

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

February 9, 2012

VSEERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2013)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2012)
Allen Blake, VRSEA Alternate Representative (term expiring September 1, 2012)
Jeff Briggs, VSEA Representative (term expiring September 1, 2012)
Paul White, Jr., VSEA Representative (term expiring September 1, 2012)
Kate Duffy, Commissioner of Human Resources (ex-officio)
James Reardon, Commissioner of Finance & Management (ex-officio)
Richard Johannesen, Governor's Delegate (ex-officio)
Elizabeth Pearce, VT State Treasurer

Members absent:

Thomas Hango, VSEA Alternate (term expiring September 1, 2013)

Also attending:

Stephen Wisloski, Deputy VT State Treasurer
Matthew Considine, Director of Investments
Katie George, Investments Manager
Karl Kroner, Great West Retirement Services
Jonathan Smith, Great West Retirement Services
Amy Heyel, Great West Retirement Services
Valerie Baker, Advised Asset Group – via telephone
Bill Scott – member of the public
Laurie Lanphear, Deputy Director of Retirement Operations
Nancy Dimick, Retirement Specialist, Secretary to the Board
Monica Chiren, Assistant to Nancy Dimick

The Chairperson, Kevin Gaffney, called the Thursday, February 9, 2012, meeting to order at 9:05 a.m., which was held in the Governor's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

Mr. Wisloski introduced Katie George to the Board. The Board welcomed Ms. George. Mr. Wisloski provided the Board with a brief background of Ms. George's employment history.

Mr. Kroner introduced Jonathan Smith to the Board and indicated he would be appearing today in place of Mr. Sanville. Ms. Heyel introduced herself to the Board. Mr. Scott introduced himself and indicated he is a retired State employee and was just interested in sitting in on a board meeting.

ITEM 1: **Approve the Minutes of:**

- **January 12, 2012**

On motion by Mr. Briggs, seconded by Mr. Dumas, the Board voted unanimously to approve the minutes of January 12, 2012, as submitted.

ITEM 2: Discussion of Annuity Request for Information (RFI) results

On motion by Mr. Wisloski, seconded by Mr. Dumas, the Board voted unanimously to enter Executive Session at 9:10 a.m. pursuant to Title 1, § 313 for the purpose of discussing contract issues.

(Mr. Kroner, Mr. Smith and Ms. Heyel left the meeting at this time.)

(Ms. Pearce entered the meeting during the Executive Session.)

(The Board exited Executive Session at 9:45 a.m.)

The consensus of the Board was to not pursue the annuity product at this time.

The Board decided to move the disability retirements up on the agenda to Item 3.

ITEM 3: Discuss/Act on disability retirement recommendations for:

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|--------------------|-----|
| • Cynthia A. Jimmo | New |
| • Christine Howe | New |

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Cynthia A. Jimmo, without review.

On motion by Mr. Dumas, seconded by Mr. Reardon, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Christine Howe, with a one-year review.

Mr. Briggs indicated he would like to attend the NCPERS conference which will be held in New York City in May. He indicated it is a very valuable conference to attend.

On motion by Mr. Reardon, seconded by Mr. Dumas, the Board voted unanimously to allow Mr. Briggs to attend the NCPERS conference in May in New York City contingent upon the fact that Mr. Briggs remains on the VSERS Board. In the event Mr. Briggs does not remain on the Board he will need to reimburse the expense for the conference.

Ms. Pearce advised the Board she would need to leave the meeting in a few minutes, but she wanted to advise the Board about the situation with the 2011 1099-R's, where the Vermont State Tax withholdings were entered in the incorrect box. Ms. Pearce indicated it was resolved quickly and smoothly.

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

ITEM 4: State of Vermont 457 Deferred Compensation Plan

- **Quarterly review for period ending December 31, 2011**
- **Discussion with Advised Asset Group (AAG) via telephone**
- **Auto enrollment**
- **Auto increases**
- **Fiduciary training webinars**
- **Loans**
- **Plan Enhancement**
- **Enhanced website**
- **Retiree Seminar**
- **Rebranding**

(Mr. Kroner, Mr. Smith and Ms. Heyel entered the meeting at this time.)

(Ms. Baker entered the meeting at this time via the telephone)

Ms. Baker reviewed with the Board members the *Economic and Capital Markets Review* and *Quarterly Market Perspective*. Ms. Baker answered the questions posed by the Board. Ms. Baker indicated she will provide information concerning deleveraging to the Board.

Ms. Baker reviewed with the Board members the Fund Performance Review. Ms. Baker indicated all the funds are passing, and none are failing.

