**ITEM 6:      Discuss/Act on DC Plan Administration and Recordkeeping Contract**

- Ms. Pearce discussed the RFP process.

**On a motion by Mr. Spaulding seconded by Mr. Lewis, the Board unanimously voted to approve the Treasurer's proposal to combine contracting and fee arrangement provisions with the Fidelity Investment's new State of Vermont DC Plan Administration and Recordkeeping contract, as discussed.**

The Board requested a side-by-side comparison of the State's and Municipal's DC Plan investment options be prepared for discussion at the October 30, 2007 meeting.

- DC Plan Administration expenses and increased fee reconsideration

Ms. Pearce distributed copies of an e-mail sent by Mr. Spaulding and responded to by Mr. Jeffrey on May 29, 2007. The e-mail content referenced the Board's April 19, 2007, action regarding this matter and request for reconsideration at the next Board meeting.

She explained that due to the RFP and vendor selection process the increase expected was not implemented, and recommended the Board reconsider the implementation date be 7-1-08, which would provide adequate time to advise municipalities and members of the expected increase and provide municipalities the budgeting considerations required.

**On a motion by Mr. Spaulding seconded by Mr. Rauh, the Board unanimously voted to reconsider the first and second questions of the original motion in ITEM 2 of the April 19, 2007, meeting.**

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board unanimously voted to change the rate increase effective date in both questions to July 1, 2008.**

The Board discussed the potential deficit for FY '08, which Ms. Pearce recommended be addressed at a later date, since increased outreach could increase participant membership and potentially impact current deficit expectations.

**ITEM 7: Clarify DC Members' Role in Board Elections, Information Dissemination, etc.**

Mrs. Webster advised the Board that defined contribution members are included in Board member elections; however, not included in the *Retiring Times* newsletter mailings, as the DC Plan administrator sends newsletters geared more towards that group,

The Board discussed and agreed that DC Plan participants are part of the 401(a) VMERS system, but have chosen the DC option.

The Board further requested the Web site be updated. Mrs. Webster advised that a component of the new administration contract was to employ a more extensive effort in education and outreach. The TPA has been requested to assist the Retirement staff in developing DC information to be posted on the Treasurer's Web site on or before December 31, 2007.

**ITEM 8: Director's Report**

Mrs. Webster provided the Board with an update of the ICMA-RC health saving account implementation. She said additional informational meetings were being planned and would be held during the fall.

The Board asked that the actuary be prepared to discuss the impact of the \$5million withdrawal on 7/1/07 for the health savings accounts, and its impact on the FY'07 actuarial valuation. Mrs. Webster will also ask that the actuary to be prepared to make a recommendation for the FY '09 deposit amount, and to review the plan documents to determine whether deposits to the accounts can happen annually before July 1, 2008.

The Board discussed and provided Mrs. Webster with direction and clarification for the actuary so he may be better prepared to answer Mr. Jeffrey's questions on October 30, 2007, regarding the reason why retirees are not allowed to collect a DB retirement benefit and return to work without restriction, or then contribute to the DC Plan. He asked for clarification of why it is prohibited, and what the impacts to the system would be, i.e., increased contribution rates, system structure, IRC 401(a) compliance, etc.

Mrs. Webster provided an update on the Vermont Pension Administration System VPAS system, which was currently on time and under budget, and noted the "go live" schedule for the active member data was February 2008, and retiree data February 2009.

Mr. Spaulding advised that a discussion had been initiated by one of the other Boards regarding the potential contracting, through an RFP process, of an individual or firm to conduct an in-depth examination of statutes, functions and processes in the Retirement Division, and to create written Policies, Procedures, Rules for rule making procedures, and possible recommendations for statutory language changes. He said the project could, if approved by the three retirement boards, be supported by the retirement computer reengineering project.

Mrs. Webster will provide the Board with copies of the objectives of the project and a sample RFP that were requested by the Teachers' Board for review at their December meeting.

**ITEM 9: Legislative Initiatives**

Mrs. Webster distributed a list of house keeping initiatives for 2008. The Board agreed to only pursue non-controversial or language clarification items at this time.

Mrs. Webster and Mr. Spaulding briefed the Board on the Treasurer's anticipated statewide 403(b) initiative.

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

Mr. Spaulding provided a brief update and information regarding the Green Mountain Capital proposal to extend their partnership. He said that while the final decision regarding this matter would be at the VPIC level, which is planned for an October meeting to be announced, the primary investments were held by the VMERS and VSERS Boards.

Upon discussion it was agreed a joint conference call meeting with the VMERS and VSERS Boards would be arranged to develop a recommendation for the VPIC, and appropriate information would be distributed by Treasurer's Office staff prior to that meeting.

Mr. Mitchell advised that he and/or Mr. Jeffrey had been invited to speak at an AFSCME meeting to discuss the VMERS plan.

**ITEM 11: Adjournment**

**On a motion by Mr. Spaulding seconded by Mr. Mitchell, the Board unanimously voted to adjourn at 12:41 p.m.**

**Next Meeting Dates:**

The next scheduled VMERS meeting is October 30, 2007.  
A conference call meeting will also be scheduled to be announced during the month of October.  
The next scheduled VPIC meeting is November 28, 2007.

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>
------------	-------------	-------------

**\*\* = for possible legislative changes**

CLW	Identify & send letters to non-participating entities (1/5/07 #2, 9/25/07 #3)	ASAP
CLW	Develop/design resolution & forms for joining entities (9/25/07 #4)	ASAP
CLW	Update Web to include DC information (9/25/07 #7)	By 12/31/07