

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

April 12, 2007

Members present:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2008) – **arrived later in the meeting via conference call**

JEB SPAULDING, Vice-Chairperson, VT State Treasurer

ROBERT HOOPER, VSEA member (term expiring September 2008) – **via conference call**

TOM GIFFIN, VSEA member (term expiring September 2007) – **via conference call**

LINDA McINTIRE, Commissioner of Human Resources

JAMES REARDON, Commissioner of Finance & Management

JOE HEALY, Retired Vermont State Employees' Association

Members absent:

DICK JOHANNESSEN, Governor's Delegate

Also attending:

Donna Holden, Board Coordinator

Cynthia Webster, Director of Retirement Policy and Outreach

David Minot, Director of Finance and Investments

William Rice, Law and Policy Director

William Griffin, Chief Assistant Attorney General

The Vice Chairperson, Jeb Spaulding, called the Thursday, April 12, 2007, meeting to order at 8:10 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 March 8, 2007

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

ITEM 2: Discuss/Act on Disability Retirements for:

- **Duane C. Stetson**

On a motion by Mr. Healy seconded by Mr. Hooper, the Board unanimously voted to approve the disability retirement for Duane Stetson, as recommended by the Medical Review Board.

Mr. Whitney joined the meeting via conference call during the next item.

ITEM 3: Discuss/Act on §457 Plan Participant Fees

The Board reviewed and discussed proposals prepared by Mr. Minot and Mrs. Webster, addressing the approximate \$455K fund excess in the Plan's Administrative Expenses Account, and existing and future administrative expenses charged to members of the § 457 Plan.

Mr. Healy made a motion seconded by Mrs. McIntire, to approve the recommendation to eliminate the administrative fees for the first year for all newly enrolled participant, and lower the current 25 basis point administrative fee to 15 basis points for all participants.

Mr. Whitney made a motion seconded by Mr. Hooper, to amend the original motion to include a one-month fee holiday for all existing participants, to be concurrent with the roll-out of the investment option changes planned for July 2007. *Motion unanimously carried.*

The original motion, as amended, was unanimously approved.

ITEM 4: Discuss/Act on Possible Implementation of Tiered \$457 Plan Managed Account Services

The Board was provided copies of the Great-West "Managed Account" packets. The Board discussed offering the expanded individualized investment services, which would be optional and paid for only by the participants who voluntarily choose the service.

Mrs. Webster reminded the Board since their decision to move to an unbundled Plan administration, the vendor has been prohibited from selling its own products. She cautioned the Board to consider whether allowing such a product to be offered, which would monetarily benefit the Administrator, would deviate from their earlier decision to protect participants from being steered toward products that serve to benefit the administrator.

On a motion by Mr. Whitney seconded by Mr. Healy, the Board unanimously voted to postpone, until the May 17, 2007 meeting, any further discussion and/or action regarding the tiered managed account service, and to seek an opinion from the AG's Office regarding the appropriateness for the Plan.

ITEM 5: Discuss \$457 Plan Fund Line-Up Change Schedule Implementation

The Board discussed the previously adopted fund line-up changes, which included: **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.

additions

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

Mr. Minot distributed a proposed schedule to launch the changes. The Board asked to be kept informed of the implementation.

Mr. Griffin asked Mr. Minot to verify the 12-b-1 fees related to the new funds and potential impact to the per participant fee schedule.

ITEM 6: NEPC Client Conference

Mr. Whitney advised the Board of the upcoming NEPC Client Conference May 24-25, 2007, in Boston, MA., and encouraged all Board members to attend.

Mr. Whitney advised the Board of the historical practice of permitting a member to attend two educational conferences per year. He said the Board had previously acknowledged and encouraged attendance at one or more of the nationally recognized organizations' conferences: NAGDCA, NAST, NCPERS, and NASRA, and that those members interested in attending would contact the Chair for approval.

Mr. Spaulding stated the NEPC Client Conference should not be counted as one of the two conferences approved. However interested members should also notify the Board Coordinator of their plans to attend; in the event a Board meeting warning was warranted.

ITEM 7: DC Plan RFP Update

Mrs. Webster advised the Board of the anticipated release information.

ITEM 8: Discuss Start Time of Future Meetings

The Board discussed and decided to hold future in-house meetings at 8:30 a.m. and conference call meetings at 8:00 a.m.

ITEM 9: Any Other Retirement Business to Come Before the Board

None

ITEM 10: Adjournment

On a motion by Mr. Healy seconded by Mrs. McIntire, the Board unanimously voted to adjourn at 9:50 a.m.

Next Meeting Dates:

The next scheduled monthly meeting of the Board is May 17, 2007
The next scheduled VPIC meeting is scheduled for May 31, 2007

Respectfully submitted,

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