

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

February 12, 2004

Members present:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2004)
WILLIAM HARKNESS, VSEA member (term expiring September 2005)
JEB SPAULDING, Vice-Chairperson, VT State Treasurer
ROB HOFMANN, Commissioner of Finance & Administration
GORDON MACARTHUR, Retired Vermont State Employees' Association – **via telephone**
DICK JOHANNESSEN, Governor's Delegate - **via telephone**

Members absent:

ROBERT HOOPER, VSEA member (term expiring September 2004)
CINDY LAWARE, Commissioner of Personnel

Also attending:

Cynthia Webster, Director of Retirement Operations
David Minot, Director of Finance & Investments
William Griffin, Chief Assistant Attorney General
Marie Panciocco and Karl Kroner, Great-West Retirement Services

The Chairperson, Warren Whitney, called the **conference call** board meeting to order at 8:10 a.m. on Thursday, February 12, 2004 in the Treasurer's Conference Room #1, 133 State Street, Montpelier, VT.

ITEM 1: Approval of minutes for January 15, 2004

On a motion by Mr. Spaulding seconded by Mr. Harkness, the Board unanimously voted to approve the minutes of January 15, 2004, as submitted.

Mr. Johannesen joined the meeting during the next item.

ITEM 2: Act on the Medical Review Board Disability Retirement Recommendations for:

- *Norman E. Joubert* *New*
- *Lori A. Lumbra* *New*

On a motion by Mr. MacArthur seconded by Mr. Hofmann, the Board unanimously voted to approve the Medical Review Board's recommendation for a disability retirement, with one-year reviews, for Norman E. Joubert and Lori A. Lumbra.

The Board discussed and agreed they would like a report on the trends, history, adjudications, etc over the last 2-3 years. Staff will prepare a report for the next business meeting. Time will be allowed on the agenda to discuss the report, plus disability benefits and return-to-work policies. Legal counsel will be invited to participate in the discussion.

ITEM 3: Great-West Q4/03 Report

Ms. Panciocco and Mr. Kroner appeared before the Board. They reported for the Q4/03 a total of 5,300 participants of which 5033 were state members and 267 were municipal members. The total plan assets were reported to be \$163 million as of December 31, 2003.

It was requested and agreed that future quarterly reports would contain information on local office call volume and data.

Mr. Minot reported that the RFP to provide investment-consulting services for the 457 Deferred Compensation plan and State's 401(a) Defined Contribution plan has been issued. A targeted mailing to potential vendors is also being prepared.

Ms. Panciocco reported that effective 2-12-2004 members would have a 90-day rolling prohibition on initial money-in fund-to-fund trades in the international funds arena. This action was in response to recent market timing trading activities and would eliminate such repeated activity. Members will receive notification on the prohibition on the web site, when calling into the voice response system, in a future newsletter, at group meetings, etc.

Mr. Hofmann left the meeting.

Ms. Panciocco distributed a copy of the PowerPoint presentation "Women in Power", on of the investment education seminars offered by Great-West. This presentation is geared specifically towards women and their retirement issues.

Mr. Spaulding advised the Board that the Treasurer's Office would be sponsoring a conference in cooperation with the VT Commission on Women on September 17th in Burlington. The conference entitled "Women and Money" would be open to anyone in the State, and this presentation may be an ideal addition to that agenda. In addition the Treasurer suggested statewide presentations of the Great-West component to state and municipal employees with the hope that the plan is expanded to also include teachers.

Ms. Panciocco suggested the month of September be earmarked as "Women, Money & Power" month. In conjunction with the Treasurer's statewide Woman's conference Great-West would develop a comprehensive targeted marketing plan to present their educational component during that month, also.

Mr. Whitney brought the Board's attention to the January 23, 2004 *Focus on 457* newsletter edited by Greg Seller and Marilyn Collister of Great-West. The article provides information regarding the

January 1, 2004 IRS regulations regarding eligible 457 plan compliance. Mr. Seller and Ms. Collister would be re-writing Great-West's model plan documents within the next month to meet the guidelines. The revised plan will be shared with the AG's office for comments and adaptation to Vermont's issues, prior to the Board's ratification.

