

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees
May 11, 2010

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2012
THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013
VAUGHN ALTEMUS, representing Commissioner of Education
THOMAS CANDON, representing Commissioner of BISHCA
JEB SPAULDING, VT State Treasurer

Members absent:

None

Also attending:

Cynthia Webster, Director of Retirement Policy and Outreach & Executive Secretary to the Board
Elizabeth Pearce, Deputy VT State Treasurer
Stephen Wisloski, Director of Investments & Debt Management
Karl Kroner, Great West Retirement Services
Chip Sanville, Great West Retirement Services
Linda Deludika
Laurie Lanphear, Chief Retirement Specialist
Wendy Lee, Program Technician II
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Jon Harris, called the Tuesday, May 11, 2010, meeting to order at 9:01 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of: April 8, 2010**

On motion by Mr. Altemus, seconded by Mr. Mackey, the Board voted to approve the minutes of April 8, 2010 as submitted. Mr. Candon abstained from the vote.

(Cynthia Webster arrived at this time.)

ITEM 2: **403(b) quarterly update by Great West Retirement Services**

- **Review of Balanced Fund Options**
- **Discuss TIPS, SRI and Roth IRAs**
- **Review and discuss new "annuity" product**

Mr. Kroner appeared before the Board and provided the Quarterly Report for March 31, 2010 for the 403(b) Investment Program. Mr. Kroner indicated to the Board members the growth the plan has experienced in the last quarter. Mr. Candon inquired what the average age of

participants was. Mr. Kroner indicated he can obtain that information for the Board members. Mr. Sanville provided to the Board members an update on the pending new school districts. Mr. Kroner indicated to the Board members there was an error on page 18 of the report, Benefit Payment Distribution. Mr. Kroner indicated in the first box each number should be moved down one row.

(Mr. Spaulding left the room.)

Mr. Sanville provided the Board members with an update on the Field Activity.

(Mr. Spaulding returned to the meeting. Mr. Wisloski entered the meeting.)

The Board members discussed using 403(b) funds to purchase service credit. Mr. Kroner provided the Board members with an update of the fund ratings. The Board discussed the Vanguard Index. The Board indicated their desire to have a presentation by T. Rowe Price concerning their profile funds, perhaps as a joint meeting with the State Board. Mr. Sanville indicated his efforts to obtain more districts.

The Board members discussed the difference between a 457 Plan and a 403(b) Plan. Mr. Sanville indicated to the Board members it is the District that must offer a Roth 403(b) to their participants.

The Board discussed the socially responsible funds that the State has in their 457 Plan. Mr. Sanville indicated to the Board members participants were requesting SRI funds. The Board discussed the SRI Fund handout provided by Great West.

Mr. Mackey made a motion to include Pax World Balanced Fund into the options offered to their participants. Mr. Candon seconded the motion.

Mr. Altemus indicated he would like to hear the presentation of the annuity product before he voted. Mr. Mackey withdrew his motion and Mr. Candon agreed to the withdrawal.

Mr. Kroner presented to the Board members information concerning the annuity product. Mr. Kroner indicated this was a new product. Mr. Kroner indicated it provided a guaranteed income, mobility and low prices. Mr. Candon indicated annuities are not insured by the State. Mr. Kroner indicated the fees associated with this product. The Board indicated it would like a full-fledged presentation concerning the annuity product at the August in-house meeting.

(Mr. Spaulding left the room.)

Mr. Kroner indicated the need for this annuity product with the disappearance of DB plans. Mr. Kroner indicated not many other companies were offering this kind of product. Mr. Mackey questioned what a beneficiary would receive from this annuity product. Mr. Kroner indicated he will provide different scenarios at the August Board meeting.

The Board decided it was not necessary to discuss the TIPS fund. Mr. Kroner indicated they might be able to create a new category for the socially responsible fund.

(Mr. Kroner and Mr. Sanville left the meeting.)

(A recess was taken from 10:35 a.m. to 10:48 a.m.)

The Board continued their discussion concerning SRI funds. The Board discussed whether Great West was considered an investment advisor. The Board discussed whether it was necessary to conduct an RFP for an SRI fund. The Board discussed the due diligence, which was the responsibility of the Board.

(Mr. Spaulding returned to the meeting.)

Mr. Harris indicated to Mr. Spaulding what transpired while Mr. Spaulding was out of the room. Mr. Spaulding indicated when the State added the SRI fund it did not do an RFP and that Mr. Minot did the due diligence. The Board discussed the difference between Great West and NEPC, which VPIC uses. The Board discussed Mr. Wisloski doing the due diligence on the SRI fund.

On motion by Mr. Mackey, seconded by Mr. Candon, the Board unanimously voted to add Pax World Balanced Fund to the list of options for the 403(b) Plan contingent upon Steve Wisloski doing the due diligence on that company and Great West creating a category for the fund.

