

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

January 19, 2010

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:02 a.m., Tuesday, January 19, 2010, in the TierOne Conference Center, 1221 N Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed January 11, 2010. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, January 11, 2010. 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
ELAINE STUHR
JANIS ELLIOTT
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: JUDGE GLENN CAMERER
DON PEDERSON

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	NANCY REIMER Ameritas
JOE SCHAEFER Legal Counsel	NEIL BATEMAN Retired Teachers
MIDEN EBERT Retirement Plan Supervisor	ERIC ASBOE Nebraska Supreme Court
FRED TURNER IT Manager	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 January 19, 2010, Board Meeting to order at 10:02 a.m. Present at roll call: D. Blank, G. Elwell, M. Shepard, E. Stuhr, J. Elliott, and J. States. Absent: G. Camerer, R. Wassinger, and D. Pederson.

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

Agenda Item 5 – Approval of Budget Status Report & December 2009 Retirement Report: G. Elwell moved to approve the budget status report and the December 2009 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: M. Shepard, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. 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 – Election of Officers for 2010: Chairperson of the Nominating Committee, E. Stuhr, reviewed the slate of officers as follows: D. Blank for Chairperson, G. Elwell for Vice-Chairperson, and P. Chambers for Secretary. D. Blank asked if there were any further nominations. There were none.

E. Stuhr moved to cast a unanimous ballot for the slate of PERB officers as presented. M. Shepard seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, and M. Shepard. Against: None. Motion carried.

Agenda Item 8 – Resignation of Judge Glenn Camerer: D. Blank reported receiving a letter of resignation from G. Camerer. G. Elwell moved to accept the resignation of G. Camerer. E. Stuhr seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, M. Shepard, and E. Stuhr. Against: None. Motion carried.

P. Chambers will notify Governor Heineman that the PERB has received the letter of resignation.

Agenda Item 9 – Information System Update: F. Turner reported three warranty problem incident reports (PIRs) and 39 post-warranty PIRs as of January 8, 2010. He stated 25% of the PIRs are assigned to the Office of the Chief Information Officer (OCIO) developers.

He stated OCIO developers will participate in a formal training by Saber for a design tool called "Select."

F. Turner reported NPERS infrastructure and support analysts, Chad Schlotfeld and Dean Gress, are approximately 30% complete on websphere training.

He reported pursuing the completion of the disaster recovery plan and working with the OCIO to develop hardware platforms.

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

Agenda Item 10 – Internal Auditor Report: T. Zulauf reported completing nine internal School employer audits and 13 School employer audits in process and gave a brief statistical review of findings from those completed to date. She stated her department is reformatting their internal audit program to mimic the State auditors which will facilitate the external audit process for all plans.

She reported participating in meetings and discussions with State auditors during the current School, Judges, and Patrol audit.

T. Zulauf stated her staff has provided input updating the policy regarding temporary employees and substitute teachers.

She reported 14 County internal audits are complete and three are in process. She gave a brief review of the findings of those completed to date.

T. Zulauf stated her staff has been assisting with the update of the County employer manual regarding the handling of part-time employees.

She stated her department continues to work on their goal to complete 40 School audits and 25 County and public health department audits by the end of the year.

T. Zulauf reported the State Auditors are currently in the office completing the School, Judges, and Patrol audit and plan to be finished by the end of the month.

T. Zulauf reported she is continuing to work on an internal control plan implemented by the accounting division of Administrative Services (AS), which discusses the five components of internal control: environment, risk management, activities, information and communication, and monitoring. She stated her intention is to complete the internal control plan by the first week in February, so that it can be reviewed by the PERB audit committee prior to the February Board meeting.

She stated the Three-Year Audit Plan, with updates, will be included in the internal control plan.

D. Blank requested information on any issues T. Zulauf would like to have brought to the Board. T. Zulauf reported she had no issues to report. R. Gerke stated the audit is going well.

R. Wassinger joined the meeting at 10:17 a.m.

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

Agenda Item 11 – Approval of 1963 and 1967 School Interest Rates for Purchase of Service: T. Zulauf explained the proposed change of rates used to calculate the cost for future purchases of service for the years 1963-64 and 1967-68. She stated the Board

approved the rates used in the PIONEER system in 2007 and requested the Board approve the rates in NPRIS to be the same as the spreadsheet currently being used.

M. Shepard moved to approve the School member purchase of service interest rates used for 1963-64 to be 2.5% and the rates for 1967-68 to be 3.25%. There would be no changes to previous interest rate calculations prior to this date. E. Stuhr seconded the motion. Members voted as follows: For: M. Shepard, R. Wassinger, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

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

Agenda Item 12 – Legislative Update: J. Schaefer provided handouts to the Board identifying carry-over and newly introduced legislation. He gave a brief summary of recent retirement legislation introduced by the Legislature's Retirement Committee and their effect on the retirement plans.

