

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

November 16, 2009

8:30 A.M.

A joint meeting of the Public Employees Retirement Board and the Nebraska Investment Council convened at 8:35 a.m., Monday, November 16, 2009, at the Embassy Suites, Regents E Conference Room, 1040 "P" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed November 9, 2009. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, November 9, 2009. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
 SGT. GLENN ELWELL, VICE-CHAIR
 MARK SHEPARD
 RICHARD WASSINGER
 DON PEDERSON
 JANIS ELLIOTT
 JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: JUDGE GLENN CAMERER
 ELAINE STUHR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	JO LYNN WINKLER Nebraska Investment Council
GAIL WERNER-ROBERTSON Nebraska Investment Council	RANDY GERKE Deputy Director
RICHARD DeFUSCO Nebraska Investment Council	JOE SCHAEFER Legal Counsel
JOHN MAGINN Nebraska Investment Council	MIDEN EBERT Retirement Plan Supervisor
JOHN DINKEL Nebraska Investment Council	FRED TURNER IT Manager
NORMAN RIFFEL Nebraska Investment Council	GARY BUSH AS - State Budget Administrator's Office
KATHY DAWES Nebraska Investment Council	DAVE SLISHINSKY Buck Consultants
JOE JURICH Nebraska Investment Council	NANCY REIMER Ameritas
JEFF STATES Nebraska Investment Council	KATHY TENOPIR Legislative Fiscal Office

DOUG NABB

Fremont Public Schools

HERB SCHIMEK

Nebraska State Education Assoc.

KEVIN VANDOLDER

Ennis Knupp & Associates

CHRIS RILEY

Ennis Knupp & Associates

CHRIS HEINRICH

Harding & Schultz

RACHEL BIAR

State Treasurer's Office

ROGER REA

NSEA-Retired

KATE ALLEN

Legislative Retirement Committee

MARY CAMPBELL

Lincoln Public Schools

DON STENBERG

Public

WILLIAM MUELLER

Nebraska District Court Judges Assoc.

DON WESLEY

O'Hara Lindsay Government Relations

NEIL BATEMAN

Retired Teachers

KORBY GILBERTSON

State Troopers Association of Nebraska

MARTHA STODDARD

Omaha World Herald

NANCY HICKS

Lincoln Journal Star

VICKI HUBER

Staff Assistant

Joint Meeting with the Nebraska Investment Council:

Agenda Items 1, 2 and 3: At 8:35 a.m., Nebraska Investment Council (NIC) Chairperson, G. Werner-Robertson, called the NIC Meeting to order. D. Blank called the Public Employees Retirement Board (PERB) Meeting to order. G. Werner-Robertson stated the meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the table by the door.

Present at roll call: D. Blank, G. Elwell, M. Shepard, R. Wassinger, D. Pederson, J. Elliott, and J. States. Absent: G. Camerer and E. Stuhr.

Agenda Item 4 – Introductions and Comments by Chairpersons: G. Werner-Robertson introduced J. States, the new State Investment Officer. She thanked J. Jurich for his phenomenal effort managing two jobs as he assumed the role of Interim State Investment Officer and the continued transition. She also thanked the NIC staff for their extra work during the transition.

D. Blank also thanked J. Jurich for his work during the interim.

D. Blank highlighted accomplishments for NPERS and the PERB for the year. He reported the reduction of the annual operating budget from 8.9 million to 6.7 million and stated the agency is operating on approximately 10 basis points. He complimented the NPERS' staff on their daily service to members and their contributions during the recent conversion to a new operating system referred to as NPRIS. He reported the hiring of new IT manager, F. Turner; the implementation of a new option allowing members to transfer Cash Balance funds into the Deferred Compensation Plan (DCP) at retirement; the completion of the audit of the State

and County plans; the resolution of the recordkeeping issue from 2006; and the adoption of a three-year internal audit plan.

He acknowledged J. Elliott, a new Board member appointed this year, and reported on the reappointment of Board members M. Shepard, G. Elwell, and himself.

