

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

November 10, 2011

VSERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2013)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2012)
Jeff Briggs, VSEA Representative (term expiring September 1, 2012)
Kate Duffy, Commissioner of Human Resources (ex-officio)
Paul White, Jr., VSEA Representative (term expiring September 1, 2012)
Susan Zeller representing James Reardon, Commissioner of Finance & Management (ex-officio)
Elizabeth Pearce, VT State Treasurer

Members absent:

Richard Johannesen, Governor's Delegate (ex-officio)

Also attending:

Allen Blake, VRSEA Alternate representative
Stephen Wisloski, Deputy VT State Treasurer
Matthew Considine, Director of Investments
Karl Kroner, Great West Retirement Services
Chip Sanville, Great West Retirement Services
Laurie Lanphear, Deputy Director of Retirement Operations
Nancy Dimick, Retirement Specialist
Charly Dickerson
Conor Casey
Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Kevin Gaffney, called the Thursday, November 10, 2011, meeting to order at 9:06 a.m., which was held in the Governor's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: Introduction of new VSERS Board staff – Nancy Dimick

Ms. Pearce reviewed with the Board the thought process for appointing Ms. Dimick as the Board's secretary due to the retirement of Cynthia Webster. Ms. Dimick was introduced to the Board and thanked them for the opportunity to work with them. The Board thanked Cynthia Webster for her service to the Board.

On motion by Mr. Briggs, seconded by Ms. Duffy, the Board voted unanimously to appoint Nancy Dimick as the Secretary to the VSERS Board effective December 1, 2011.

Ms. Pearce made a motion to propose a resolution to thank Cynthia Webster for her 31 years of service to the State and to commend her for the contributions she made to the well being of both active and retired members of the retirement systems. The Board unanimously voted to accept this proposal and thanked Ms. Webster for her service.

Mr. Kroner thanked Ms. Webster, on behalf of Great West, for the opportunity to partner with the Retirement Systems and indicated she has been a joy to work with, and indicated they wish her the best of luck.

Mr. Kroner appeared before the Board and provided the Quarterly Report for September 30, 2011 for the Deferred Compensation Plan. Mr. Kroner provided the plan overview. There was a discussion about this being a negative quarter. There was a discussion about the fact that the members receiving a 3% decrease in salary did not have as much an impact on contributions as the performance of the market did. Mr. Briggs indicated he would be interested to know the percentage of eligible employees that are participating in the plan. Mr. Kroner indicated he can obtain that information for State employees, but it would be more difficult to obtain that information for Municipal employees. Mr. Kroner reviewed the internet stats with the Board and answered the questions posed by Board members. Mr. Kroner reviewed the roll-overs with the Board. Mr. Kroner indicated he can provide stats of roll-overs from some of their other plans. Ms. Webster indicated the de minimis accounts still needed to be done this year. There was a discussion about the managed accounts. The Board indicated it would like to have a comparison of the performance of the managed accounts versus the average population.

Mr. Sanville reviewed the field activity with the Board. Mr. Sanville reviewed with the Board the schools that have been added to the 403(b) plan. There was a request that the number of participants be indicated next to the schools for the 403(b) plan.

There was a discussion about the ability to catch up after a certain age, and the way this information is disseminated to participants. Mr. Sanville indicated he would be happy to work with HR relative to this.

Mr. Kroner provided the AAG (Advised Asset Group) Fund review. The Board discussed the losses of the funds.

Mr. Sanville appeared before the Board and provided the Quarterly Report for September 30, 2011 for the SDIA Plan. Mr. Sanville reviewed the plan results and the administrative overview for the SDIA Plan. There was a discussion about the participant services. There was a discussion about log-ins to the website. Mr. Dumas requested the Board be provided with the rate of return for this plan historically.

Mr. Wisloski provided the Board with an update on the Stable Value Fund. Mr. Kroner led the Board in a discussion relative to self-directed brokerage accounts. There was a discussion concerning the education participants would receive concerning the self-directed brokerage accounts. Mr. Kroner indicated there would not be a cost to the plan for this account. Mr. Kroner indicated when a member went to the website and selected this option they would be redirected to the Schwab website.

On motion by Mr. Briggs, seconded by Mr. Dumas, the Board unanimously voted to approve the adding of a SDBA (Self-Directed Brokerage Account) to the 457 Deferred Compensation Plan.