The Board discussed provisions in LB 950 including: disability; temporary and part-time employee definitions in regard to retirement participation; the termination periods for various plans; and the opportunity to begin working for another employer within NPERS.

J. Schaefer stated Legislative hearings will start February 2, 2010.

E. Stuhr moved to approve the Legislative Report and authorize J. Schaefer to testify in favor of LB 950. G. Elwell seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, M. Shepard, and R. Wassinger. Against: None. Motion carried.

Agenda Item 13 – Draft of Rules and Regulations, Chapter 1 – Board Management:

J. Schaefer reviewed proposed revisions for the Board Management chapter of the Nebraska Administrative Code.

D. Blank referred the draft to the PERB Policy and Planning Committee for review and directed them to bring recommendations to the February Board meeting. Revisions will then be forwarded for regulation approval.

Agenda Item 14 – Investment Officer's Update: J. States stated the preliminary calendar year-to-date systems assets report from State Street had a return of 21.5% and the fiscal year-to-date is at 17.2%.

He stated performance expectations continue to be good.

J. States reported that on January 11, 2010, the Nebraska Investment Council (NIC) approved a contract with First National of Omaha for administrating the college savings plan. The contract will take effect January of 2011. He stated administrative costs were reduced

approximately 50% with the new contract, which will carry over to a reduction in costs for participants.

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

The Board took a break at 11:08 a.m. and reconvened at 11:18 a.m.

Agenda Item 15 – Director's Report: P. Chambers complimented NPERS staff for their continued dedication during recent inclement weather.

She stated the 1099-Rs will be mailed the end of this month.

P. Chambers reported NPERS has received 143 requests for School retirement packets for a June 1 effective date and the School retirement seminars are scheduled for this Spring.

She stated annuity rates for 2010 for State and County defined contribution will be 5.64%, down from 6.77%. The cash balance rate remains at 7.75%.

P. Chambers reported working with R. Gerke on budget reductions and a letter outlining the Agency's proposed plan was submitted to the Legislature on January 7, 2010. She stated the intent is to avoid furloughs or any layoffs, if possible, and to reduce operating expenses to accomplish a budget reduction of approximately \$167,000 for this year and approximately \$267,000 for next year.

P. Chambers reported the resolution of the prior audit point from 1999 regarding the minimum accrual. She reported only three accounts were found that need to be adjusted and the auditors are satisfied with the calculations.

Following recommendations of the State auditors, P. Chambers stated a Berwyn audit will be completed semi-annually, beginning with a new report requested this month. She noted that Social Security numbers can also be validated through this report.

She reported State and County retirement seminars, rescheduled as a result of the snow storm, were held this month with excellent attendance.

P. Chambers reported J. States has agreed to provide a quarterly article for the NPERS newsletters and mentioned his first article is included in the State and County newsletter mailed to members this month.

She stated the IT team is working to resolve an issue regarding tax information provided with the benefit estimator on the NPERS website.

P. Chambers stated she and J. Schaefer are scheduled to meet with School lobbyists on Wednesday, January 20th, to discuss legislation.

She reported receiving an invitation to speak to the Nebraska Council of School Administrators (NCSA) February 2, 2010. J. States and P. Chambers also received an invitation to speak to the retired members of the Nebraska State Educators Association (NSEA).

P. Chambers reported the purchasing division of AS has an issue regarding a contract deviation with Saber. Paperwork was submitted in November 2009 and it still has not been approved. NPERS is trying to get this resolved.

P. Chambers reported meetings with the Ameritas IT group continue to be held monthly and NPERS hosted the January 8th meeting.

P. Chambers provided copies of the National Association of State Retirement Administrators newsletter (NASRA News Clips) to the Board and briefly reviewed how some states are dealing with retirement funding and budget issues.

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

Agenda Item 16 – Board Committee Reports: There were no reports.

Agenda Item 17 – Board Education/Travel Requests: J. Elliott moved that the expenses of the previously approved travel request for E. Stuhr to attend the National Conference on Public Employee Retirement Systems (NCPERS) Legislative Conference in Washington, D.C., February 7-9, 2010, be set not to exceed the amount of \$2500. R. Wassinger seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, R. Wassinger, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Item 18 – Future Meetings/Agendas: The next meeting will be held on Monday, February 22, 2010, at 10:00 a.m. in the TierOne Conference Center, 1221 N Street, Lincoln, Nebraska.

Agenda Items 19 and 20 – Executive Session: At 11:45 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members and legal matters. G. Elwell seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: M. Shepard, R. Wassinger, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

At 12:33 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. E. Stuhr seconded the motion. Members voted as follows: For: R. Wassinger, E. Stuhr, J. Elliott, D. Blank, G. Elwell, and M. Shepard. Against: None. Motion carried.

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

Public Employees Retirement Board Meeting
January 19, 2010
Page 7

The meeting adjourned at 12:34 p.m.

Phyllis G. Chambers
Director