He thanked D. Slishinsky for preparing the actuarial projections reports and expressed the PERB's appreciation to the NIC and Ennis Knupp for their excellent management of the retirement plans which minimized losses and has positioned the plans for a stronger recovery.

Agenda Item 5 – Summary of Actuarial Results for School, Judges and State Patrol:

D. Slishinsky presented the Actuarial Review for 2009 provided by Buck Consultants. His presentation included topics regarding the changes since last year, the history of investment return, and the 2009 actuarial valuation results as of June 30, 2009. A copy of the presentation is available from the Retirement Systems' office.

D. Slishinsky also provided information regarding the State and County cash balance benefit funds.

He will present the report to the Legislative Retirement Committee on November 17, 2009.

D. Slishinsky stated Nebraska's funded ratios remain above average compared to other public plans.

Agenda Item 6 – Quarterly Performance Report for Retirement Plans: K. Vandolder and C. Riley from Ennis Knupp presented the Performance Report for the third quarter of 2009. A copy of the report is available from the NIC office.

K. Vandolder reviewed recent concerns of the NIC and discussed how the market is recovering.

C. Riley presented an overview of asset performance for the last quarter and for the last year.

Agenda Item 7 – Capital Market Assumptions Discussion: D. Slishinsky explained actuaries are generally using an inflation rate of 3.5% which is greater than what most investment consultants have been using for projections. Inflation is looked at long term, over a period of 50 years.

K. Vandolder, along with C. Riley, discussed how Ennis Knupp formulates market assumptions. They explained investment consultants use a 15-year window in contrast with the actuaries and gave an overview of the assumptions provided by Ennis Knupp.

K. Vandolder stated they are conservative when assisting in the development of policies for the NIC.

Agenda Item 8 – Defined Benefit Plans Contribution Review: C. Riley reviewed an analysis of historical changes in contributions and distributions of all defined benefit retirement plans. The overview contained data from 1997 through 2008.

Agenda Item 9 – Recess: The joint Meeting adjourned at 10:18 a.m. J. States left the meeting to conduct the NIC meeting at this time. The regular PERB meeting reconvened at 10:41 a.m.

Agenda Item 10 – Approval of Minutes: D. Pederson moved for approval of the minutes of the October 20, 2009, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, R. Wassinger, D. Pederson, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Item 11 – Approval of Budget Status Report & October Retirement Report: R. Wassinger moved to approve the budget status report and the October 2009 Retirement Report. G. Elwell seconded the motion. Members voted as follows: For: M. Shepard, R. Wassinger, D. Pederson, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

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

Agenda Item 12 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 13 – Information System Update: F. Turner reported 11 warranty problem incident reports (PIRs) and 30 post-warranty PIRs as of November 6, 2009. He anticipates all PIRs will be resolved by the end of this year.

He stated training of the Office of the Chief Information Officer (OCIO) developers is approximately 75% complete and the developers are focusing on the resolution of PIRs.

F. Turner gave examples of the nature of PIRs that are being experienced. He indicated Saber is being used as a reference for PIRs assigned to OCIO developers to assist with requirements review or test plans. Saber performs data fixes and the OCIO intends to complete those in the future.

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

Agenda Item 14 – Actuarial Valuation Results – School, Judges, and State Patrol: D. Slishinsky provided a presentation of the actuarial valuations, which included reviewing member data, system assets, plan experience, need for additional contributions, and benefits accrual cost.

He stated changes in legislation provided for changes in benefits for all the defined benefit plans and concluded his review stating 20% of losses are recognized this year leaving 80% to be recognized over the next four years. A State contribution will be necessary in the future.

P. Chambers distributed a revised summary provided by Buck Consultants which illustrated how the current rate of recovery has effected actuarial projections since June 30, 2009.

G. Elwell moved to approve D. Slishinsky's report. J. Elliott seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, M. Shepard, R. Wassinger, and D. Pederson. Against: None. Motion carried.

