

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Conference Call Meeting of the Board of Trustees

October 9, 2003

Members present:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2004)

ROBERT HOOPER, VSEA member (term expiring September 2004)

WILLIAM HARKNESS, VSEA member (term expiring September 2005)

JEB SPAULDING, Vice-Chairperson, VT State Treasurer

CINDY LAWARE, Commissioner of Personnel

ROB HOFMANN, Commissioner of Finance & Administration

GORDON MACARTHUR, Vermont Retired State Employees' Association

DICK JOHANNESSEN, Governor's Delegate

Also attending:

Cynthia Webster, Director of Retirement Operations

CATHERINE SIMPSON, VSEA Alternate (term expiring September 2005)

Ellen Griggs, Doug Moseley, Kevin Kondry, NEPC, via conference call

Mike Garland, AFL/CIO

Paul Wallace-Brodeur

Phillippe Courchaine

Ruth Macey, Vermont Retired State Employees' Association

Harold Schwartz, Department of Personnel - Employee Benefits

Joe Bahr, VT State Treasurer's Office - Information & Education

The Vice-Chairperson, Warren Whitney, called the board meeting to order at 1:15 p.m. on Thursday, October 9, 2003 in the 4th Floor Conference Room at 133 State Street, Montpelier, VT.

ITEM 1: Election of Officers

Mr. Hooper nominated Mr. Whitney, for Chairperson, seconded by Mr. Spaulding.

On a motion by Mr. Hooper seconded by Mr. Johannesen, the Board unanimously voted to elect Warren Whitney as Chairperson of the Vermont State Employees' Retirement System Board of Trustees.

Chairperson, Warren Whitney proceeded with the meeting.

Mr. Hooper nominated Mr. Spaulding for Vice-Chairperson, seconded by Mr. Hofmann.

On a motion by Mr. Hooper seconded by Mr. MacArthur, the Board unanimously voted to elect Mr. Spaulding as Vice-Chairperson of the Vermont State Employees' Retirement System Board of Trustees.

Mr. Spaulding nominated Ms. Webster for Secretary, seconded by Mr. Hooper.

The Board unanimously voted to elect Ms. Webster as Secretary of the Vermont State Employees' Retirement System Board of Trustees.

Mr. MacArthur nominated Ms. Holden for Assistant Secretary and Board Coordinator, seconded by Mr. Hooper.

The Board unanimously voted to elect Ms. Holden as Assistant Secretary and Board Coordinator of the Vermont State Employees' Retirement System Board of Trustees.

Mr. Whitney congratulated the new officers, welcomed the members of the audience, and introduced Mr. Harkness, new VSEA representative member.

ITEM 2: Approval of the minutes of July 10, 2003, August 14, 2003, August 21, 2003, September 11, 2003 and September 23, 2003 Joint meeting.

On a motion by Mr. MacArthur seconded by Mr. Hooper, the Board unanimously voted to approve the minutes of September 11, 2003 and September 23, 2003, as submitted.

The minutes of July 10, 2003, August 14, 2003 and August 21, 2003 were deferred to a meeting at a later date. Mr. Spaulding requested the backlogged minutes be completed and distributed as timely as possible.

ITEM 3: Shareholder Activism: Guest Speaker – Mike Garland, AFL-CIO

Mr. Garland presented information regarding proxy voting issues and active ownership of pension funds.

He recommended several action steps including:

- review important votes,
- engage investment managers regarding votes,
- adopt proxy voting policy and guidelines,
- develop fund policies and procedures to facilitate active ownership initiatives,
- consider working with other pension funds on company specific and regulatory initiatives,
- consider filing resolutions,
- send comment letter to SEC in support of proposed rules on access to the proxy.

Mr. Whitney asked for volunteers to contact him to help establish a standing *Policy Development* Sub-Committee. He suggested this item be one of the first issues the committee examines to develop a policy and bring back to the Board.

Mr. Hofmann left the meeting

ITEM 4: Discuss/Act on the Paul Wallace-Brodeur service credit request

Ms. Webster advised the Board that neither she nor Mr. Wallace-Brodeur could produce documentation regarding the status of his employment or leave of absence during the '66 -'68 timeframe. She indicated that each department could have handled leaves differently from one another, creating a problem if the Board chooses to determine what is allowable. (Amendment (h) to 3 VSA§458 granting credit for an approved leave of absence was prospective effective 7-1-2000.)

