

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

June 23, 2006

VSTRS Members present:

JOSEPH MACKEY, Chairperson (Active No. 29334), term expiring July 1, 2009

JON HARRIS, Vice-Chairperson (Active No. 25669), term expiring July 1, 2007

JEB SPAULDING, VT State Treasurer

THOMAS CANDON, representing Commissioner of BISHCA

VAUGHN ALTEMUS, representing Commissioner of Education

JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2008,
participated via telephone

Also attending:

Cynthia Webster, Director of Retirement Operations

Bill Griffin, Chief Assistant Attorney General

Jaye Pershing Johnson, Assistant Attorney General

Michael McShane, Assistant Attorney General

Bill Rice, Director of Law and Policy

Bruce Chattman, Retired Superintendent

Rob Reardon, Business Manager

James Martin, retired member

Karl Kroner, Great West Retirement Services

Chip Sanville, Great West Retirement Services

June Atwood and husband, retired member and representative of VRTA

Joe Mackey, Chairperson, called the meeting to order at 9:08 a.m. on Friday, June 23, 2006, in the Pavilion 4th Floor Conference Room, 109 State Street, Montpelier, Vermont.

ITEM 1: Approve the Minutes of:

A. April 10, 2006 – Regular Business Meeting

On a motion by Tom Candon seconded by Vaughn Altemus, the Board unanimously voted to approve the minutes of April 10, 2006, as submitted.

B. April 11, 2006 – Joint Meeting

On a motion by Tom Candon seconded by Vaughn Altemus, the Board unanimously voted to approve the minutes of April 11, 2006, as submitted.

C. May 4, 2006 – Regular Business Meeting

On a motion by Tom Candon seconded by Vaughn Altemus, the Board unanimously voted to approve the minutes of May 4, 2006, as submitted.

D. May 31, 2006 – Joint Meeting

On a motion by Tom Candon seconded by Vaughn Altemus, the Board unanimously voted to approve the minutes of May 31, 2006, with the following correction:

**Page 3 of 3 – In the fourth paragraph, Mr. Kaplan's motion should be amended to read
"....and that the budget adjustment be used to provide for reallocation...."**

ITEM 2: Discuss/Ratify the Disability Retirement for Melissa Jewett

On a motion by Vaughn Altemus seconded by Jon Harris, the Board unanimously voted to ratify the disability retirement for Melissa Jewett as recommended by the Medical Review Board.

ITEM 3: Discuss/Determine What Disability Retirement Information Shall be Sent to the Board

Mr. Kaplan expressed his concern about too much medical information being sent to the board. The majority of the board felt the materials that are currently being distributed are appropriate to fulfill their fiduciary responsibility.

Jay Kaplan moved and Joe Mackey seconded a motion that required only the materials necessary to make a decision be sent to the board. Mr. Kaplan voted aye; all others voted nay. Motion did not pass.

ITEM 4: Attorney General's Opinion Regarding Post Retirement Income

On motion of Vaughn Altemus seconded by Jon Harris, the board unanimously voted to move into executive session at 9:20 a.m. for the purpose of discussing the opinion provided by legal counsel.

The board moved out of executive session at 10:10 a.m.

Mr. Chattman was invited to explain how his contracts were structured prior to retirement and after retirement. He reiterated his commitment to work within the parameters of statute. He reminded the board that he sought an opinion from the Director of Retirement prior to his retirement to ensure the structure of his post-retirement contract was appropriate and would allow him to receive his full retirement allowance. He received a determination from the Director of Retirement Operations that stated his retirement allowance would not be impacted. This opinion was later supported by the Attorney General's Office.

The board advised Mr. Chattman that they felt the structure of his contract after retirement was a legal loophole, and was not consistent with the intent of statute. The board stated it was their intent to establish a policy for 2006/07 to eliminate the legal loophole going forward, and to ultimately seek a legislative remedy.

ITEM 5: James Martin Allowable Earnings

Mr. Martin provided the board with a chronological background of his employment after his retirement effective July 1, 1995. He advised that he contacted the Retirement Division shortly after his retirement and was told that employment in a private school would not affect receipt of his retirement allowance. He stated it was always his belief that Bellows Free Academy (BFA), where he has been employed as a Driver Education teacher, was a private school. Mr. Martin distributed several newspaper articles to support the belief that BFA is considered a private school. Mr. Martin also read a statement that he had prepared to the board, a copy of which is attached to these minutes.

On motion of Jon Harris seconded by Vaughn Altemus, it was unanimously voted to reconsider the board's April 10th, 2006 motion regarding Mr. Martin's post-retirement earnings.

