

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

March 15, 2006

Board members present:

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2007)
DAVID LEWIS, Vice-Chairperson, Employer Representative (term expiring July 1, 2006)
W. JOHN MITCHELL, II, Employee Representative (term expiring July 1, 2008)
MARIE DUQUETTE, Governor's delegate – **arrived later in the meeting**
JEB SPAULDING, Vermont State Treasurer – **arrived later in the meeting**

Also attending:

Donna Holden, Board Coordinator
Cynthia Webster, Director of Retirement Services
David Minot, Director of Finance and Investments
Elizabeth Pearce, Deputy Treasurer
Mike McShane, Assistant Attorney General
Steve McQueen

The Chairperson, Steve Jeffrey, called the Wednesday, March 15, 2006, meeting to order at 9:10 a.m., which was held in the 4th Floor Conference Room at 109 State Street, Montpelier, VT.

ITEM 1: Approval of Minutes for December 12, 2005 Meeting

On a motion by Mr. Mitchell seconded by Mr. Lewis, the Board unanimously voted to approve the minutes of December 12, 2005, as submitted.

Mr. Spaulding arrived during the next item.

ITEM 2: Approval of Annual Election Procedures

On a motion by Mr. Mitchell seconded by Mr. Lewis, the Board unanimously voted to approve the Annual Election Procedures, as amended by inserting a date by which time the Director of Retirement Operations shall notify members, and inserting a list of municipal positions that would enable a person to be eligible for election to the employer representative seat.

Ms. Duquette arrived during the next item.

ITEM 3: Follow-Up/Approval of VPIC Action

A. GAA Allocation

The Board reviewed and discussed the VPIC's February 15, 2006, recommendation. Mr. Minot distributed asset allocation charts.

On a motion by Mr. Spaulding seconded by Ms. Duquette, the Board unanimously voted to approve an amendment to the VMERS asset allocation to add a 10% global asset allocation with 5% funded from large cap and 5% from fixed income, and investments of 50% to PIMCO and 50% to Mellon, as recommended by the VPIC on February 15, 2006.

B. Subcommittee Elections

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Mr. Jeffrey explained pursuant to an adopted VPIC procedure, #1-006, the number of representatives to each of the VPIC subcommittees would now include two members from each of the Boards in addition to the Treasurer, who will serve on all subcommittees.

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Mr. Jeffrey opened the floor to nominations for the Investment/Search Subcommittee

Mr. Spaulding nominated Ms. Duquette and Mr. Jeffrey.

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Hearing no objections, Mr. Jeffrey continued to Chair the meeting, despite being a nominee.

Hearing no other nominations, Mr. Jeffrey closed the floor to nominations.

The Board unanimously elected Ms. Duquette and Mr. Jeffrey to serve as the VMERS representatives on the VPIC Investment/Search subcommittee.

Mr. Jeffrey explained that he and Mr. Lewis currently serve on the Policy Subcommittee.

By consensus of the Board, Mr. Jeffrey and Mr. Lewis would remain serving as the VMERS representatives on the VPIC Policy subcommittee.

ITEM 4: Treasurer's Report

A. Re-Engineering Project

Ms. Pearce briefed the Board on the status of the re-engineering projects. She advised that in phase 1 the approximately 1.8 million documents previously stored in 60 filing cabinets were successfully scanned and digitized prior to the relocation of the Treasurer's Office in October 2005. She also informed the Board the firm Levi, Ray and Shoup, Inc. were the successful bidders and awarded a contract for the next 2½ year line-of-business phase 2 of the project. She said the kick-off would be April 3rd with three to nine consultants scheduled to be on-site over for the next three to four years, providing tech support after complete installation. Ms. Pearce was also pleased to report that both phases 1, and initiation of phase 2, were completed on time and under budget.

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B. FY '07 Budget

The Board thanked Ms. Pearce for distributing updated copies of the budget, which included the Board approved change in expense allocations from 12% to 18.9%.

ITEM 5: City of Montpelier Discussion

At 9:55 a.m. on a motion by Mr. Mitchell seconded by Ms. Duquette, the Board unanimously voted to enter into executive session pursuant to Title 1 §313, to discuss pending litigation.

Mrs. Webster, Ms. Pearce, Mr. McShane, and Ms. Holden were invited into executive session.

