

**VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
VERMONT STATE TEACHERS' RETIREMENT SYSTEM**

JOINT Meeting of the Boards
December 9, 2004

VSERS Members present:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2006)
ROBERT HOOPER, VSEA member (term expiring September 2006)
ROB HOFMANN, Commissioner of Finance & Management
JEB SPAULDING, Vice-Chairperson, VT State Treasurer
JANICE ABAIR, Retired Vermont State Employees' Association
CATHERINE SIMPSON, Alternate VSEA member (term expires September 2005)

VSERS Member(s) absent:

DICK JOHANNESSEN, Governor's Delegate
CINDY LAWARE, Commissioner of Personnel
WILLIAM HARKNESS, VSEA member (term expiring September 2005)

VMERS Members present:

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2007)
DAVID LEWIS, Employer Representative (term expiring July 1, 2006)
MARIE DUQUETTE, Governor's delegate
JEB SPAULDING, Vermont State Treasurer

VMERS Member(s) absent:

W. JOHN MITCHELL, II, Vice-Chairperson, Employee Representative (term expiring July 1, 2005)

VSTRS Members present:

JOSEPH MACKEY, Chairperson (Active No. 29334), term expiring July 1, 2005
JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2008
JON HARRIS, Vice-Chairperson (Active No. 25669), term expiring July 1, 2007
VAUGHN ALTEMUS, representing Commissioner of Education
JEB SPAULDING, VT State Treasurer

VSTRS Member(s) absent:

THOMAS CANDON, representing Commissioner of BISHCA

Also attending:

Donna Holden, Board Coordinator
David Minot, Director of Finance and Investments
Ellen Griggs, Kevin Kondry, Dick Charlton, New England Pension Consultants
William Griffin, Chief Assistant Attorney General
William Rice, Assistant Attorney General
Investment Management Personnel

Mr. Mackey, acting as the meeting's facilitator, thanked the members of the three Retirement Boards for their participation.

ITEM 1: Discuss Portable Alpha Strategy

Dick Charlton, NEPC, provided a PowerPoint presentation on the portable alpha strategy. He advised the Trustees the information presented should be used as a prelude in considering the structure of their large cap sectors. He explained, in NEPC's opinion, portable alpha was a compelling alternative in a "low return" world, the general strategy could be used in many ways, and while this option was not for everyone, it was most definitely worth exploring.

ITEM 2: Manager Presentations

PIMCO: Enhanced Index Manager (Portable Alpha)

Sabrina C. Callin, James M. Keller, and Bruce Pflug

Bridgewater: Enhanced Index Manager (Portable Alpha)

Robert Zink, Joel Whidden

In cooperation with Mr. Mackey, the Trustees discussed their opinions of the manager presentations. It was agreed by consensus of the Trustees, that if a Board decided to enter into a portable alpha contract, the first choice would be with PIMCO, and some would consider Bridgewater as a potential satellite manager.

Barclay: Enhanced Index Manager

Mark D'Andrea, Michael Askjaer, Nicholaas F. Marais

INTECH: Enhanced Index Manager

Terry R. Paquette, Russell Bjorkman

NY Life: Enhanced Index Manager

Dave Brown, Harvey Fram

T Rowe Price: Enhanced Index Manager

Christopher C. Newman, Deborah W. Veverka, D. Kyle Cerminara

ITEM 3: **Discussion/Action**

In cooperation with Mr. Mackey, the Trustees discussed their opinions of the enhanced index manager's presentations. Each member was asked their opinion; if a Board decided to enter into an enhanced index manager contract, who would be their first choice? The straw pole of the Trustees resulted in an even split between NY Life and T Rowe Price. Mr. Minot said that assuming PIMCO is selected as a portable alpha manager, he favored the T Rowe Price product, while NEPC said they would recommend NY Life.

The same process was conducted for the equal weighted managers, with an overwhelming preference to SsgA, with the exception of Mr. Kaplan who favored the Bank of New York.

The cap weighted poll resulted in the unanimous consensus that SSgA would be each Board's selection, if they chose to enter into a contract.

Upon discussion it was agreed that NEPC would create a matrix and provide a correlation analysis with multiple scenarios between the selected portable alpha and enhanced index managers.

ITEM 4:

Mr. Spaulding advised the Trustees that the VSERS Board voted to do a search for a global bond manager. He asked if the VMERS Board was interested in participating in the educational and manager selection process, in the event they wanted to enter into the sector in the future.

Mr. Jeffrey and Ms. Duquette agreed they would like a limited involvement in the process, and thanked the Treasurer for bringing this opportunity to their attention.

Mr. Altemus suggested, in light of the proposed changes to the Social Security Program, the Boards hold an educational session on how and what impact such a change could have to the retirement systems. The Trustees agreed to schedule the item at a meeting after the beginning of next year.

VSERS ACTION

The Vermont State Employees' Retirement System Chairperson, Warren Whitney, called the meeting to order at 4:03 p.m. on Thursday, December 9, 2004, at the Vermont State House Room #10, Montpelier, Vermont.

Members present: Mr. Whitney, Mr. Spaulding, Mr. Hooper, Mrs. Abair, and Ms. Simpson.

On a motion by Mr. Hooper seconded by Ms. Simpson, the Vermont State Employees' Retirement System voted to select potential finalists for domestic large cap indexed products; including enhanced index managers NY Life and T Rowe Price, cap and equal weighted index manager SSgA, portable alpha manager PIMCO, and possible satellite manager, Bridgewater.

Mr. Whitney explained the VSERS/State of Vermont would be facing a potential liability as a result of the GASB 43 & 45 regulations.

On a motion by Mr. Hooper, seconded by Ms. Simpson, the Board unanimously voted to authorize the system's actuary, David Driscoll, to prepare a report on the impact to the State of Vermont/VSERS as a result of GASB 43 & 45 regulations.

The Board agreed a funding strategy was needed to replace the current domestic large cap managers. It was agreed this item would be discussed at the December 16, 2004 meeting.

On a motion by Mr. Spaulding seconded by Mrs. Abair, the Vermont State Employees' Retirement System Board unanimously voted to adjourn at 4:08 p.m.

VSTRS ACTION

The Vermont State Teachers' Retirement System Chairperson, Joe Mackey, called the meeting to order at 4:20 p.m. on Thursday, December 9, 2004, at the Vermont State House Room #10, Montpelier, Vermont.

Members present: Mr. Mackey, Mr. Kaplan, Mr. Altemus, and Mr. Spaulding.

The Board briefly discussed their November 17, 2004 action authorizing NEPC to conduct a search for an international growth manager to replace SSgA/Putnam Investments. The Board would like to review the search materials at the February investment meeting and agreed the criteria for the search should include advertisement in P&I, and Web posting. The potential manager must have a minimum of \$1 billion under management, a 3-year track record, and a client base with at least two public retirement funds.

On a motion by Mr. Altemus seconded by Mr. Mackey, the Board unanimously voted to include "best in class" candidates in the search, and all respondents must indicate their style, i.e. growth, value, or core.

On a motion by Mr. Spaulding seconded by Mr. Altemus, the Vermont State Teachers' Retirement System Board unanimously voted to adjourn at 4:25 p.m.

Respectfully submitted,

Donna Holden
Board Coordinator