

**VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM**  
Meeting of the Board of Trustees  
**February 10, 2011**

**VSEERS Members present:**

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2011)  
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2012)  
Jeff Briggs, VSEA Representative (term expiring September 1, 2012)  
Paul White, Jr., VSEA Representative (term expiring September 1, 2012)  
Thomas Hango, VSEA Alternate (term expiring September 1, 2011)  
Richard Johannesen, Governor's Delegate (ex-officio)  
Kate Duffy, Commissioner of Human Resources (ex-officio)  
James Reardon, Commissioner of Finance & Management (ex-officio)  
Elizabeth Pearce, VT State Treasurer

**Members absent:**

None

**Also attending:**

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board  
Stephen Wisloski, Deputy VT State Treasurer  
Karl Kroner, Great West Retirement Services  
Chip Sanville, Great West Retirement Services  
William Thornton, Advised Asset Group – via telephone  
Sean Saia, Dwight Asset Management Company – via telephone  
Erik Karpinski, Dwight Asset Management Company – via telephone  
Josh Kruk, Dwight Asset Management Company – via telephone  
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Kevin Gaffney, called the Thursday, February 10, 2011 meeting to order at 9:12 a.m., which was held in the Governor's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

**ITEM 1:      **Approve the Minutes of:****

- **January 13, 2011**

**On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to approve the minutes of January 13, 2011, as submitted.**

**ITEM 2:      **State of Vermont 457 Deferred Compensation Plan****

**Quarterly review for period ending December 31, 2010**  
**Discussion with Advised Asset Group (AAG) via telephone**

Mr. Kroner advised the Board of an interruption in phone service with Great West and the Montpelier office recently. Ms. Pearce indicated she was informed of this issue via the Human Resources Department. Ms. Webster indicated the Retirement Division was notified of the

downed phone service, but had no idea it would be for so many days. Mr. Kroner indicated they now have a back-up plan to have a notification on the website if this were to happen again. Ms. Webster indicated she would also be in contact with HR if this were to happen again so that information could be disseminated to the participants. Mr. Kroner agreed there needed to be a back-up plan and apologized for the inconvenience. Mr. Kroner advised the Board members Kay was going to be out of the office for two weeks due to a foot surgery, but that they had lined up back-up for the office.

Mr. Kroner provided the Quarterly Report for December 31, 2010 for the 457 Deferred Compensation Plan. Mr. Kroner provided the plan overview, and indicated the decline in participants is a reflection of the current work force. Mr. Kroner provided the Board members a break-down of the assets. There was a discussion concerning the de minimus accounts. Ms. Webster indicated at the end of the quarter a report will be run relative to the de minimus accounts and that the members will be contacted in the summer. There was a discussion concerning target date funds, managed funds and asset distribution by fund for both the State and Municipal plans. There was a discussion about asset diversification and age breakdown of participants invested 100% in the stable value fund. Mr. Briggs indicated he would like to know the number of participants age 18-19 who were 100% invested in the stable value fund. Mr. Kroner indicated they can provide that report.

Mr. Johannesen inquired whether the participants were requesting any particular investment option. Mr. Sanville indicated there were no consistent requests. There was a discussion concerning contributions and distributions. Mr. Kroner provided the administrative overview. The Board requested that Great West provide a general overview of what security Great West has in place, to include how often it is maintained and upgraded.

Mr. Kroner reviewed the reality investing with the Board members. After a request by Mr. Johannesen Mr. Kroner indicated he will provide a breakdown by gender of participants who participate in the managed accounts.

Mr. Sanville reviewed the field activity with the Board members. There was a discussion about webinars. Mr. Kroner indicated he will communicate with Ms. Webster about a webinar and possibly have a trial one to see how it works.

(Mr. Reardon entered the meeting at this time.)  
(Ms. Chiren left the meeting at this time.)

Great West delivered statistics relating to the New Hampshire 457(b) Plan they recently acquired, and comparing them to Vermont's plan. Great West distributed a new marketing design for Board review.

(Mr. Thornton entered the meeting at this time via telephone.)

Bill Thornton from AAG (Advised Assets Group) participated via telephone to discuss the investment environment and fund performance.

(Ms. Chiren returned to the meeting at this time.)

There was a discussion concerning SRI funds and other fund options. Mr. Thornton advised the Board if they had any further questions, he would be happy to answer them.

(Mr. Thornton left the meeting at this time.)

**ITEM 3:      Single Deposit Investment Account**

**Quarterly update for the period ending December 31, 2010**

Mr. Sanville appeared before the Board and provided the Quarterly Report for December 31, 2010 for the SDIA Plan. Mr. Sanville reviewed the plan overview, plan assets, participation and distributions for the SDIA plan, as well as the administrative overview for the SDIA Plan. Ms. Webster advised the Board what members were eligible to be involved in the SDIA account.

Ms. Pearce advised the Board that a demographic analysis was done for the SDIA plan. Ms. Pearce advised Mr. Sanville she would provide him with the data that was obtained so that Great West could continue to work with the data and keep it updated since there is a contract requirement that demographic information be maintained. Ms. Pearce advised the Board half of the SDIA portfolio is with ICMA-RC and half is still with Dwight. There was a discussion concerning what options were available when the Agon wrapper expires in August and a discussion about wrappers in general.

(Mr. Kroner and Mr. Sanville left the meeting at this time.)

**ITEM 4:      Review/Discuss Stable Value investment option with Dwight Asset Management**

Mr. Wisloski provided the Board the background for the upcoming discussion with Dwight Asset Management. Mr. Wisloski indicated what questions he would like to have answered by Dwight. There was a discussion about the 12-month PUT provision.

(Mr. Saia, Mr. Karpinski and Mr. Kruk entered the meeting at this time via telephone.)

