

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

June 23, 2008

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, June 23, 2008, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed June 13, 2008. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 16, 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
DON PEDERSON
ELAINE STUHR
DAVE BOMBERGER, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	GARY BUSH DAS - State Budget Administrator's Office
RANDY GERKE Deputy Director	MARY JOCHIM Sterling Financial Advisors
JOE SCHAEFER Legal Counsel	BEN MATTERN Ameritas
JAN FOX Training Supervisor	KATHY TENOPIR Legislative Fiscal Office
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
JERRY BROWN IT Manager	JACK DANIEL Plan Member
TERESA ZULAUF Internal Auditor	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 June 23, 2008, Board Meeting to order at 9:03 a.m. Present at roll call: D. Blank, G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, E. Stuhr, and D. Bomberger. Absent: D. Pederson.

Agenda Item 4 – Approval of Minutes: R. Wassinger moved for approval of the minutes of the May 19, 2008, Board Meeting. Motion was seconded by D. Kahla. Members voted as follows: For: G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, E. Stuhr, and D. Blank. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May 2008 Retirement Report:

D. Kahla moved to approve the budget status report and the May 2008 Retirement Report. Motion was seconded by E. Stuhr. Members voted as follows: For: D. Kahla, M. Shepard, G. Camerer, R. Wassinger, E. Stuhr, D. Blank, and G. Elwell. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens:

J. Daniel was present. He stated he is an employee of DHHS and was present to discuss retirement options. He has concerns about the Cash Balance Plan (CB) and the options available upon retirement, only being allowed to take an annuity, roll the money over to the private sector, or a combination. He would like to see the addition of another option to allow members to roll their money over to the existing defined contribution plan. This item will be placed on the agenda for the Retreat in August.

Agenda Item 7 – Board Policy No. 10:

P. Chambers stated a draft showing proposed revisions to Policy 10 was provided this morning. She stated that the CB plan has been in existence for five years. She stated there are issues that she feels need to be addressed, some of which will depend on Ameritas and their programming capabilities. P. Chambers explained how accounts are currently handled. For the past five years, every member having a balance or residual balance (e.g., member cashed out but had a late posting creating a balance in the account) on December 31 received the dividend. Statute addresses what a final account value is. Last year over 800 accounts were paid out by the end of the year in order to get these residual balances paid out. There are still some accounts that need to be paid out. P. Chambers is asking the Board to review the current policy regarding Cash Balance accounts.

D. Pederson joined the meeting at 9:33 a.m.

G. Camerer and E. Stuhr suggested doing some clean up legislation in order to clear out these accounts.

This item will be tabled.

Agenda Item 8 – Cash Balance Divided:

A sample of the report Dave Slisinsky provided on April 28, 2008, was provided in the Board packets. A letter was received from D. Slisinsky today with slightly revised numbers based on the audited assets. D. Blank noted that the target is 8%, but if the Board desires to go above that, the majority of the Board can vote to do so.

G. Elwell moved with regard to the State and County Cash Balance plans and the dividend to be provided for 2007 that the Board approve the dividend rate of 5.18% for the State Cash Balance plan and 5.34% for the County Cash Balance plan as soon as administratively

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

M. Shepard left the meeting at 10:00 a.m.

The Board took a break at 10:00 a.m. and reconvened at 10:15 a.m.

Agenda Item 9 – Information System (IT) Update: J. Brown reported a large amount of work has been completed to clean up the Problem Investigation Requests (PIRs). There are currently nine open PIRs. The Management Team would like to have these completed on PIONEER, mainly to solve problems with a member's account or similar matter.

The email migration was planned for June, but it was discovered with the way PIONEER interfaces with email, some things needed to be changed in PIONEER to make it compatible. The migration is now scheduled for late July.

Member addresses continue to be a concern for the agency. The staff has been working to see what kind of options the agency has to improve the addresses on the system and avoid the \$.50 cost for forwarded mail. The Print Shop has software that will help us clean up some of the addresses. Work is being done to prepare a proposal to present to the Director that will result in a better method to get good addresses and avoid additional costs.

All of the forms have been designed and developed for the DROP plan. Presentations have been given using the new forms. Work is continuing on reporting for the DROP plan, which will be on a fiscal year basis while most of the other reporting is done on a calendar year basis. The NIC representative, Ameritas and DAS Accounting have been contacted regarding this issue so the reporting can be separated out from the rest of the plans.

The final documentation has been completed for all 15 functional areas for Phase II and only four areas need final approval. Phase II development is continuing off-shore, with 4 of the 15 functional areas completed and 8 of the 15 in progress.

Fourteen of the 17 areas of Phase III are in the requirements validation phase. Phase III development has started in 6 of the 17 areas. Testing is scheduled to begin in September or October.

The Quality Assurance team is working with the Office of the CIO to gain access to the agency's repository and plan.

The project end date has not changed and is currently within budget. Change requests will be reviewed to determine how much it will cost to make the improvements.

J. Brown met with the Nebraska Information Technology Commission (NITC) panel in June. The panel had no concerns and felt the project is continuing on the right path.

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

Agenda Item 10 – Internal Auditor Report: T. Zulauf reported the State and County Audit Exit Conference was held on June 20th. The draft report should be received within the next 14 days. Work has started to address these audit points and work is continuing on the last School, Judges, and Patrol audit. The staff is contacting the schools and is auditing the schools.

Work is still being done on the reconciliation project. Further information will be provided during the executive session.

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

Agenda Item 11 – Investment Officer’s Update: D. Bomberger stated the first quarter performance was reviewed at the June 10th NIC meeting. He distributed information showing the return rate for the Defined Benefit plan for the first quarter of 2008 at -5.9% and -4.6% for the first nine months of the fiscal year. He stated April was a better month and May was also a positive month. For the fiscal year through May the performance was back to about 0%. He noted the return over five years was over 11%.

