

VERMONT STATE TEACHERS' RETIREMENT SYSTEM
Meeting of the Board of Trustees
August 10, 2010

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011
THOMAS CANDON, representing Commissioner of BISHCA
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2012
VAUGHN ALTEMUS, representing Commissioner of Education
JEB SPAULDING, VT State Treasurer

Members absent:

JOSEPH MACKEY, Vice-Chairperson, VRTA representative
THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013

Also attending:

Cynthia Webster, Director of Retirement Policy and Outreach & Executive Secretary to the Board
Elizabeth Pearce, VT State Deputy Treasurer
Stephen Wisloski, Director of Investment & Debt Management
Chip Sanville, Great West Retirement Services
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Jon Harris, called the Tuesday, August 10, 2010, meeting to order at 9:05 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: Approve the Minutes of:

July 8, 2010
July 27, 2010 (Joint Meeting)

On motion by Mr. Altemus, seconded by Mr. Candon, the Board voted unanimously to approve the minutes of July 8, 2010, as submitted.

On motion by Mr. Altemus, seconded by Ms. Deliduka, the Board voted unanimously to approve the minutes of July 27, 2010, as submitted.

ITEM 2: Elect Chair and Vice-Chair

On motion by Mr. Altemus, seconded by Mr. Candon, the Board voted unanimously to agree by consensus to continue Jon Harris as the Chair and Joseph Mackey as the Vice-Chair for the next year.

ITEM 3: Presentation by Great West Retirement Services

- **403(b) quarterly update**
- **“Secure Foundations” presentation**
- **Update on addition of Pax World Balanced Fund to 403(b) investment line-up**

Ms. Webster indicated a review for the SDIA Plan for quarter ending June 30, 2010 was not on the agenda, but that Mr. Sanville was prepared to provide an update for the SDIA Plan. Ms. Webster indicated that from now on there would be a quarterly update on the SDIA Plan when the Board had the 403(b) quarterly update.

Mr. Sanville appeared before the Board and provided the Quarterly Report for June 30, 2010 for the 403(b) Investment Program. Mr. Sanville indicated the growth in assets and participants. Mr. Sanville indicated what funds the investments were being placed in. Mr. Sanville answered Mr. Candon's question concerning the participants and fixed funds. Mr. Sanville indicated there was some chasing of returns. Mr. Sanville discussed the average account balances and contribution history. The Board discussed the reason for the spike was the year-end check. Mr. Altemus requested that next year a graph be provided indicating the average contributions per year.

Mr. Sanville provided the Board with an update on the three entities they were working on to get enrolled in the 403(b) plan.

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

Mr. Sanville provided the Board with an Administrative Overview, Field Activity and Reality Investment update. Mr. Sanville indicated 447 participants took advantage of the managed account option. The Board discussed the managed account option. Mr. Harris provided his opinion that he thought the Great West website was a very good website, easy to maneuver and easy to find what you were looking for.

Mr. Sanville provided the Board with the Advised Assets Group update and indicated he did not see anything dramatic in this area.

Mr. Sanville provided the Board with the SDIA Plan quarterly report for June 30, 2010. Mr. Candon had a question concerning who was managing this account. Mr. Wisloski indicated he will provide an update on that shortly. Mr. Sanville reviewed the total withdrawals, partial withdrawals, periodic payments, and minimum distribution withdrawals.

Mr. Wisloski indicated to the Board the SDIA Plan had two managers, Dwight Asset Management and Loomis Sayles, with the wrapper being provided by AEGON. Mr. Wisloski indicated AEGON informed them they would not continue as the wrapper provider. Mr. Wisloski indicated an RFP went out in July and was posted on the website. The RFP reached out to stable value investment management service providers. Mr. Wisloski indicated 11 different companies provided 41 questions, which were in the process of being answered and would be posted on the website. Mr. Wisloski indicated the deadline for submission was Wednesday, August 25, 2010. Mr. Wisloski indicated he would then have a recommendation

For the Board so they could have the new company in place by October. Mr. Wisloski indicated AEGON gave them notice back in April that they would not be renewing so it put the State in very good shape to respond and not have a disruption in service. Mr. Wisloski indicated the four options that were available with the RFP. Mr. Wisloski answered Mr. Candon's question about Dwight Asset Management being a Vermont based company. Mr. Wisloski indicated to Mr. Altemus' question that the questions posed by the companies were mostly related to participation age and demographics, cost-it-out questions. Mr. Wisloski indicated at the Thursday conference call meeting in September he would identify a preferred company, with two additional options. Mr. Wisloski indicated he will provide this information to the Board prior to the meeting. The Board discussed whether there could be a distribution of the SDIA fund and other options for the future.

