

**VERMONT STATE TEACHERS' RETIREMENT SYSTEM**  
Meeting of the Board of Trustees  
**February 12, 2013**

**Members present:**

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015  
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2016  
THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013  
THOMAS CANDON, representing Commissioner of Department of Financial Regulations  
VAUGHN ALTEMUS, representing Secretary of Department of Education  
ELIZABETH PEARCE, VT State Treasurer

**Members absent:**

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016  
JUSTIN NORRIS, Active Member Alternate Representative, term expiring July 1, 2013

**Also attending:**

Matthew Considine, Director of Investments  
Katie Green, Investments Manager  
Laura Soares, Mark Hage, and Joe Zimmerman, VEHI  
Karl Kroner, Chip Sanville, Jonathan Smith and Valerie Baker (via telephone), Great West Retirement Services  
Bill Griffin, Attorney General's Office  
JP Isabelle, Executive Assistant to the Treasurer  
Laurie Lanphear, Director of Retirement Operations  
Kathie Kretzer, Retirement Specialist & Executive Secretary to the Board  
Monica Chiren, Assistant to Kathie Kretzer

The Chairperson, Jon Harris, called the Tuesday, February 12, 2013, meeting to order at 9:03 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 10, 2013 – regular meeting**
- **January 10, 2013 – special meeting**

**On motion by Mr. Candon, seconded by Mr. Altemus, the Board voted unanimously to approve the minutes of January 10, 2013 regular meeting and January 10, 2013 special meeting, as submitted.**

**ITEM 2:      **VEHI presentation of medical premium rates for FY 2014****

(Ms. Soares, Mr. Zimmerman and Mr. Hage arrived at this time.)

The representatives from VEHI were welcomed to the Board meeting. The VEHI representatives presented to the Board the premium increases for the VEHI health insurance for FY 2014 and discussed how the figures were arrived at. It was discussed the new rate has not been finalized yet, but was expected to be between 10.5% and 10.7%. It was indicated there would also be an increase in co-pays and deductibles. There was a discussion about the single payer health plan. There was a discussion about the Federal Affordable Care Act. There was a discussion concerning the effect the new health plans would have on VEHI and the VSTRS retirees. There was a discussion about the wellness programs that are offered to members. There was a discussion about the GASB 68 regulations. There was a discussion about the funding for the health care. Ms. Pearce provided the Board information about RDS (Retiree Drug Subsidy) and EGWP (Employer Group Waiver Plan).

(Mr. Griffin arrived at this time.)

**On motion by Ms. Deliduka, seconded by Mr. Candon, the Board voted unanimously to allow the Treasurer's Office to move forward with EGWP with VEHI with a target implementation date of July 1, 2013 or January 1, 2014, whichever is more feasible depending on negotiations with CDS.**

Mr. Harris indicated he would like an EGWP update at the next in-house meeting in May. There was a discussion about Federal grants and the payment of payroll and health care out of the grants. Ms. Pearce indicated she has a contact in Maine who has dealt with the Federal grants and that she will explore this issue further. Mr. Hage acknowledged the contribution the Retirement Specialists provide and indicated his appreciation for them.

(Mr. Hage, Mr. Zimmerman, Ms. Soares and Mr. Griffin left the meeting at this time.)

(A recess was taken from 10:29 a.m. to 10:35 a.m.)

(Mr. Kroner, Mr. Sanville and Mr. Smith entered the meeting at this time.)

(Ms. Baker entered the meeting at this time via the telephone.)

**ITEM 3: 403(b) quarterly update by Great West Retirement Services**

- **Discussion with Advised Asset Group (AAG) – via telephone**
- **Discuss T. Rowe Price 2050 Target Date Fund**

Ms. Baker reviewed the *Fund Performance Review as of 12/31/2012* with the Board members. There was a discussion about the target date funds and the differences between the different funds. There was a discussion if and when the 2050 fund should be added to the fund line-up. Ms. Baker indicated T. Rowe Price would not be closing the 2010 target date fund in the near future.

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

It was the consensus of the Board members that they would not add the 2050 target date fund at this time.