The NIC met on June 3rd and approved a commitment to a private equity fund, had a report from an existing real estate manager, had a report on the private equity portfolio, and some discussion on a risk model Ennis Knupp uses in making manager decisions and allocation decisions among managers.

On June 10th the NIC held their annual planning session. There was a presentation on liability driven investing and two presentations on global investing and trends in the industry. Their next meeting is August 12th and they have scheduled a special session on August 26th. The NIC is interested in how other State Investment offices operate and have invited three State Investment Officers (from Missouri, South Dakota, and Kansas). Video conferencing arrangements have been made and that meeting will be available via video conferencing if any of the PERB members are interested in hearing from these Investment Officers.

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

Agenda Item 12 – Director’s Report: P. Chambers announced the transfer of the Omaha service annuity payment to Omaha School Employees Retirement System (OSERS) occurred on June 2nd. It did not include interest because interest was not included in the final bill. The suggestion was made to OSERS to request the interest through the appropriations process next year.

P. Chambers has informed Mike Smith of OSERS that we have set up an expense account so we can charge for our time and the work we do on the Omaha service annuity, which we have not done in the past.

The Annual Investment Report has been printed and copies were provided to the PERB members this morning. The report was not mailed to the State and County members this year. Normally, approximately 30,000 are printed, but only 6,000 were printed this year. The report is on the NPERS website. Copies are being provided to the employers and copies can be obtained from our office on request. The cost to print each copy is \$1.10 and \$1.80 to mail.

The DROP training went very well thanks to Education Services staff and many staff in the office who assisted in the process. There were 36 members that attended the sessions, as well as four spouses. Information available to date is on the website. Testing of the DROP plan on the PIONEER system will be completed to ensure it is ready for the September 1 deadline. To date only one call and one application has been received. G. Elwell noted he has only received positive feedback regarding the presentations.

Programming is being done for the Cube Method on NPRIS. Staff will be doing the calculations manually as of July 1, 2008. The staff has been using the Cube Method spreadsheets to compare with the old method during this past month. The results are consistent. They will continue to compare for the next month or two to ensure all of the problems are worked out of the system.

The Benefits area is extremely busy with teacher retirements and the meetings for the NPRIS system. Year to date in May, 225 teacher retirements had been processed. This month there are 513 retirement applications with June effective dates and there are 77 with July effective dates. Some staff are working overtime to keep up with the applications.

An NCTR Trustee Workshop will be held on July 27-31st in Universal City, California. Brochures are available for any PERB members planning to attend.

P. Chambers attended the NCTR Directors' Meeting in California last week. Approximately 35 directors attended. A round table was held in the morning where all the Directors briefly told what was taking place with their organizations. They talked about financial economics, a movement by some accountants and actuaries to value the plans based on the market and not through smoothing. This is a big concern as it would create big swings in the plans. They also discussed personnel and return to work issues. Other states are also dealing with inactive accounts, bad addresses, and residual balances. Several systems escheat the money to the plans when the inactive member cannot be located after five years. Because these are plan assets, she recommends that the PERB ask the legislature to allow this practice rather than escheating the money to the Treasurer's Office. Risk management and technology were other issues discussed.

P. Chambers requested approval to attend the NASRA Annual Conference for the State Retirement Administrators in Snowbird, Utah, August 1st through the 6th.

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

Agenda Item 13 – Board Committee Reports: R. Wassinger reported the PERB Retreat will be held on August 24th and 25th in Kearney. It will be held at the Wingate Hotel in Kearney. Several presentations have been scheduled for the agenda.

Agenda Item 14 – Board Education/Travel Requests: There were no requests.

Agenda Item 15 – Future Meetings/Agendas: The next meeting will be held on Monday, July 28, 2008, in the Atrium Conference Center, 1200 "N" Street, Suite 206, Lincoln, Nebraska. A brief demonstration of the NPRIS system will be provided and the Auditors will present the State and County Audit at the meeting.

Agenda Items 16 and 17 – Executive Session: At 11:00 a.m., G. Elwell moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Emergency Deferred Compensation Applications regarding Retirement Nos. 700565, 702599, and 701158; Disability Applications for Retirement Nos. 078124 and 085580; Contested Case No. 1-2007; the Director's Evaluation and Salary; and other legal matters. Motion was seconded by D. Kahla. D. Blank repeated the motion for the record. Members voted as follows: For: G. Elwell, D. Kahla, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, Against: None. Motion carried.

D. Pederson left the meeting during the Executive Session.

At 12:45 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by G. Elwell. Members voted as follows: For: D. Kahla, G. Camerer, R. Wassinger, E. Stuhr, D. Blank, and G. Elwell. Against: None. Motion carried.

G. Camerer moved for denial of the Emergency Deferred Compensation Applications for Retirement Nos. 700565, 702599, and 701158. D. Kahla seconded the motion. Members voted as follows: For: G. Camerer, R. Wassinger, E. Stuhr, D. Blank, G. Elwell, and D. Kahla. Against: None. Motion carried.

G. Camerer moved that Disability Applications for Retirement Nos. 078124 and 085580 be approved. E. Stuhr seconded the motion. Members voted as follows: For: R. Wassinger, E. Stuhr, D. Blank, G. Elwell, D. Kahla, and G. Camerer. Against: None. Motion carried.

G. Camerer moved that the Director's salary be increased three percent (3%) effective July 1, 2008. D. Kahla seconded the motion. Members voted as follows: For: E. Stuhr, D. Blank, G. Elwell, D. Kahla, G. Camerer, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 12:48 p.m.

Phyllis G. Chambers
Director