

## PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

February 25, 2008

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, February 25, 2008, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed February 15, 2008. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, February 11, 2008. D. Blank chaired the meeting and S. Linder recorded the minutes.

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

MEMBERS ABSENT: DON PEDERSON

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	GARY BUSH DAS - State Budget Administrator's Office
JOE SCHAEFER Legal Counsel	MARY JOCHIM Sterling Financial Advisors
JAN FOX Training Supervisor	BEN MATTERN Ameritas
JANE BOND Retirement Plan Supervisor	GAUTAM BHADBHADE Public
JERRY BROWN IT Manager	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 February 25, 2008, Board Meeting to order at 9:00 a.m. Present at roll call: D. Blank, D. Kahla, M. Shepard, G. Elwell, G. Camerer, R. Wassinger, E. Stuhr, and D. Bomberger. Absent: D. Pederson.

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

**Agenda Item 4 – Approval of Minutes:** R. Wassinger moved for approval of the minutes of the January 23, 2008, Board Meeting. Motion was seconded by M. Shepard. Members voted as follows: For: M. Shepard, G. Elwell, G. Camerer, R. Wassinger, E. Stuhr, D. Blank, and D. Kahla. Against: None. Motion carried.

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

**Agenda Item 6 – Public Comments or Correspondence from Citizens:** G. Bhadbhade was present. He stated he has submitted a request for emergency withdrawal of deferred compensation that will be considered during the Executive Session. He requested the board take the time to review all of the information provided.

**Agenda Item 7 – Information System Update:** J. Brown reported work is continuing with Saber on the high priority issues on the system. The goal is to have the PIRs completed so none are carried over when the conversion occurs.

Saber is in the process of preparing a project plan for the DROP plan. Meetings have been held with Saber regarding the Cube method and all of the requirements are documented. Buck Consultants has provided an updated user's guide. Saber believes they will have the DROP plan completed by September 1<sup>st</sup> and the Cube method completed by July 1<sup>st</sup>.

The State is going to a centralized email system. NPERS staff and the office of the CIO have been discussing the conversion for the agency. NPERS plans to convert within the next few months. The conversion will be relatively simple since we are already on Outlook.

The Quality Assurance Team has prepared a Quality Review Project Management Plan. The Steering Committee approved the plan this month.

Phase 1 testing will be completed this week, as well as Phase 2 requirements validation. Phase 3 development has started, which is primarily done off-shore. Phase 2 testing will not start until June. There is some concern about testing during the summer months, which is the busiest time for NPERS staff. Consideration is being given to combining the testing of Phases 2 and 3, which would mean the testing would start in September. J. Brown met with the Nebraska Information Technology Commission (NITC) panel this month and they do not have any concerns.

D. Kahla moved to accept the Information System Update. G. Elwell seconded the motion. Members voted as follows: For: G. Camerer, R. Wassinger, E. Stuhr, D. Blank, D. Kahla, M. Shepard, and G. Elwell. Against: None. Motion carried.

**Agenda Item 8 – Internal Auditor Report:** The State Auditor's Report of the School, Judges, and Patrol Audit plans for the period ending June 30, 2007, was provided to the Board members. The issues are basically the same issues NPERS has seen in the past. The report is available on the State Auditor's website.

T. Zulauf distributed a tracking sheet for the audit points and exit comments for the last two audits. These reports will be provided on a monthly basis to show how the staff is doing in resolving the points.

The state auditors are working this week on the State and County audit. The entrance conference will be held during the first week of March.

The reconciliation project is winding down. Adjustments have been sent to Ameritas totaling \$1,574.36. There are approximately 22 adjustments left to submit for Hall County. Eight accounts have been found with a variance of greater than \$25 and those will be submitted this week. There are also adjustments to submit for members that did fund transfers. There are 63 accounts waiting for first review for allocation changes only. Staff are going to do those so that all of the accounts that have been brought to NPERS' attention are reviewed. There are approximately 75 accounts to be sent to Ameritas and it is expected that the majority of them will be done by Friday, February 29<sup>th</sup>.

There is currently an open position in the audit area, which will be posted this week. Interviews will be scheduled in the near future.

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

**Agenda Item 9 – Legislative Update:** J. Schaefer stated all of the committee hearings have been held and provided an update on the hearings.

D. Bomberger stated he testified in neutral capacity on LB 992.

LB 1147 was selected as the Retirement Committee's 1<sup>st</sup> priority. LB 937 and LB 938 have been placed in a committee amendment to that bill, which has been advanced to general file.

LB 371 (peace officer defined benefit plan) was named as the Committee's second priority. There is an amendment and it has been advanced with the amendment to general file.

LB 611, LB 612, LB 613, LB 679, and LB 967 were indefinitely postponed.

J. Schaefer has been told there should be some movement on LB 365 but there is not a consensus on the bill at this time.

J. Schaefer did not testify on LB 968 (service annuity after 1996), but did provide some information and sent material over Friday afternoon defining the classes of people to be

protected from having their benefit reduced. Information was also provided at the Appropriations Committee Hearing. J. Schaefer also assisted with drafting efforts.

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

**Agenda Item 10 – Investment Officer’s Update:** D. Bomberger distributed a copy of the summary that was included in the Nebraska Investment Council’s (NIC) Performance Report for the year ending December 31, 2007, and reviewed the information. The NIC met on February 12<sup>th</sup> and reviewed the performance report in greater detail. They considered a number of new investments. He reported to the NIC on the progress of the global custodian RFP process. He expects to have a final decision by the next NIC Meeting on April 8<sup>th</sup>.

