

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

March 8, 2007

Members present:

JEB SPAULDING, Vice-Chairperson, VT State Treasurer
LINDA McINTIRE, Commissioner of Human Resources
JAMES REARDON, Commissioner of Finance & Management
TOM GIFFIN, VSEA member (term expiring September 2007) – **via conference call**
DICK JOHANNESSEN, Governor's Delegate
JOE HEALY, Retired Vermont State Employees' Association – **via conference call**

Members absent:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2008)
ROBERT HOOPER, VSEA member (term expiring September 2008)

Also attending:

Donna Holden, Board Coordinator
Cynthia Webster, Director of Retirement Policy and Outreach
Michael Clasen, Director of Retirement Operations
David Minot, Director of Finance and Investments
Karl Kroner, Great-West Retirement Services
William Rice, Law and Policy Director
William Griffin, Chief Assistant Attorney General

The Vice-Chairperson, Jeb Spaulding, called the Thursday, March 8, 2007, meeting to order at 8:15 a.m., which was held in the Treasurer's Conference Room, 109 State Street 4th Floor, Montpelier, VT.

ITEM 1: Approval of the minutes for the meeting of February 8, 2007

On a motion by Mr. Johannesen seconded by Mrs. McIntire, the Board unanimously voted to approve the minutes of February 8, 2007, as submitted.

Mr. Giffin joined the meeting.

ITEM 2: Discuss/Act on Disability Retirements for:

- **Gerald Benson**

On a motion by Mr. Reardon seconded by Mr. Johannesen, the Board unanimously voted to approve the disability retirement for Gerald Benson, as recommended by the Medical Review Board to include a one-year review

The Board Coordinator was asked to notify the MRB of the discrepancy between the certification and fact-finding document for this case. The Board affirmed that decisions are based on the certification, the statutorily and formal source of recommendation.

- **Patricia A. Sartelle**

On a motion by Mrs. McIntire seconded by Mr. Johannesen, the Board unanimously voted to approve the disability retirement for Patricia A. Sartelle, as recommended by the Medical Review Board.

ITEM 3: §457 Plan Emergency Withdrawal Request for Kathleen Jones

On a motion by Mr. Johannesen seconded by Mr. Reardon, the Board unanimously voted to approve the Emergency Withdrawal Request for Kathleen Jones, as recommended by Mrs. Webster and Great-West Retirement Services.

ITEM 4: Discuss/Act on §457 Plan Participant Fees

The Board reviewed and discussed the issues regarding an approximate \$450K fund excess in the §457 Plan Administrative Expenses Account. They also reviewed and discussed the proposals for reducing the admin expenses balance and prospective participant fee adjustments.

It was agreed to obtain further information from Great-West Retirement Services regarding the impact of implementing a lower rate and fee cap scenario.

The Board will address this issue at their next meeting.

ITEM 5: Possible Amendments to the Deferred Compensation Plan Document

Mrs. Webster reviewed her 2/23/07 memo regarding proposed Plan Document amendments, pursuant to the *Public Pension Act of 2006*.

- *Direct rollover of a distribution to a non-spouse beneficiary, providing they meet certain criteria.*

On a motion by Mrs. McIntire seconded by Mr. Reardon, the Board unanimously voted to allow a direct rollover of a distribution from the State of Vermont Deferred Compensation Plan to a nonspouse beneficiary who is a designated beneficiary within the meaning of § 401(a)(9)(E), provided that the distributed amount satisfies all the requirements to be an eligible rollover distribution other than the requirement that the distribution be made to the participant or the participant's spouse, and provided that the direct rollover be made to an IRA established on behalf of the designated beneficiary that will be treated as an inherited IRA pursuant to the provisions of § 402(c)(11).

The Board instructed the Board Chair to initiate a Plan Document Amendment, and for the change just approved to be effective upon signature of the amendment.

- *Allow a designated beneficiary to be eligible for a hardship withdrawal, providing they meet federal regulations.*

The Board deferred taking action on this Plan option.

