

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

March 18, 2004

Members present:

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

JEB SPAULDING, Vice-Chairperson, VT State Treasurer

ROB HOFMANN, Commissioner of Finance & Administration

GORDON MACARTHUR, Retired Vermont State Employees' Association

ROBERT HOOPER, VSEA member (term expiring September 2004)

CATHERINE SIMPSON, VSEA Alternate member (term expiring September 2005)

DICK JOHANNESSEN, Governor's Delegate

CINDY LAWARE, Commissioner of Personnel

Members absent:

WILLIAM HARKNESS, VSEA member (term expiring September 2005)

Also attending:

Cynthia Webster, Director of Retirement Operations

David Minot, Director of Finance and Investments

Beth Pearce, Deputy VT State Treasurer

The Chairperson, Warren Whitney, called the **conference call** board meeting to order at 8:05 a.m. on Thursday, March 18, 2004 in the Treasurer's Office at 133 State Street, Montpelier, VT.

ITEM 1: Discuss/Act on Selection of 457/401(a) Consultant

Ms. Pearce, Mr. Whitney and Mr. Minot reported on the results, recommendation of the sub-committee, and selection process for the 457/401(a) Consultant.

Mrs. Pearce reported that 12 firms responded to the RFP, which by unanimous consensus was narrowed to 2 finalists. Mr. Whitney reviewed the comparison criteria for the two finalists and presented the recommendation to offer the contract to New England Pension Consultants.

Mr. Minot explained that the contract would be for a specific term to expire on May 31, 2004 and will contain a primary scope to evaluate the plans structure, fees and relationships to the TPA, and make recommendations for potential changes to the Board for consideration.

Mr. Spaulding made a motion seconded by Ms. LaWare, to approve the recommendation of the sub-committee and award the 457/401(a) Consultant contract to New England Pension Consultants.

Discussion ensued.

On a motion by Mr. Hooper seconded by Ms. LaWare, the Board unanimously voted to call the question.

Hearing no objections, the Chair called for a vote on the original motion.

On a motion by Mr. Spaulding seconded by Ms. LaWare, the Board unanimously voted to approve the recommendation of the sub-committee and award the 457/401(a) Consultant contract to New England Pension Consultants.

ITEM 2: Approval of minutes for March 11, 2004

On a motion by Mr. Hooper seconded by Ms. LaWare, the Board voted to approve the minutes of March 11, 2004, as submitted. Mr. Johannesen and Mr. Hofmann abstained.

ITEM 3: Discuss/Act on Pfizer Shareholder Resolution

Mr. Spaulding briefed the Board on the State of Minnesota's action to support a shareholder's resolution, which in part includes that Pfizer cease their boycott against selling pharmaceuticals to Canada.

Discussion by the Board included their conflict between appropriate social activism and the fiduciary responsibilities of the Board. The Board agreed with many of the principals of the resolution and need for reform related to the costs of prescriptions drugs, however, agreed to the complexity of the issue and their general lack of education of the matter.

On a motion by Mr. Hooper seconded by Mr. Johannesen, the Board unanimously voted to authorize the State Treasurer to represent the Board in support of the Minnesota Resolution along with other interested parties, and to craft a resolution from the VSERS, for the Board's final approval, to support an April 2005 shareholder's resolution regarding Pfizer's boycott against selling drugs to Canada.

Ms. LaWare left the meeting.

ITEM 4: Discuss/Act on Mutual Fund Protection Principals

The Board reviewed and discussed the National Association of State Treasurers' Resolution and attached Mutual Fund Protection Principals, adopted on March 7, 2004.

Mr. Spaulding advised the Board that he was in favor of the resolution and attachment and suggested the Board consider adopting the resolution and attachment for their mutual fund managers.

On a motion by Mr. Spaulding seconded by Mr. MacArthur, the Board unanimously voted to support the Resolution and attached Mutual Fund Protection Principals as adopted by the NAST on March 7, 2004.

Mr. Minot will share the information with the systems' mutual fund managers and with NEPC as part of their 457/401(a) review of mutual fund managers.

Mr. Hooper left the meeting.
Mr. Hofmann left the meeting.

ITEM 5: Any other business to come before the Board

Mr. Whitney reminded members of the Board of the upcoming NCPERS Conference, April 30 – May 6 in California and asked for interested members or staff to contact him. Ms. Simpson expressed some interest.

On a motion by Mr. Spaulding seconded by Mr. Johannesen, the Board unanimously voted to adjourn at 9:06 a.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> | <u>Done</u> |
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** = for possible legislative changes

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| 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 | |
| CLW | Prepare travel report (10/9 item 12) | 11/20/03 | |
| CLW | Advise BenefitsCorp of newsletter info request (10/29 item 2) | ASAP | |
| Dave M | Obtain legal opinion re: real estate assets (11/21 item 7) | 12/11/03 | |
| Staff | Prepare a comprehensive review of Disability Retirement Process and components (3/11 item 3) | TBD | |
| Jeb | Prepare DRAFT resolution (3/18 item 3) | TBD | |