

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

May 17, 2010

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:30 a.m., Monday, May 17, 2010, in the TierOne Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed May 10, 2010. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, May 10, 2010. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
 MARK SHEPARD
 RICHARD WASSINGER
 ELAINE STUHR
 JANIS ELLIOTT
 JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: SGT. GLENN ELWELL, VICE-CHAIR
 JUDGE RANDALL REHMEIER
 DON PEDERSON

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	WILLIAM ABRAMOWICZ The Hartford
JOE SCHAEFER Legal Counsel	KIRSTEN STEIERT The Hartford
MIDEN EBERT Retirement Plan Supervisor	TIMOTHY BAKER The Hartford
FRED TURNER IT Manager	KATE ALLEN Legislative Retirement Committee
TERESA ZULAUF Internal Auditor	KRISTA DAVIS State Auditor's Office
GARY BUSH AS - State Budget Administrator's Office	NEIL BATEMAN Retired Teachers
MARY JOCHIM Sterling Financial Advisors	VICKI HUBER Staff Assistant
LYNN MELSON Attorney General's Office	

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 May 17, 2010, Board Meeting to order at 9:30 a.m. Present at roll call: D. Blank, M. Shepard, R. Wassinger, E. Stuhr, J. Elliott, and J. States. Absent: G. Elwell, D. Pederson, and R. Rehmeier,

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

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the April 19, 2010, Board Meeting. R. Wassinger seconded the motion. Members voted as follows: For: R. Wassinger, E. Stuhr, J. Elliott, D. Blank, and M. Shepard. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & April 2010 Retirement Report: J. Elliott moved to approve the budget status report and the April 2010 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, M. Shepard, and R. Wassinger. 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.

At this time, P. Chambers introduced L. Melson, from the Attorney General's office. She has been assigned to our agency following the retirement of Fred Neid. L. Melson briefly explained the services her department provides to state agencies.

Agenda Item 7 – Hartford Annual Report: B. Abramowicz introduced himself, K. Steiert, and T. Baker. He provided a brief overview of the history of Hartford and its work with NPERS over the past 35 years.

He stated there is \$40 million in the plan with about 1000 members, who- are not actively making contributions.

B. Abramowicz began the report with a handout entitled "State of Nebraska DCP Ongoing Communications and Education Proposal."

G. Bush expressed his public concern that the presentation of an educational proposal was not on the agenda. He also stated he was not aware the Board was seeking such a service.

D. Blank received input from M. Shepard and J. Schaefer. D. Blank directed the presentation to continue and made it known that no action would be taken during the meeting, on any proposal by Hartford.

K. Steiert's presentation explained a diversification campaign; the offering of a personalized savings analysis; and investment education to participants in print, in person, and on line.

B. Abromowicz expressed Hartford's interest to continue to partner with the State of Nebraska and to add educational support in the future.

T. Baker presented the Plan Investment Review for December 31, 2009. The report included market indicators, Morningstar Category Grid Analysis, fund performance, and enhanced analytics zephyr prepared for the State of Nebraska. He reviewed the performance for each fund manager in 2009 with comparisons to 2008.

T. Baker gave a brief evaluation of the 2010 first quarter report. He stated there was a continued bounce back of the market; and active mutual funds, just reviewed, have done well despite the recent volatility of long term funds.

M. Shepard moved to accept the Hartford Annual Report. E. Stuhr seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, M. Shepard, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

Agenda Item 8 – Approve Contract Renewal for Buck Consultants: P. Chambers distributed copies and reviewed the proposed 3-year contract renewal for actuarial services provided by Buck Consultants. She explained additional projects not covered in the contract are billed separately to whoever requests the service. She stated requests have been made in the past by the budget office, legislative committees, employee groups, and NPERS.

P. Chambers pointed out the contract has already been approved by the department of Administrative Services.

R. Wassinger moved to renew the contract with Buck Consultants effective July 1, 2010, through June 30, 2013. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, M. Shepard, R. Wassinger, E. Stuhr, and J. Elliott. Against: None. Motion carried.

The Board took a break at 10:29 a.m. and reconvened at 10:41 a.m.

Agenda Item 9 – Information System Update: F. Turner reported 44 problem incident reports (PIRs) as of May 6, 2010. He stated 20 are assigned to NPERS staff and 24 are assigned to Saber resources. He stated on June 1st, tentatively, all new PIRs will be assigned to NPERS staff.

F. Turner reported progress on the disaster recovery plan includes bi-weekly meetings with NPERS managers. He stated the data services and accounting areas are close to completion. He reported Mark Robertson, from the Office of the Chief Information Officer (OCIO), reviewed the disaster recovery plan and provided good feedback on the plan approach, along with some suggestions. F. Turner stated M. Robertson will be used as a resource in the future.

F. Turner reported the OCIO has encouraged group knowledge transfers rather than assigning one individual. F. Turner stated he would like to assign a PIR to the OCIO in the near future to assess the progress of their knowledge transfer.

He reported Saber has not yet provided the life-cycle plan in regard to the environment. A fourth quarter meeting will be scheduled with Saber, which will include discussions on this issue.

F. Turner reported participating in data base transition training last month, along with other NPERS staff. The training was provided by Saber.

E. Stuhr asked for the anticipated date of completion of the disaster recovery plan. F. Turner stated the target date is set for November 2010.

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

Agenda Item 10 – Internal Auditor Quarterly Report: T. Zulauf reported her staff continues to work on the School and County employer audits and she has been working on a recommendation regarding non-contributing member forms and who should be responsible for entering the information on NPRIS.

