

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

October 20, 2009

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Tuesday, October 20, 2009, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed October 9, 2009. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 12, 2009. G. Elwell chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: SGT. GLENN ELWELL, VICE-CHAIR
MARK SHEPARD
DON PEDERSON
ELAINE STUHR
JANIS ELLIOTT
JOE JURICH, EX-OFFICIO

MEMBERS ABSENT: DENIS BLANK, CHAIR
JUDGE GLENN CAMERER
RICHARD WASSINGER

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	KATE ALLEN Legislative Retirement Committee
MIDEN EBERT Retirement Plan Supervisor	KRISTA DAVIS State Auditor's Office
TERESA ZULAUF Internal Auditor	KRIS KUCERA State Auditor's Office
MARY JOCHIM Sterling Financial Advisors	VICKI HUBER Staff Assistant

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 October 20, 2009, Board Meeting to order at 9:00 a.m. Present at roll call: G. Elwell, M. Shepard, D. Pederson, E. Stuhr, J. Elliott, and J. Jurich. Absent: D. Blank, G. Camerer, and R. Wassinger.

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

Agenda Item 4 – Approval of Minutes: M. Shepard moved for approval of the minutes of the September 21, 2009, Board Meeting. Motion was seconded by E. Stuhr. Members voted as follows: For: M. Shepard, D. Pederson, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & September Retirement Report: D. Pederson moved to approve the budget status report and the September 2009 Retirement Report. Motion was seconded by J. Elliott. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, G. Elwell, 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 – State and County Audit: K. Davis reported finishing the State and County Retirement Plans audit for the period of January 1, 2008, through December 31, 2008. She reviewed the comments and recommendations of the State Auditor's Office listed in the report issued on October 7, 2009.

P. Chambers thanked the staff from NPERS, the State Auditor's Office, and Ameritas for their work on the audit. She pointed out page 49 of the report breaks out administrative fees and reveals the costs per member in Defined Contribution are rising and decreasing in the Cash Balance plan. This is partially due to fewer members in the Defined Contribution plans.

E. Stuhr questioned how often the plan documents are updated. P. Chambers explained the documents can be updated immediately on the website and the hardcopy is updated every two years. However, not everyone utilizes the website. She stated it is important employers direct their employees to our website for current information.

E. Stuhr moved to accept the State and County Audit Report. M. Shepard seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, M. Shepard, and D. Pederson. Against: None. Motion carried.

Agenda Item 8 - Amend Ameritas Contract – Add DROP: P. Chambers distributed and explained the proposed amendment to the Recordkeeping and Administrative Services Agreement with Ameritas. The amendment adds the Deferred Retirement Option Plan (DROP) to the existing contract and allows for beginning fees of \$1.30 per month, which may be adjusted as necessary. The amendment will assume the original contract's effective date of September 1, 2008.

P. Chambers requested the Board approve the amendment to the Ameritas contract.

D. Pederson moved to approve the Amendment to the Recordkeeping and Administrative Services Agreement with Ameritas to include DROP. J. Elliott seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, M. Shepard, D. Pederson, and E. Stuhr. Against: None. Motion carried.

Agenda Item 9 – Fee Adjustment – State and County Cash Balance, Defined Contribution, and Deferred Compensation Plans: P. Chambers updated the PERB regarding the reconciliation account balance resulting from the change in recordkeeping from Union Bank to Ameritas. She reported that she, Joe Schaefer, and R. Gerke met with a representative from the Attorney General's office regarding the funds in the reconciliation account.

Since the Board has the authority to access and change fees, she proposed the PERB reduce fees to the members of NPERS and requested the PERB authorize Ameritas to use the remaining funds available in the Reconciliation Account to fund a reduction of \$1.00 in the Ameritas monthly fee amount for the Deferred Compensation Plan (DCP), and the State and county Defined Contribution (DC) and Cash Balance (CB) members' accounts. The reduced fee amount to be deducted from each member on a monthly basis will be: DCP = \$.30, CB = \$.40, and DC = \$.65.

