

# VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

February 11, 2010

## **VSERS Members present:**

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2011)  
Robert Hooper, VSEA Representative (term expiring September 1, 2010)  
Paul White, Jr., VSEA Representative (term expiring September 1, 2010)  
Jeff Briggs, VSEA Alternate (term expiring September 1, 2011)  
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2010)  
James Reardon, Commissioner of Finance & Management (ex-officio)  
Jeb Spaulding, VT State Treasurer  
Caroline Earle, Commissioner of Human Resources (ex-officio)  
Richard Johannesen, Governor's Delegate (ex-officio)

## **Members absent:**

None

## **Also attending:**

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board  
Stephen Wisloski, Director of Investment & Debt Management  
Karl Kroner, Great West Retirement Services  
Chip Sanville, Great West Retirement Services  
Kay Kuzmik, Great West Retirement Services  
William Griffin, Chief Assistant Attorney General  
Monica Chiren, Assistant to Cynthia Webster

The Vice-Chairperson, Kevin Gaffney, called the Thursday, February 11, 2010 meeting to order at 9:10 a.m., which was held in the Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

## **ITEM 1:      Approve the Minutes of: January 14, 2010**

**On motion by Mr. Johannesen, seconded by Mr. Dumas, the Board unanimously voted to approve the minutes of January 14, 2010 as amended.**

## **ITEM 2:      Election of officers**

**On motion by Mr. Spaulding, seconded by Mr. Johannesen, Kevin Gaffney was nominated for the position of Chair of the VSERS Board and Roger Dumas was nominated as the Vice-Chair of the VSERS Board.**

Mr. Hooper indicated he was going to nominate Paul White as Vice-Chair. Mr. Spaulding indicated he will amend his motion.

**On motion by Mr. Spaulding, seconded by Mr. Hooper, Kevin Gaffney was nominated for the position of Chair of the VSERS Board. Hearing no other nominees it was the Board's**

**consensus to cast a single ballot for nomination and election of Kevin Gaffney as the Chairperson. The vote was unanimous.**

**On motion by Mr. Spaulding, seconded by Mr. Johannesen, Roger Dumas was nominated for the position of Vice-Chair of the VSERS Board.**

**Mr. Hooper made a motion to nominate Paul White for the position of Vice-Chair of the VSERS Board. There was no second. The motion failed.**

**Chairman Gaffney called Mr. Spaulding's motion nominating Roger Dumas for the position of Vice-Chair of the VSERS Board. The vote was unanimous. The motion passed.**

The Board members thanked Mr. White for his interest in the position of Vice-Chairperson.

**ITEM 3:      Discuss/Act on disability retirement recommendations for:**

<b>Robert C. Chaperon</b>	<b>New</b>
<b>Virginia R. Estivill</b>	<b>New</b>

**Mr. Hooper moved and Mr. Dumas seconded a motion to accept the recommendation of the MRB to allow the disability retirements for Robert C. Chaperon and Virginia R. Estivill without review.**

Ms. Earle indicated she had a question about Ms. Estivill's case.

**On motion by Mr. Hooper, seconded by Mr. Reardon, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Robert C. Chaperon without review.**

**On motion by Mr. Hooper, the Board voted unanimously to enter Executive Session at 9:20 a.m. pursuant to Title 1, § 313 for the purpose of discussing the disability retirement for Virginia R. Estivill.**

The Board exited Executive Session at 9:31 a.m.

**On motion by Ms. Earle, seconded by Mr. Reardon, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Virginia R. Estivill with the request that the MRB review Ms. Estivill's circumstances in one year.**

Mr. Spaulding inquired about Mr. Whitney's service on the Board. Ms. Webster indicated to the Board Mr. Whitney has not forwarded a formal letter of resignation. Ms. Earle suggested the Board send him a letter thanking him for his service and verifying his resignation. Mr. Hooper indicated Mr. White is now the VSEA Representative and Mr. Briggs is the VSEA Alternate. Mr. Hooper indicated he will forward a letter indicating such.

