

**PUBLIC EMPLOYEES RETIREMENT BOARD
REGULAR MEETING AND EDUCATION RETREAT**

July 15, 2010

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:06 a.m., Thursday, July 15, 2010, at the Peter Kiewit Lodge, Nebraska Room, E. T. Mahoney State Park, Ashland, Nebraska.

The Board members were notified of this meeting by Agenda mailed July 9, 2010. Public notice of this meeting was published in the Lincoln Journal Star on Wednesday, July 7, 2010 and in the Omaha World Herald on Thursday, July 8, 2010. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
 MARK SHEPARD
 JUDGE RANDALL REHMEIER
 RICHARD WASSINGER
 DON PEDERSON
 JANIS ELLIOTT
 JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: SGT. GLENN ELWELL, VICE-CHAIR
 ELAINE STUHR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	DAVE SLISHINSKY Buck Consultants
RANDY GERKE Deputy Director	KEVIN VANDOLDER Ennis Knupp & Associates
JOE SCHAEFER Legal Counsel	NANCY WILLIAMS Ennis Knupp & Associates
MIDEN EBERT Retirement Plan Supervisor	NANCY REIMER Ameritas
TERESA ZULAUF Internal Auditor	KATE ALLEN Legislative Retirement Committee
GERRY OLIGMUELLER AS - State Budget Administrator	TOM STINE Attorney General's Office
GARY BUSH AS - State Budget Administrator's Office	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 July 15, 2010, Board Meeting to order at 9:06 a.m. Present at roll call: D. Blank, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, and J. Elliott. Absent: G. Elwell, E. Stuhr, and J. States.

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

Agenda Item 4 – Chairman’s Comments and Introductions: D. Blank thanked V. Huber for her work on arranging the Retreat and preparation of the notebook of materials.

Agenda Item 5 – Approval of Minutes: R. Rehmeier moved for approval of the minutes of the June 21, 2010, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, D. Blank, and M. Shepard. Against: None. Motion carried.

Agenda Item 6 – Approval of Budget Status Report & June 2010 Retirement Report: R. Wassinger moved to approve the budget status report and the June 2010 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, J. Elliott, D. Blank, M. Shepard, and R. Rehmeier. Against: None. Motion carried.

Agenda Item 7 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 8 – State Budget Process: G. Oglimueller provided a strategic plan for buying outcomes and policy objectives. His presentation included an explanation of the timeline for state budgets, the concurrent processes of LR 542 and LB 935, appropriations, and decision-making regarding retirement plans.

He stated the budget gap is in regards to tax receipts and spending assumptions, which change. There is a budget gap of \$700 million and a 10% imbalance to be resolved.

G. Oglimueller described LR 542 as a review by the Legislature of all state agencies, where Standing committees are to find reductions and/or eliminations of programs under their jurisdiction in order to balance the state budget for the 2011-2013 biennium. G. Oglimueller pointed out that NPERS only has Fund 515 that is not cash funded.

G. Oglimueller explained LB 935, section 7, which called for each agency, regardless of source, to come up with provisions and submit Agency Efficiency Review Plans. He emphasized it was a separate report and not part of the Budget Request Submission.

He stated he anticipates the effects of the recession on the state budget will run at least through fiscal year 2015. He noted that tax receipts are approximately what they were four years ago and Nebraska, even though they are better off, still needs to plan for the future.

G. Oglimueller stated he appreciates the individual members of the PERB for their commitment made to manage the retirement plans and advised the Board to continue to provide the best information possible during the budget process.

G. Oglimueller stated financing retirement plans is a priority of state budget. It is a fiduciary responsibility. He recognized it is the responsibility of the Budget office to keep all parties informed. The Legislature makes the ultimate decision from government suggestions.

D. Blank welcomed discussions with the Budget office anytime.

There was some discussion among the Board and presenters regarding budget reductions for non-state funded agencies and how that affects the fiduciary responsibilities of NPERS and the PERB.

G. Oglimueller and G. Bush complimented the current NPERS staff for recognizing the information needed by the Budget office and the Legislature to assist them in the performance of their duties.

P. Chambers, on behalf of the Board, expressed appreciation to G. Oglimueller and G. Bush for providing their overview of the state budget process.

Agenda Item 9 – Proposed GASB Changes: D. Slishinsky provided an update on the current Governmental Accounting Standards Board (GASB) project objectives of improving accountability of financial reporting and the usefulness of information in external financial reports.

His presentation included GASB actions to date; preliminary views on pension liability, recognition, measurement issues, and pension expense recognition; cost sharing plans; and implications for NPERS.

Agenda Items 10 through 13 were addressed out of order below.