Ameritas should track the number of members from whom fees are deducted each month. For each of these members, Ameritas will pull \$1.00 multiplied by the number of members from the Reconciliation Account. Currently, the Reconciliation Account has an approximate balance of \$283,325.70.

This fee reduction and corresponding offset from the Reconciliation Account will begin October 2009 or as soon as administratively possible and continue each month until the Reconciliation Account balance is \$0.

In the final month, the fee withheld from members' accounts should be adjusted as needed to satisfy, but not to exceed, the total fees due Ameritas for that month.

M. Shepard moved to approve the balance of the Reconciliation Account be used to reduce fees for the DCP, DC, and CB plans as proposed, beginning October 2009 or as soon as administratively possible. E. Stuhr seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

Agenda Item 10 – Policy for 95% Preliminary Benefit: P. Chambers distributed a draft policy for the current procedure regarding the 95% preliminary benefit for the defined benefit plans. She explained the procedure for the preliminary retirement benefit and how adjustments are made for a final benefit. She requested the Board approve the policy procedure currently practiced.

E. Stuhr moved to approve the 95% Preliminary Benefit Policy for the defined benefit plans. J. Elliott seconded the motion. Members voted as follows: For: M. Shepard, D. Pederson, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

Agenda Item 11 – Information System Update: P. Chambers presented a report provided by Fred Turner. She reported 13 warranty and 27 post-warranty Problem Incident Reports (PIRs) open as of October 13, 2009. She stated development training is two-thirds complete. The new developers resolved three PIRs last week. The NPRIS development team continues to meet biweekly with Saber, the Office of the Chief Information Officer (OCIO) developers, and OCIO management.

P. Chambers reported a new software upgrade was completed which should assist with the “down-time” NPRIS has been experiencing.

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

Agenda Item 12 – Internal Auditor Report: T. Zulauf provided an update on the resolution of audit points from the School, Judges, and Patrol audit received in January 2009. She reported providing the auditors with 18 schools that have been tested which should clear an audit point. The goal of her department is to have 40 school audits completed by June 2010, in hopes of eliminating future audit points.

She explained the internal audit process and how they plan to rotate schools year to year. The internal audit will mimic the external audits done by the State Auditor’s Office and should reduce the expense of the external School audit.

K. Davis stated the goal is to reduce the need for the State auditors to perform School audits and rely more on NPERS internal audits.

T. Zulauf reported resolving 76 County points and 42 State points since last year’s State and County audit. She stated work has begun on State and County prior audits with 35 of 56 prior audit points being resolved.

T. Zulauf also reported reviewing County employers with a goal to have 20 finished by the end of the year. She stated a schedule is listed in the internal audit plan, which will be followed on an annual basis.

She stated the internal auditors meet monthly to review goals and she has been assisting with writing agency policies and reviewing calculations for the IT department. The accounting division of Administrative Services has implemented Policy #39 which requires all State agencies to have a written internal control plan by March 2010. T. Zulauf reported she is in the process of creating that plan and attending monthly meetings provided to update completed items. She stated the internal control plan will tie in with the Three-Year Audit Plan and make it more comprehensive and detailed.

D. Pederson moved to accept the Internal Auditor Report. M. Shepard seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, M. Shepard, and D. Pederson. Against: None. Motion carried.

Agenda Item 13 – Investment Officer’s Update: J. Jurich stated this was his last PERB meeting as Acting State Investment Officer and thanked the Board for their hospitality and spirit of collaboration.

He stated the Nebraska Investment Council (NIC) audit is near completion and a report on the audit should be provided at November’s joint meeting.

J. Jurich reported preliminary numbers for defined contribution plan funding as of September 30th. He stated the defined benefit plan returns were not available. He stated investments had a great month in September, which is historically not the case.

On behalf of the PERB, G. Elwell thanked J. Jurich for his work during the interim and complimented his accomplishments.