Mr. Wisloski provided the Board with an update on the PAX World Fund. Mr. Wisloski reviewed the hand-out he provided to the Board members.

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

The Board discussed the SRI Funds that were available in the 457 Plan. The Board discussed they were looking for a balanced fund. Mr. Wisloski indicated the problem with the SRI peer group and the ratings systems. The Board requested that Mr. Wisloski provide the Board with information concerning the top three SRI balanced funds. Mr. Harris indicated the criteria would be low fees, top performing fund, name recognition, and longevity. The Board requested this information by the November meeting.

(Ms. Pearce and Mr. Wisloski left the meeting at this time.)

Mr. Sanville provided the Board with the Secure Foundation presentation. Mr. Sanville indicated the difference between this product and an annuity. Mr. Sanville provided the Board with a hand-out concerning the hedging for which Milliman, Inc. was hired. Mr. Sanville indicated the reasons why this product was created. Mr. Sanville indicated the difference between the Benefit Base and the Account Balance. Mr. Sanville indicated what would happen if a participant were to pass away. Mr. Sanville discussed the reset option. Mr. Sanville discussed the investment options. Mr. Sanville discussed the fees associated with this product. Mr. Spaulding indicated if they were going to adopt a product like this more research would need to be conducted. Mr. Candon indicated he will speak to members in his office about this kind of product and present what information he obtained to the Board members.

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

The Board decided it would like to have more information about this kind of product; check with the AG's Office and if still interested, possibly do an RFP. Mr. Sanville explained what would happen to this product and what fees would be involved if Great West were no longer the TPA for the 457 Plan.

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

(A ten minute recess was taken from 11:20 a.m. to 11:30 a.m.)
(Mr. Spaulding and Ms. Pearce returned to the meeting at this time.)

ITEM 4: Continue discussion on change to assumed rate of return

Mr. Spaulding reviewed the email he had provided to the Board concerning the change to the assumed rate of return. Mr. Spaulding summarized all were in agreement the rate needed to be adjusted down, but the question was how much and how. Mr. Spaulding reviewed the different approaches to achieve this. The Board discussed the "select and ultimate" approach and the scenarios available under that approach. The Board discussed the rates in the "select and ultimate" approach. The Board discussed the rates as they related to the three systems. The Board discussed the experience studies of the three systems. The Board discussed moving all the experience studies up to 2011 and doing them at the same time. Ms. Pearce indicated she will discuss this with David Driscoll to see if it was possible to do all three studies at the same time. The Board discussed the reasons for needing to do something at the present time. There was a discussion about the increase in employer contribution rates when there is a reduction in the rate of return. Mr. Spaulding indicated they needed to be proactive.

The Board discussed at great length the options available under the "select and ultimate" approach and which options were favored by each Board member. The consensus of the Board was at the August 24th Joint Meeting between VPIC and the three Boards that Mr. Spaulding would indicate the Teachers' Board recommends adopting the "select and ultimate" approach, recommends moving up and consolidating the experience study for all three systems to 2011 and that the majority of the Board members favored Option D, but some members were interested in more conservative numbers.

(A luncheon recess was taken from 12:34 p.m. to 12: 52 p.m.)

ITEM 5: Update on funding for retiree health care (OPEB)

The Board discussed the funding for retiree health care. Mr. Spaulding indicated there was a meeting held among interested parties to discuss this, and nothing was resolved. Ms. Pearce indicated she is doing further research which arose from that meeting. Ms. Pearce indicated how close they were to the 25%. The Board discussed different places to get the money from, whether the general fund or the education fund. The Board discussed different scenarios for obtaining the money from the different funds.

ITEM 6: Update on July 1, 2010 retirements

Ms. Webster provided the Board with a list indicating the number of retirements for all three systems. The Board indicated the staff did an excellent job handling the large number of retirements.

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

ITEM 7: Discuss/act on travel request(s)

Mr. Altemus indicated Mr. Mackey and himself would like to attend the NCRTA conference in October. The Board discussed the conference and whether this was the appropriate time to be attending conferences.

On motion by Mr. Harris, seconded by Ms. Deliduka, the Board voted unanimously to permit Mr. Altemus and Mr. Mackey to attend the NCRTA conference October 9 through October 13, 2010.

ITEM 8: Any other business to be brought before the Board

Ms. Webster indicated there were no disabilities for the September conference call, but the meeting time might be needed for the SDIA wrapper update.

ITEM 9: Adjournment

On motion by Mr. Altemus, seconded by Ms. Deliduka, the Board voted unanimously to adjourn at 1:10 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call meeting on Thursday, September 9, 2010 at 3:30 p.m.

Respectfully submitted,

Cynthia L. Webster
Executive Secretary to the Board