

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

April 10, 2003

Members present:

ROGER DUMAS, Chairperson, VSEA member (term expiring September, 2003)
WARREN WHITNEY, Vice-Chairperson, VSEA member (term expiring September, 2004)
ROBERT HOOPER, VSEA member (term expiring September 2004)
CYNTHIA LAWARE, Commissioner of Personnel
ROBERT HOFMANN, Commissioner of Finance & Management
GORDON MACARTHUR, Retired Vermont State Employees' Association
JEB SPAULDING, VT State Treasurer
RICHARD JOHANNESSEN, Governor's appointee

Member(s) absent:

Also attending:

Cynthia Webster, Retirement Operations Director
Marie Duquette, Director of Investment Services
Mike McShane, Assistant Attorney General
David E. Herlihy – Cindy LaWare's delegate

The Chairperson, Roger Dumas, called the board meeting to order at 8:11 a.m. on Thursday, April 10, 2003.

ITEM 1: Approval of the minutes of March 13, 2003

On a motion by Mr. Hooper seconded by Mr. Whitney, the Board unanimously voted to approve the minutes of March 13, 2003.

ITEM 2: Treasurer's Report

Mr. Spaulding gave review of the retirement bills that are currently in legislation.

- a. Unitizing the assets of the three retirement boards.

Ms. Duquette described how unitization would work by pooling the assets and saving money on managers, custodians and staff time.

ITEM 3: Act on the Medical Review Board's recommendation for approval of the following disabilities.

Alan M. Aldrich

On a motion by Mr. Whitney seconded by Mr. MacArthur, the Board unanimously voted to accept the Medical Review Board's recommendation to approve the medical disability for Alan M. Aldrich.

Linda E. Frost with a one-year review

On a motion of Mr. Whitney seconded by Mr. Hooper, the Board unanimously approved to move into executive session. The Board came out of the executive session. Mr. Hooper moved and Mr. Whitney seconded to table the discussion on Linda Frost until in the afternoon. The motion carried unanimously

The board re-addressed the disability applications in the afternoon.

On a motion by Mr. Whitney seconded by Mr. MacArthur, the board unanimously voted to take Linda Frost's disability application off the table.

On a motion by Mr. Hooper seconded by Mr. Whitney the Board unanimously voted to approve the Medical Review Board's recommendation for disability with a one-year review.

Joanne R. True, with a one-year review

On a motion by Mr. Hooper seconded by Mr. Whitney, the Board unanimously voted to approve the Medical Review Board's recommendation for disability with a one-year review.

ITEM 4: STD/LTD update and discussion.

- a. How plan would interface with disability retirement.

The Board decided to hold off on this discussion until another time.

ITEM 5: Discussion of disability retirement processes

Mr. Dumas passed out an outline of issues that were discussed in a meeting that Mr. Dumas and Mrs. Webster recently held in order to prepare the material to review, present and discuss with the Board.

- a. application for disability benefit-reasonable accommodation requests
- b. medical and income reviews
- c. evidentiary hearing update
- d. return to work

Discussion whether Sections 460 and 461 are subject to Section 462. Mr. Mike McShane, legal counsel for the Board, stated they both could be reviewed under Section 462. Mr. McShane felt the Board did not need to seek a legislative remedy to this issue.

Income review process was discussed and a suggestion was made by Mr. Spaulding to solidify through the APA. It was the consensus of the Board to request the subcommittee to develop a monetary review process with the evidentiary hearing process to go through APA.

Discussion ensued about monitoring retroactively and prospectively.

ITEM 6: Review of pending legislation

On a motion Mr. Spaulding seconded by Mr. Johannesen, the board moved to take a position in opposition of S. 45 on the premise it should address firefighters and other law enforcement officers in the same bill. Mr. MacArthur abstained from the vote. All others voted aye; the motion passed.

On a motion by Mr. Whitney seconded by Mr. MacArthur the Board unanimously voted to table the discussion until after lunch.

ITEM 7: Conference reports by Roger Dumas, Robert Hooper and Cynthia Webster

Mr. Dumas, Mr. Hooper and Mrs. Webster reported to the Board on the different conferences they had attended. Mr. Dumas attended a disability conference in San Francisco, CA. Mr. Hooper attended a Mid-size Pension Management conference in Florida and Mrs. Webster attended a Legislative conference in Washington, D.C.

ITEM 8: Consideration of future conferences/travel requests

Discussion ensued concerning travel expenses particularly in regards to meals.