Mrs. Webster also reminded the Board of the mandatory enrollment option, which Mrs. McIntire confirmed was an employee contract negotiation item.

Mr. Reardon left the meeting during the next item.

ITEM 6: Possible Changes to §457 Plan Fund Line-Up

The Board reviewed the sub-committee's work to date and discussed the recommendations issued, which also included mapping of fund balances following a 60-day period of optional individual remapping. Proposal **replacements:**

- *Templeton Foreign A* fund with the *Dodge & Cox International Stock Fund*, which invests in large cap international stocks plus emerging market country stocks.
- *Templeton Developing Markets A* fund with the *Lazard Emerging Markets Open fund*.
- *Domini Social Equity* fund with the *Vanguard FTSE Social Index fund*, from the Large Growth Index Fund category.

In addition the recommendation proposed **adding:**

- The *Pax World Balanced Fund* and *Calvert Social Investing Bond A Fund* from the Balanced Moderate Allocation and Intermediate-Term Bond categories, respectively.

On a motion by Mr. Spaulding seconded by Mrs. McIntire, the Board unanimously voted to accept the recommendations, as presented, to be effective as specified by the Board.

The Board discussed a potential implementation schedule with Mr. Kroner. Mr. Minot will distribute the Investment Policy to members.

It was agreed that communication via a payroll stuffer, Website, etc. was warranted, and that Great-West would work with staff on compliance issues, and assist Mr. Minot in preparing an implementation schedule for the Board's consideration at the next meeting.

Mr. Kroner queried the Board on launching the previously discussed tiered suite of managed account services along with new fund line-up. Mr. Spaulding requested that information be provided to Board members again to consider.

ITEM 7: Discuss Start Time of Future Meetings

No discussion or action was taken regarding this item.

Mr. Clasen joined the meeting during the next item's executive session.

ITEM 8: Terminated Vested member Update

On a motion by Mr. Spaulding seconded by Mr. Healy, the Board unanimously voted to authorize payment of terminated vested benefits, consistent with previously granted payment requests by other terminated vested members with similar circumstances.

At 9:45 a.m. on a motion by Mr. Giffin seconded by Mr. Johannesen, the Board unanimously voted to enter into executive session, pursuant to Title 1 §313, to discuss litigation.

Mrs. Holden, Mrs. Webster, Mr. Clasen and Mr. Rice were invited into the executive session.

At 9:47 a.m. the Board exited executive session.

Mr. Clasen provided an update on the status of the terminated, vested, members.

On a motion by Mrs. McIntire seconded by Mr. Giffin, the Board unanimously voted to send a certified, restricted delivery, notice of forfeiture of retroactive benefits effective 7/1/07, to the remaining (six) terminated vested members who have not responded to previous correspondence regarding their benefit eligibility, pending review and legal approval by Mr. Rice and Mr. Griffin.

At 9:55 a.m. on a motion by Mr. Healy seconded by Mr. Johannesen, the Board unanimously voted to entered into executive session, pursuant to Title 1 §313, to discuss a grievance matter.

Mrs. Holden, Mrs. Webster, Mr. Clasen and Mr. Rice were invited into the executive session.

At 10:00 a.m. the Board exited executive session.

ITEM 9: Legislative Updates- Omnibus Bill Status

Members of the Board who would like additional information regarding the omnibus bill agreed to contact Mrs. Webster or Mr. Rice with questions and to set up an appointment for further review of the provisions proposed.

ITEM 10: Any Other Retirement Business to Come Before the Board

None

ITEM 11: Adjournment

On a motion by Mr. Healy seconded by Mrs. McIntire, the Board unanimously voted to adjourn at 10:01 a.m.

Next Meeting Dates:

The next scheduled VPIC meeting is scheduled for April 10, 2007
The next scheduled monthly meeting of the Board is April 12, 2007

Respectfully submitted,

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