

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

October 20, 2008

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, October 20, 2008, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed October 10, 2008. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 13, 2008. D. Blank chaired the meeting and V. Huber 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	Lincoln Journal Star
RANDY GERKE Deputy Director	PAULINE QUINN Sterling Financial Advisors
JOE SCHAEFER Legal Counsel	BEN MATTERN Ameritas
JAN FOX Training Supervisor	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	KATHY TENOPIR Legislative Fiscal Office
JERRY BROWN IT Manager	JEREMY HOSEIN Governor's Policy Research
TERESA ZULAUF Internal Auditor	LIZ POMAJZL Accountant
GARY BUSH DAS - State Budget Administrator's Office	SHEILA LINDER Administrative Assistant
NANCY HICKS	VICKI HUBER Staff 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 October 20, 2008, Board Meeting to order at 9:00 a.m. Present at roll call: D. Blank, G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Absent: M. Shepard.

**Excuse Board Members:** D. Kahle moved to excuse M. Shepard. E. Stuhr seconded the motion. Members voted as follows: For: G. Elwell, D. Kahla, 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 September 15, 2008, Board Meeting. Motion was seconded by R. Wassinger. Members voted as follows: For: D. Kahla, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, and G. Elwell. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & Retirement Report:** D. Kahla moved to approve the budget status report and the September 2008 Retirement Report. Motion was seconded by G. Camerer. 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 6 – Public Comments or Correspondence from Citizens:** B. Mattern, from Ameritas, introduced Nancy Reimer as an additional resource to their contract with NPERS. N. Reimer reported the completion of allocating cash balance dividends, the fourth quarter addition of non-interest bearing accounts and the preparation to receive DROP contributions.

**Agenda Item 7 – Employee and Manager of the Year Recognition:** October is Employee Recognition Month for the State of Nebraska. P. Chambers introduced NPERS' employee and manager of the year, L. Pomajzl and S. Linder, respectively. P. Chambers stated both individuals are well deserving of this recognition for their hard work and dedication. Both individuals were presented with a check.

**Non Agenda Item:** P. Chambers introduced Pauline Quinn, from Sterling Financial.

**Agenda Item 8 – DCP Asset Charge Change and State DC Asset Charge Change:**

R. Gerke discussed the revised asset charges from December 2007. Asset charges are used to pay operating expenses allocated for the respective plans. He requested leaving County plan charges at 35 basis points and lowering Deferred Compensation Plan (DCP) charges from 25 to 15 basis points. He stated the Defined Contribution (DC) asset charges were discontinued in April 2005 and the reserve is now depleted. He requested the reinstatement of DC asset charges as 30 basis points.

D. Blank asked if any other options were available. R. Gerke stated there were none.

G. Camerer made a motion to approve the changes as requested to be effective November 1, 2008. G. Elwell 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.

D. Blank asked what future costs might be for the plans. R. Gerke explained the fluctuating costs by quarters. He stated he anticipates possibly lowering the asset charges in the Spring of 2009.

D. Bomberger mentioned the offer at the Board Retreat by Kevin Vandolder, of Ennis Knupp, to benchmark the DCP expenses and provide a comparison to the PERB.

**Agenda Item 9 – Information System Update:** J. Brown reported this may be his last report on DROP. All problems have been resolved that we are aware of.

NPRIS Phase II development is almost complete. Optional Service Credit remains and should be completed the end of October. Phase III Optional Service Credit will be tested the end of this month.

Saber has tested 13 out of 19 functional areas. Saber has assigned more resources to the project. IT requested more thorough testing by Saber prior to providing the scripts to NPERS. Testing by the IT staff is continuing. User acceptance testing has started in the areas of accounting, data services and benefits. Testing of configuration and the production environments is complete. Production is on schedule for February 2009.

Planning user training and implementation has started. A transition plan should be available in the next few weeks.

The Quality Assurance (QA) Team is continuing to review the project. All prior risks have been rectified except for the requirements traceability matrix.

J. Brown reported meeting with the QA team October 17<sup>th</sup> and stated that the team is pleased with the progress of the project.

He stated the project team has been working with the Office of the CIO Security Team and is correcting the issues found within the application during the security validation in August. They will meet again before the end of the project.

He also reported working on the authentication security infrastructure. The public access to the system is called “the citizen environment.” This infrastructure intends to prevent unauthorized access into the NPRIS system.

J. Brown reported the project on schedule and within budget.

J. Brown reported attending the October 14<sup>th</sup> Nebraska Information Technology Commission (NITC) panel and reported no concerns.

P. Chambers stated a system support plan for NPRIS will be presented at the November PERB meeting.

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

**Agenda Item 10 – Legislative Update:** J. Schaefer stated that after the November elections we will begin working with the new Legislature. The new retirement committee members will not be known until January. The legislative session begins January 7, 2009.

He presented the following list of items he suggests the PERB pursue with the legislature: State and County vesting credit, State and County death benefit applications, School employee definitions, privacy of retirement account information, State plan-to-plan transfers and State and County Cash Balance rehires. There was discussion on these items.

J. Schaefer and P. Chambers plan to meet with representatives from the Nebraska Association of School Boards, Nebraska Council of School Administrators, Nebraska State Education Association (NSEA) and the current Retirement Committee Research Analyst to discuss issues after the November PERB/Nebraska Investment Council (NIC) joint meeting.

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

**Agenda Item 11 – Investment Officer's Update:** D. Bomberger stated he had no performance report. He expects to have performance reports through September for the November PERB meeting.

