

**Comments by Paul W. Timmreck to
JLARC Regarding VRS Special Review of Certain Personnel Actions**

July 11, 2005

I want to begin by acknowledging the good work that the JLARC staff put into this report. It will be very helpful to us. Additionally, I appreciate the briefing that Trish, Glen and Phil gave to Bob Schultze and me last week. I am also pleased to note that they were receptive to a few technical changes that we suggested.

Although the report has not been shared with the balance of the Board (out of respect for the embargo associated with today's meeting), I believe the Trustees will concur with the several findings and recommendations. I have scheduled a special meeting of the Board for tomorrow at 2:00 pm at which your staff will brief us and we will consider several actions.

I want to make two comments regarding the principal recommendations in the report. The first concerns the potential appearance of impropriety when a

member of the Board or the Investment Advisory Committee seeks employment with the VRS in a staff capacity.

Your staff recommended that we amend our governing policy to require a minimal separation of one year from the time a person leaves the Board or the IAC and the point at which he or she would be eligible for employment with the VRS. I don't know if one year is the appropriate interval. I suspect that some members may want a five-year separation while others may believe that two years is sufficient. We'll discuss that tomorrow afternoon.

The second comment relates to how we handled the hiring and departure of the former Director, particularly the issue of the severance pay. Ultimately, we failed -- both collectively and individually -- to abide by our governance policy. And we very much regret that we did so.

With that, let me tell you what I envision will happen tomorrow at the special board meeting. I am proposing at least four motions. Other members may want to suggest additional actions.

The first will address the proposed one-year or longer separation from the Board or IAC before any trustee or committee member is eligible for employment to any full-time position with the VRS.

The second motion will address the timing of the purchase of service on behalf of Mr. Matthews. The Board approved, in open session and by a recorded vote, the amount of service that was purchased. The only issue here is the fact that the purchase of service was accelerated compared to the timetable stipulated in the Board action. Essentially, this is a technical matter.

The third and fourth motions will address the issue of severance pay. The first of these two will propose to ratify the amount that was actually paid to Mr. Matthews. I will move that item because I believe it's important to get an up or down vote by the Board (assuming the motion gets a second).

Assuming the first motion fails, the next one will propose a severance payment equivalent to six weeks of pay, which is what any classified employee, would be entitled to receive under the provisions of the Workforce Transition Act.

At a later date, we will take up the recommended training on our Governance Policy and Committee Bylaws.

As we begin the process of taking corrective action, as Chairman I want to assure you that I will do my best to ensure that the actions of the Board meet the highest ethical standards and are fully compliant with the law. I am confident that I speak for the entire Board when I pledge that nothing of this kind will happen again on our watch.

Thank you.

Thank you.