

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees
September 18, 2007

VSTRS Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011
JOSEPH MACKEY, Vice-Chairperson (Active No. 29334), term expiring July 1, 2009
JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2008
THOMAS CANDON, representing Commissioner of BISHCA
JEB SPAULDING, VT State Treasurer – **via conference call**
VAUGHN ALTEMUS, representing Commissioner of Education

Also attending:

Donna Holden, Board Coordinator	
Cynthia Webster, Director of Retirement Policy and Outreach	
Bill Rice, Law and Policy Director	
Mike McShane, Assistant Attorney General	
Rita Rinehart	Mark Hage, VT-NEA/VEHI
Linda Deliduka	Joe Zimmerman, VEHI
Joel Cook, VT-NEA	Kerry Reynolds, VEHI
Jeff Fannon VT-NEA	Dr. Russell Davignon, MRB

The Executive Secretary, Cynthia Webster, called the Tuesday, September 18, 2007, meeting to order at 9:06 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, Vermont.

ITEM 1: Annual Election of Officers

Mrs. Webster opened the floor for nominations for the position of Chairperson.

Mr. Mackey nominated Mr. Harris for the position of Chairperson.

On a motion by Mr. Kaplan seconded by Mr. Altemus, the Board unanimously voted to close nominations and instructed the Secretary to cast one ballot in favor of the election of Jon Harris as Chairman.

Mr. Harris assumed the role of Chairperson, and opened the floor for nominations for the position of Vice-Chairperson.

Mr. Altemus nominated Mr. Mackey for the position of Vice-Chairperson.

On a motion by Mr. Kaplan seconded by Mr. Candon, the Board unanimously voted to close nominations, and instructed the Secretary to cast one ballot in favor of the election of Joe Mackey as Vice-Chairman.

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

ITEM 2: Discuss Contracting with Professional Firm to Develop Policies and Procedures

Mr. Spaulding advised the Board the discussion regarding this issue was timely and supported by the retirement computer reengineering project, a.k.a Vermont Pension Administration System (VPAS), which was currently on time and under budget. He said the reengineering process was to look at each and every function and process in the Retirement Division and in his opinion, documenting policy and procedures was completely within that project's scope. He said the Treasurer's Office was committed to moving forward with this matter, however, would want to expand the development of any documented policies and procedures to all three systems, which would require the other Boards' approval and support. He indicated that upon that approval to proceed, the RFP could be released during the early winter. Mr. Spaulding also indicated that he felt the project could be justified and the cost incorporated into the VPAS budget.

Mrs. Webster distributed a sample of the type of information provided on the NH Website, noting that similar documents, once created and approved by the Boards if needed, could be posted to the Treasurer's Web site. She also displayed a 35-page document containing the details of one single process (of over 50 others) used by the retirement office and documented through the VPAS process. She said a document such as this would be condensed to a readable version, for all three systems, by a vendor selected through the RFP process.

On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to direct the Retirement Office to develop a plan for the RFP objectives for the VSTRS Board's review and approval at their December meeting, and for the other two Boards to be invited and encouraged to participate in the process.

Mrs. Webster also offered to provide sample RFPs.

Mr. Spaulding left the meeting.

ITEM 3: Approve the Minutes of June 13, 2007

On a motion by Mr. Candon seconded by Mr. Mackey, the Board unanimously voted to approve the minutes of June 13, 2007, as submitted.

ITEM 4: Approve/Ratify Disability Retirement for:

- Dale Baril
- Elizabeth Burbank
- Mary Kroplin
- Stephen Rack

On a motion by Mr. Kaplan seconded by Mr. Altemus, the Board unanimously voted to approve the disability retirements for Dale Baril, Elizabeth Burbank, Mary Kropin, and Stephen Rack, as recommended by the Medical Review Board.

ITEM 5: Discuss/Act on Pension Suspension Request

Mrs. Webster reviewed the case regarding a Group B vested member who had 10.5 years of service in Vermont, moved to MA and eventually purchased 10 years of the VT service into that system. Neither the member nor MA contacted VT, or verified whether the withdrawal of the service credit was done in Vermont. She explained the Retirement Office had no indication from the member when she filed an application to commence drawing her benefit approximately 6.5 years ago that the service was purchased in another state.

Mrs. Webster further explained the member had now requested to cease the benefit, withdraw her account, and repay the VSTRS all past benefits plus interest, in order to benefit from the purchased service in MA. She said that while Mr. McShane's opinion stated the Board could use its discretion pursuant to 16 V.S.A. §1948, the Board should consider that no errors were committed by VT or the Retirement Office in this case.

Upon deliberations, the Board unanimously concurred that Vermont did not commit any errors in this case and that once an election is made and retirement benefits commence there is no provision in statute to allow the withdrawal of the benefit, and so therefore the Board had no authority to act in this matter.

ITEM 6: Discuss Disability Retirement Process

Dr Davignon, Vermont Retirement Systems' Medical Review Board Chairman, appeared before the Board to discuss the MRB's process and scope of responsibility.