Mr. Kroner appeared before the Board and provided the Quarterly Report for December 31, 2012 for the 403(b) Investment Program. Mr. Kroner provided the plan overview. Mr. Kroner indicated there was a 7.4% increase in the plan assets from October 1, 2012 to December 31, 2012.

Mr. Kroner indicated there are 1,819 participants in the plan. Mr. Kroner reviewed with the Board members the breakdown of assets. Mr. Kroner reviewed the diversification of the plan participants.

(Mr. Griffin entered the meeting during this agenda item.)

Mr. Sanville reviewed with the Board members the challenges he met adding new schools to the 403(b) plan. Mr. Kroner reviewed with the Board members the number of withdrawals for the quarter. In response to Ms. Pearce's request Mr. Kroner indicated in the future the Board will be provided with four quarters of withdrawal information for comparison purposes.

Mr. Sanville reviewed with the Board members the field activity for the quarter. Mr. Sanville responded to the Board member's questions. Mr. Kroner indicated the new website has gone live and that he hoped the Board members have had an opportunity to review it.

**ITEM 4: SDIA quarterly update**

Mr. Sanville appeared before the Board and provided the Quarterly Report for December 31, 2012 for the SDIA Plan. Mr. Sanville indicated the slow decline is continuing, which is expected. Mr. Sanville reviewed with the Board members the distributions, and indicated there were no real surprises there either. Mr. Sanville reviewed with the Board members the Key Talk and Internet statistics.

Ms. Pearce indicated there has been a reduction to the fee structure for participants in the 457 Deferred Compensation Plan, which has gone down from 12 basis points to 10 basis points.

(Ms. Green, Mr. Considine, Mr. Kroner, Mr. Sanville and Mr. Smith left the meeting at this time.)

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

It was the decision of the Board to move to Item #6 at this time.

**ITEM 5: Discuss/Act on Forfeiture Legislative Language**

Ms. Pearce provided the Board members information on the pension forfeiture legislation. Mr. Isabelle reviewed with the Board members Draft #2 of Bill H.41 dated February 6, 2013. Mr. Isabelle responded to the Board member's inquiries. Ms. Lanphear reviewed with the Board members the pension forfeiture examples. Mr. Griffin discussed the criminal and civil court proceedings relative to pension forfeiture. There was a discussion concerning what crimes are covered under this bill.

**On motion by Mr. Altemus, seconded by Mr. McConnell, the Board voted unanimously to move to approve the concept of the pension forfeiture and support Draft #2 of Bill H.41 dated 2/6/2013 and this is subject to further review and Senate comment. The Board reserves the right to further comment on any revisions.**

Ms. Pearce indicated if all three Boards approve the pension forfeiture she will make a statement for the press.

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

(A luncheon recess was taken from 12:17 p.m. to 12:35 p.m.)

**ITEM 6: Review/act on disability retirement recommendation for:**

**Flora Hurteau**

**One-Year Review**

**On motion by Mr. McConnell, seconded by Mr. Candon, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Flora Hurteau, with no review.**

**ITEM 7: Update on the following:**

- **2013 Legislative activity**

Ms. Pearce provided the Board members a rundown of items in this legislative session, including a discussion concerning the amortization schedule, the contribution rates for the VMERS system and the one-time transfer option for VMERS DC members to go into the DB plan. Ms. Lanphear reviewed with the Board members the proposed amendments for the 2013 legislative session. Ms. Lanphear responded to the questions posed by the Board members.

Mr. Harris indicated the policy book would be reviewed after the VPAS system went live. Ms. Pearce provided an update on the VPAS system indicating it was expected to finish in November of 2013.

**ITEM 8: Any other business to come before the Board**

None.

**ITEM 9:     Adjournment**

**On motion by Ms. Pearce, seconded by Mr. Altemus, the Board unanimously voted to adjourn at 1:10 p.m.**

**Next Meeting Date:**

The next scheduled VSTRS meeting is a conference call on Thursday, March 14, 2013 at 3:30 p.m.

Respectfully submitted,

Kathie Kretzer  
Executive Secretary to the Board