He reported the continuing evolution of the asset allocation. In August the Council approved an increase in allocations to Global Equities from 5% to 15%. The transition to new allocations is projected to be the end of November. The Council will continue to seek more broad investments to gain more sources of return that are less correlated to each other and continue to improve the efficiencies of allocations.

The State Auditor's Office has completed their audit of the Investment Council. The report is to be released shortly.

D. Bomberger reported the Council's work with securities lending, is a way to add basis points to returns. He remarked that State Street remains sound.

E. Stuhr moved to approve the Investment Officer's Report. 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.

D. Bomberger left the meeting at 10:04 a.m.

The board took a break at 10:04 a.m. and reconvened at 10:20 a.m.

**Agenda Item 12 – Director’s Report:** P. Chambers reported working with the Investment Council on revising the incumbency certificate. She stated the revised document would be presented at the November PERB meeting.

P. Chambers reported several calls from concerned members regarding the national financial crisis. The agency is advising members not to panic. They are reminding members the Cash Balance (CB) and School plans are guaranteed by the State of Nebraska and the Defined Contribution (DC) plan and Deferred Compensation Plan (DCP) are not guaranteed and subject to market risks. Members have inquired whether the money market is insured. It is not insured, however State Street Institutional Trust may seek insurance from the federal government. She also stated a few members are asking to borrow against their plans. The plans do not provide loan options.

P. Chambers referred to an article dated Saturday, October 11<sup>th</sup>, in the Lincoln Journal Star on the Cash Balance plan. A copy of the article was provided in the packet along with an article titled “Cracking Open the Nest Egg.”

She stated Buck Consultants’ written response to the actuarial audit report is also provided in the packet. Dave Slisinsky will attend the November PERB meeting and respond to any questions from the Board. P. Chambers offered to forward any questions to Dave that are provided to her before the November meeting.

The School, Judges and Patrol audit is continuing. The auditors suggested a separate financial report for the Omaha Service Annuities. Paul Carlson, Department of Administrative Services (DAS) is responding to the auditors on this matter.

P. Chambers reported the School financial statement was delayed by the late receipt of the expense reports from the fund managers. R. Gerke stated the School financial statements are finished and DAS should receive them today.

P. Chambers reported the agency is requesting approximately 46 Change Control Requests (CCRs) with the NPRIS project. The project team and Saber are discussing costs of the CCRs, the purchase of service and education services adaptations to the new system. There is some disagreement whether these items were included in the Request For Proposal (RFP) and if costs are covered under the contract. CCRs are being prioritized. A budget discrepancy was found in the cost of two programmers from the Office of the CIO. As a result, we may have less money to pay for CCRs.

P. Chambers reported attending the NCTR Conference in Washington, D.C. last week and gave a brief update.

While in Washington, D.C. she visited David Powell who is submitting the IRS determination letters for NPERS. She stated he doesn’t believe we will receive them for at least a year. She also reported no accomplishments regarding Interest Crediting or the Pension Protection

Technical Corrections Act. An effort was made to get the amendment in “the bail out package” but it failed.

P. Chambers reported information provided by N. Reimer on dividends paid. Cash Balance dividends were paid out to 16,017 State and County employees on October 3, 2008. Dividends paid totaled \$28,574,000. The agency saved approximately \$53,000 as a result of not paying dividends to accounts with a residual balance.

G. Camerer asked about State Street not being insured. P. Chambers explained money markets and the type of securities that can be included. He also questioned what percentage of NPERs money is invested in money markets and what assurance the Board has on these invested funds. P. Chambers stated she would report back to the Board in regards to the percentage.

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

**Agenda Item 13 – Board Committee Reports:** There were no reports. D. Blank stated the Committee assignments will remain the same unless any Board member wishes to serve in another capacity. He requested members inform him of any requests for change. He stated a new listing of committee assignments will be provided in November.

**Agenda Item 14 – Board Education/Travel Requests:** E. Stuhr requested permission to attend the NCPERS legislative conference in Washington, D.C., February 2-4, 2009.

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

**Agenda Item 15 – Future Meetings/Agendas:** The next meeting will be held on Monday, November 17, 2008, at Embassy Suites, 1040 P Street, Lincoln, Nebraska. This will be a joint meeting with the Nebraska Investment Council (NIC). The meeting will start at 8:30 a.m.

D. Pederson moved to change the November PERB meeting from November 24<sup>th</sup> to November 17<sup>th</sup>. G. Camerer seconded the motion. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, D. Blank, G. Elwell, and D. Kahla. Abstain: E. Stuhr. Against: None. Motion carried.

**Agenda Items 16 and 17 – Executive Session:** At 10:53 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. 097624, Emergency Deferred Compensation Application for Retirement No. 701415, other legal matters and personnel matters. Motion was seconded by D. Kahla. D. Blank repeated the motion for the record. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, D. Kahla, and G. Camerer. Against: None. Motion carried.

At 11:32 a.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by E. Stuhr. Members voted as follows: For: D. Pederson, E. Stuhr, D. Blank, G. Elwell, D. Kahla, G. Camerer, and R. Wassinger. Against: None. Motion carried.

G. Elwell moved for denial of the Disability Application for Retirement No. 097624. G. Camerer 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.

G. Elwell moved for denial of the Emergency Deferred Compensation Application for Retirement No. 701415. G. Camerer 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.

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

The meeting adjourned at 11:34 a.m.

Phyllis G. Chambers  
Director