

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

May 19, 2008

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:30 a.m., Monday, May 19, 2008, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed May 9, 2008. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, May 12, 2008. G. Elwell chaired the meeting and S. Linder recorded the minutes.

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

MEMBERS ABSENT:                   DENIS BLANK, CHAIR

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	BEN MATTERN Ameritas
RANDY GERKE Deputy Director	MARY JOCHIM Sterling Financial Advisors
JOE SCHAEFER Legal Counsel	KATHY TENOPIR Legislative Fiscal Office
JAN FOX Training Supervisor	KRISTA DAVIS State Auditor's Office
JOHN WINKELMAN Training Specialist	NEIL BATEMAN Retired Teachers
CHERYL MUELLER Training Specialist	MIDEN EBERT Retirement Plan Supervisor
TERESA ZULAUF Internal Auditor	SHEILA LINDER Administrative Assistant
JERRY BROWN IT Manager	

**Agenda Item 1:** G. Elwell 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:** G. Elwell called the May 19, 2008, Board Meeting to order at 9:31 a.m. Present at roll call: G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and D. Bomberger. Absent: D. Blank.

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

**Agenda Item 4 – Approval of Minutes:** E. Stuhr moved for approval of the minutes of the April 28, 2008, Board Meeting. Motion was seconded by R. Wassinger. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, G. Elwell, and D. Kahla. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & April 2008 Retirement Report:** D. Pederson moved to approve the budget status report and the April 2008 Retirement Report. Motion was seconded by M. Shepard. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, G. Elwell, D. Kahla, and M. Shepard. 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 Item 7 – Approve United of Omaha 2008-09 DCP Annuity Contract:** P. Chambers distributed information on renewal of the contract with United of Omaha, who is providing a proposal for one year. A copy of the current contract was provided in the board packet. The handout provided to the Board shows a sample benefit. P. Chambers asked for approval of the contract. She noted NPERS only had four individuals request an annuity in the DCP plan last year. G. Camerer asked about getting a comparison with other companies. P. Chambers stated that we have asked for bids in the past; however, companies are not willing to submit a proposal for a small number of annuitants.

D. Pederson moved to approve the United of Omaha contract. R. Wassinger seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, G. Elwell, D. Kahla, M. Shepard, and G. Camerer. Against: None. Motion carried.

**Agenda Item 8 – Approve Actuarial Audit Contract:** P. Chambers reported the State Auditor's Office recommended and it is a practice of the Government Finance Officers Association if a company/agency has an actuary for more than ten years, an audit of the actuary should be completed. P. Chambers stated the agency would not need to do a request for proposals if we could obtain a bid for under \$50,000. NPERS requested bids from three companies. Milliman submitted a bid for \$49,000. Another company responded that they did not have the resources to bid on the work. A third company did not respond. P. Chambers contacted DAS Purchasing and was given approval to go with Milliman. She distributed a copy of the proposal letter from Milliman. There are two approaches to doing an

actuarial audit. They propose doing a replication audit of the Cash Balance and School plans and doing a peer review audit of the Judges and State Patrol plans. They will start the audit in June, plan to finish in August, and have a report for the Board in September.

G. Camerer moved to proceed as outlined by the Director and contract with Milliman for an audit of our actuary. E. Stuhr seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, G. Elwell, D. Kahla, M. Shepard, G. Camerer, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 9 – DROP Plan Presentation:** J. Winkelman provided a presentation on the State Patrol DROP Plan that will be given to the State Patrol plan members on June 3 and June 12. The DROP plan will become effective on September 1, 2008

**Agenda Item 10 – Approve Fees for DROP Plan Members:** P. Chambers distributed a handout outlining NPERS' costs for implementation of the DROP Plan. The information is based on 40 individuals, which is the number of members expected at the end of one year. A handout of proposed fees was provided to the Board members.

G. Camerer moved to approve the recommendations from the Director for the proposed DROP account fees for the State Patrol members that would include \$1.30 monthly for Ameritas recordkeeping, a \$35 distribution fee for Ameritas when the account is closed, a NPERS administrative fee of 35 basis points per year, and investment management fees that would apply and vary according to the funds selected by the member. R. Wassinger seconded the motion.

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

The Board took a break at 10:19 a.m. and reconvened at 10:33 a.m.

**Agenda Item 11 – Information System (IT) Update:** J. Brown reported Hewlett Packard has purchased EDS. Saber does not expect this will impact Saber or our project.

The IT staff continues to review the Problem Investigation Requests (PIRs) carefully. They are trying to avoid having PIRs transfer to the NPRIS system. They have closed those that are no longer needed. The remaining PIRs will be put into PIONEER in the next two releases.

Email migration to Enterprise will be completed in June.

The IT department has been working with Saber on putting forms on the NPERS website.