The NIC is now posting the Agenda and approved Minutes of their meetings on their website.

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

**Agenda Item 11 – Revise Policy for Age-Based Funds:** P. Chambers asked the Board to consider revising the policy approved at the August 2007 Board Meeting regarding the Age-Based and Premixed funds. Ameritas did not have the ability to keep track of both funds separately so staff manually kept track. This was a problem for the benefits area. The auditors also had a concern of possible errors because of the manual tracking. In August the Board voted to prevent members from being in both funds. Since that time Ameritas has been able to program their system to account for six different funds instead of three, and account for Premixed and Age-Based funds separately. P. Chambers asked the Board to approve allowing members to be in both funds at one time if they wish. G. Camerer moved to rescind the action taken at the August 26-27 Board Meeting and allow members to have investments in both the Age-Based and Premixed funds at the same time. D. Kahla seconded the motion. Members voted as follows: For: D. Kahla, M. Shepard, G. Elwell, G. Camerer, R. Wassinger, E. Stuhr, and D. Blank. Against: None. Motion carried.

The Board took a break at 10:01 a.m. and reconvened at 10:18 a.m.

**Agenda Item 12 – Annual Agency Report to the Legislature:** A draft of the Annual Report to the Legislature was provided to the Board members. The report will be presented to the Legislature on March 27<sup>th</sup>. The report will be sent to the printer next week. P. Chambers briefly reviewed the report.

D. Blank suggested including information on cash balance members and those who take annuities and lump sum payments for the State and County in next year’s report.

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

D. Blank encouraged the Board members to be present when P. Chambers presents the report to the Legislature on March 27<sup>th</sup> if they are available.

**Agenda Item 13 – Director’s Report:** P. Chambers reported the staff has been working on legislative issues, computer issues, audit issues, and personnel matters. P. Chambers announced that J. Bond submitted her resignation last week and will be going to work for Ameritas. Her job will be posted this week. The Retirement Specialist II position has been filled and we are now posting the position for the Call Center lead worker.

S. Linder is working on the conversion from monthly to bi-weekly payroll and has been working with NIS/DAS on the easiest and least painful method for the staff.

P. Chambers attended the National Association of State Retirement Administrators (NASRA) Conference in Washington, D.C. on February 3<sup>rd</sup> and 4<sup>th</sup>. She reported most of the states are in sound financial condition. The Pension Protection Act was discussed. NASRA is proposing an amendment to the act to allow the retirement systems to pay or credit interest at other than the market rate. There are a number of states, along with NPERS, who are crediting a rate of return plus interest. This will be monitored to see what other states are doing.

P. Chambers and M. Jochim met the last week in January and discussed marketing strategies, training, how to get more people involved in the seminars, and more utilization of our website.

P. Chambers was interviewed by Channel 7 regarding a plan member who stated they were going to have to quit their job because they are not able to withdraw their retirement funds. P. Chambers explained that NPERS has federal rules and state statutes we abide by.

D. Blank asked if there has been any thought to sending out the member newsletters electronically. P. Chambers stated this has been discussed, as well as the Annual Investment report. G. Camerer suggested doing a summary of the Annual Report and sending that to the members along with a notice stating if someone is interested in viewing the entire report, it can be obtained from the website or mailed to them. G. Elwell suggested sending the documents in PDF format to the members’ state email address.

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

**Agenda Item 14 – Board Member Resolution:** D. Blank stated a resolution was prepared for Roger Rea in appreciation of his work on the Board. The resolution will be sent to the National Council on Teacher Retirement to be included with their materials and used for recognizing R. Rea at their meeting. G. Camerer moved to adopt the Resolution. D. Kahla seconded the motion. Members voted as follows: For: G. Camerer, R. Wassinger, E. Stuhr, D. Blank, D. Kahla, M. Shepard, and G. Elwell. Against: None. Motion carried.

**Agenda Item 15 – Board Committee Reports:** There were no reports.

**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, March 31, 2008, in the NIFA Board Room, 1230 “O” Street, Suite 200, Lincoln, Nebraska.

**Agenda Items 18 and 19 – Executive Session:** At 10:55 a.m., G. Camerer moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing disability application for Retirement No. 410510 and Emergency Deferred Compensation Application for Retirement No. 700552, and other legal matters. Motion was seconded by G. Elwell. D. Blank repeated the motion for the record. Members voted as follows: For: R. Wassinger, E. Stuhr, D. Blank, D. Kahla, M. Shepard, G. Elwell, and G. Camerer. Against: None. Motion carried.

At 12:03 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by G. Camerer. Members voted as follows: For: E. Stuhr, D. Blank, D. Kahla, M. Shepard, G. Elwell, G. Camerer, and R. Wassinger. Against: None. Motion carried.

E. Stuhr moved for approval of the disability application of Retirement No. 410510. D. Kahla seconded the motion. Members voted as follows: For: D. Blank, D. Kahla, M. Shepard, G. Elwell, G. Camerer, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

G. Elwell moved for approval of the Emergency Deferred Compensation Application for Retirement No. 700552. M. Shepard seconded the motion. Members voted as follows: For: M. Shepard, G. Elwell, R. Wassinger, and D. Blank. Against: D. Kahla, G. Camerer, and E. Stuhr. Motion carried.

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

The meeting adjourned at 12:07 p.m.

Phyllis G. Chambers  
Director