

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
Meeting of the Board of Trustees
August 11, 2011

VSEERS Members present:

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

Members absent:

Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2012)

Also attending:

Karl Kroner, Great West Retirement Services
Chip Sanville, Great West Retirement Services
Perry Christie, Great West Retirement Services
Thomas Brian, Advised Assets Group – via telephone
Matthew Considine, Director of Investments
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, August 11, 2011, meeting to order at 9:04 a.m., which was held in the Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT. The Chairperson welcomed everyone to the meeting.

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

- **July 14, 2011**

On motion by Mr. White, seconded by Mr. Briggs, the Board voted to approve the minutes of July 14, 2011, as submitted. Mr. Reardon abstained from the vote. The motion carried.

(Mr. Johannesen entered the meeting at this time.)

ITEM 2: **457 quarterly update by Great West Retirement Services**

AAG semi-annual review of fund lineups
Update on Self-brokerage and TIPS accounts
Discussion on historic data table

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

Mr. Brian led the Board in a discussion concerning the S&P downgrade of the US rating, and the raising of the US debt ceiling. There was a discussion comparing this recession to other recessions. There was a discussion about the US being able to meet its obligations. There was a discussion concerning domestic equity. There was a discussion concerning small cap and mid cap growth. There was a discussion about consumer confidence and a discussion about sovereign debt. There was a discussion about computer trading on the market.

Mr. Brian reviewed the fund performance. There was a discussion about the benchmarks and a discussion about fund managers. There was a discussion about which funds were in the neutral and fail zones. There was a discussion about the PAX funds. There was a discussion about TIPS funds. There was a further discussion about the Calvert Funds. There was a discussion about PIMCO funds. There was a discussion about SRI funds.

(Ms. Chiren left the meeting at 9:53 a.m.)

On motion by Mr. Wisloski, seconded by Mr. Briggs, the Board unanimously voted to request Great West to conduct a search to replace the two Calvert bond funds with at least one replacement fund being a socially responsible fund.

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

Mr. Kroner appeared before the Board and provided the Quarterly Report for June 30, 2011 for the 457 Deferred Compensation Plan. Mr. Kroner provided the plan overview. There was a discussion about the plan assets and contributions. Mr. Kroner reviewed the participation and distributions.

(Ms. Chiren returned to the meeting at 10:50 a.m.)

There was a discussion concerning the distributions and withdrawals, and who the competitors were. Mr. Kroner indicated he will clarify the 67% for full withdrawals since that number seemed a bit high to the Board members. It was indicated the RFI for the secure foundation product was still going to be done, hopefully sometime soon.

ITEM 3: SDIA quarterly report

Mr. Sanville appeared before the Board and provided the Quarterly Report for June 30, 2011 for the SDIA Plan. Mr. Sanville reviewed the plan results and the administrative overview for the SDIA Plan. Mr. Sanville reviewed the distributions and key talk numbers for the SDIA Plan. There was a discussion concerning the interest rate for the participants.

Mr. Kroner provided and reviewed the handouts concerning the historical data table and the self-directed brokerage account. The Board indicated adding the historical data table to the website would be helpful.

(Ms. Duffy left the meeting at 11:10 a.m.)

Mr. Christie indicated the Board can place restrictions and options on the self-directed brokerage account. There was a discussion about mutual funds. It was indicated there is heavy disclosure associated with the self-directed brokerage account. There was a discussion concerning the fees associated with the self-directed brokerage account. It was the consensus of the Board to review the check list for the self-directed brokerage account at the next in-house Board meeting, with Great West sending that information in advance of the meeting.

There was a discussion about TIPS funds. There was a discussion about the TIPS funds that VPIC has.

On motion by Mr. Wisloski, seconded by Mr. Reardon, the Board unanimously voted to direct AAG to conduct searches of the PIMCO Real Return, Intermediate Bond, Intermediate SRI, and TIPS funds and to do a comparison of same.

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

(A break was taken from 11:42 a.m. to 12:15 p.m.)

ITEM 4: Discuss/Act on disability retirement recommendations for:

- **Beverly M. Delude** **New**

On motion by Mr. Reardon, seconded by Mr. White, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Beverly M. Delude, without review.

Ms. Webster explained the differences in benefits between a disability retirement and a normal retirement. There was also a discussion about survivorship benefits under both.

ITEM 5: Staff recommendation for calculations of creditable service

Ms. Webster indicated staff has done an analysis of the calculations of creditable service and indicated further review and analysis needs to be conducted before it is presented to the Board. It was discussed that this additional information would be presented at the next in-house meeting in October.

(Mr. White left the meeting.)

ITEM 6: Personnel update in Treasurer's Office

Mr. Wisloski outlined the recent changes to the Treasurer's Office. He indicated in addition to Matt Considine doing an excellent job they have recently hired Scott Baker as the Director of Financial Reporting. Mr. Wisloski indicated Lestyn is moving to the Retirement Division, and her replacement, JP Isabelle, will be starting in two weeks. Mr. Wisloski indicated Tina Ryan has replaced Monica at the front desk. Mr. Wisloski indicated they will still be hiring an assistant for Matt. There was a discussion how the positions are paid for from the budget.

ITEM 7: Any other business to come before the Board

Mr. Briggs briefly reviewed the highlights of the conference he recently attended, which included a discussion about the change to the accounting standards, new legislation and SEC rules, and liability insurance. Mr. Wisloski indicated he will provide the Board members a letter concerning the Dodd-Frank legislation. Mr. Wisloski indicated he will also provide information about Mercer exiting the public funds defined benefit plan advisory business after settling a lawsuit with Alaska.

Mr. Wisloski advised the Board that VPIC indicated that gross of fees their fund performance was 20.9%. Mr. Wisloski reviewed the performance of several different states in comparison to Vermont. There was a discussion concerning investments in Vermont businesses.

ITEM 8: Adjournment

On motion by Mr. Reardon, seconded by Mr. Wisloski, the Board unanimously voted to adjourn at 1:13 p.m.

Next Meeting Date:

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

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board