

**VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Meeting of the Board of Trustees

**January 9, 2008**

**Board members present:**

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2010)  
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  
STEPHEN RAUH, Governor's Appointee

**Board members absent:**

None

**Also attending:**

Donna Holden, Board Coordinator  
Cynthia Webster, Director of Retirement Policy and Outreach – **via conference call**  
Beth Pearce, Deputy Treasurer  
David Minot, Director of Finance and Investments  
Bill Rice, Director of Policy and Law  
Bill Griffin, Chief Assistant Attorney General  
Mike McShane, Assistant Attorney General  
David Driscoll, Buck Consultants – **via conference call**

The Chairperson, Steve Jeffrey, called the Wednesday, January 9, 2008, meeting to order at 8:32 a.m., which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1:        Approve the Minutes of**

- **October 30, 2007 Meeting**

**On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to approve the minutes of October 30, 2007, as submitted.**

**ITEM 2:        Ratify Disability Retirement Ballot Approval for: Loretta E. Hutchinson**

**At 8:34 a.m. on a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to enter into executive session, pursuant to Title 1 § 313, to discuss medical records.**

Mrs. Holden and Ms. Pearce were invited into the executive session.

**At 8:43 a.m. the Board exited executive session.**

**On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to approve the disability retirement for Loretta E. Hutchinson, as recommended by the Medical Review Board.**

**ITEM 3:        Discuss/Act on Amended FY '07 Actuarial Valuation**

Mr. Driscoll and Mrs. Webster joined the meeting via conference call. The Board discussed the amended FY '07 Actuarial Valuation report.

**On a motion by Mr. Spaulding seconded by Mr. Mitchell, the Board unanimously voted to accept the amended FY '07 actuarial valuation report, as submitted, and discussed.**

**ITEM 4:      Discuss/Act on FY '09 Health Savings Account Allocation**

Mr. Driscoll and Ms. Pearce advised the Board that pursuant to IRS pension plan regulations, only current employer contribution could be used for funding the RHSA deposits, and that the existing surplus already in the pension fund could not be transferred out of that fund. Ms. Pearce explained that regulations mandate that prior to the deposit into the pension fund, all incoming contributions must be identified and segregated, for accounting purposes, to either pension benefits or health benefits. She said a "health savings sub account" had been established to receive the dedicated contributions for the sole purpose of funding the health savings, and that once the funds were received into the account they could not be used for any other purpose.

Mr. Driscoll and Ms. Pearce explained that the initial FY '08 transfer was \$5 million. The FY '07 employer contributions approximated \$8.5 million, therefore, \$3.5 million, or slightly more, depending on FY '08 receipts, would be available to fund additional contributions into the RHSA accounts by fiscal year end. They explained the amount that could be deposited to the accounts would be limited to the lower of the actuarially calculated policy previously adopted by the Board and the actual employer contributions.

**On a motion by Mr. Jeffrey seconded by Mr. Mitchell, the Board unanimously voted to direct the remainder of the FY '08 employer contributions and up to \$4 million of the FY '09 employer contributions into a designated account for the purpose of allocation to the health saving accounts, and for a distribution of \$3.5 million be made into the RHSA accounts on or immediately after 7/1/08, and a distribution of \$4 million be made into the RHSA accounts on or immediately after 1/1/09, and for the distribution of the funds to be made using the same formula and methods as the original distributions with updated 6/30/07 data.**

The Board requested the Retirement Office share with the Board for comments, the narrative and per unit calculation methodology being used for the deposits, prior to the FY '09 distribution.

**ITEM 5:      Discuss/Act on FY '09 Budget**

Ms. Pearce appeared before the Board to review the FY '09 budget and cost allocation methodology. A budget of \$2,238,030 was presented. It assumed the adoption of allocation percentages for expenses shared by all three systems based on three criteria, time, assets and clients. She said the proposed non-asset expense allocation would remain at 20% for FY '09, and the investment related allocation would be 10%.

**On a motion by Mr. Mitchell seconded by Mr. Spaulding, the Board unanimously voted to approve the FY '09 budget, as presented.**

**ITEM 6:      Discuss/Act on Act 50 VPIC Report**

Mr. Spaulding distributed a copy of section 10 of Act 50 and advised the Board the "independent" report was being reviewed by all three Boards during this week, and that the schedule permitted sending comments to Mr. Clark and Mr. Monk for consideration, prior to the January 15, 2008, submission of the final report to the legislature. The Board determined that since the report was a "draft", and that comments from the Boards might change the report as presented, that action would be temporarily postponed. Board members were asked to forward comments to Mr. Spaulding by noon on Friday, January 11, 2008, and that a final report would be distributed for a ballot vote, with the proviso that approval did not include support for all of the recommendations in the report.

Ms. Pearce provided a DRAFT *VPIC Pre-Post Analysis* report, for the Board's information, which included preliminary evidence supporting the anticipated money management fee savings totaling \$1,152,885.91 annualized through November 30, 2007, and even greater savings from new breakpoint advantages realized by the inclusion of Burlington in the portfolio.

Mr. Spaulding shared his thoughts regarding the report, and advised the Board of his intention to express his personal opinion to the legislature when the report was filed. He said among some items included in that opinion would be his recommendation to completely separate the pension investment responsibilities from the pension benefit board functions, and to limit the pension investment board size to seven; three independently selected members from the Municipal, Teacher, and Employee groups, two gubernatorial appointments, and the Treasurer as ex-officio, and for that group to elect an independent, and compensated, chair that serves for a term determined by that Board.

*Mr. Rauh left the meeting.*

**ITEM 7:      Discuss/Act on Town of Montgomery Waiver Request**

The Board was advised that only three members were enrolled in the municipality, therefore, it would not be an administrative burden to accommodate the request.

**On a motion by Mr. Lewis seconded by Mr. Mitchell, the Board unanimously voted to approve the Town of Montgomery request to waive the filing deadline for members to be allowed to change from group A to Group B, to be effective July 1, 2008.**

**ITEM 8:      Any Other Business to Come Before the Board**

The Board discussed and agreed to the following 2008 meeting schedule; March 6, 2008 at 8:30 a.m., and June 26, 2008, at 8:30 a.m.

The Board discussed Mr. Lewis' retirement announcement to be effective 7/1/08, and whether he would be resigning his seat. Mr. Rice advised the Board that he and Mr. McShane agreed that statute would support Mr. Lewis' continuing on the Board and would be able to serve out the remainder of his term (to 6/30/09), if he desired. Also discussed was that the employee representative seat held by Mr. Mitchell would expire on 6/30/08 and an election would need to be held.

**ITEM 9:      Adjournment**

**On a motion by Mr. Mitchell seconded by Mr. Lewis, the Board unanimously voted to adjourn at 11:55 a.m.**

**Next Meeting Dates:**

The next scheduled VPIC meeting is February 13, 2008.  
The next scheduled VMERS business meeting is March 6, 2008.

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

Who	What	When
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**\*\* = 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
CLW	Share RHSA FY '09 narrative and calculations (1/9/08 #4)	Before 7/1/08