

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees
February 7, 2012

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2012
THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013
JUSTIN NORRIS, Active Member Alternate Representative, term expiring July 1, 2013
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2012
THOMAS CANDON, representing Commissioner of BISHCA
VAUGHN ALTEMUS, representing Commissioner of Education
ELIZABETH PEARCE, VT State Treasurer

Members absent:

None

Also attending:

Stephen Wisloski, Deputy VT State Treasurer
Matthew Considine, Director of Investments
Katie George, Investments Manager
Karl Kroner, Great West Retirement Services
Jonathan Smith, Great West Retirement Services
Valerie Baker, Advised Asset Group – via telephone
Kathie Kretzer, Retirement Specialist & Executive Secretary to the Board
Monica Chiren, Assistant to Kathie Kretzer

The Chairperson, Jon Harris, called the Tuesday, February 7, 2012, meeting to order at 9:02 a.m., which was held in the Governor's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of: December 8, 2011**

On motion by Mr. McConnell, seconded by Mr. Mackey, the Board voted unanimously to approve the minutes of December 8, 2011, as submitted.

Ms. Pearce introduced Katie George to the Board. The Board welcomed Ms. George. Ms. George provided the Board a brief background of her employment history.

ITEM 2: **403(b) quarterly update by Great West Retirement Services**

- **Discussion with Advised Asset Group (AAG) via telephone**
- **Retiree Seminar**

Mr. Kroner introduced Jonathan Smith to the Board and indicated he would be appearing today in place of Mr. Sanville. Mr. Kroner indicated Ms. Baker from AAG (Advised Asset Group) would be calling in at 9:30 to review the fund performance.

Mr. Kroner appeared before the Board and provided the Quarterly Report for December 31, 2011 for the 403(b) Investment Program. Mr. Kroner provided the plan overview. Mr. Kroner indicated there was a 15.4% increase in the plan assets from October 1, 2011 to December 31, 2011. Mr. Kroner indicated two more districts were added. Mr. Kroner indicated there was a dip in asset growth in Q3, but that the asset growth increased again in Q4. Mr. Kroner indicated nothing changed significantly with the diversification of the plan participants. There was a discussion about contributions. There was a discussion concerning the fluctuation of the stock market and participants rebalancing their accounts. There was a discussion about some reasons that might prevent a member from participating in the 403(b) plan. Mr. Norris indicated he would be happy to talk with Great West to come up with better ways to have the information about the 403(b) plan disseminated to members. Mr. Smith discussed the benefit fairs that some districts have had and how successful they have been for signing up new participants. There was a discussion about plan participation. Mr. Kroner indicated Ms. Baker would be calling in now so they would continue their review after the telephone call.

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

Ms. Baker indicated she would like to review with the Board members the *Economic and Capital Markets Review* and *Quarterly Market Perspective*. When Ms. Baker learned that the Board did not have those documents available she indicated she would provide those documents to the Board members. Ms. Baker briefly reviewed the information that was contained in the *Economic and Capital Markets Review* and *Quarterly Market Perspective* documents.

Ms. Baker reviewed with the Board members the Fund Performance Review. Ms. Baker discussed further the Calvert and PIMCO SRI funds. Ms. Baker provided the three and five year returns for the two funds. Ms. Pearce requested a pie chart of the profile funds and their asset allocation, and also to be provided with the performance data on the Great West Portfolio Fund. Ms. Baker indicated she can provide the fund fact sheets for the T. Rowe Price funds and indicated T. Rowe Price has an excellent web site that the Board members can review at their leisure.

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

(Mr. Candon arrived at the meeting at 10:07 a.m.)

Mr. Kroner continued the 403(b) quarterly review with the Board members. There was a discussion about benefit payment distributions and reality investing. There was a discussion about the managed accounts and the participants' access to them. Mr. Kroner reviewed the field activity with the Board members.

ITEM 3: SDIA quarterly update

Mr. Kroner appeared before the Board and provided the Quarterly Report for December 31, 2011 for the SDIA Plan. Mr. Kroner reviewed the *SDIA Investment Performance as of 12/30/2011* with the Board members. Ms. Pearce indicated to the Board members the recent changes to the SDIA plan and how it is now a part of a co-mingled fund. Mr. Kroner reviewed with the Board members the *Average Participant Balance by Age Group* document. Mr. Kroner indicated he will take the over 65 age group and break that down further into smaller groups. Ms. Pearce indicated she would like to have more information about the amounts in the accounts, the average age and the gender breakdown. Mr. Kroner reviewed the distributions for the SDIA Plan. There was a discussion how the minimum distributions are initiated. There was a discussion about non-spouse distributions. There was a discussion about the Key Talk and internet statistics.

Mr. Kroner indicated they are in the process of redesigning the website and when they had more information available they would provide it to the Board for review.

(A recess was taken from 10:35 a.m. to 10:55 a.m.)

Mr. Harris indicated Mr. Kroner would discuss the Retiree Seminar as listed under Item #2 with the Board members. Mr. Kroner indicated Ron Nichols is a retiree advocate who is nationally recognized and presents retiree specific seminars. Mr. Kroner indicated they were intending to have presentations in the fall and would provide further information as it became available. Mr. Kroner indicated they were still working on where the presentations would be held.

ITEM 4: Updates on the following:

- **RFI for Annuity Products**
- **VPAS**
- **2012 Legislative activity**

Ms. Pearce advised the Board about the situation with the 2011 1099-R's where the Vermont State Tax withholdings were entered in the incorrect box. Ms. Pearce indicated the situation was resolved quickly and smoothly.

Ms. Pearce indicated they are currently reviewing the data conversion with the VPAS system.

Ms. Pearce provided the Board with the status of the health care funding and indicated she is writing a letter indicating they need more money and would like to be put in a priority position for any possible waterfall.

Ms. Pearce indicated she needed to leave the meeting at this time, but that Mr. Wisloski would be able to vote in her absence.

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

(Mr. Kroner and Mr. Smith left the meeting at this time.)

On motion by Mr. Wisloski, seconded by Mr. Mackey, the Board voted unanimously to enter Executive Session at 11:00 a.m. pursuant to Title 1, § 313 for the purpose of discussing contract issues.

(The Board exited Executive Session at 11:10 a.m.)

(Ms. Pearce entered the meeting during the Executive Session.)

The consensus of the Board was to not pursue the annuity product at this time. The Board requested further information about the ability of participants to have their 403(b) funds rolled out into an IRA or an annuity product currently. The Board requested information how participants are advised of their rights to roll their funds out of the 403(b) plan. The Board discussed providing education and information about annuity products to the participants and how it should be provided. Ms. Pearce indicated staff will gather information for the Board's review.

ITEM 5: Any other business to come before the Board

Mr. Mackey reviewed the Vermont Pension Investment Committee (VPIC) "Flash" Report for the period ending December 31, 2011 with the Board. Mr. Mackey answered the questions posed by the Board. Mr. Considine explained to the Board his up/down analysis that he has been conducting relative to the portfolio structure. There was a discussion about the portfolio structure. Mr. Mackey indicated the VPIC Board and staff do an excellent job.

Mr. Harris indicated VEHI would be attending the May meeting to provide the rates for 2012. Ms. Pearce indicated in May there should be more information available about the single payer health care system so they would be able to have VEHI answer their questions.

ITEM 6: Adjournment

On motion by Mr. Mackey, seconded by Mr. Altemus, the Board unanimously voted to adjourn at 12:20 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call on Thursday, March 8, 2012 at 3:30 p.m.

Respectfully submitted,

Kathie Kretzer
Executive Secretary to the Board