At 10:25 a.m. the Board exited executive session.

Ms. Webster distributed and led the Board in a review and discussion of the updated survey results, which revealed there were potentially 7 municipalities not reporting total compensation.

Ms. Webster also advised the Board the Union involved in the Montpelier litigation sent a communication to all municipalities advising them they should be reporting "gross pay". Ms. Webster shared her concerns regarding conflicting messages to payroll officers, based on the Board's direction that the Retirement Office advise payroll officers not to change how they were reporting. The Board discussed their July 1 reporting compliance objective, and current mandate for all new entities to report total wages.

ITEM 6: Legislative Update and Discussion

Mr. McQueen, Winooski Police Chief, and VT Police Association and VT Police Chiefs' Association representative, appeared before the Board to discuss his organizations' bill, H.259. He said the ultimate goal was to achieve a state-wide law enforcement pension benefit plan, for both local and state police officers. Mr. McQueen also advised the Board sections 2 and 4 of the bill were currently withdrawn in an effort to move the bill forward.

The Board reviewed and discussed sections 1, which eliminated the requirement for a special municipal meeting to approve Group D membership, noting the change would be consistent with other group enrollment language.

On a motion by Ms. Duquette seconded by Mr. Mitchell, the Board unanimously voted to support the proposal in section 1.

Section 3 provided for the same cost-of-living adjustments to VMERS Group D members as VSERS Group C members, which would change the current ½ of CPI up to a 3% maximum to the full CPI not less than 1% and not more than 5%.

The Board further discussed a conflict in the Group D normal retirement language in §5067 vs. as defined in §5051. Mr. McQueen and Ms. Webster pointed out the normal retirement age for Group D members is age 55, however, the current early retirement COLA language references age 62 for the start of COLA adjustments for all systems rather than the normal age of retirement.

Discussion ensued. Some items discussed included:

- ❑ The unknown total cost of the increase COLA proposal,
- ❑ Increased costs would be an employer cost, only,
- ❑ Depending on cost, the potential for discouraging enrollment in the group,
- ❑ Responsibility and desire for notifying current Group D employers of potential increased cost, and soliciting feedback.

The Board requested that Ms. Webster obtain a cost estimate from the actuary regarding the proposed COLA change and to use the information should be used in notifying Group D employers to solicit feedback on the proposal. The Board agreed to then discuss, via conference call, whether to take a position on the request or not.

Along with Ms. Webster the Board reviewed the 2/3/06 Draft of multiple statute amendments with her 2/22/06 memo, and in tandem with the March 10, 2006, Joel Cook (VT-NEA) and Ralph Crippen (AFSCME) memo. Mr. Mitchell restated his objection to several of the sections dealing with disability retirement.

Ms. Webster will provide the Board with a final Draft, which will include the changes discussed, as well as elimination of sections 2, 10, and 11. Mr. McQueen pledged to assist in moving the bill forward.

ITEM 7: Any other business to come before the Board

None

Adjournment:

On a motion by Mr. Mitchell seconded by Mr. Spaulding, the Board unanimously voted to adjourn at 1:40 p.m.

Next Meeting Dates:

The next VPIC meeting is scheduled for April 11, 2006.

Respectfully submitted,

Donna Holden, Board Coordinator
For Cynthia Webster, Secretary to the Board

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Vermont Municipal Employees Retirement System ¶
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GOALS ¶
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The Board established the following list of goals to be addressed in the future: ¶
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BOARD FOLLOW UP ITEMS ¶
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Who
What When
Done ¶
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** = for possible legislative changes ¶
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AG . . . Opinion re: DC plan (8/17/04 #7) ASAP ¶
CLW . . DC Admin expenses report (8/17/04 #7) ASAP ¶
David . . DC TPA request (8/17/04 #7) ASAP ¶
Jeb . . Results of AG's RFP follow-up (2/15/05 #1) ASAP ¶
CLW . . Membership criteria follow up (2/15/05 #2a) ASAP ¶
CLW . . Employee transfers within Plans discussion (2/15/05 #2a) ASAP ¶
David . . DC Plan fund line-up review (2/15/05 #6b) 5/2005 ¶
All . . Discuss/seek representation on §457 Board (5/17/05 #2c) TBD ¶
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