On a motion by Mr. Spaulding seconded by Mr. Whitney, the Board unanimously approved to request the 3 board chairs and Mr. Spaulding to meet and develop a proposal to bring before the respective boards for a meal reimbursement policy.

On a motion by Mr. Hooper seconded by Mr. Whitney, the Board unanimously voted to allocate funds for up to two members and one staff to attend the NCPERS conference in May.

On a motion by Mr. Hooper seconded by Mr. Whitney, the Board unanimously approved to allow Mrs. Webster to attend the NASRA conference in August.

On a motion by Mr. Hooper seconded, by Mr. Whitney, the Board unanimously voted to send up to three board members and one staff to the NEPC conference.

On a motion by Mr. MacArthur seconded by Mr. Johannesen, the Board unanimously voted to approve Mr. Hooper's meal expenses during his Florida trip.

On a motion by Mr. MacArthur seconded by Mr. Hooper, the Board unanimously voted to approve Mr. Dumas's meal expenses during his San Francisco trip. Mr. Dumas abstained from the vote.

ITEM 9: 2004 budget review

The Board agreed to discuss the budget at the Board meeting in May.

ITEM 10: HIPPA compliance discussion

Mrs. Webster and Ms. LaWare informed the Board that the HIPPA compliance requirements do not apply to the Retirement office because they are viewed as an entity outside of the federal definition.

ITEM 11: Act on Deferred Compensation Plan emergency withdrawal requests and discuss application process and information required.

Mrs. Webster shared with the Board a memo dated April 2, 2003 that addressed four emergency withdrawal requests that had been reviewed by one or more account executives at Benefitscorp. They are recommending approval of all four requests. Mrs. Webster also included a sample of the emergency withdrawal application packet previously developed by the Board. The Board discussed the application process and whether the TPA should use the more detailed application previously developed by the Board rather than the standard forms distributed by Benefitscorp.

On a motion by Mr. Hofmann seconded by Mr. Hooper, the Board unanimously approved all four emergency withdrawal requests. Mr. Dumas abstained from voting on Pam Davis.

ITEM 12: Discussion of Attorney Robert Bent's request to consider access to Deferred Compensation assets by alternative payee.

Mrs. Webster shared with the Board a copy of an email that Mr. Bent sent to her that addressed his issue of separate spousal interest in deferred compensation. Mr. Bent spoke with the Board via speakerphone to present his case and to discuss this issue with the Board.

Mr. Hooper made a motion to have Mr. Bent submit an emergency withdrawal application on behalf of his client. Motion died due to lack of a second.

ITEM 13. Cost shifting of life insurance premiums

Ms. LaWare provided a memo to the board from Harold Schwartz stating a discussion that had arisen at another meeting concerning the change in Retirement funding of the life insurance plan starting January 2003. The change increases the premium collected from the Retirement system. The Retirement Board was not consulted prior to the change, and it was reported at the meeting that the Retirement Board would not agree to the change.

The Board discussed the issue and Ms. LaWare suggested tabling the discussion until the May meeting. The Board needed to have a better understanding of how the system works. All questions can be addressed to Ms. LaWare

ITEM 14: Any other business to be brought before the board.

NEPC- Updating Policy Guidelines

The four proposals are:

- ?? UBS Global AM is permitted to invest up to 15% in Emerging Market Equities.
- ?? Lazard is permitted to invest up to 15% in Emerging Market Equities.
- ?? Loomis is allowed to invest up to 10% of the portfolio in securities rated below BBB-/Baa. Loomis shall not be required to notify the system of any downgrades as long as the 10% cap is not exceeded.
- ?? Deutsche is allowed to invest up to 10% in the Emerging Market Debt Fund.

On a motion by Mr. Hooper seconded by Ms. LaWare, the Board unanimously approved to adopt the four proposals as presented by NEPC.

It was the consensus of the board to take no action on the proposal to move to performance-based fees for HLM and Deutsche Bank at this time.

Ms. Webster advised the board of a disability applicant who was earning more than allowable under the law. **On a motion by Mr. Hooper seconded by Ms. LaWare, the board unanimously voted to thank the recipient for her honesty and adjust the pension according to the provisions of statute.**

On a motion by Mr. Dumas seconded, by Ms. LaWare the Board unanimously voted to adjourn at 4:15 pm.

Respectfully submitted,

Cynthia Webster
Secretary to the Board