On motion of Jay Kaplan seconded by Jon Harris, it was unanimously voted to exempt Mr. Martin for exceeding the allowable earnings for a retired teacher during the last ten years. The board stated their reasons for the exemption were due to the failure of the school districts to report Mr. Martin's earnings, as well as

the lack of a contract with BFA, which had been a previous requirement in order to qualify for membership in the Teachers' System.

ITEM 6: Discuss Assumed Rate of Return

Jon Harris moved and Vaughn Altemus seconded a motion to increase the assumed rate of return on investments to 8 ¼%. The motion was withdrawn after Jeb Spaulding pointed out that the motion was unnecessary as the board had previously voted to increase the assumed rate of return to 8 ¼% if the legislature implemented all of the recommendations made by the 2005 Summer Study on Funding the Teachers' Retirement System.

ITEM 7: Active Teachers' Contribution, Actuary Recommendation 414(h)

The board reviewed the results of an actuarial analysis completed by Buck Consultants as required by 16 V.S.A., § 1944(a). The analysis is to determine the appropriate member contribution rate for the group C plan to maintain tax-neutrality of the State's "pick-up" of member contributions. The results of the analysis indicated that the member contribution rate should be increased from the current 3.40% to 3.41%.

On motion of Jay Kaplan seconded by Jeb Spaulding, it was unanimously voted to recommend to the legislature that the Teachers' Retirement System group C member contribution rate be increased by one basis point (from 3.40% to 3.41%).

ITEM 8: NCTR Travel Approval

On a motion by Jeb Spaulding seconded by Vaughn Altemus, it was unanimously voted to approve the request from Joe Mackey and Jay Kaplan to attend the October 13-18, 2006 Annual NCTR Conference in Austin, Texas consistent with the travel reimbursement policy.

On a motion of Jay Kaplan seconded by Tom Candon, it was unanimously voted to approve attendance for all board members at the next New England Pension Consultants' conference consistent with the travel reimbursement policy.

On motion of Joe Mackey seconded by Jay Kaplan, it was unanimously voted to approve attendance for all board members at the Green Mountain Summit conference consistent with the travel reimbursement policy.

ITEM 9: 457 Deferred Compensation Plan Presentation

Karl Kroner and Chip Sanville appeared before the board to provide an overview of the State of Vermont's 457 Deferred Compensation Plan. The plan could be offered to school district employees as a stand-alone tax-sheltered plan, or as a complimentary plan to other 403(b) plans. The question for board consideration was whether the board would support the State of Vermont Deferred Compensation Plan being offered to the school districts.

Tom Candon left the meeting.

Mr. Kaplan moved to table further discussion on the Deferred Compensation Plan until a later date. Motion died due to lack of a second.

The board agreed to discuss this issue at a future meeting when representatives from the Vermont State Employees' Association and the Vermont-NEA could be in attendance.

ITEM 10: Legislative Initiatives for 2007

The board reviewed and discussed the following list of legislative amendments and/or proposals for the next session compiled by the staff:

- ▶ Define how creditable service is calculated, with a goal of making the formula consistent between all three retirement systems.
- ▶ Define formula for calculating average final compensation.
- ▶ Establish the ability to modify and/or eliminate disability benefits based on the results of an annual review.
- ▶ Modify application requirements to allow a member to submit retirement application up to 90 days before or after separation of service.
- ▶ Mandate spousal signature on retirement applications.
- ▶ Establish language to ensure no loss of creditable service if a member goes on a leave of absence as a result of a work-related injury and receives workers compensation payments while on leave.
- ▶ Define how average final compensation will be calculated at retirement when members transfer a membership from one system to another.
- ▶ Define normal retirement allowance to equate to maximum retirement option.
- ▶ Establish language that mandates a member begin distribution of his or her retirement benefit no later than 70 ½ if he or she has separated from service.
- ▶ Establish maximum number of years over which equal annual payments for purchase of eligible credit may be made. Include allowable "grace period" for receipt of installment, if needed.
- ▶ Establish guidelines for payment of residual benefits after retiree death in absence of designated beneficiary.
- ▶ Establish appropriate penalties for employers who file erroneous or delinquent quarterly reports.

ITEM 11: Any Other Business to Come Before the Board

Mr. Kaplan requested that the next business meeting include a discussion on what types of issues may be put on the agenda.

Mr. Mackey advised the board that Deputy Treasurer Beth Pearce reported that the total cost to administer the Teachers' defined benefit plan was 4.62% of payroll.

ADJOURNMENT:

On a motion by Jon Harris seconded by Vaughn Altemus, the Board unanimously voted to adjourn at 12:20 p.m.

Respectfully submitted,

Cynthia Webster
Executive Secretary to the Board

