

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

March 14, 2007

VSTRS Members present:

JOSEPH MACKEY, Chairperson (Active No. 29334), term expiring July 1, 2009

JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2008

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

ELIZABETH PEARCE, Deputy Treasurer Representing JEB SPAULDING, VT State Treasurer

THOMAS CANDON, representing Commissioner of BISHCA

VAUGHN ALTEMUS, representing Commissioner of Education

VSTRS Members absent:

NONE

Also attending:

Donna Holden, Board Coordinator

Cynthia Webster, Director of Retirement Policy and Outreach

Michael Clasen, Director of Retirement Operations

Bill Rice, Law and Policy Director

Jeff Fannon, VT-NEA

Berry Hall, Susan King, Bob Besenhofer, David Driscoll, Buck Consulting – via conference call

The Chairperson, Joe Mackey, called the Wednesday, March 14, 2007, meeting to order at 9:05 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, Vermont.

With the Board's permission, items on the agenda were taken out of order.

ITEM 1: Discuss Utilization of Education Budget

Mr. Mackey expressed his opinion and anxiousness that some VPIC members do not take advantage of seeking and obtaining adequate, and as much education as possible in the subject areas that the VPIC is charged to deal with. Mr. Mackey further stated he believed the members of the VSTRS Board care about their role and fiduciary responsibility, and want to participate in as many educational opportunities as possible.

Mr. Kaplan and Mr. Mackey expressed their concern that they were being restricted from having access to more education by the current travel policy limiting reimbursement of expenses to \$2K per member, per year.

Mr. Altemus expressed his desire to attend the NEPC Client Conference in Boston, however, would have to pay for the trip in part from his own recourses, based on the small balance left in his travel account as a result of expenditures already charged to the account for the FY.

Ms. Pearce agreed that travel to certain conferences, such as the NEPC Conference, should be expected and encouraged, without limitation by the travel policy. (See ITEM 7.)

On a motion by Mr. Kaplan seconded by Ms. Pearce, the Board voted to exclude the NEPC Client Conference from the \$2K FY '07 Board travel limit. Mr. Altemus abstained.

Ms. Pearce confirmed, and the Board acknowledged, that whenever a quorum of the Board is expected to be in the same location, the assembly must be warned as a meeting of the Board.

Ms. Pearce advised the Board in her role as Deputy Treasurer she must approve vouchers for payment. She explained it has been the practice to pay Mr. Kaplan a per diem for his attendance at Board meetings and that she was seeking clarification from the Board that the current practice was acceptable. The Board agreed.

ITEM 2: Act on Healthcare RFP Recommendation

Berry Hall, Susan King, Bob Besenhofer, and David Driscoll of Buck Consulting joined the meeting via conference call.

At 9:40 a.m. on a motion by Ms. Pearce seconded by Mr. Harris, the Board unanimously voted to enter into executive session to discuss contractual matters.

Mrs. Holden, Mrs. Webster, Mr. Clasen, and Buck personnel were invited into the executive session.

At 10:44 a.m. the Board exited executive session.

On a motion by Ms. Pearce seconded by Mr. Harris, the Board unanimously voted to authorize the Retirement Division in cooperation with Buck Consultants to enter into negotiations with VEHI for the Vermont State Teacher's Retiree Healthcare and Administration contract.

Mr. Kaplan asked to be included in the contract negotiations.

It was understood the final contract would be brought to the Board for review and approval.

Mr. Candon left the meeting

ITEM 3: Approve minutes of:
▪ **January 24, 2007**

On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to approve the minutes of January 24, 2007, as submitted.

Mrs. Webster agreed to follow-up with Mr. Sherman to obtain his written responses to the Board's discussion on January 24, 2007.

Mr. Candon returned to the meeting.

ITEM 4: Adopt the 2007 Election Procedures

On a motion by Mr. Harris seconded by Mr. Altemus, that Board unanimously voted to approve the 2007 Election Procedures, as amended.

