

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

April 28, 2008

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, April 28, 2008, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed April 18, 2008. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 14, 2008. D. Blank chaired the meeting and S. Linder recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
 SGT. GLENN ELWELL, VICE-CHAIR
 DALE KAHLA
 JUDGE GLENN CAMERER
 RICHARD WASSINGER
 DON PEDERSON
 ELAINE STUHR
 DAVE BOMBERGER, EX-OFFICIO

MEMBERS ABSENT: MARK SHEPARD

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	BEN MATTERN Ameritas
RANDY GERKE Deputy Director	NEIL BATEMAN Retired Teachers
JOE SCHAEFER Legal Counsel	DAVE SLISHINSKY Buck Consultants
JAN FOX Training Supervisor	TAMMY RINGEL Buck Consultants
MIDEN EBERT Retirement Plan Supervisor	WILLIAM ROBINSON The Hartford
JERRY BROWN IT Manager	JOANNE JERMOLOWICZ The Hartford
TERESA ZULAUF Internal Auditor	TOM STINE Attorney General's Office
GARY BUSH DAS - State Budget Administrator's Office	PAUL O'HARA Judges Lobbyist
MARY JOCHIM Sterling Financial Advisors	SHEILA LINDER Administrative Assistant

Agenda Item 1: D. Blank stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the front table.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the April 28, 2008, Board Meeting to order at 9:00 a.m. Present at roll call: D. Blank, D. Kahla, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and D. Bomberger. Absent: M. Shepard.

Excuse Board Members: G. Elwell moved to excuse M. Shepard. R. Wassinger seconded the motion. Members voted as follows: For: D. Kahla, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and D. Blank. Against: None. Motion carried.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the March 31, 2008, Board Meeting. Motion was seconded by D. Kahla. Members voted as follows: For: G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, and D. Kahla. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & March 2008 Retirement Report: D. Kahla moved to approve the budget status report and the March 2008 Retirement Report. Motion was seconded by D. Pederson. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, D. Kahla, and G. Elwell. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Items 8 and 9 – Actuarial Report of Equal Retirement Benefit Funds (ERBF) and 2008 State and County Cash Balance Report: D. Slishinsky provided background information regarding ERBF. He then reviewed the ERBF reports and the actuarial valuation results for the State and County Cash Balance funds. Copies of the reports are available at the NPERS office. D. Slishinsky recommended to the Board that any decision on a dividend be held until the audited financial reports are received to ensure that the state statute on 90% threshold is met.

The Board took a break at 10:07 a.m. and reconvened at 10:25 a.m.

D. Kahla moved to approve D. Slishinsky's report. G. Elwell seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, D. Blank, D. Kahla, G. Elwell, and G. Camerer. Against: None. Motion carried.

Agenda Item 7 – Hartford Annual Report: W. Robinson and J. Jermolowicz from Hartford were present. W. Robinson noted that the changes were made in the investments in 2008. In December the new funds were added and the mapping took place in January. A booklet was prepared and 11 meetings were held in Lincoln and Omaha. They estimate they met with approximately 150 individuals in the meetings or over the phone.

W. Robinson then reviewed the Annual Report. A copy of the report is available at the NPERS office.

G. Elwell moved to approve the Hartford Annual Report. E. Stuhr seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, D. Blank, D. Kahla, G. Elwell, G. Camerer, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Information System (IT) Update: J. Brown reported all of the Problem Investigation Requests (PIRs) are being reviewed to determine if they are still necessary. A decision will then be made which PIRs will need to be in PIONEER and which will only go into the NPRIS system.

Saber has prepared a project plan for the DROP plan. This will be completed by September 1st. NPERS staff will do testing in early August. This will need to be placed in both PIONEER and NPRIS with a total estimated cost of \$165,200. Information has been provided to Ameritas for what they need. Ameritas will join NPERS for the testing in August.

All requirements have been documented for the Cube Method. Buck Consultants has provided the cost rates for the simplified Cube Method with updated assumptions. Because of the cost, the Cube Method will be done manually from July 1, 2008, through February of 2009 through a spreadsheet Buck Consultants has provided NPERS. By having this method placed on the NPRIS system only, NPERS will save approximately \$30,000.

NPERS is expecting to convert in early June to the State centralized email system.

Phase II requirements validation has been completed. Final documentation review has begun. Eleven of the 13 functional area use cases have been provided to NPERS. Phase II development continues off shore. Work continues with the QA team providing information to review documents and the project plan. The project end date and cost have not changed. The project is still within budget and on schedule.

J. Brown and Robin Goracke met with the Nebraska Information Technology Commission (NITC) panel in April. The panel has no concerns at this time and is satisfied with our progress.

P. Chambers noted that J. Brown's contract is up for renewal this month. The contract will be renewed for one more year.

G. Camerer moved to approve the IT report. D. Kahla seconded the motion. Members voted as follows: For: E. Stuhr, D. Blank, D. Kahla, G. Elwell, G. Camerer, R. Wassinger, and D. Pederson. Against: None. Motion carried.

Agenda Item 11 – Internal Auditor Report: T. Zulauf reported work has continued to wrap up the reconciliation project. So far 15 accounts have been sent to Ameritas for corrections, totaling \$1,985.48. Rough reports of the various transfers and allocations on each account were distributed to the Board members. These reports will be updated for the next meeting.