On a motion by Mr. Johannesen seconded by Mr. Harkness, the Board unanimously voted to accept the Q4/03 report as presented by Ms. Panciocco and Mr. Kroner.

ITEM 4: Any other business to come before the Board

Mr. Whitney advised the Board of the one-year extensions for the Rothschild, Loomis Sayles and Dwight Asst Management contracts.

Mr. Griffin reviewed his 11-15-01 attorney-client memo to the Board regarding proposed amendments to the 457 plan documents with respect to section 12.02 Qualified Domestic Relation Orders. The Board's decision after consulting with the AG's office, was to leave the plan as is and NOT allow distributions to alternate payees prior to the members termination and separation from service. Unfortunately, for unknown reasons, the 10/1/02 plan document stated the opposite of the Board's decision. To rectify the error, the Board agreed to authorize the Chairperson to sign a new corrected amendment.

On a motion by Mr. Spaulding seconded by Mr. MacArthur, the Board unanimously voted to authorize the Chairperson, Mr. Whitney, to sign an amendment to the plan document effective February 12, 2004 that is consistent with the Board's previous position not to include in-service distributions to alternate payees and reads:

AMENDMENT
STATE OF VERMONT
SECTION 457 ELIGIBLE DEFERRED COMPENSATION PLAN

Pursuant to Section 10.02 of the BenefitsCorp, Inc. Section 457 Eligible Deferred Compensation Plan for Governmental Employers adopted by State of Vermont effective October 1, 2002, the following amendment to the plan is made effective as of _____.

1. The second paragraph of subsection (a) of Section 12.02 entitled Qualified Domestic Relations Orders is hereby deleted in its entirety and replaced as follows: "Any amounts so set aside for a spouse, former spouse or a child shall be paid out in a lump sum at the earliest date that benefits may be paid to the Participant. Withholding and income tax reporting shall be done with respect to the alternate payee under the terms of the Code as amended from time to time."

The remainder of Section 12.02 shall remain unchanged.

Executed this _____ day of February, 2004

Warren Whitney
Chair, Vermont State Retirement System

Mr. Griffin further recommended that anyone that applied for an alternate payee distribution under section 12.02 and was denied during the timeframe October 1, 2002 through February 12, 2004 be notified that the application would be re-considered based on the amendment that was in effect at that time period.

On a motion by Mr. Spaulding, seconded by Mr. Johannesen, the Board unanimously voted to authorize the Treasurer's Office to inform persons who applied for a pre-retirement distribution during the period October 1, 2002 to February 12, 2004 that if they choose, the Treasurer would consider their application in accordance with section 12.02 in effect during that period of time.

On a motion by Mr. Spaulding seconded by Mr. Harkness, the Board unanimously voted to adjourn at 10:05 a.m.

Respectfully submitted,

Cynthia L. Webster
Executive Secretary to the Board

GOALS

The Board established the following list of goals to be addressed in the future:

- Form a *Policy Development* sub-committee

TO DO's

<u>Who</u>	<u>What</u>	<u>When</u>	<u>Done</u>
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** = for possible legislative changes

PD Sub	Complete Proxy voting policy (10/9 item 3)	ASAP	
CLW	Work w/DOP regarding old LOA's (10/9 item 4)	ASAP	
CLW	Obtain AG's opinion re: old LOA's (10/9 item 4)	ASAP	
All	Review Deferred Comp plan document (10/9 item 10)	12/11/03	2/12/04
CLW	457 modified language for members to Board (10/9 item 11)	12/11/03	1/5/04
CLW	Prepare travel report (10/9 item 12)	11/20/03	
CLW	Advise BenefitsCorp of newsletter info request (10/29 item 2)	ASAP	
Dave M	Obtain legal opinion re: real estate assets (11/21 item 7)	12/11/03	
Donna	Prepare Disability Retirement info (2/12 item 2)	3/11/04	