

**VERMONT STATE TEACHERS' RETIREMENT SYSTEM**  
Meeting of the Board of Trustees  
**December 11, 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  
Beth Pearce, Deputy Treasurer, Representing JEB SPAULDING, VT State Treasurer  
VAUGHN ALTEMUS, representing Commissioner of Education

**Also attending:**

Donna Holden, Board Coordinator  
Cynthia Webster, Director of Retirement Policy and Outreach  
Bill Griffin, Chief Assistant Attorney General  
Michael McShane, Assistant Attorney General  
Linda Deliduka, Vermont Retired Teachers Association  
Baxter McNeal, Retiree  
Jeff Fannon, VT-NEA

The Chairperson, Jon Harris, called the Tuesday, December 11, 2007, meeting to order at 9:03 a.m., which was held in the Treasurer's Conference Room, 109 State Street 4<sup>th</sup> Floor, Montpelier, Vermont.

**ITEM 1:      Approve the Minutes of October 30, 2007**

**On a motion by Mr. Kaplan seconded by Mr. Candon, the Board unanimously voted to approve the minutes of October 30, 2007, as corrected.**

**ITEM 2:      Discuss /Act on VPIC GAA Asset Allocation Recommendation**

Mr. Harris reviewed a letter received from the State Treasurer regarding the VPIC recommendation to increase the GAA allocation from 10% to 15%, with funding of 2% from domestic equity, 1% from international equity, and 2% core fixed income. The Board discussed extensively whether "GAA" is an asset class, and the content of that type of investment. The Board agreed further definition of the "asset class" or "strategy" was needed.

**On a motion by Mr. Mackey seconded by Mr. Altemus, the Board voted to approve the VPIC's GAA Asset Allocation Recommendation to increase the allocation from 10% to 15%, and for a discussion regarding "asset allocation" to be held at the VPIC level. Motion passed, 5-1, Mr. Candon voted no.**

Mr. Kaplan expressed his concern that the action of the Board was moving away from traditional asset allocations.

**ITEM 3:      Establish 2008 Quarterly Meeting Schedule**

The Board discussed and agreed to the following quarterly meeting schedule:

March 19, 2008

June 10, 2008

September 10, 2008

December 10, 2008

**On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to recommend to the VPIC to move the October 13, 2008, education meeting to another date due to a conflict with the annual NCTR Conference, scheduled for October 11-16.**

**ITEM 4: Discuss/Act on VRTA Request**

The Board reviewed the 11/12/2007 request from Sarah Kalinoski, for a quarterly list of VSTRS retirees who have died, for the purpose of printing the information in the VRTA newsletter.

**On a motion by Mr. Kaplan seconded by Mr. Altemus, the Board unanimously voted to approve the Vermont Retired Teachers' Association request for a quarterly list of deceased retired teachers, consistent with the *Vermont State Retirement Systems' Confidentiality of Member Personal Information Policy*.**

**ITEM 5: Review and Approve the FY 2009 Budget**

Ms. Pearce appeared before the Board to review the FY '09 budget. She said the proposed non-asset expense allocation would remain at 43% for FY '09, and the asset based expense allocation would be 49%. The Board also discussed some of the budget line items, and thanked Ms. Pearce for the preparation and presentation.

**On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to approve the FY '09 budget, as presented.**

The Board requested a discussion at a later date regarding the budget preparation's methodology and staff time allocation. Ms. Pearce committed to sending information in August for the September 10, 2008, meeting.

**ITEM 6: Terminated Vested Member Update**

**On a motion by Mr. Candon seconded by Mr. Mackey, the Board voted to approve the vested deferred payment requests received, consistent with prior requests of similar circumstances approved by the Board. *Motion passed 4-2.* Mr. Kaplan and Mr. Mackey voted no.**

**At 10:10 a.m. on a motion by Ms. Pearce seconded by Mr. Altemus, the Board unanimously voted to enter into executive session, pursuant to Title 1 § 313, to discuss pending litigation.**

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

**At 10:28 a.m. the Board exited executive session.**

**ITEM 7: Discuss/Act on Baxter McNeal's Request**

Mr. McNeal appeared before the Board to discuss his request for interest on the retirement benefits. The Board reviewed the letters and March 2007 Attorney General's opinion. Mr. McNeal distributed an estimate of \$1,328.23 of interest that he felt was due to him.

**On a motion by Mr. Mackey seconded by Ms. Pearce, the Board unanimously voted to deny his request for retroactive interest.**

Mrs. Webster will send a letter explaining the Board's action and statutory limitations.

**ITEM 8: Senior Teacher Program Update**

**At 10:50 a.m. on a motion by Mr. Candon seconded by Mr. Mackey, the Board unanimously voted to enter into executive session, pursuant to Title 1 § 313, to discuss legal advice.**

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

**At 11:55 a.m. the Board exited executive session.**

Mrs. Webster advised the Board of denial of two senior teacher applications. She asked the Board to re-examine the Board's guidelines regarding implementation of these matters.