Mr. Wisloski reviewed the questions he would like answered by Dwight Asset Management. Mr. Saia indicated Mr. Karpinski would begin the discussion.

(Ms. Duffy entered the meeting at this time.)

Mr. Karpinski provided the Board members with some background, including a discussion concerning the market and their view on interest rates. There was a discussion concerning the spot yield trend. There was a discussion concerning amortizing a loss and about the 12-month PUT provision and how there is subsidization by other plans. Mr. Karpinski answered the Board member's questions.

Mr. Saia indicated he will follow-up with Mr. Wisloski to see if all the questions have been answered.

(Mr. Saia, Mr. Karpinski and Mr. Kruk left the meeting at this time.)

**On motion by Mr. Briggs, seconded by Mr. Reardon, the Board voted unanimously to enter Executive Session at 11:20 a.m. pursuant to Title 1, § 313 for the purpose of discussing a contractual matter.**

(Ms. Duffy left the meeting during the Executive Session.)

The Board exited Executive Session at 11:58 a.m.

The consensus of the Board was to have a further discussion about this item at the next in-house meeting, and to include Bill Griffin and Jaye Johnson in that meeting, and to have Mr. Wisloski obtain answers to his additional questions.

(A luncheon recess was taken from 12:00 p.m. to 12:18 p.m.)

(Mr. Wisloski was not present at the meeting for the afternoon session.)

(Ms. Duffy returned to the meeting.)

By agreement, the Board decided to move Item 7 up on the agenda.

**ITEM 5: Updates on the following:**

**2011 Legislative Update**

**VPAS Update**

**Changes in personnel/jobs within Treasurer's office**

Ms. Pearce advised the Board of the recent changes in the Treasurer's Office staff, including Stephen Wisloski being appointed as Deputy Treasurer, Laurie Lanphear being appointed Deputy Director of Retirement Operations, and Al LaPerle taking on the HR functions from Michael Clasen's position. Ms. Pearce indicated they will be advertising for a Director of Investment Management. There was further discussion what additional duties Ms. Webster has taken on. Ms. Pearce indicated they still need to reconfigure Michael Clasen's position.

Ms. Pearce provided the Board members with an update concerning VPAS. Ms. Pearce indicated the benefit payments phase was completed already and the active side is now being run parallel, and the next step will be to have member reporting run parallel. Ms. Pearce indicated the final phase will be the active member estimate portion. Ms. Pearce indicated there was a problem with 2010 1099-R's but that the staff sent out revised 1099-R's, letters and called the members to inform them of this error.

Ms. Pearce advised the Board negotiations are still being conducted with the VSEA and VTA concerning the savings that are required in the VSERS and that the negotiations have been very positive and productive.

(Ms. Pearce left the meeting at this time.)

Ms. Webster informed the Board members of the initiative going on concerning some Group F members who have switched to Group C. Ms. Webster provided the Board members the background of this switch that happened a little while ago, and the understanding at that time. Mr. Briggs indicated the VSEA was contacted by this group, but decided they were not going to get involved in it, but if the group wanted to go forward they were allowed to. Mr. Reardon indicated he would like electronic updates on this issue. Ms. Webster indicated she is going to have the actuary look at the numbers for this group of individuals. The Board discussed their opinions of the equity and principles of this situation.

Mr. Dumas indicated his group is looking into the CPI and whether using the northeast CPI, rather than the national CPI would be better for the retirees. Mr. Dumas indicated they are not ready to present a bill since they are still in the information seeking phase.

Mr. Dumas indicated he is still working with Great West to restore the last quarter of 2007 for their data base.

(Ms. Duffy left the meeting at this time.)

**ITEM 6:      Discuss/Act on disability retirement recommendations for:**

<b>Shelley Barsanti Cohen</b>	<b>New</b>
<b>Darlene M. Verge</b>	<b>New</b>
<b>Denise D. Mercadante</b>	<b>New</b>

**On motion by Mr. Dumas, seconded by Mr. White, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Shelley Barsanti Cohen, without review.**

**On motion by Mr. Briggs, seconded by Mr. Dumas, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Darlene M. Verge, without review.**

**On motion by Mr. Dumas, seconded by Mr. White, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Denise D. Mercadante, with a one-year review.**

**ITEM 7:      Any other business to be brought before the Board**

Ms. Webster indicated the Roth 457 will be rolled out in March of 2011. Ms. Webster handed out the information for the NCPERS 2011 conference. The Board discussed the NCPERS, NASRA and NAGDCA conferences. Mr. Briggs requested he be allowed to attend the NCPERS conference.

**On motion by Mr. Reardon, seconded by Mr. White, the Board unanimously voted to approve Mr. Briggs' request to attend the NCPERS conference in May 2011, with the understanding Mr. Briggs will honor his commitment to the Board as a trustee.**

It was discussed Mr. Briggs might need a signature for out-of-state travel. There was a discussion about the operating budget, and how many people should be allowed to attend the same conference.

**On motion by Mr. Reardon, seconded by Mr. Dumas, the Board unanimously voted to limit attendance at conferences to two board members, and that the second request may be approved by the Chairman.**

Mr. Briggs advised the Board that he received an email from a member who showed an interest in semi-retirement along with a half-time position. It was decided Ms. Webster would research this issue and report back to the Board members. There was a discussion about the duration of the contract with Great West.

**ITEM 8:      Adjournment**

**On motion by Mr. Dumas, seconded by Mr. Briggs the Board voted unanimously to adjourn at 1:25 p.m.**

**Next Meeting Date:**

The next scheduled VSERS meeting is a conference call meeting on March 10, 2011 at 9:00 a.m.

Respectfully submitted,

Cynthia L. Webster  
Secretary to the Board