The auditors are still working on the State and County audit. The exit conference has not been scheduled yet, but is expected to take place within the next month.

Work is continuing on audit exit points.

A new employee will be starting in the Internal Auditing area May 14th which will bring the area to full staff.

D. Blank asked when the reconciliation is expected to be completed. T. Zulauf stated there are 20 accounts that need the documentation written and provided to Ameritas. She hopes to have this completed by Wednesday of this week.

D. Kahla moved to approve the Internal Auditor's report. D. Pederson seconded the motion. Members voted as follows: For: D. Blank, D. Kahla, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

Agenda Item 12 – Legislative Update: J. Schaefer reported LB 1147 passed. A summary of the bill was included in the packet this morning. Three Interim Studies were introduced during this legislative session, one deals with law enforcement retirement plans, the second is the general study that looks at all of our plans, and the third study is to look at State Patrol for purchase of service for refunded service.

G. Camerer moved to accept the Legislative Report. G. Elwell seconded the motion. Members voted as follows: For: D. Kahla, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and D. Blank. Against: None. Motion carried.

Agenda Item 13 – Investment Officers Update: D. Bomberger reported the Nebraska Investment Council (NIC) met on April 8th. The NIC approved a new non-US equities manager and a new real estate fund manager. They also reviewed an asset liability study that Ennis Knupp just completed. This will be provided at the PERB Retreat in August. The NIC will follow-up this discussion in June with a possible change in asset allocation as a result of the study. The NIC approved the contract to retain State Street as the custodian bank.

The NIC is completing a fee amendment with one of the investment managers, which will result in a small reduction in the investment management fee of not quite 3 basis points and a fee reduction of about \$250,000 with this investment manager.

D. Pederson moved to approve the Investment Officer's Report. R. Wassinger seconded the motion. Members voted as follows: For: G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, and D. Kahla. Against: None. Motion carried.

Agenda Item 14 – Director's Report: P. Chambers reported several positions have been filled since the last Board meeting. P. Chambers welcomed M. Ebert as the new Retirement Plan Supervisor. Along with the auditor starting May 14th, NPERS will have a new hire in the mail area on May 1st. We are waiting for approval from State Personnel for the Retirement Specialist I position recently created through the legislature.

P. Chambers went to Iowa Public Employees Retirement System (IPERS) to see their operations this past month. All of their plans are defined benefit plans. IPERS has 300,000 plan members and \$20 billion in assets. P. Chambers was impressed with their operations and their willingness to be a resource for us.

P. Chambers attended the Trustee workshop in Chicago for the Investment Council that was put on by Ennis Knupp, along with two other NIC members. The workshop was very informative.

Due to LB 1147 passing, work is being done to transfer payments to OSERS. NPERS plans to make the payment by the 1st of June. D. Slushinsky and T. Ringel will be staying after the PERB Meeting today to discuss the calculations on this, as well the Cube Method and the DROP plan.

P. Chambers requested permission to attend the NCTR Directors Meeting June 14-18 in Carmel, California.

G. Camerer moved to approve the Director's travel request and report. D. Kahla seconded the motion. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, D. Kahla, and G. Elwell. Against: None. Motion carried.

Agenda Item 15 – Board Committee Reports: R. Wassinger reported the Education Committee has tentatively scheduled the PERB Retreat for Sunday and Monday, August 24-25, 2008. The committee is looking for topics and speakers. More information will be provided at the next meeting.

G. Elwell reported that the Audit Committee met following the last PERB meeting. The meeting was very productive. The issues brought up were immediately addressed.

D. Kahla stated he was very impressed at the last Steering Committee meeting regarding the progress being made and that the project continues to be on time and actually under budget.

Agenda Item 16 – Board Education/Travel Requests: There were no requests.

Agenda Item 17 – Future Meetings/Agendas: The next meeting will be held on Monday, May 19th at 9:30 a.m., in the Atrium Conference Center, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

Agenda Items 18 and 19 – Executive Session: At 11:45 a.m., G. Camerer moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Retirement Nos. 139372 and 133553 and other legal matters for the protection of public interest. Motion was seconded by E. Stuhr. D. Blank repeated the motion for the record. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, D. Blank, D. Kahla, G. Elwell, and G. Camerer. Against: None. Motion carried.

At 12:47 p.m., G. Camerer moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by D. Kahla. Members voted as follows: For:

D. Pederson, E. Stuhr, D. Blank, D. Kahla, G. Elwell, G. Camerer, and R. Wassinger.
Against: None. Motion carried.

D. Kahla moved for approval of the disability applications of Retirement Nos. 139372 and 133553. G. Camerer seconded the motion. Members voted as follows: For: E. Stuhr, D. Blank, D. Kahla, G. Elwell, G. Camerer, R. Wassinger, and D. Pederson. Against: None. Motion carried.

Adjournment: D. Pederson moved that the meeting adjourn. Motion was seconded by G. Elwell. Members voted as follows: For: D. Blank, D. Kahla, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

The meeting adjourned at 12:49 p.m.

Phyllis G. Chambers
Director