

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

January 16, 2002

Board Members present:

JOSEPH MACKEY, Chairperson (Active No. 29334), term expiring July 1, 2005

JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2004

BLYTHE MCLAUGHLIN, representing Commissioner of BISHCA, Elizabeth Costle

VAUGHN ALTEMUS, representing Commissioner of Education, Raymond McNulty

SUSANNE YOUNG, Deputy Treasurer representing JAMES DOUGLAS, VT State Treasurer

Member(s) absent:

JON HARRIS, Vice-Chairperson (Active No. 25669), term expiring July 1, 2003

Also attending:

Cynthia Webster, Director of Retirement Operations

Marie Duquette, Director of Investment Services

Ronald "Chip" Sanville, Retirement Specialist

Frank Hubbard, VT Retired Teachers' Association

Angelo Dorta, President VT-NEA

Elizabeth Ready, Auditor of Accounts

William Griffin, Chief Assistant Attorney General

The Chairperson, Joe Mackey, called the meeting to order at 8:30 a.m. on Wednesday, January 16, 2002 in the Treasurer's Conference Room #1 at 133 State Street, Montpelier, Vermont.

ITEM 1: Approval of the December 6, 2001 quarterly meeting minutes

On a motion by Ms. Young seconded by Mr. Altemus, the Board unanimously voted to approve the minutes of December 6, 2001 as submitted.

ITEM 2: State Treasurer's report on DC legislation (H.368 on *Legislative* website)

Ms. Young advised the Board that H.368 was introduced last year and is currently at the House Government Operations Committee. She said no hearing has been scheduled to date, but the bill was expected to be taken up and moved forward during this session.

Mr. Kaplan asked for the Board to receive an actuarial analysis on the DC proposal that would include what, if any, long term impacts there may be to the DB plan. He also requested someone from Buck Consultants, Mr. Cook from VT-NEA and Mr. Douglas be at (or available via conference call) at the next meeting or as soon as possible to discuss the agreement that generated the legislation.

Ms. Duquette reported that the new lead portfolio manager for the VSTRS account at J & W Seligman has given a four-week notice of resignation with that firm. She has been in touch with NEPC and they will be communicating their recommendation to the Board, via memo.

ITEM 3: Meeting schedule – dates, times, format, frequency of manager presentations, meetings/dinners with managers in Vermont

The Chairperson suggested to the Board that future meetings begin at 8:30 a.m. The Board discussed needing to schedule more “quality” time with the Investment Consultant at the quarterly meetings. One suggestion the Board discussed was meeting with managers once per year for longer periods with each manager. The Board agreed to discuss the issue with the Investment Consultant.

The Board discussed the merits and their opinions of meeting privately, socially, individually or in small groups with the investment consultants or investment managers.

The Board agreed moving forward to schedule meetings quarterly when possible on the third Wednesday of August, November, February and May in conjunction with the other Boards.

ITEM 4: Clarify – notification to managers regarding option to hold cash

Mr. Kaplan requested that managers be advised of the May 23, 1996 and March 12, 1997 discussion and policy established regarding cash. He said that as long as the policy exists, managers should be aware of their options.

The Board discussed the timing of advising managers now knowing that the next quarterly meeting will have an agenda item to discuss revisions of the investment guidelines.

ITEM 5: Cash flow – rebalancing discussion

Ms. Duquette explained the cash flow sheet distributed to the Board. The Board discussed and agreed that a rebalancing policy would be addressed within the investment guideline review during the next quarterly meeting.

ITEM 6: Budget review

Ms. Webster reviewed the budget structure along with the actual and anticipated expenses.

ITEM 7: Discussion of Buck Consultant's 12/5/01 letter regarding projection of investment returns

Mr. Kaplan asked Ms. Webster to obtain clarification from the actuary as to when the rate of assumed return is added to the value of the fund.

ITEM 8: Discussion of Governor's funding letter – Board response?

The Board discussed whether they needed to or should respond the under funding of the FY 2003 requested appropriation.

Ms. Young pointed out that the Treasurer includes the information in his annual report and when he testifies before legislature, that full funding was requested and that the systems should be fully funded.

On a motion by Mr. Kaplan seconded by Mr. Mackey the Board voted to support a letter from the Chairperson to legislature that the FY 2003 requested appropriation be fully funded. Mr. Kaplan, Mr. Mackey, Mr. Altemus and Ms. Young voted yes. Ms. McLaughlin voted no.