Agenda Items 14 and 15 – Executive Session: At 10:52 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Application for Retirement No. 092069, other legal matters, and personnel matters. D. Pederson seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Pederson, J. Elliott, D. Blank, M. Shepard, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

At 11:28 a.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. R. Rehmeier seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, M. Shepard, R. Rehmeier, R. Wassinger, and D. Pederson. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 092069. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, and J. Elliott. Against: None. Motion carried.

Agenda Item 10 – Approve State Defined Contribution Plan Fees: R. Gerke requested the Board approve reducing the State Defined Contribution (DC) fees from five to zero basis points.

J. Elliott moved to set the State DC plan fees at zero basis points. R. Wassinger seconded the motion. Members voted as follows: For: M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Item 11 – Approve Rules and Regulations No. 2: J. Schaefer stated the Policy and Planning Committee has finished their review and asked the Board to approve Rules and Regulations No. 2.

On behalf of the Policy and Planning Committee, J. Elliott moved to adopt Rules and Regulations No. 2, as written. R. Rehmeier seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, D. Blank, and M. Shepard. Against: None. Motion carried.

Agenda Item 17 – Public Pensions – How States are Meeting the Challenges: P. Chambers reviewed the different plans NPERS administers, how they are funded, the investment returns, and plan funding status.

She presented information on various states and the changes they have made in their retirement plans. She reported changes in the type of plans, contributions, benefit calculations, age & service, anti-spiking provisions, colas, vesting, and policies on retirement/re-employment.

The Board took a break for lunch at 12:09 p.m. and reconvened at 1:07 p.m.

Agenda Item 19 – Investment Council Presentation and Discussion: K. Vandolder provided materials from Ennis Knupp covering the following topics: Market Environment Update, First Quarter 2010 Performance Update, Asset Liability Study, Asset Allocation Review, and Merits of Global Equity DC Investment Option.

J. States joined the meeting at 1:25 p.m.

In response to a question from M. Shepard, K. Vandolder explained the use of the 15-year horizon assumed for capital market assumptions.

K. Vandolder stated the NIC is one of the most conservative in active risk analysis, which is one of the reasons why Nebraska's funded ratio is so strong.

He mentioned NIC mission's statement was to seek superior returns with a prudent level of risk. He stated Ennis Knupp will continue to be patient, rely heavily on index funds, and assist the NIC in gaining exposure to equity markets.

K. Vandolder invited the Board to Chicago, for Ennis Knupp's 2010 Client Conference, September 1-2, 2010.

The Board took a break at 2:02 p.m. and reconvened at 2:09 p.m.

M. Shepard left the meeting during the break.

Agenda Item 20 – Fiduciary Responsibility and Board Governance: N. Williams provided a look at fiduciary responsibilities of retirement board members and staff.

She described the primary fiduciary duties involved in the administration of benefits as: prudence, loyalty, and following plan documents (state statutes, rules, and regulations).

N. Williams explained prudence is insuring there is internal audit control and avoiding conflict of interest. She stated loyalty is trust and remarked that loyalty doesn't change; you are to act solely for the benefit of the investors.

She cautioned the administration not to keep the operating budget so low, that the quality of processing benefits is compromised. She recommended an assessment by CEM Benchmark Inc. and stated it is the most objective way to see how you compare with other systems. P. Chambers stated NPERS requested funds for a CEM study in the last budget but it was not approved.

In her review of following governance documents she highlighted the importance of having everything in writing and having contracts for outside service.

N. Williams' presentation included examples of common fiduciary issues and accounts of retirement boards that have experience litigation resulting from a breach responsibility.

In response to a question from D. Blank, N. Williams stated a reasonable amount of time before a retiree receives their first retirement payment is 30 days from the date of the member's last paycheck.

D. Blank thanked N. Williams for her presentation.

The Board took a break at 3:15 p.m. and reconvened at 3:32 p.m.

D. Pederson left the meeting during the break.

Agenda Item 12 – Board Committee Reports: There were no reports.

Agenda Item 13 – Board Education/Travel Requests: There were no requests.

Agenda Item 22 – Recap of Day’s Topics and Retreat Evaluation: D. Blank requested Board members complete the Retreat evaluation and include any suggestions they might have before leaving for the day.

He thanked the Education and Retreat Committee for their work on the Retreat.
R. Wassinger thanked the Committee for their contributions toward the Retreat planning.

Agenda Item 23 – Future Meetings/Agendas: The next meeting will be held on Monday, August 23, 2010, in the in the Great Western Bank (formerly the TierOne Center) Conference Center, 1221 N Street, Lincoln, Nebraska.

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

The meeting adjourned at 3:36 p.m.

Phyllis G. Chambers
Director