Ms. LaWare suggested a review of the employee's contract and other potentially available information from the Department of Personnel prior to the Board making a decision. She offered to have someone from her staff and the Department Attorney contact Ms. Webster with further information. She also suggested once further information is gathered, obtaining an opinion from the Attorney General's Office on whether the Board can or should grant such a request, since their action could be setting a precedent.

On a motion by Ms. LaWare seconded by Mr. Johannesen, the Board unanimously voted, once sufficient information is gathered, to request an AG's opinion regarding the Board authority and precedence of granting service credit for leaves of absence such as Mr. Wallace-Brodeur's educational leave of absence from September 1, 1966 through June 30, 1968.

ITEM 5: Discuss/Act on High Yield manager selection reconsideration

On a motion by Mr. Spaulding seconded by Mr. Hooper, the Board unanimously voted to reconsider the motion of September 11, 2003 regarding entering into a contract with Fountain Capital Management.

Ellen Griggs, Doug Moseley and Kevin Kondry of NEPC joined the meeting via conference call.

At 3:05 p.m. on a motion by Mr. Spaulding seconded by Ms. LaWare, the Board unanimously voted to enter into executive session pursuant to Title 1 § 313 to discuss personnel issues and contract negotiations.

Ms. Macey left the meeting.

Ms. Simpson was invited to stay during the discussion.

At 3:23 p.m. the Board moved out of executive session.

On a motion by Mr. Spaulding seconded by Mr. MacArthur, the Board unanimously voted to retract the motion of September 11, 2003 to hire Fountain Capital Management and to enter into a contract for High Yield management with M.W. Post.

Ms. Macey returned to the meeting.

ITEM 6: Mailing Request by Vermont Retired State Employees' Association, Inc.

The Board reviewed the notice submitted by the VRSEA for publication in the next newsletter.

On a motion by Mr. Hooper seconded by Mr. Johannesen, the Board unanimously voted to refer the request to the *Policy Development Sub-Committee* for consideration and development of a policy regarding mailing requests and to bring the policy before the Board by the November 20, 2003 meeting.

ITEM 7: Act on the Medical Review Board disability retirement recommendation for

- *Terry P. Hill*

On a motion by Mr. Hooper seconded by LaWare, the Board unanimously voted to approve the disability retirement, with a one-year review

ITEM 8: 90-day filing deadline waiver request for: *Bonnie Wilkins*

On a motion by Mr. Hooper seconded by Ms. LaWare, the Board unanimously voted to deny the waiver request of the 90-day deadline for application of a disability retirement.

The Board discussed the Department of Personnel's role (or lack of) advising medical RIF employees of the disability retirement option. The Board agreed that not all employees would meet the disability requirements and a large number of applications could come before the Medical Review Board.

On a motion by Mr. Hooper seconded by Mr. MacArthur, the Board unanimously voted to request the Department of Personnel consider review and amendment of their medical RIF notification and information to include a suggestion that the employee contact the Retirement Office for further benefit information.

ITEM 9: Discuss/Act on Life Insurance premium proposal

The Board agreed to table discussion on this item until the November 20, 2003 meeting.

ITEM 10: Phillippe Courchaine appeal for Deferred Comp Emergency Withdrawal

At 3:52 p.m. on a motion by Mr. Hooper seconded by Mr. Johannesen, the Board unanimously voted to enter into executive session pursuant to Title 1 § 313 to discuss the applicant's personal medical and financial matters.

At 4:10 p.m. the Board moved out of executive session.

On a motion by Mr. Hooper seconded by Ms. LaWare, the Board unanimously voted to deny the appeal for an emergency withdrawal from the Deferred Compensation Plan and uphold the original decision by BenefitsCorp.

The Board discussed and agreed to hold a meeting at a later date with BenefitsCorp to review the Deferred Comp Plan Document and the IRS regulation surrounding emergency withdrawals. The Board's desire is to remain compliant with the IRS 457 regulations and maintain the qualified plan status, while providing reasonable access to funds in QDRO situations.

