

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

May 20, 2010

VSEERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2011)
Paul White, Jr., VSEA Representative (term expiring September 1, 2010)
Jeff Briggs, VSEA Alternate (term expiring September 1, 2011) – arrived late
Robert Hooper, VSEA Representative (term expiring September 1, 2010) – arrived late
Joseph Healy representing Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2010)
James Reardon, Commissioner of Finance & Management (ex-officio)
Richard Johannesen, Governor's Delegate (ex-officio) - arrived late
Kate Duffy representing Caroline Earle, Commissioner of Human Resources (ex-officio)
Elizabeth Pearce, Deputy VT State Treasurer representing Jeb Spaulding, VT State Treasurer until Mr. Spaulding's arrival

Members absent:

None

Also attending:

Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board
Elizabeth Pearce, Deputy VT State Treasurer
Stephen Wisloski, Director of Investment & Debt Management
Karl Kroner, Great West Retirement Services
Chip Sanville, Great West Retirement Services
Perry Christie, Great West Retirement Services – via telephone
Al Cunningham, Great West Retirement Service – via telephone
David Driscoll, Buck Consultants – via telephone
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Kevin Gaffney, called the Thursday, May 20, 2010 meeting to order at 9:07 a.m., which was held in the Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of: April 8, 2010**

On motion by Mr. White, seconded by Mr. Reardon, the Board voted to approve the minutes of April 8, 2010 as submitted. Ms. Pearce, Mr. Reardon and Mr. Healy abstained from the vote. The motion passed.

ITEM 2: **State of Vermont 457 Deferred Compensation Plan**

**Quarterly review for period ending March 31, 2010
Review and discuss new *Secure Foundation* "annuity" product
Discuss TIPS and SRI funds**

Mr. Kroner reviewed the Plan Results indicating there was an increase of 4%. Mr. Kroner reviewed the assets by assets class. Mr. Kroner reviewed the chart of participants 100% in the Stable Value Fund. The Board discussed the percentage of participants over age 50 in the Stable Value Fund. The Board discussed the possible reasons for a decrease in contributions. Mr. Kroner reviewed the Administrative Overview. The Board discussed the de minimus accounts.

Mr. Sanville reviewed the Field Activity. Mr. Sanville reviewed the number of hardships for the quarter. Mr. Sanville reviewed the VSTRS 403(b) Field Activity.

Mr. Kroner reviewed the Fund Performance Review. The Board briefly discussed the Vanguard FTSE fund.

Mr. Sanville reviewed the SDIA Plan for the period ending March 31, 2010. Ms. Pearce indicated they will discuss the demographics of SDIA participants under the next agenda item. Mr. Sanville answered Mr. Gaffney's inquiry concerning the minimum distributions for 2009.

The consensus of the Board was to continue with Item #2 after the Stable Value Fund discussion.

ITEM 3: Discuss Stable Value Fund in the 457 Plan and SDIA Plan

(Mr. Christie, Mr. Cunningham and Mr. Wisloski entered the meeting at this time.)

On motion by Ms. Pearce, seconded by Mr. Healy, the Board voted unanimously to enter Executive Session at 9:32 a.m. pursuant to Title 1, § 313 for the purpose of discussing the Custom Stable Value Fund.

(Mr. Briggs, Mr. Spaulding and Mr. Johannesen arrived during the Executive Session.)

(A recess was taken from 10:35 A.M. to 10:42 a.m.)

(Mr. Hooper arrived during the Executive Session.)

(Mr. Kroner, Mr. Sanville, Mr. Christie and Mr. Cunningham left the meeting.)

The Board exited Executive Session at 11:32 a.m.

(Ms. Pearce left the meeting.)

(Mr. Kroner, Mr. Sanville, and Mr. Christie returned to the meeting.)

Mr. Hooper requested the number of participants who were 100% invested in the Stable Value Fund who withdrew. Mr. Kroner indicated he will run that report for the Board members. The Board also requested a report indicating the number of participants who routinely change their allocations.

Continuing with Item #2, Mr. Kroner provided the Board members with an overview of the *Secure Foundation* "annuity" product. Mr. Kroner indicated to the Board this new annuity product addresses the concerns of the old annuity products. Mr. Kroner discussed the calculation

of the lifetime benefit. Mr. Kroner and Mr. Christie discussed the fees associated with this annuity product. Mr. Christie discussed the future of this product and the interest from other entities. Mr. Wisloski presented an example of his understanding of the benefit and fees. Mr. Kroner indicated if the Board was so inclined, a formal presentation could be presented. Mr. Spaulding indicated the Teachers' Board was going to have a presentation from T. Rowe Price and was considering a presentation from Great West concerning the annuity product. Mr. Spaulding indicated it might be a good idea to have a joint meeting for the presentations. The consensus of the Board was this product should be something they explore further. There was a discussion about baby boomers. Mr. Wisloski indicated he had the electronic version of a presentation from the NEPC conference concerning that topic that he would provide to the Board members.

(Mr. Christie left the meeting.)

Mr. Spaulding questioned why the discussion of TIPS and SRI funds was on the agenda. Ms. Webster indicated the discussion of TIPS and SRI funds has never been resolved. The Board discussed the Vanguard Fund. It was discussed it was problematic last year, but the performance seems to have improved. The consensus of the Board was to do nothing at this point with the Vanguard Fund. The Board discussed TIPS fund. The consensus of the Board was to do nothing at this point with TIPS funds.

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

ITEM 4: Discuss/Act on emergency withdrawal applications for:

**Sarah Mayer
Lora McGrath-Gaudreault
Earl Post
Corrine Reynolds
Wendy Ross
Paula Tremblay**

On motion by Mr. Spaulding, seconded by Mr. Healy the Board voted unanimously to approve the emergency withdrawal request for Sarah Mayer as recommended by Great West.

