

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

June 14, 2004

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, 2008
THOMAS CANDON, representing Commissioner of BISHCA
VAUGHN ALTEMUS, representing Commissioner of Education
JEB SPAULDING, VT State Treasurer - **arrived later in the meeting**

Board Members absent:

JON HARRIS, Vice-Chairperson (Active No. 25669), term expiring July 1, 2007

Also attending:

Cynthia Webster, Director of Retirement Operations
David Minot, Director of Investment Services
Joe Zimmerman, VSBIT
Norris Holt, BC/BS
Mark Hage, VT-NEA
Angelo Dorta, VT-NEA
William Griffin, Chief Assistant Attorney General
Michael Askjaer and Corin Frost, Barclay's Global Investors
Mary Guy, James Hopkins, and Eric Brandhorst, State Street Global Advisors

The Chairperson, Joe Mackey, called the meeting to order at 8:27 a.m. on Monday, June 14, 2004, in the 4th Floor Conference Room in the Pavilion Building at 109 State Street, Montpelier, Vermont.

ITEM 1: Approval of the Minutes of May 19, 2004

On a motion by Mr. Candon seconded by Mr. Kaplan, the Board unanimously voted to approve the minutes of May 19, 2004, as submitted.

ITEM 2: Act on the Disability Retirement for: *Daniel Cummings* and *Allen L. Fuller*

On a motion by Mr. Candon seconded by Mr. Kaplan, the Board unanimously voted to approve the disability retirement for Daniel Cummings and Allen L. Fuller, as recommended by the Medical Review Board.

The Board expressed their concern over receiving personal medical information. Ms. Webster advised an AG's opinion is pending regarding whether the Board can delegate authority to process disability retirements upon Medical Review Board recommendation without formal Board action.

ITEM 3: Act on Travel Requests – NCTR Annual Conference

Mr. Kaplan and Mr. Mackay expressed their desire to attend the annual conference. Schedule permitting, Mr. Altemus may request Board approval at a later date.

On a motion by Mr. Altemus seconded by Mr. Candon, the Board unanimously voted to approve attendance at the NCTR Annual Conference in Portland, Oregon October 9-14, 2004 to Mr. Mackey and Mr. Kaplan.

Mr. Spaulding arrived at the meeting.

ITEM 4: BC/BS Report on VSTRS Insurance Coverage Provisions vs. Medicare

Mr. Zimmerman, Mr. Holt and Mr. Hage appeared before the Board to explain and discuss the health insurance plans provided for retired members of the VSTRS. A newly designed health insurance brochure was distributed to the Board and will be mailed to all active and retired participating members.

Mr. Spaulding left and returned to the meeting during the next item.

ITEM 5: Panel Discussion – Indexing

Michael Askjaer and Coring Frost of Barclay's Global Investors and Mary Guy, James Hopkins, and Eric Brandhorst of State Street Global Advisors appeared before the Board to discuss traditional indexing and enhanced indexing portfolio management.

At a later date the Board will discuss Environmentally Conscious or Social Purpose indexed portfolios that are also available.

ITEM 6: Discuss Status of Commission Recapture

Mr. Minot reported that letters were mailed to large cap managers six to eight weeks ago and that he received information that Fidelity Investments has their own commission recapture program. After discussion whether Fidelity should use the State Street program, it was the consensus of the Board to allow Fidelity to use their program and for Mr. Minot to negotiate a better per share price.

Mr. Minot was also requested to require ongoing "soft dollar" reports from the managers.

ITEM 7: Discuss Under Funding Strategy

The Board discussed and agreed the under funding of the Teachers' Retirement System has reached a critical level. While they appreciated this year's additional \$4 million waterfall appropriation, it would have little effect on the prolonged under funding of the actuarially required appropriations needed to meet the system's liabilities and sustained solvency.

The Board further agreed that continued effort is needed to communicate and educate the membership and legislature of the system's dire situation without causing anger and panic, of alienating the legislature and/or administration.

Angelo Dorta said the VT-NEA is very aware of the issue and agrees the approach to seeking solutions is a balancing act. He pledged the support and cooperation of the VT-NEA to work with the Board to formulate and establish a long-term plan that would ensure protection of the system and benefits and reduce their vulnerability.

The Board agreed to an initial meeting with the actuary, followed by meetings with other stakeholders, i.e. VT-NEA, NCTR, System's Investment Consultant, etc. to create a strategy. The Board will be advised of a meeting date later in the summer.

ITEM 8: Any Other Business to be Brought Before the Board

Ms. Webster reminded the Board the system's insurance subsidy is payable for the member only, and they must hold the policy as the insured, with the cost of dependent coverage paid by the retiree at 100% of the premium.

Ms. Webster advised the Board of a request made by a 1999 retiree who has been a dependent of his wife's insurance since she retired in 1997. The member acknowledges for personal reasons he made a conscious decision not to take his own coverage at the time of his own retirement.

However, the retiree alleges he was never advised that he would not receive the system's insurance subsidy as a dependent on his wife's policy and despite all of the insurance information provided and rate notices over the past five-years, he didn't realize the additional expense. He further claims because he wasn't told about the cost that he has been unfairly treated and deserves a refund of approximately \$8K.

It was the consensus of the Board not to pay the request and for Ms. Webster to advise the retiree.

Mr. Spaulding advised the Board the 1:00 p.m. meeting to discuss unitization was cancelled. He said he would continue working with the Board Chairs and the three retirement Boards to find ways to create efficiencies and cost savings. As an example, Mr. Spaulding is preparing a request for a waiver of the bidding requirement of Bulletin 3.5 to allow a Board to make a manager selection from the results of a previously existing RFP, even if solicited by a sister Board.

Mr. Griffin advised the Board a court decision is still pending regarding the 1981 Jacobs case.

Next Meeting Dates:

The next scheduled quarterly investment meeting is August 18, 2004.

On a motion by Mr. Candon seconded by Mr. Kaplan, the Board unanimously voted to adjourn at 12:07 p.m.

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board

GOALS: **The Board established the following list of goals to be addressed in the future:**

Support full appropriation
Increased staff for counseling & continued training

BOARD FOLLOW-UP ITEMS

<u>Who</u>	<u>What</u>	<u>When</u>	<u>Done</u>
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** = for possible legislative changes

All	discussion of Proxy Voting Guidelines (3/15 #1)	TBD	
All	discuss Environmentally Conscious or Social Purpose indexed portfolios (6/14 #5)	TBD	
All	meet with actuary, then stakeholder re: under funding (6/14 #7)	TBD	