**ITEM 4:      Review Medical Review Board Activity**

Ms. Webster reviewed with the Board the disability sheet that Donna Holden had prepared. Mr. Johannesen indicated it would be interesting to know the average age of the disabilities. The Board discussed the make-up of the Medical Review Board, how often they meet, and the average length of time spent on each review.

**On motion by Mr. Hooper, seconded by Mr. Reardon, the Board unanimously voted to raise the fee for the Chair of the MRB to \$150.00 and the fee for the other members of the MRB to \$125.00.**

**ITEM 5: State of Vermont 457 Deferred Compensation Plan**

**Quarterly review for period ending December 31, 2009  
Review status report on De Minimus accounts**

(Mr. Wisloski entered the meeting for this item.)

Mr. Kroner introduced the members of Great West that were present and explained their position with Great West. Mr. Kroner reviewed the Plan Results. The Board answered Mr. Dumas's question about TIPS funds indicating more information was to be provided about them, but no action had been taken by the Board. In reference to the Contributions by Asset Class page Mr. Johannesen requested that the percentages be indicated next to the asset classes in addition to the pie chart. Mr. Kroner indicated he will talk to the person who prepares the report about that inclusion.

Mr. Kroner discussed with the Board average account balance, contributions, and asset distribution. Ms. Earle indicated she will work with Mr. Sanville in connection with the DHR website. Mr. Kroner indicated there was no formal process in place for a member who was going to retire. Ms. Webster indicated the Retirement Specialists inform members to contact Great West about their Deferred Compensation plan. Ms. Earle indicated she will obtain the number of participants who contribute a set amount versus a percentage and circulate that information to the Board members.

Mr. Kroner discussed with the Board Benefit Payment Distribution, KeyTalk and Internet statistics. Mr. Hooper had an inquiry about the dream teacher aspect on the internet not working correctly. Mr. Kroner indicated he will research that.

Mr. Sanville provided the Board with the Field Activity update. Mr. Sanville explained the difference between group meetings and individual appointments. Mr. Sanville provided the Board with the VSTRS 403(b) update.

(Ms. Earle left the meeting at this time.)

Mr. Kroner discussed with the Board the fund performance. Mr. Kroner discussed with the Board his handouts about TIPS and SRI funds. The Board discussed forming a subcommittee to review the SRI funds.

**On motion by Mr. Hooper, seconded by Mr. Reardon, the Board voted unanimously to move this item to the next in-house meeting for discussion and possibly forming a subcommittee at the next phone conference meeting.**

The Board discussed TIPS funds. The Board decided they would review TIPS funds before the next meeting.

Mr. Sanville provided the Board members with the SDIA update. Mr. Kroner inquired of the Board members what they would like Great West to focus on for 2010. The consensus of the Board was to have Great West educate people how to invest wisely, have meetings in reference to allocation of funds, and have pre-retirement meetings.

Mr. Kroner provided the Board members with an update on the De Minimus accounts. The Board discussed how they would like to proceed with these accounts, whether annually or automatically when an account goes under a certain amount. Ms. Kuzmik indicated she will provide a report for the August in-house meeting, running it from June 2010 for accounts under \$500.00 and \$1,000.00. The Board decided it would discuss this item further.

(Ms. Kuzmik, Mr. Sanville and Mr. Kroner left the meeting at this time.)

(Mr. Griffin entered the meeting at this time.)

**ITEM 6: Follow-up items from *Retirement Commission's* report**

Mr. Hooper presented his question to Mr. Griffin concerning the Commission's report and the Board's three options, as he saw them, recommend acceptance, recommend not accepting the Commission's recommendations and taking no action at all. Mr. Hooper inquired what the Board's liability would be if it recommended something that did not conform to law. Mr. Griffin indicated the Board's exposure is about as close to zero as it can be. The Board further discussed this issue and the Burlington Firefighters case. The Board discussed their responsibilities relative to bills enacted by the Legislature.

(Mr. Griffin left the meeting at this time.)