ITEM 5: Act on Letter Re: Readsboro Central School Members

On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to deny the request by the Readsboro Central School members to include their buy-out incentives in the calculation of their average final compensation, as referenced in the October 5, 2006, letter submitted.

The Board agreed all school districts should be advised to contact the Retirement Division with questions prior to entering into contract or creating issues that may affect a member's retirement.

ITEM 6: Follow-Up Regarding School Nurse Membership

Mrs. Webster advised the Board that recent communication from Steve Morse, DOE Educator Licensing Officer, verified that school nurses and school librarians are licensed through the Vermont Department of Education, regardless of whether they are teaching positions or not, therefore, should be included in the VSTRS plan.

ITEM 7: Discuss NEPC Conference in Boston

Mr. Mackey encouraged all Board members to attend the conference, reiterating his opinion that the VSTRS Board members care about their fiduciary role and demonstrate their commitment by attending conferences and looking for opportunities to obtaining as much education as possible.

Mr. Mackey also said he had issues and concerns with other VPIC members and their apparent lack of interest and/or ability to make informed decisions. Mr. Kaplan agreed, however, Ms. Pearce suggested the issue be discussed at the VPIC level.

On a motion by Mr. Mackey seconded by Mr. Harris, the Board unanimously voted to permit all Board members to attend the NEPC Client Conference May 24 & 25, in Boston MA.

Mr. Altemus advised the Board the room cost, including taxes, for the Westin Hotel would be \$257+ per night.

ITEM 8: Discuss AG's Opinion Re: Board Oversight and Budget Responsibility

Mr. Kaplan noted the request to the AG's Office was submitted on December 15, 2006; however, a response was not issued until March 7, 2007.

The Board discussed the opinion. Mr. Kaplan asked for better clarification of where in the statutes the authority to the Treasurer lies, and expressed a need for legal staff that answers directly to the Board. Mr. Mackey agreed.

ITEM 9: Terminated Vested Member Update

At 11:35 a.m. on a motion by Mr. Harris seconded by Mr. Altemus, the Board unanimously voted to enter into executive session, pursuant to Title 1 §313, to discuss litigation.

Mrs. Holden, Mrs. Webster, Mr. Clasen, and Mr. Rice were invited into the executive session.

At 11:57 a.m. the Board exited executive session.

On a motion by Mr. Harris seconded by Mr. Altemus, the Board voted to send a certified, restricted delivery notice of forfeiture of retroactive benefits effective 7/1/07, to the remaining (sixteen) terminated vested members who have not responded to previous correspondence regarding their benefit eligibility, pending review and legal approval by Mr. Rice and Mr. Griffin. Motion passed. Mr. Kaplan voted no.

Mr. Candon left the meeting.

On a motion by Mr. Altemus seconded by Mr. Harris, the Board voted to authorize vested deferred benefits to the two members who submitted requests, consistent with previously granted payment requests by other terminated vested members with similar circumstances. Motion passed. Mr. Kaplan voted no.

On a motion by Mr. Mackey seconded by Mr. Altemus, the Board voted to defer making a response to the inquiry received pending receipt of counsel from the Attorney General's Office. Motion passed. Mr. Kaplan voted no.

ITEM 10: Discuss/Update of Buck Study of Pension and Post Retirement Report

Mrs. Webster advised the Board a memo was written and was being reviewed by the Treasurer, which would provide clarification and information regarding the Report's recommendations, along with some additional cost estimates.

Mr. Kaplan and Mr. Mackey requested a copy of the Treasurer's Office memo be shared with to the Board, when it is distributed.

Ms. Pearce advised the Board she would verify the actuary's insurance limits, and advised she would share the action plan status resulting from the actuary review. She also stated that routine due diligence was conducted on the firm.

Mr. Candon returned to the meeting during the next item.

ITEM 11: Legislative Update and Discuss Legislative Initiatives

▪ **Omnibus Bill**

Mrs. Webster advised the Board the omnibus bill was passed out of House Government Operations. She said the bill submitted for consideration was absent any items considered to be controversial, which would be submitted at a later date under separate cover. She said controversial items were identified to require stakeholder input.