E. Stuhr moved to accept the Investment Officer’s Report. J. Elliott seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, M. Shepard, D. Pederson, and E. Stuhr. Against: None. Motion carried.

The Board took a break at 9:56 a.m. and reconvened at 10:06 a.m.

Agenda Item 14 – Director’s Report: P. Chambers stated October is Employee Recognition Month for the State of Nebraska and announced Johnetta Lang and Dennis Cooper as NPERS’ employee and manager of the year respectively. She stated the honorees were unable to attend the Board meeting as they were attending the service award ceremony at the Capitol. She also recognized the following NPERS employees receiving awards for their years of service: Vicky Frey, Liz Pomajzl, Dana Dingedine, Brenda Dinges, Melissa Mendoza, Tauna Meints, Ann Hille, and Fred Turner.

She reported the Governor is preparing for a special legislative session and distributed an article posted by the Lincoln Journal Star on October 18, 2009. She reported Gary Bush has indicated excess appropriations may be cut, along with base budgets and he requested the PERB’s input on possible budget reductions.

She inquired whether the Board would be in favor of calling a special meeting if necessary. There were no objections from the Board.

P. Chambers provided updated copies of the Five-year Projection of Estimated State and Employer Contributions provided by Buck Consultants. She reviewed the assumptions.

P. Chambers reported year-to-date School retirement applications at 937 and the current total enrollment in the DROP is 25. She reported the call center received 598 calls this last week and provided statistical averages regarding services provided to members by the call center.

P. Chambers stated work has begun on updating the Judges plan handbook.

P. Chambers reported she and J. Elliott attended the National Council on Teacher Retirement (NCTR) conference October 10-15, 2009.

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

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

Agenda Item 16 – Board Education/Travel Requests: E. Stuhr requested permission to attend the National Conference on Public Employee Retirement Systems (NCPERS) Legislative Conference, in Washington, D.C., February 7-9, 2010. She explained she was unable to travel to the last conference and has flight credit from that trip. Since the cost for the conference was unavailable the time of the meeting, the Board will approve the amount of expenses at a later date.

D. Shepard moved to approve E. Stuhr's travel request. M. Shepard seconded the motion. Members voted as follows: For: M. Shepard, D. Pederson, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

Agenda Item 17 – Future Meetings/Agendas: The next meeting will be the joint meeting with the Nebraska Investment Council and will be held on Monday, November 16, 2009, at the Embassy Suites, Lincoln, Nebraska. The meeting is scheduled to begin at 8:30 a.m.

K. Allen stated the confirmation hearing for the new State Investment Officer is scheduled for Tuesday, November 10, 2009.

E. Stuhr suggested the Board schedule the January 2010 meeting for Tuesday, January 19, 2009. The Board will vote on the 2010 Calendar at the November meeting.

Non Agenda Item: J. Elliott gave a review of the NCTR Conference and the sessions she attended. She reported the conference provided a wide variety of topics including presentations by investment CIOs, legal issues, retirement in the public sector, and the global economy.

She thanked the Board for allowing her to attend and offered her notes to anyone who wished to review their contents.

D. Pederson moved to accept J. Elliott's educational conference report. M. Shepard seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, G. Elwell, and M. Shepard. Against: None. Motion carried.

Agenda Items 18 and 19 – Executive Session: At 10:52 a.m., M. Shepard moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 092324, 126729, 414377, 424253, 072086, and other legal matters. Motion was seconded by E. Stuhr. G. Elwell repeated the motion for the record. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, M. Shepard, and D. Pederson. Against: None. Motion carried.

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

M. Shepard moved for approval of the Disability Applications of Retirement Nos. 092324, 126729, 414377, 424253, and 072086. Motion was seconded by D. Pederson. Members voted as follows: For: G. Elwell, M. Shepard, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

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

The meeting adjourned at 11:33 a.m.

Phyllis G. Chambers
Director