The Board discussed the placement of the overview in the packet of information received from Great West and requested it be placed in front of the packet. Mr. Sanville indicated he will indicate that to Kay.

On motion by Mr. Spaulding, seconded by Mr. White the Board voted unanimously to approve the emergency withdrawal request for Lora McGrath-Gaudreault as recommended by Great West.

On motion by Mr. Hooper, seconded by Mr. Spaulding the Board voted unanimously to approve the emergency withdrawal request for Earl Post as recommended by Great West.

On motion by Mr. Spaulding, seconded by Mr. Reardon the Board voted unanimously to approve the emergency withdrawal request for Corrine Reynolds as recommended by Great West.

The Board discussed the relationship of Marilyn Reynolds to Corrine Reynolds.

On motion by Mr. Hooper, seconded by Ms. Duffy the Board voted unanimously to approve the emergency withdrawal request for Wendy Ross as recommended by Great West.

The Board discussed Paula Tremblay's request for an emergency withdrawal. The Board discussed under the IRS regulations the request can be approved, but under the Board's policy the emergency withdrawal cannot be approved. After friendly revisions, the following motion was made.

On motion by Mr. Reardon, seconded by Mr. Johannesen the Board voted unanimously for purposes of approving any emergency withdrawal request from the Vermont Deferred Compensation Plan the Board will amend the rules for purposes of foreclosure to follow the IRS regulations as foreclosure is a valid reason.

On motion by Mr. Reardon, seconded by Ms. Duffy the Board voted unanimously to approve the emergency withdrawal request for Paula Tremblay.

(A recess was taken from 12:55 p.m. to 1:07 p.m.)

The consensus of the Board was to take Item #6 out of order for the convenience of David Driscoll.

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

ITEM 5: Discuss with actuary salary assumptions for FY 2011 and FY 2012 and group contribution rates

The Board discussed the assumptions for salary growth for FY 2011 and FY 2012 and the salary decrease of 3%. It was discussed the actuarial valuation was prepared prior to the contract negotiations with the State employees that resulted in a 3% decrease in salary. The Board discussed the AFC calculation section of H.778.

The Board discussed the interest rate of 8¼%. Mr. Spaulding indicated VPIC will be discussing the interest rate at their next meeting. The Board discussed the procedures for changing assumptions. The Board discussed decreasing the return rate over a period of time. The Board discussed the funding for the health care for the State employees.

On motion by Mr. Spaulding, seconded by Mr. Reardon, the Board voted unanimously to move that the Board adopt an adjustment to the previously adopted salary assumptions to reflect the recent revisions to the Vermont State Employees Association and the Vermont

Troopers Association wage and salary agreements with the State, to become effective July 1, 2010, and incorporate these in an adjustment to the 2011 Annual Required Contribution (ARC) as developed in the 2009 valuation report from \$41,581,656 to \$37,190,897 and incorporate these assumption changes in the 2010 valuation report to be used to develop the recommended contribution for the FY 2012 ARC.

The Board discussed the demographics, which are used for the valuation. The Board discussed baby boomers. Mr. Driscoll indicated new hires would be considered if a projection was being prepared. There was a discussion about projections versus valuations.

The Board discussed the contribution rates for the different groups. The Board discussed the subsidization of contributions. The Board showed an interest in obtaining information from Mr. Driscoll concerning the contribution rates of different entities of a similar size to the State of Vermont. Mr. Driscoll indicated you would need to obtain what benefits they offer and what the employee contribution rate is, as well as take into account the funding status, and whether there is participation in Social Security. The Board discussed the creation of the contribution rates. The Board discussed the possibility of changing the contribution rate each year. Mr. Driscoll agreed he will obtain additional information for the Board members to present at the next scheduled in-house Board meeting in August. Mr. Driscoll indicated he will provide the Board with information prior to that for review.

(Mr. Driscoll left the meeting.)

ITEM 6: Discuss/Act on disability retirement recommendations for:

Kevin J. Charboneau	New
Susan M. Daignault	New

Ms. Webster indicated Dr. Davignon was not available for this Board meeting, but would be available at the next Board meeting in June. Ms. Webster indicated perhaps that meeting should be opened up to the other Boards as well.

The consensus of the Board was to discuss the disabilities together.

On motion by Mr. Spaulding, seconded by Mr. Reardon, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirements for Kevin J. Charboneau and Susan M. Daignault, without review.

ITEM 7: Legislative update

Ms. Webster reviewed the amendments in H.778. Ms. Webster explained which changes would affect the Vermont State Retirement System. There was a discussion about the spiking language. There was a discussion about the AFC calculation relative to members retiring after July 1, 2011. There was a discussion how the AFC is calculated. There was a discussion about the elimination of a possible negative COLA in January 2011. There was a discussion about the VPIC Chair. Mr. Spaulding discussed the changes to the Board members of the Municipal Board.

ITEM 8: 2010 travel policy

The consensus of the Board was that if someone wanted to travel they would provide the Board the information in advance.

ITEM 9: Any other business to be brought before the Board

Mr. Johannesen inquired whether the State of Vermont offered any kind of financial planning to its employees. The Board discussed a financial wellness program. Ms. Duffy indicated she will look into what they can develop concerning a financial wellness program. Mr. Spaulding advised the Board about Lisa Helme's endeavors with financial literacy.

ITEM 10: Adjournment

On motion by Mr. Spaulding, seconded by Mr. Reardon the Board unanimously voted to adjourn at 2:32 p.m.

Next Meeting Date:

The next scheduled VSERS meeting is an in-house meeting on June 10, 2010 at 9:00 a.m.

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board