Mr. Rice explained the omnibus bill contained three parts. The first, which was the majority of amendments, consolidated language throughout the three statutes to a single reference for the systems' "fund", the second, to add federally required language, and the third part, a verity of changes seeking common system administration, and to clarify policies and practices.

Along with the Board, Mrs. Webster and Mr. Rice reviewed amendment sections 22-50.

- **Board Member Alternates 16 §1942 (e)**
- **Majority Vote Requirements 16 §1942 (e)**
- **Required Spousal Signature on Benefit Applications**

Mrs. Webster noted the above items were considered controversial and would be added to a future bill.

ITEM 12: Disability Retirement 90-day Filing Deadline Waiver Request

Mrs. Webster distributed a request from Portia Fitzhugh seeking a waiver of the 90-day filing deadline for a disability retirement.

On a motion by Mr. Harris seconded by Mr. Mackey, the Board voted to grant the 90-day filing deadline waiver request. Motion passed. Ms. Pearce abstained.

At 2:20 p.m. on a motion by Mr. Mackey seconded by Mr. Altemus, the Board unanimously voted to enter into executive session to discuss the applicant's personal medical matters.

Mrs. Holden and Mrs. Webster were invited into the executive session.

At 2:25 p.m. the Board exited executive session.

On a motion by Mr. Kaplan seconded by Mr. Altemus, the Board unanimously voted to reconsider the prior motion.

On a vote of the original motion to grant the 90-day filing deadline waiver request, the original motion failed.

On a motion by Mr. Harris seconded by Mr. Kaplan, the Board unanimously voted to table action on the request to waive the 90-day filing deadline until the June 13, 2007 meeting, and to request further information from the member to be shared with the Board prior to the meeting, and to provide the member the opportunity to appear before the Board either in person or via conference call, if desired

ITEM 13: Any Other Business to Come Before the Board

Mr. Kaplan advised the Board, pursuant to his January 24, 2007, notice of disclosure to the Board of his personal business ownership, that he was about to enter into a contract with VT-NEA, consistent with the conditions stated in the January 24, 2007, meeting. He stated he would be providing consulting services regarding defined benefit and defined contribution plans, the new GASB reporting regulations, and other national retirement issues.

After discussion, Mr. Kaplan decided to seek an opinion from the Office of the Attorney General to determine whether it was appropriate for him to enter into a consulting contract with the VT-NEA while he is an active Board member and fiduciary of the Vermont State Teachers' Retirement System.

Mr. Kaplan requested permission to attend the State Street Conference to be held in California on May 8 & 9, 2007.

On a motion by Mr. Harris seconded by Mr. Altemus, the Board unanimously voted to approve Mr. Kaplan's travel request to attend the State Street Bank conference May 8 & 9 in California, consistent with, and providing that, reimbursement of expenses are within the FY '07 travel budget.

Mrs. Webster advised the Board she requested permission from the Treasurer to attend the National Council on Teacher Retirement (NCTR) annual conference in June, to be held in Keystone, CO.

On a motion by Mr. Mackey seconded by Mr. Kaplan, the Board unanimously voted to approve the travel request to permit the Director of Retirement Policy and Outreach to attend the NCTR annual conference in Keystone, CO June 20-23, contingent upon the Treasurer's approval.

Mr. Mackey said he believed it was just as important for staff to attend conferences and educational meetings, as it is for Board members.

Mr. Kaplan asked the Treasurer to waive the \$2000 travel budget restriction if his expenses to attend the SSB conference in California exceed the FY limit. Ms. Pearce and other Board members agreed they would not support such a request, based on earlier conversations, and previously approved travel policy.

Next Meeting Dates:

The next Vermont Pension Investment Committee meeting is scheduled for April 10, 2007

The next VSTRS quarterly business meeting is scheduled for June 13, 2007.

Adjournment:

On a motion by Mr. Harris seconded by Mr. Candon, the Board unanimously voted to adjourn at 3:00 p.m.

Respectfully submitted,

Donna Holden, Board Coordinator
for Cynthia Webster, Secretary to the Board