Agenda Item 15 – Deficit Budget Update: P. Chambers reported working on the impact of the governor's recommendation to reduce the base budget by 2.5% for FY 2010 and 5% for FY 2011. She reported providing actuarial projections and her comments to the Legislative Appropriations Committee on November 9, 2009. P. Chambers informed the committee the \$20 million State contribution would not be required this year, but will be needed in the future.

The Board briefly discussed whether meeting less-frequently would assist the budget.

G. Elwell moved to accept the Deficit Budget Update. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, G. Elwell, M. Shepard, R. Wassinger, D. Pederson, and J. Elliott. Against: None. Motion carried.

Agenda Item 16 – Legislative Update: J. Schaefer reported attending legislative hearings and working on both prior and new legislation.

He stated he has been investigating Board meeting schedule requirements and reported statutes do not require the PERB to meet once a month.

D. Pederson moved to accept the Legislative Update. G. Elwell seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, R. Wassinger, D. Pederson, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Items 17 and 18 – Executive Session: At 12:10 p.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 435198, 400728, 077000, and 614206; Contested Case No. 2-2009; and other legal matters. J. Elliott seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: M. Shepard, R. Wassinger, D. Pederson, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

At 12:58 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. G. Elwell seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, J. Elliott, D. Blank, G. Elwell, and M. Shepard. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 435198, 400728, 077000, and 614206. G. Elwell seconded the motion. Members voted as follows: For: D. Pederson, J. Elliott, D. Blank, G. Elwell, M. Shepard, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved to adopt the findings of the hearing officer in Contested Case No. 2-2009, and approve the chairman to sign the order with the following correction: the name of the witness should be changed from Marcia Davis to Maria Davis. M. Shepard seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, M. Shepard, R. Wassinger, and D. Pederson. Against: None. Motion carried.

Agenda Item 19 – Director’s Report: P. Chambers reported NPERS, along with the NIC and the Department of Insurance, provided a Stress Management training opportunity to employees on October 27, 2009.

She stated State Auditors are currently working on the School, Judges, & Patrol audit.

P. Chambers reported NPERS is working with Ameritas to improve the transfer of information. She stated the \$1 offset fee was implemented this quarter. Information regarding fees is available on the NPERS website and will be included in the newsletter and January statements.

She stated 2010 Ameritas projects include adding the additional four digits to zip codes to the system and upgrading allocation change methods.

P. Chambers briefly reviewed questions posed by the Appropriations Committee during the legislative hearing on November 9, 2009. She has requested the actuary provide a response to their questions during his presentation to the Legislative Retirement Committee on November 17, 2009.

P. Chambers reported receiving member correspondence to the Board which criticized the amount of time required to receive a withdrawal of retirement funds. In response, she provided information to the Board regarding withdrawal requests that are not systematic and the lengths of time required to process and distribute the funds to members.

M. Shepard inquired if any States are smoothing for longer than 5 years. D. Slishinsky stated smoothing has been performed for up to 10 years in some states. He explained the downside is a bigger difference between the actual value and the actuarial value and it takes longer to recognize any gains.

D. Pederson moved to approve the Director’s Report. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, G. Elwell, M. Shepard, R. Wassinger, D. Pederson, and J. Elliott. Against: None. Motion carried.

Agenda Item 20 – Board Committee Reports: There were no reports.

Agenda Item 21 – Board Education/Travel Requests: There were no requests.

Agenda Item 22 – Future Meetings/Agendas: The next meeting will be held on Monday, December 21, 2009, in the TierOne Conference Center at 1221 N Street.

For the purpose of securing room reservations, the Board agreed to tentatively schedule the January 2010 PERB meeting for Tuesday, January 19, 2010. D. Blank postponed voting on the 2010 calendar until December's meeting. J. Schaefer will research other scheduling options.

Adjournment: G. Elwell moved that the meeting adjourn. R. Wassinger seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, R. Wassinger, D. Pederson, J. Elliott, and D. Blank. Against: None. Motion carried.

The meeting adjourned at 1:18 p.m.

Phyllis G. Chambers
Director