

## VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

October 29, 2003

### **Members present:**

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

ROBERT HOOPER, VSEA member (term expiring September 2004)

JEB SPAULDING, Vice-Chairperson, VT State Treasurer

David Herlihy, representing CINDY LAWARE, Commissioner of Personnel

ROB HOFMANN, Commissioner of Finance & Administration

DICK JOHANNESSEN, Governor's Delegate

### **Member(s) absent:**

WILLIAM HARKNESS, VSEA member (term expiring September 2005)

GORDON MACARTHUR, Retired Vermont State Employees' Association

### **Also attending:**

Cynthia Webster, Director of Retirement Operations

David Driscoll, Mellon Human Resources & Investor Solutions

David Beatty, Budget Annalist Finance & Administration

The Chairperson, Warren Whitney, called the board meeting to order at 1:32 p.m. on Wednesday, October 29, 2003 in the Treasurer's Conference Room #2 at 133 State Street, Montpelier, VT.

### **ITEM 1: Fiscal Year 2003 Actuarial Valuation**

David Driscoll advised the Board that effective October 1, 2003 after 87 years the company name of Buck Consultants was changed to Mellon Human Resources & Investor Solutions. The change is the result of the 1987 acquisition of Buck Consultants and subsequent purchases and mergers by Mellon with a variety of business service entities. He assured the Board that there would be no change in his role to the State of Vermont or the service provided.

Mr. Driscoll reviewed the FY'03 Actuarial Valuation. He advised the Board that the primary reason for the normal contribution rate increase from 2.53% to 4.07% was the impact of adverse investment returns.

**On a motion by Mr. Hooper seconded by Mr. Johannesen, the Board unanimously voted to accept the FY'03 actuarial valuation and to request from the Governor the recommended contribution of \$15,997,256, (4.07% of payroll and \$2,393,256 towards the liquidation of the unfunded accrued liability), for FY'05 and \$16,716,953, (4.07% of payroll and \$2,500,953 towards the liquidation of the unfunded accrued liability), for FY'06.**

Mr. Hofmann advised the Board that his concurrence with the acceptance of the report and recommendation of the actuary, in no way implies the ability of the administration to meet the request or obligation.

**ITEM 2: Approval of the minutes of October 9, 2003**

**On a motion by Mr. Hooper seconded by Mr. Johannesen, the Board voted to approve the minutes of October 9, 2003, as submitted. Mr. Herlihy abstained.**

**ITEM 3: Any other business to be brought before the Board.**

Mr. Whitney advised the Board of some "market timing" activity by a few participants within the 457 Deferred Compensation Plan.

**At 2:53 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 individuals, practices, and contracts.**

**At 3:08 p.m. the Board moved out of executive session.**

By consensus of the Board, Mr. Whitney will consult with Mr. Minot regarding the market timing activity transpiring in the 457 Plan. They will develop a letter to be sent to the participants practicing in this activity, and pursue action in consort with TRowe Price and BenefitsCorp, if needed, to stop the practice.

The Board further agreed to request that BenefitsCorp include information regarding the impropriety of market timing trading in their next quarterly newsletter. The Board's consensus is to advise participants that this retirement fund is not the forum in which to engage in or practice this type of investment activity.

Mr. Spaulding advised the Board of an October 27, 2003 memo from Michael Smith, Secretary of Administration regarding the retiree life insurance premium rate for CY03. The Secretary directed that the premium rate for all of CY03 be made equal to the current active employee rate of \$0.1910 per 1000, retroactive to January 1, 2003. The Retirement Fund will be refunded any excess amount paid. This action is the result of the current administration's recognition of the prior administration's unilateral implementation of changes in how the retiree life insurance premiums would be calculated, without involvement of the Retirement Board. Mr. Hofmann reiterated that he disagreed with the implementation methodology, rather than the actual merits, of the rate change.

The Board commended Mr. Smith and the Douglas Administration for their insight and action in this matter.

**On a motion by Mr. Hofmann seconded by Mr. Johannesen, the Board unanimously voted to adjourn at 3:17 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
WW & DM	Prepare letter for 457 participants (mkt tmng) (10/29 item 3)	ASAP
CLW	Advise BenefitsCorp of newsletter info request (10/29 item 2)	ASAP