ITEM 11: Follow-up on Deferred Comp Emergency Withdrawal process, appeal & correspondence issues

Ms. Webster distributed a copy of an October 3, 2003 letter sent to BenefitsCorp requesting modified language to the "summary sheet" and "instructions", which is to be brought before the Board for approval.

Ms. LaWare left the meeting.

Mr. Hofmann returned to the meeting.

ITEM 12: Any other business to be brought before the Board.

The Board agreed to request Mr. Minot to develop a standard money manager presentation format for quarterly investment meetings. The Board would prefer an executive summary of the quarter's events, portfolio performance, market factors, etc. rather than a page-by-page review of the quarterly books.

Mr. Hooper advised the Board that he won a trip from the Information Management Network (IMN) for training in the area of Indexed Funds, to be held in Phoenix, AZ December 7-10, 2003. The trip was won as a result of his attendance at a recent IMN conference in Stowe, VT. and is all-inclusive with the exception of some daily meals and expenses. Pending leave approval by his department, he requested the Board reimburse his per-diem costs, at the prevailing rate for that area, for his attendance at this event.

A discussion followed of the board's policy on conference attendance. Mr. Hofmann requested:

- An overview of what conferences have been attended in the past couple years (who, what) plus an outline from Ms. Webster of the upcoming conferences for the year (w/ brief overview of content and Ms. Webster's assessment on their respective value)
- That Board members take a few minutes to brief their colleagues on key things learned from any conference attended.

On a motion by Mr. MacArthur seconded by Mr. Hofmann, the Board unanimously voted to grant permission to Mr. Hooper to attend the Information Management Network training in Phoenix, AZ from December 7-10, 2003 with the per diem expense to be split evenly between the Defined Benefit and Deferred Compensation budgets.

There will be a reception in the early evening following the November 20, 2003 investment consultant meeting in recognition of Roger Dumas, past Chairperson of the VESRS Board of Trustees.

Mr. Whitney advised the Board that Great-West Life (BenefitsCorp) has an on-line education product for members and Board Trustees. Mr. Whitney will view the free on-line sample with the vendor and report to the Board the value of this tool.

Mr. Whitney requested members of the Board bring educational/travel requested to his attention prior to Board meetings with appropriate information and expected costs, so they can be included in the agenda, for Board action.

The Board requested Ms. Webster provide a report on travel over the past year, including who attended what meetings and at what cost.

Mr. Whitney advised the Board that the State of Vermont and BenefitsCorp received national recognition and an award at the NAGDA conference for the exceptional educational information distributed to members during the transition of third party administrators.

Ms. Webster advised the Board that there would be a medical plan "premium holiday" of two months (four pay periods) for active employees, and two months for retirees. This premium holiday will result in a reduction of cash inflow from departmental reimbursements equal to the value of the healthcare premiums. The money will be re-directed by the departments to the pay act to adjust for that lack of its full funding. The Board agreed by consensus to their understanding of the cash flow adjustments.

On a motion by Mr. Spaulding seconded by Mr. Johannesen, the Board unanimously voted to adjourn at 5:05 p.m.

Respectfully submitted,

Cynthia L. Webster
Executive Secretary to the Board

GOALS

The Board established the following list of goals to be addressed in the future:

- Form a *Policy Development* sub-committee

TO DO's

<u>Who</u>	<u>What</u>	<u>When</u>
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** = for possible 2004 legislative changes

CLW & Joan	Complete all backlogged minutes (10/9 item 2)	ASAP
PD Sub	Complete Proxy voting policy (10/9 item 3)	ASAP
CLW	Work w/DOP regarding old LOA's (10/9 item 4)	ASAP
CLW	Obtain AG's opinion re: old LOA's (10/9 item 4)	ASAP
PD Sub	Prepare mailing request policy (10/9 item 6)	11/20/03
All	Review Deferred Comp plan document (10/9 item 10)	12/11/03
CLW	457 modified language for members to Board (10/9 item 11)	12/11/03
CLW	Prepare travel report (10/9 item 12)	11/20/03