She reported assisting the State Auditors who are currently in the office completing the audit on the State, County, and Deferred Compensation plans.

T. Zulauf reported completing 22 School and 22 County employer audits and 18 School and four County employer audits are in progress. She reviewed statistics from recent internal audits of School and County employers.

She stated she has updated the internal control plan and the three-year internal audit plan will be updated in July 2010.

In response to a question from R. Wassinger, T. Zulauf explained the procedures her department uses to resolve the issues discovered in internal audits.

D. Blank asked if the numbers of errors are high. T. Zulauf stated the numbers may seem high; however, she pointed out the large number of school employees that are involved. She reported internal auditor, Christine Ford, will be presenting at the School Employer Workshops provided by NPERS this year and her staff also participates in National Association of County Officials (NACO) conferences.

D. Blank requested information on any issues T. Zulauf would like to have brought to the attention of the Board. T. Zulauf stated she had no concerns.

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

Agenda Item 11 – Rules and Regulations – Amend Nos. 2, 18, 21 and 22: J. Schaefer reviewed the proposed changes to each rule. The Policy and Planning committee will meet following the meeting to discuss the changes. J. Elliott requested Board members email her their comments prior to the next Board meeting.

Agenda Item 12 – Legislative Update: J. Schaefer stated there are no legislative hearings scheduled. K. Allen stated hearings are not generally scheduled during the spring and summer months.

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

Agenda Item 13 – Investment Officer’s Update: J. States stated the next meeting of the Nebraska Investment Council (NIC) is scheduled for May 26, 2010, and the summer retreat will be held July 14-15, 2010, at Quarry Oaks, in Ashland, Nebraska.

He reported preliminary performance numbers up 21% at the end of March; however, it has been a volatile period with the market recovery.

He reported changes in NIC staffing in an effort to improve all aspects of the Council’s complex programming.

J. States described Nebraska’s exposure to Goldman Sachs as relatively small and explained its impact on our portfolio.

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

Agenda Item 14 – Director’s Report: P. Chambers reported NPERS’ new lease for office space is in the process of being signed.

She reported the open position for Office Clerk III received 156 applications and interviews begin this week.

P. Chambers reported meeting with Steve Henderson to discuss the renewal of F. Turner’s management charter with the OCIO. She explained F. Turner’s contract expired April 30, 2010, and is being carried over for two months to be renewed as a fiscal year agreement.

She announced the Board retreat will be held Thursday, July 15, 2010, in the Peter Kiewit Lodge at Mahoney State Park, Ashland, Nebraska.

P. Chambers requested permission to visit the Colorado Public Employees Retirement Association (PERA) with M. Ebert, NPERS' Retirement Plan Supervisor, in lieu of the NCTR Director's Conference in June. She estimated the cost to be \$700 instead of the previously approved \$3000.

She expressed her concern with the remaining warranty PIR, which involves the dates on documents. She emphasized this issue needs to be resolved before the contract with Saber can be deemed complete.

P. Chambers mentioned the announcement included in the Board packets, regarding Ennis Knupp's 2010 Client Conference, September 1-2, in Chicago.

She stated NPERS has asked employers to email retirement newsletters to members and will be documenting calls from members who have not received newsletters. She requested Board members also report to us if they receive any comments from members about the newsletters. Retiree newsletters are being mailed.

P. Chambers reported presenting to the Independent Agency Directors meeting on May 12th. She emphasized the retirement seminars, keeping beneficiary forms current, and enrolling in the Deferred Compensation Plan.

She reported attending a School Retirement Planning Seminar. She complimented Cheryl Mueller and John Winkelman on an excellent job.

She stated School Employer Workshops are scheduled. She noted many of last year's concerns have been resolved with the passing of LB 950 and those changes will be incorporated into the workshops.

P. Chambers reported 74 Judges participated in a "webinar" presented by J. Winkelman and Scott Singleton on April 28th. In June, J. Winkelman will be providing a "Retirement 101" presentation to members of the legislature, which was requested by K. Allen.

E. Stuhr moved to approve the Director's Report and travel request to Colorado PERA, in place of her prior request to attend the NCTR Directors Conference in June; with new expenses set at \$700. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, M. Shepard, R. Wassinger, E. Stuhr, and J. Elliott. Against: None. Motion carried.

Agenda Item 15 – Board Committee Reports: R. Wassinger reported the Retreat agenda at this time includes presentations by Kevin Vandolder, Nancy Williams, and P. Chambers. He stated the Education Committee plans to finalize the agenda by the next Board meeting.

J. Elliott moved to change the July meeting date from the Monday, July 19th to Thursday, July 15th. M. Shepard seconded the motion. Members voted as follows: For: M. Shepard, R. Wassinger, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Item 16 – Board Education/Travel Requests: There were no additional requests.

Agenda Item 17 – Future Meetings/Agendas: The next meeting will be held on Monday, June 21, 2010, in the TierOne Conference Center, 1221 “N” Street, Lincoln, Nebraska.

Agenda Items 18 and 19 – Executive Session: At 11:26 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. 060623, personnel matters, and other legal matters. J. Elliott seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: R. Wassinger, E. Stuhr, J. Elliott, D. Blank, and M. Shepard. Against: None. Motion carried.

M. Shepard left the meeting during Executive Session.

At 11:52 a.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: E. Stuhr, J. Elliott, D. Blank, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 060623. J. Elliott seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

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

The meeting adjourned at 11:54 a.m.

Phyllis G. Chambers
Director