The Board directed Mrs. Webster to draft a policy in conjunction with other interested parties for Board approval regarding implementation of § 1931(c), and/or recommendations for statutory changes. Mrs. Webster was also asked for the Retirement Office to notify the teachers of the denial, purpose, appeal process, and cc the district's payroll officer.

**ITEM 9: Act 50 VPIC Study – Treasurer's Update**

Ms. Pearce advised that the draft independent report was distributed by e-mail. Comments on the report should be forwarded to Donna Holden. As pointed out in Mr. Spaulding's e-mail, the consultants are interested in our comments but it is their independent report. She also requested feedback regarding her assignment to analyze pre and post unitization pension investment process and performance including but not limited to consultant and investment fees, performance, number of meetings, staff and board time, and other criteria. Ms. Pearce requested that members submit suggested data points to her. She will distribute a preliminary listing next week.

**ITEM 10: OPEB Report Follow-up**

At its previous meeting the Board had asked that staff research the role and responsibilities of the Board relative to the OPEB valuation. Ms. Pearce stated that, unlike the pension benefit actuarial valuation, the Board has no statutory requirement to send an OPEB contribution recommendation to the Governor. GASB standards in effect do require the completion of OPEB valuations by an independent actuary for financial statement purposes. She stated that health care liabilities are, however, a major component of the retirement system and that it made sense for the Board to review the report and make recommendations to the independent actuary. One such recommendation made by Mr. Kaplan at the October meeting resulted in a change to the assumption of the percentage of retirees who elect to continue medical coverage under the VSTRS postretirement medical plan. This resulted in a significant reduction of the OPEB liability and the actuarially determined annual required contribution. Ms. Pearce therefore suggested that the Board review the report, make recommendations, and accept as appropriate.

**On a motion by Mr. Kaplan seconded by Mrs. Candon, the Board unanimously voted to approve the amended OPEP report, as discussed.**

**ITEM 11: Discuss Active Member Health Care Contribution**

Mr. Kaplan advised that the actuary was mandated to prepare a report to determine whether the amount deducted from active members was sufficient to make the pre-tax contributions withheld under the 414(h) employer pick-up provision cost neutral to the general fund. Mrs. Webster will verify when the last report was filed.

The Board discussed and agreed to include the issue of guaranteeing retiree health care on a future agenda. The Board also agreed that Mr. Rice should speak to the NASRA attorney, who is considered an expert in the topic, and verify how current active teacher contributions toward health insurance are being treated, etc.

Ms Pearce will review the accounting treatment of retiree health expenses at the next Board meeting.

**ITEM 12: Director's Report**

- **Retiree Dental Coverage Contract Update**
- **Annual Statement Format: Annuity Value Follow-Up**
- **Policies and procedures Update**

Mrs. Webster distributed a copy of the retiree dental program information including the application process to be mailed later in December.

Mrs. Webster advised the Board that future Annual Benefit Statements would be produced by the new VPAS system, and can include a new message regarding the actual value of the accrued benefit.

**On a motion by Mr. Altemus seconded by Mr. Mackey, the Board unanimously voted to include in future benefit statements, the "present value" of their accrued pension benefit.**

Mrs. Webster distributed a memo containing her recommendations for how to proceed with the documentation of the Board and Retirement Division's Policy and Procedures. She recommended using the current retirement reengineering vendor, Levi Ray and Shoup (LRS), to convert some of the procedural materials developed through the project from their current lengthy, technical focus into shorter "plain English" documents to be posted on the Web site. She noted that New Hampshire used such a model and had the same project vendor (LRS).

Discussion on how to approach the comprehensive documentation of already adopted policies took place. Mrs. Pearce will work with Mrs. Webster to develop a work plan on the development and documentation of comprehensive policies and procedures, including a recommended scope of services for those portions to be incorporated in an RFP process. These will be submitted for board consideration and approval.

Mrs. Webster will distribute a copy of the Retirement Office check list currently used during counseling sessions.

*Mr. Altemus left the meeting.*

**ITEM 13: Legislative Initiatives**

Mrs. Webster distributed a list of the 2008 Legislative Initiatives that were developed for the Retirement Systems and the Treasurer's Office. The Board discussed the TRS proposed legislation and offered some amendments, and agreed to items one, two and five of the TRS, MRS, and ERS legislative proposals, submitted. The Board also discussed the statewide 403(b) proposal, with no action taken on this item.

**ITEM 14: NCTR Conference Report – Altemus/Kaplan**

This item was postponed to the next meeting.

**ITEM 15: Any other business to be brought before the Board**

**On a motion by Mr. Mackey seconded by Mr. Kaplan, the Board voted to approve the \$99.00 payment for a subscription to the Wall Street Journal, for Mr. Mackey. Ms. Pearce voted nay.**

**ITEM 16: Adjournment**

**On a motion by Mr. Kaplan seconded by Mr. Candon, the Board unanimously voted to adjourn at 2:38 p.m.**

**Next Meeting Dates:**

The next scheduled VPIC meeting is February 13, 2008.

The next scheduled VSTRS business meeting is March 19, 2008.

Respectfully submitted,

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