(Mr. Gaffney left the meeting at 10:15 a.m. In the absence of Mr. Gaffney Mr. Dumas assumed the role of Chairperson.)

Ms. Baker indicated she will provide statistics about other SRI funds in response to Mr. Briggs' question. Ms. Baker discussed further the Calvert and PIMCO funds. There was a discussion about the target date funds. There was a discussion about the short term bond fund. Ms. Baker indicated she will provide Mr. Kroner with the information she was asked to provide. The Board was in agreement with Mr. Kroner that it was helpful to have AAG attend every other meeting.

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

Mr. Kroner appeared before the Board and provided the Quarterly Report for December 31, 2011 for the 457 Deferred Compensation Plan. Mr. Kroner provided the plan overview. Mr. Kroner indicated there was a 6.4% increase in the plan assets from October 1, 2011 to December 31, 2011. There was a discussion about asset growth and the breakdown of assets by asset class. There was a discussion about the market swings on the asset allocations. There was a discussion about contributions and contributions by asset class. There was a discussion concerning contributions being allowed to be a dollar amount or a percentage of salary. There was a discussion about contributions by fund. Mr. Kroner introduced the Board to the new slide concerning the Roth account and a discussion concerning the Roth account ensued. There was a discussion about participation. Mr. Kroner reviewed with the Board the *Contributing Eligible Employees* slide.

There was a discussion about auto enrollment into the 457 Deferred Compensation Plan. The consensus of the Board was to consider the auto enrollment at a future meeting when the whole Board was present. Mr. Kroner indicated he will provide the Board with information from other states that have the auto enrollment. There was a discussion about contributions with an auto enrollment plan. There was a discussion about benefit payment distributions.

Mr. Kroner indicated Ron Nichols is a retiree advocate who is nationally recognized and presents retiree specific seminars. Mr. Kroner indicated they were intending to have presentations in the fall and would provide further information as it became available. Mr. Kroner indicated they were still working on where the presentations would be held.

Mr. Kroner reviewed the Key Talk and internet statistics with the Board. Mr. Kroner reviewed the full account distribution by reason in dollars with the Board. The Board reviewed the *Projected Investment Option Annualized Rate for 1st Quarter 2012 for the Vermont Stable Value Fund* document. Mr. Kroner reviewed the managed investing and field activity with the Board. There was a discussion concerning having a webinar concerning the 457 Deferred Compensation Plan for new hires.

There was a discussion about fiduciary training webinars and the possibility of having Marilyn Hollister appear in person. Mr. Kroner indicated he will coordinate to see when she would be available to attend a meeting.

There was a discussion about loans being available with the 457 Deferred Compensation Plan. It was decided this item would be discussed further.

Mr. Kroner provided the Board members with handouts concerning changes to the website and rebranding. There was a discussion whether a sub-committee should be formed to review the information Anne, the marketing person, will provide. Mr. Kroner indicated he will have Anne attend the next board meeting. There was a discussion about some possible changes to the demo slides that were handed out.

ITEM 5: **Single Deposit Investment Account**

- **Quarterly update for the period ending December 31, 2011**

Mr. Kroner appeared before the Board and provided the Quarterly Report for December 31, 2011 for the SDIA Plan. Mr. Kroner provided the Board members with the *SDIA Investment Performance as of 12/30/2011* and the *Average Participant Balance by Age Group* documents. Mr. Kroner indicated at the Teacher Board meeting he was asked to further break down the over 65 age group into smaller sections. Mr. Kroner indicated he will do that for the State, also. Mr. Kroner reviewed the distributions for the SDIA Plan. Mr. Kroner indicated he will incorporate the two new slides into future reports.

(Mr. Kroner, Ms. Heyel and Mr. Smith left the meeting at this time.)

ITEM 6: **Any other business to come before the Board**

Mr. Dumas indicated after the meeting he attended with Mr. Gaffney, Mr. Reardon, Ms. Pearce, Ms. Lanphear and Ms. Dimick concerning the AFC calculations they have come to the conclusion what they have built into the system is equitable and fair to all employees. Mr. Dumas indicated staff will continue to make sure everyone is well advised of the consequences of retiring at the end of a pay period or during a pay period.

ITEM 7: Adjournment

On motion by Mr. Briggs, seconded by Mr. White, the Board unanimously voted to adjourn at 11:53 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is a conference call meeting on Thursday, March 8, 2012 at 9:00 a.m.

Respectfully submitted,

Nancy Dimick
Secretary to the Board