The Board also discussed the April 26, 2006, Attorney General's opinion regarding the one-year review process and possible statutory changes to the language. By unanimous consensus the Board agreed to follow the current statutes and if a MRB review determines a member is no longer disabled the Board would assess and review their options.

ITEM 7: Terminated Vested Member Update

At 11:55 a.m. on a motion by Mr. Harris seconded by Mr. Mackey, the Board unanimously voted to enter into executive session, pursuant to Title 1 § 313, to discuss pending litigation.

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

At 12:05 p.m. the Board exited executive session.

On a motion by Mr. Altemus seconded by Mr. Candon, the Board voted to approve the vested deferred payment requests received, consistent with prior requests of similar circumstances approved by the Board. *Motion passed. Mr. Kaplan voted no.*

ITEM 8: Director's Report

Mrs. Webster provided an update on the VPAS system, noting the "go live" schedule for the active member data was February 2008, and retiree data February 2009; that the retiree dental RFP was released, and that \$643.2K had been received through 7/31/07 of the anticipated \$1.3 million in Medicare Part D reimbursements expected.

The Board discussed and requested that the future meeting schedule be posted on the Treasurer's Web site.

The Board discussed alternative scenarios and demographic information requests that Mrs. Webster will forward to the actuary for the meeting on October 30, 2007, at 1:30 p.m.

Mrs. Webster also advised the Board final touches were being done to new VEHI health care brochures for retired members.

The Board discussed the Treasurer's Office intention to move forward with legislation for a statewide 403(b) plan option for school districts. The state-wide 403(b) initiative is partially in response to increased IRS reporting requirements and increased fiduciary liability for school districts scheduled to be effective 1-1-09. Mrs. Webster stressed initiation of the legislation was at the request of school district business managers and superintendents, but also aligned with the Treasurer's initiative to educate and increase retirement savings for all Vermonters.

ITEM 9: Discuss Development of Retiree Medical Insurance Premiums

Mark Hage, Joe Zimmerman, and Kerry Reynolds appeared before the Board. Mr. Zimmerman explained the VEHI pool structure of an approximately 100 plans and rate setting process that examines the overall income stream and claims experience. He further explained that the over and under age 65 groups were not historically or regularly looked at. Mr. Reynolds, VEHI's underwriting consultant, concurred, and with Mr. Zimmerman explained that while it was likely that the over age 65 group was paying approximately 20% too much, the under age 65 group was paying approximately 50% too little, based on claims for a 3-year period.

Mr. Hage explained the driving force behind higher fees vs. actual claims for the over 65 group was due to the fewer dollars spent by the Medicare program. He and Mr. Zimmerman assured the Board the rate and subsidy issue would be brought to the VEHI Board to discuss.

ITEM 10: Legislative Initiatives

Mrs. Webster distributed a six item list of TRS Legislative Initiatives for 2008. The Board discussed each item and resolved to remove the first and replace it with "add a voting alternate for the active teacher representatives", separate and remove the initiative for a statewide 403(b) plan from the list, and remove the final bullet point regarding changes to the disability retirement statute.

The Board discussed and agreed to request a response to the question of whether the spouse of a member who did not elect a survivorship could remain in the health care system when the member dies and the surviving spouse no longer has a connection to the VSTRS. If permitted by VEHI, and the surviving spouse paid 100% of the premium, to add the matter to the legislative list.

The Board also agreed it would consider adding to the list, once Mrs. Webster obtains an actuarial cost analysis, decreasing the current 20 year eligibility requirement for an automatic death-in-service survivorship benefit to 10-years.

The Board discussed and questioned the status of the Treasurer's Office RFP with respect to the ACT 50 VPIC review. Mr. Harris agreed to contact the Treasurer for further information.

ITEM 11: Any other business to be brought before the Board

Mr. Kaplan asked the Board to consider paying for his personal subscription to the *Wall Street Journal*, which he advised stopped being paid for by the Treasurer's Office. Mr. Kaplan, Mr. Mackey, and other members agreed that education of members was critical, and that Mr. Kaplan clearly used the WSJ as a source of education. Mr. Mackey said he though the request should apply to anyone who wanted a subscription. Mr. Kaplan said his subscription was for professors, adjunct professors, and special groups at an annual cost of \$99.00, plus tax.

On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to permit Trustees to receive educational periodicals as approved by the Board, and to pay the \$99.00 plus tax cost to renew Mr. Kaplan's WSJ subscription.

ITEM 12: Adjournment

On a motion by Mr. Candon seconded by Mr. Kaplan, the Board unanimously voted to adjourn at 3:12 p.m.

Next Meeting Dates:

The next scheduled VSTRS annual actuary valuation meeting is October 30, 2007.

The next scheduled VPIC meeting is November 28, 2007.

The next scheduled VSTRS business meeting is December 11, 2007.

Respectfully submitted,

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