

# VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

August 9, 2007

## **Members present:**

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

JEB SPAULDING, Vice-Chairperson, VT State Treasurer

ROBERT HOOPER, VSEA member (term expiring September 2008)

LINDA McINTIRE, Commissioner of Human Resources

JAMES REARDON, Commissioner of Finance & Management

DICK JOHANNESSEN, Governor's Delegate

## **Members absent:**

TOM GIFFIN, VSEA member (term expiring September 2007)

JOE HEALY, Retired Vermont State Employees' Association

## **Also attending:**

Donna Holden, Board Coordinator

Cynthia Webster, Director of Retirement Policy and Outreach

David Minot, Director of Finance and Investments

Bill Rice, Law & Policy Director

Karl Kroner, Great West Retirement Services

David Driscoll, Buck Consultants

Elizabeth Pearce, Deputy Treasurer

The Chairperson, Warren Whitney, called the Thursday, August 9, 2007, meeting to order at 8:40 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

## **ITEM 1: Approval of the minutes for the meeting of July 12, 2007**

**On a motion by Mr. Johannesen seconded by Mr. Reardon, the Board unanimously voted to approve the minutes of July 12, 2007, as discussed.**

## **ITEM 2: Discuss/Act on the disability retirement for: *Lynn D. Swanson***

**On a motion by Mr. Spaulding seconded by Mrs. McIntire, the Board unanimously voted to approve the disability retirement for Lynn D. Swanson, as recommended by the Medical Review Board.**

## **ITEM 3: Vested Deferred Member Update**

**On a motion by Mr. Spaulding seconded by Mr. Hooper, the Board unanimously voted to approve vested deferred benefits to the member as requested, and consistent with similar requests made by other members regarding this matter.**

**At 8:45 a.m. on a motion by Mr. Whitney seconded by Mr. Hooper, the Board unanimously voted to enter into executive session, pursuant to Title 1 § 313, to discuss pending litigation.**

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

**At 9:02 a.m. the Board exited the executive session.**

**ITEM 4:      §457 Plan Quarterly Report**

Karl Kroner appeared before the Board to provide the Q2/07 report. Mr. Kroner reported an asset balance of \$255.02 million with a total of 6,320 participants, of which 5,855 (4101 contributing) were State employees and 465 (344 contributing) were Municipal employees. The Plan's average per participant account balance was reported at \$40,351 with an average annual per member contributions of \$1,004.

Mr. Kroner also provided a brief SDIA report, which included information regarding the \$91.05 million closed fund for 2336 participants.

Mr. Spaulding advised the Board of the statistical evidence that mandatory enrollments have a very high retention rate and he encouraged the appropriate parties to reach whatever agreement would be necessary to permit the Board to implement a new-hire mandatory enrollment into the §457 Plan, with appropriate opt-out provision.

*Mrs. McIntire left the meeting.*

Mr. Spaulding also advised the Board that the current statute provided for offering the § 457 Plan to schools and municipalities. He said that pending changes to 403(b) regulations regarding employer oversight has prompted the VT-NEA and Superintendents Association to request the Treasurer's Office to offer a statewide 403(b) Plan, similar or in conjunction with the existing § 457 Plan.

Mrs. Webster pointed out the new 403 (b) regulations will be effective 1/1/09, which would require plan design and legislative action during the upcoming 2008 session.

For Board review and consideration, Mr. Kroner distributed a comparison of ratios of returns for participants who take advantage of some level of investment guidance vs. those that do not.

Ms. Pearce distributed a summary of the §457 Plan proposed changes and advised the Board of recent contract negotiations.

**On a motion by Mr. Hooper seconded by Mr. Reardon, the Board unanimously voted to authorize the Treasurer's Office to move forward with a contract with Great-West Retirement Services, consistent with the points presented, and contained in the summary.**

Upon discussion, the Board acknowledged the contract would contain a waiver of new participant fees for the 1<sup>st</sup> year of participation, a reduction of administration fees from 25 to 15 basis points, and to address other options at a later date.

**ITEM 5:      Discuss/Act on Experience Study Report**

Mr. Driscoll appeared before the Board to discuss the results of the DRAFT FY '06 Experience Study results.

The Board agreed that an in-depth discussion and consideration of how the actuarial rate of return would/could be impacted if the State's reimbursement of investment expenses were to continue per current statute or revised per the model incorporated in session law for FY '08.

The Treasurer's Office will also seek NEPC's feedback regarding the investment return assumptions, which along with other financial data will be forwarded to Mr. Driscoll to prepare alternative assumptions for the Board to discuss at a conference call meeting later in August, and prepare itself for the report's acceptance at the September 13, 2007, meeting.

**ITEM 6:      Any Other Retirement Business to Come Before the Board**

Mr. Whitney advised Board members to contact him regarding any travel or educational opportunities.

**ITEM 7:      Adjournment**

**On a motion by Mr. Spaulding seconded by Mr. Johannesen, the Board unanimously voted to adjourn at 12:45 p.m.**

**Next Meeting Dates:**

The next scheduled VPIC meeting is scheduled for August 15, 2007

The next scheduled VSERS meeting is September 13, 2007

Respectfully submitted,

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