(Mr. Wisloski left the meeting at this time.)

ITEM 3: Review/Act on actuary's letter regarding revised ARC

Ms. Webster provided the Board members with a letter relative to this item. The Board discussed the letter and their obligations concerning the ARC. The Board decided no action was necessary.

(Mr. Spaulding left the meeting.)

(A recess was taken from 11:24 a.m. to 11:32 a.m.)

(Ms. Lanphear and Ms. Lee entered the meeting.)

ITEM 4: Discuss actuarial assumptions for purchasing credit

The Board discussed the factors that are used to calculate purchasing credit. The Board discussed when purchases are usually made. The Board discussed what credit can be purchased. The Board decided it was comfortable with the factors currently being used.

ITEM 5: Clarify definition of "extracurricular" and "extra" duties

Ms. Lee provided the Board background concerning this item. Ms. Lee indicated to the Board her concern with paraprofessionals. Ms. Lee read to the Board the relevant section of

the Statute. Ms. Lee read to the Board members the information that was provided to the payroll officers in the newsletter. The Board discussed what would and would not be eligible. It was decided it would be the same basic guidelines as "extracurricular" which included direct value to students and under contract. Mr. Harris indicated if Ms. Lee had any problems she could bring them before the Board.

(Ms. Lanphear and Ms. Lee left the meeting.)

(A luncheon recess was taken from 12:20 p.m. to 12:55 p.m.)

(Mr. Spaulding returned to the meeting.)

The Board decided to take Item #8 and #9 out of order.

ITEM 6: 2010 Legislative Update

Ms. Webster provided the Board members with an update of the legislative issues that concerned the Teacher Board. Ms. Webster indicated H.764 went through. She indicated NEA has been putting on seminars concerning H.764 and that a mailing was going to go out shortly to the members concerning H.764.

Ms. Webster indicated H.778 included the VPIC Chair and the independent school license language. There was a discussion what other issues have been added to H.778. There was a discussion concerning the VMERS contribution rate, the COLA language, the 3% decrease for State employees and their AFC, and the make-up of the VMERS Board.

ITEM 7: Establish election procedures for active member alternate representative

The Board discussed the last election process and the election of the alternate. Ms. Webster indicated to the Board members her dealing with the alternate, Ms. Bruehner. The Board discussed the rule making process. The Board discussed electronic voting. The Board decided Ms. Webster would draft a procedure for election and/or appointment of an alternate representative.

ITEM 8: Discuss

- **VPIC activity**
- **VSTRS overall health**

The Board received an update on VPIC from Mr. Mackey, Mr. Altemus and Mr. Spaulding. There was a discussion about real estate vehicles, the Chair of VPIC and the activities of VPIC.

The Board discussed the funding of VSTRS and its overall health. The Board discussed the rate of return. Mr. Spaulding indicated his reasoning for the memo concerning health care. He indicated his first reason was to have it in writing that there would be a problem and that

he also would like to have an informal committee meet together and participate to work on the health care issue.

(Mr. Spaulding left the meeting.)

(A recess was taken from 1:48 p.m. to 1:57 p.m.)

(Ms. Pearce entered the meeting at this time.)

ITEM 9: Discuss health care (OPEB) funding

Ms. Pearce discussed the OPEB Trust Fund and the Pension Trust Fund. Ms. Pearce indicated if the funding is through the Pension Trust Fund IRS mandates it is subordinate, meaning that the cost of health care cannot be more than 25% of the total contributions received. The Board discussed different funding options for the health care. The Board discussed their interest in obtaining information how other states are dealing with this issue. Ms. Pearce indicated she will provide the Board with that information. Ms. Pearce indicated her guess is something will need to be done within two to three years. The Board discussed Mr. Spaulding's desire to have an informal committee explore this issue.

Ms. Pearce provided the Board members with an update on VPAS. Ms. Pearce indicated the 1099-R's were a success in VPAS. Ms. Pearce indicated the active side is currently being tested, along with the data conversion and the going live date will be the fall of 2010.

ITEM 10: Determine 2010 travel policy

The Board discussed the 2010 travel policy for Board members. It was decided if a trustee would like to travel they would need to follow the procedure, which would be to provide an agenda and information to the Board for approval. Ms. Webster agreed to provide information to Mr. McConnell about the trustee workshop.

ITEM 11: Any other business to come before the Board

Ms. Webster indicated to the Board at the end of last week she received a Senior Teacher Project for the Burlington School District. Ms. Webster indicated since the new legislation will take effect on July 1, 2010, she was just bringing this to the Board's attention since no action was required.

ITEM 12: Adjournment

On motion by Mr. McConnell, seconded by Mr. Candon, the Board unanimously voted to adjourn at 2:40 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call meeting on Thursday, June 10, 2010 at 3:30 p.m.

Respectfully submitted,

Cynthia L. Webster
Executive Secretary to the Board