The total cost to have the DROP plan in both PIONEER and NPRIS is \$165,200. A meeting was held with Ameritas and Ameritas is developing DROP needs in their software. Staff will be doing testing in July or August, with implementation taking place on September 1, 2008.

The Cube Method will not be placed on PIONEER. The cost is \$47,600 for NPRIS.

Phase II final documentation review has been completed and approximately half have final approval. Development is continuing off-shore.

Phase III requirements validations will begin late May.

Phase II and III testing will be combined and held in October, November, and December.

The OCIO Project Office is putting the project plan on their software so people from the outside can have access, including the Quality Assurance (QA) team. The NPRIS project will have a document repository.

The QA team had three people, one of which left last Friday. The project will not see any impact. The project end date has not changed and we are still within budget.

J. Brown met with Nebraska Information Technology Commission (NITC) panel in May. They discussed the EDS purchase. The Tech Panel has no project concerns at this time.

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

**Agenda Item 12 – Internal Auditor Report:** T. Zulauf introduced Krista Davis, who is from the State Auditor's office and is in charge of the State and County Audit. T. Zulauf reported the newly hired auditor, Christine Ford, started May 14<sup>th</sup> and will be working on desk audits of the Schools. Missy Maguire, NPERS other auditor is working on the reconciliation project.

T. Zulauf distributed information on the reconciliation project. Staff have reviewed 308 members who had completed transfers, 240 members who completed allocation changes, and 644 distributions with either a systematic withdrawal, lump sum, or rollover. Staff have also reviewed approximately 225 members from Hall County because of the Hayes & Associates review. Response forms were received from 59 members and those were reviewed. Through the special audit, 87 members were identified as needing to be reviewed. Some member accounts were in more than one group, but in total 1,440 member accounts were reviewed. G. Elwell asked for an accounting of the total reconciliation cost including NPERS staff time when the project is completed.

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

**Agenda Item 13 – Investment Officer's Update:** D. Bomberger stated there was nothing new to report as the Council has not met since the last meeting. The next meeting is June 3<sup>rd</sup>.

G. Camerer stated he had received a request from a judge asking if the Board would consider making a Roth IRA available as an option in the Deferred Compensation Plan. This would probably take a legislative change. D. Bomberger stated the lead consultant from Ennis Knupp will be attending the Board Retreat in August. He is an expert in DCP plans so this would be a good item to include on the Retreat Agenda.

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

**Agenda Item 14 – Director's Report:** P. Chambers reported the agency has been very busy this month. She introduced V. Huber, the new Staff Assistant.

With regard to the reconciliation project, to date there has been a small net change in dollars after the adjustments have been made. This demonstrates that Ameritas did a good job of reconciling during the October 2006 black out period and subsequent months.

The IT conversion is at the midway point and moving along well. A presentation on the new system will be provided to the Board in June or July.

R. Gerke has started work on the biennium budget, which will be submitted in September. P. Chambers attended a meeting for independent agencies this morning and the Governor again confirmed that money will be tight.

P. Chambers reminded the Board that she will be attending the NCTR Directors Meeting June 14-18 in Carmel, California. She encouraged the Board to consider attending one of the many educational conferences that are available throughout the year. D. Bomberger noted that Frank Daley from the Disclosure Commission will be giving a briefing on disclosure to the Investment Council at their November meeting. Dave will request this be done during the joint portion of the NIC/PERB November meeting.

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

**Agenda Item 15 – Board Committee Reports:** R. Wassinger reported the Board Retreat is scheduled for August 24 and 25. He contacted the Wingate Inn in Kearney and they do have rooms available. Topics have been received for the Agenda, but it has not been set yet. D. Kahla moved that the Board Retreat be held at Kearney, with the exact location to be determined by availability on August 24 and 25. E. Stuhr seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, G. Elwell, D. Kahla, M. Shepard, and G. Camerer. Against: None. Motion carried.

**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, June 23, 2008, in the Atrium Conference Center, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

**Agenda Items 18 and 19 – Executive Session:** At 11:10 a.m., D. Kahla moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Retirement No. 425180-Disability Application, Retirement No. 702546-Emergency Deferred Compensation Application, and other legal matters, protection of public interest. Motion was

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

At 11:55 a.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: E. Stuhr, G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, and D. Pederson. Against: None. Motion carried.

D. Kahla moved for approval of the disability application for Retirement No. 425180. G. Camerer seconded the motion. Members voted as follows: For: G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

D. Kahla moved that the Emergency Deferred Compensation Application for Retirement No. 702546 be denied. D. Pederson seconded the motion. Members voted as follows: For: D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and G. Elwell. Against: None. Motion carried.

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

The meeting adjourned at 11:57 a.m.

Phyllis G. Chambers  
Director