ITEM 9: Reimbursement of expenses to NEPC

The Board reviewed and discussed the expenses, submitted to date, paid to New England Pension Consultants, pursuant to their signed contract.

Mr. Kaplan expressed his concern that “reasonable” expenses should be at the same level afforded to employees and Board members. Ms. Young disagreed stating that they are contractors not employees.

Mr. Altemus left the meeting.

ITEM 10: Act on/ratify disability retirement applications: Rosemary Mueller & Patricia Sheridan

On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to approve the disability retirements, as recommended by the Medical Review Board, for Rosemary Mueller and Patricia Sheridan.

Mr. Altemus returned to the meeting.

ITEM 11: Newsletter status

Ms. Webster reported that the fall newsletter was not published because in addition to cost there was a lack of useful information to distribute, at that time. She said she felt a quarterly schedule may be ambitious and suggested three newsletters per year with special editions as needed.

The Board encouraged four editions per year be published using a bigger font. Mr. Kaplan volunteered to provide useful retiree information, if needed.

The Board took a break for lunch at 11:50 a.m. and returned at 12:50 p.m.

ITEM 12: RFP process & compliance (see *Waiver* in Section 6 of Trustee Manual)

Mr. Griffin appeared before the Board to discuss the waiver signed March 18, 1998 by Kathy Hoyt, the Secretary of Administration. Mr. Griffin advised the Board that the waiver was a waiver of the bid process contained in Bulletin 3.5 for money manager contracts. He advised the Board it could safely rely on the waiver where it applied or the Board could choose to follow Bulletin 3.5 even if the waiver applied. This was a matter for the Board's discretion but either approach was acceptable.

Mr. Griffin updated the Board on the Jacobs vs. Vermont State Teachers' Retirement System. He explained that the summary judgment was won by the State but the decision has been appealed to the Vermont Supreme Court. He expects arguments to be scheduled for the fall of 2002.

ITEM 13: Travel policy

- a. FY 2002 travel expenditures to date

Ms. Webster advised the Board that approximately \$1,000.00 in unpaid expenses is pending.

Mr. Kaplan asked for a breakdown of the travel expenses paid to each Board member.

Ms. McLaughlin left the meeting.

ITEM 12: (Continued) RFP process & compliance

Mr. Kaplan made a motion seconded by Mr. Mackey, to implement the public RFP process pursuant to Administrative Bulletin 3.5, including advertising in an industry journal and at least one VT newspaper for all new contracts and use the waiver for renewals of contracts.

~~After discussion, Mr. Kaplan offered to withdraw the motion.~~

~~Ms. Young said no that the motion was made and the Board would vote.~~

Motion failed. Mr. Kaplan and Mr. Mackey voted yes. Ms. Young and Mr. Altemus voted no.

Ms. Young said she thought it was inappropriate to bring the motion before the Board when not all members were available for discussion or to vote. Mr. Altemus agreed.

ITEM 13: (Continued) Travel policy

b. Vaughn/Jay/Joe NCTR meeting debriefing

Mr. Altemus, Mr. Mackey and Mr. Kaplan discussed their participation at the NCTR conference in Salt Lake City, UT last October.

The Board discussed their opinions regarding travel for education. Also discussed was implementation of the current travel policy and the process to ensure equity among Board members to attend conferences, etc.

ITEM 14: Any other business to be brought before the Board

Mr. Kaplan presented the Board with his evaluation of the fund's ranking among its peers using the TUCS database. He again requested that NEPC use an appropriate public retirement fund database when calculating the fund ranking.

Ms. Duquette and Ms. Young said that his request was made at the last quarterly meeting and they expected NEPC would comply for the next quarterly meeting.

~~///~~ The next quarterly meeting is scheduled for February 20, 2002.

~~///~~ The next business meeting is scheduled for April 15, 2002.

~~///~~ The Q2/02 meeting is tentatively scheduled for August 21, 2002, pending confirmation of NEPC's schedule.

~~///~~ Future quarterly meetings will attempt to be scheduled the third Wednesday of November (11/20/02), February (2/19/03), May (5/14/03), and August (8/22/03).

On a motion by Ms. Young seconded by Mr. Altemus, the Board unanimously voted to adjourn at 2:46 p. m.

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board