Mr. Spaulding advised the Board the VT-NEA has reached an agreement with the Treasurer's Office which has been drafted into a bill. Mr. Spaulding indicated the Commission has completed its work, and it is now up to the Legislature as to what will be done. The Board discussed the differences between the Teacher system and the State system, the contribution rates and Plan F subsidizing Plan C and D, possibility of having different contribution rates for different departments, changes affecting current employees and new employees, the actuarially required contribution (ARC), spiking and the calculation of the average final compensation (AFC).

**Mr. Hooper made a motion the Board will endorse any recommendations that apply to new employees and if the Board is solicited will render an opinion on any other recommendations. There was no second to the motion. The motion died.**

The Board agreed to withhold comment until asked for an opinion.

Ms. Webster provided the Board with the breakdown of the line item investment section of the Budget for 2011. Mr. Hooper requested a breakdown of services that Buck Consultants provided over the past year. Ms. Webster indicated Buck provides a monthly report, which is broken down by task, which she will provide to the Board before the next meeting.

Ms. Webster provided the Board with the numbers of retirees who continue to live in Vermont and those who relocate to other states. Ms. Webster indicated these figures do not include those who move to Florida for the winter. Ms. Webster indicated she will provide this sheet to the Board members.

(There was a short recess at 12:35 p.m.)

**ITEM 7: Explanation of development of State's contribution rate by Jim Reardon**

Mr. Reardon provided the Board with handouts and explained the process for the development of the State's contribution rate. Mr. Reardon explained how the rates are trued-up every year, taking into account the actual administrative expenses from the previous year. Mr. Reardon explained Alternate 1 and Alternate 2. Mr. Reardon answered the Board's questions concerning his presentation.

**ITEM 8: Legislative update:**

**H.712  
S.275  
Retiree COLA**

Ms. Webster indicated to the Board H.712 dealt specifically with Mr. Schroeter's concern. Ms. Webster reminded the Board Mr. Schroeter was the gentleman who appealed to the Board because he missed the Retirement Incentive opportunity, and the Board denied his appeal. Ms. Webster indicated this bill was drafted to accommodate Mr. Schroeter, and that there were three other people who could be impacted by the bill.

Ms. Webster indicated S.275 was a bill that was introduced by Senator Illuzzi concerning the 3% salary decrease in 2011 and 2012, and its exclusion from the AFC when calculating an employee's normal retirement allowance.

Ms. Webster provided the Board with an update on the issue being discussed by the State retirees' group about the negative retiree COLA. Ms. Webster stated the request being made is to amend the COLA language to ensure that there will never be another negative COLA in the future and that the January 2011 COLA be applied to the December 2009 amount so that there will not be a long-term impact from the negative COLA.

(Mr. Reardon left the meeting at this time.)

Ms. Webster provided the Board members with the *2010 Retiree Cost-of-Living Fact Sheet* which provided dollar amounts for the decrease in total pension payments and the average monthly decrease for retirees. The Board discussed this issue. The Board discussed Social Security's level funding for the next two years. Ms. Webster indicated she will keep the Board updated on these legislative issues.

**ITEM 9: Any other business to be brought before the Board**

Mr. Spaulding handed out the draft of the *VPIC Proposal for Independent Chair* to the Board members. There was a discussion concerning the document, VPIC and the Chair position. The Board discussed the make-up of the VPIC Board.

**On motion by Mr. Hooper, seconded by Mr. Spaulding, the Board voted to adopt the construct in the *VPIC Proposal for Independent Chair* as presented. Mr. Johannesen and Mr. Dumas abstained from the vote. The motion passed.**

The consensus of the Board was to discuss the travel policy at the next Board meeting.

**ITEM 7: Adjournment**

**On motion by Mr. Dumas, seconded by Mr. Johannesen the Board unanimously voted to adjourn at 1:55 a.m.**

**Next Meeting Date:**

The next scheduled VSERS meeting is a conference call meeting on March 11, 2010 at 9:00 a.m.

Respectfully submitted,

Cynthia L. Webster  
Secretary to the Board