

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

June 9, 2005

Members present:

WARREN WHITNEY, Chairperson, VSEA member (term expiring September, 2006)
JEB SPAULDING, Vice-Chairperson, VT State Treasurer
WILLIAM HARKNESS, VSEA member (term expiring September 2005)
STEVE GOLD, Representing JAMES REARDON, Commissioner of Finance & Management
LINDA McINTIRE, Commissioner of Human Resources
JANICE ABAIR, Retired Vermont State Employees' Association

Members absent:

ROBERT HOOPER, VSEA member (term expiring September 2006)
DICK JOHANNESSEN, Governor's Delegate

Also attending:

Donna Holden, Board Coordinator
Cynthia Webster, Director of Retirement Operations
David Minot, Director of Finance and Investments
Bill Rice, Director of Law and Policy
VEDA/VOF Representatives

The Chairperson, Warren Whitney, called the meeting to order at 8:09 a.m. on Thursday, June 9, 2005, held in Room 10, Capitol Building, Montpelier, VT.

ITEM 1: Approval of minutes for:

May 17, 2005

May 19, 2005

On a motion by Ms. Abair seconded by Ms. McIntire, the Board unanimously voted to approve the minutes of May 17, 2005, as submitted.

On a motion by Mr. Gold seconded by Ms. McIntire, the Board unanimously voted to approve the minutes of May 19, 2005, as submitted.

ITEM 2: Discuss/Act on Continued Disability Retirements for:

Paul A. Barci

Nelson D. Rickert

On a motion by Mr. Harkness seconded by Mr. Gold, the Board unanimously voted to approve the continued disability retirement for Paul A. Barci, as recommended by the Medical Review Board.

On a motion by Mr. Gold seconded by Ms. Abair, the Board unanimously voted to approve the continued disability retirement for Nelson D. Rickert, as recommended by the Medical Review Board.

ITEM 3: Discuss/Act on 90-Day Application Waiver Request – James Edge

At 8:30 a.m. on a motion by Ms. McIntire seconded by Mr. Gold, the Board unanimously voted to enter into executive session, pursuant to Title 1 §313, to discuss medical information.

Ms. Holden, Mr. Minot, Mr. Rice, and Ms. Webster were invited into the executive session.

At 8:38 a.m. the Board exited executive session.

On a motion by Mr. Spaulding seconded by Mr. Gold, the Board voted to deny the approval of a 90-day application waiver request, submitted by James Edge. Mr. Whitney, Mr. Spaulding, Mr. Harkness, Mr. Gold, and Ms. Abaire voted yes. Ms. McIntire abstained.

ITEM 4: VEDA/VOF Alternative Investment Presentation

Mr. Spaulding disclosed he was a statutory member of the Vermont Economic Development Authority (VEDA) Board.

Michael Sweatman, Peter Cline, and Jo Bradley appeared before the Board to discuss the Vermont Opportunity Fund (VOF) venture capital, mezzanine financing, and investment proposal. They reported to date they had not received SBA approval to move forward with an SBIC license, however, expected to receive the go-ahead letter by August, which would permit the promotion and soliciting of applications for loans from the Fund.

Ms. Bradley explained the Fund's partnership with VEDA was established through an RFP process distributed by VEDA, resulting in the Fund's initial investment of \$2M. To date, in addition to the \$2M VEDA commitment, Mr. Sweatman said the Fund had a \$1M commitment from TD BankNorth, and another \$500K from various other banks. Mr. Cline explained the two-tier, 10-year, strategy, and the Board was told the Fund investment cap would be at \$8M.

The Board was advised the VOF goal was to receive a \$1 - 2M allocation from one or all of the state retirement systems, boosting their marketability. Mr. Sweatman suggested a partial allocation commitment to support the SBA approval and SBIC August application was desirable, and a second allocation of the balance could follow at a later date.

On behalf of the Board, Mr. Whitney thanked the representatives for the presentation.

Discussion ensued. Mr. Spaulding advised the Board he was in support of economically targeted investments (ETI), and said he believed in investing in Vermont. Mr. Whitney asked Mr. Minot to distribute appropriate VEDA/VOF partnership and investment information to the Board to use in making an informed decision. The Board briefly discussed, but took no action, on whether a formal RFP would be desirable or required.

Mr. Minot and Mr. Whitney advised the Board on their understanding of the Investment Consultant's recommendation regarding the VEDA/VOF proposal. Ms. McIntire asked whether it would be appropriate to obtain a written summary of an analysis/recommendation from NEPC to accompany the VEDA/VOF information distributed by the Treasurer's Office Staff.

Mr. Whitney said he didn't feel the NEPC analysis/recommendation was necessary as long as the Board made their decisions under the Prudent Investor Guidelines.

ITEM 5: Any other business to come before the Board

Mr. Rice appeared before the Board to provide follow-up and status report on the RMK Timber proposal submitted at the May 19, 2005, meeting.

At 9:41 a.m. on a motion by Ms. McIntire seconded by Mr. Harkness, the Board unanimously voted to enter into executive session pursuant to Title 1 §313, to discuss contractual matters.

Ms. Holden, Mr. Minot, Mr. Rice, and Ms. Webster were invited into the executive session.

Mr. Gold and Ms. McIntire left the meeting during executive session.

At 9:55 a.m. the Board exited executive session.

The Board Coordinator was asked to poll the Board for availability, and warn a follow-up conference call meeting for June 29th or June 30th, at 8:00 a.m.

Next Meeting Dates:

The next scheduled conference call meeting of the Board would be either June 29, or June 30, 2005
The next scheduled monthly business meeting is July 14, 2005.

Adjournment:

Due to the lack of a quorum, the Chairperson declared the meeting adjourned at 10:05 a.m.

Respectfully submitted,

Donna Holden, Board Coordinator
for
Cynthia Webster, Secretary to the Board