Mr. Kroner indicated Ms. Webster needed to provide a letter of instruction to Great West indicating the State would like to add the Schwab SDBA.

There was a discussion about TIPS funds and SRI funds. There was a discussion about the *Fund Performance Review* prepared by AAG. There was a discussion about the Calvert Income I Fund and mapping participants out of that fund. There was a discussion how soon Great West could offer the PIMCO fund.

On motion by Mr. Wisloski, seconded by Mr. Dumas, the Board unanimously voted to approve the adding of the PIMCO Total Return III Institutional Fixed Income SRI Fund to the 457 Deferred Compensation Plan, as soon as reasonable by Great West, and to map the participants of the Calvert Income I Fund into the PIMCO Total Return III by March 31, 2012.

Mr. Kroner indicated Ms. Webster also needed to provide a letter of instruction to Great West indicating the State would like to delete the Calvert Income Fund and to add the PIMCO fund, and that the mapping would be done by March 31, 2012.

The consensus of the Board was to leave the TIPS fund for now.

ITEM 5: SDIA quarterly update for period ending September 30, 2011

This item was addressed during Item #4.

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

(A recess was taken from 11:40 a.m. to 12:02 p.m.)

ITEM 6: Discussion/Presentation by BISHCA re: Annuity and Annuity-like Products

Mr. Gaffney gave a brief explanation that he was giving the presentation today in preparation for the RFI that both the State and Teachers boards were going to prepare for an annuity product. Mr. Gaffney indicated he would provide a general review of annuities. Mr. Gaffney provided the Board with the *Annuities 101* document and the *Buyer's Guide to Fixed Deferred Annuities with Appendix for Equity-Indexed Annuities* booklet. Mr. Gaffney reviewed the three general types of annuities, and caps, participation and margins associated with the different annuity products.

The Board discussed the reasons why annuity products received bad reviews in the past. The Board discussed the benefit base compared to the market base. There was a discussion concerning the fees associated with these products.

Mr. Wisloski indicated after the Teachers' Board meeting on Tuesday he prepared the top three or four objectives of the annuity product with Mr. Considine. Mr. Gaffney briefly explained the Guarantee Fund that was passed in the last session, but did indicate he needed to look into that further to obtain more information.

(Ms. Duffy, Ms. Zeller and Mr. Considine left the meeting during this item.)

The Board discussed the annuity that was available to members many years ago and why it did not succeed. Mr. Wisloski indicated that he and Mr. Considine would be preparing the RFI. He indicated they would prepare a document for the Board's review. The Board discussed the need for education for the participants if this product were to be offered. Mr. Gaffney indicated he would like to know what the average income is for a retiree, including the service pension income and Social Security. Mr. Wisloski provided the Board with a short presentation concerning annuity products and information he gathered since the Teachers' Board meeting.

ITEM 7: Discuss pension privacy proposal

Ms. Webster advised the Board this item was in connection with the request from the Burlington Free Press requesting the top 100 pensions to public employees. Ms. Webster advised the Board there was one judge that was requesting a change be made to the Statute. Ms. Webster asked the Board whether they desired to weigh in on this matter. Ms. Webster advised the Board originally the Free Press requested, name, amount of pension and town, but the Treasurer's office did not provide the towns. Ms. Webster advised the Board that the Treasurer's Office made an attempt to contact all 100 members before the article appeared. Ms. Webster indicated both the Municipal and Teachers' Board decided to remain neutral on this item. The Board discussed this item further. The consensus of the Board was to remain neutral on this item.

ITEM 8: Review/accept 2012 meeting schedule

The Board was advised no action needed to be taken relative to the 2012 meeting schedule, that it was just for information purposes.

ITEM 9: Any other business to be brought before the Board

Mr. Gaffney indicated that the Board would like to thank Ms. Webster for how dedicated and committed she was in her work with the retirees. Ms. Webster indicated it was truly a pleasure to work with the Board.

ITEM 10: Adjournment

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board unanimously voted to adjourn at 1:30 p.m.

Next Meeting Date:

The next scheduled VSERS meeting is a conference call meeting on Thursday, December 8, 2011 at 9:00 a.m.

Respectfully submitted,

Monica Chiren
Assistant to Cynthia L. Webster
Secretary to the Board