

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

September 20, 2010

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, September 20, 2010, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed September 13, 2010. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, September 13, 2010. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR
SGT. GLENN ELWELL, VICE-CHAIR
MARK SHEPARD
JUDGE RANDALL REHMEIER
RICHARD WASSINGER
DON PEDERSON
ELAINE STUHR
JANIS ELLIOTT
JEFF STATES, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	KRISTA DAVIS State Auditor's Office
JOHN WINKELMAN Training Supervisor	ZACH WELLS State Auditor's Office
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
FRED TURNER IT Manager	JOHN JENSEN Omaha Education Assoc.-Retired
TERESA ZULAUF Internal Auditor	ERIC ASBOE Nebraska Supreme Court
GARY BUSH AS - State Budget Administrator's Office	VICKI HUBER Administrative Secretary

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 table by the door.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the September 20, 2010, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and J. States. Absent: None.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the August 23, 2010, Board Meeting. R. Wassinger seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & August 2010 Retirement Report: G. Elwell moved to approve the budget status report and the August 2010 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: J. Jensen, president of the Omaha Education Association (OEA)-Retired, was present representing retired teachers from the Omaha schools. He expressed concerns with actions the PERB took at the August 23, 2010, board meeting. Under Agenda Item 7 of the meeting, the Board *“based on the PERB’s understanding that it must recommend the 10% modifications and based on the PERB’s understanding of their fiduciary responsibility to the plans,”* voted *“to recommend eliminating lines 5, 6, 7, (Omaha COLA, Omaha 1% of Salary, and Omaha Service Annuity) from the General Fund Base Appropriation and spread the rest of the reductions proportionately across the NPERS plans, lines 1-4 (State Schools, Patrol and Judges COLA; LB137 Patrol; State Schools 1% of Salary; State School Additional Contributions and Patrol Additional Contributions).”*

Referring to a draft of the minutes of that meeting, J. Jensen made comments and gave his opinions on the discussion by the Board, in regards to the PERB’s fiduciary responsibilities and statutory requirements.

J. Jensen stated, according to the PERB’s proposed recommended modifications, the Omaha School Employees Retirement System (OSERS) would lose funding in the amounts of \$4.861 million in FY12 and almost \$5 million in FY13.

He stated if the Legislature cuts this, as a result of the PERB’s recommendation, there will be a cut in the current benefit of future retirees in the Omaha Public Schools of OSERS. He stated the action would be an impairment of the contract and guaranteed the Board it would result in a law suit.

D. Blank thanked J. Jensen for his comments.

Agenda Item 7 – Information System Update: F. Turner reviewed the problem incident report (PIR) status and stated there were 21 open PIRs at the end of July. During August, 18 new PIRs came in, and 16 of the PIRs were resolved.

He reported the Office of the Chief Information Officer (OCIO) assigned a substitute developer to resolve a PIR as a test job and it was completed successfully at no charge.

F. Turner reported the Disaster Recovery Plan at 65% complete. He stated he was recently assigned the responsibility of researching an off-site location.

He reported Saber has been training NPERS staff on "Robohelp," which was recently installed as a documentation tool that manages NPRIS' online help text.

F. Turner stated NPERS is considering a limited contract with Saber, to ensure they are available as a resource on an "as needed" basis. He has requested Saber draft a contract to submit to NPERS for review.

He reported he has reviewed and updated Saber's environment life cycle plan and it will now be reviewed by the OCIO.

In response to R. Wassinger's question regarding the resolution of PIRs, F. Turner explained some new PIRs are a higher priority, especially when they involve the payment of benefits to members.

P. Chambers explained the suggested contract with Saber would be similar to a support maintenance agreement, with no cost up front. In response to questions from J. Elliott, F. Turner stated the contract is intended to cover any future change control requests (CCRs) and he anticipates a contract with a fixed ceiling cost to be in place by the end of the year.

The Board discussed the inclusion of beneficiary listings on member statements, which has been suggested by members. Comments were made regarding the capability, confidentiality, and cost.

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

Agenda Item 8 – State, County, and DCP Audit: K. Davis reported finishing the State and County Retirement Plans audit for the period of January 1, 2009, through December 31, 2009. She reviewed the comments and recommendations of the State Auditor's Office listed in the report issued on August 30, 2010.

She stated there was a significant decrease in the number of errors.

Z. Wells reported finishing the Deferred Compensation Plan audit for the period of January 1, 2009, through December 31, 2009. He reviewed observations and recommendations of the State Auditor's Office listed in the report issued on August 30, 2010.

In response to a question from D. Blank, K. Davis stated there has been a definite improvement in NPERS accounting and internal auditing.

Agenda Item 9 – Investment Officer’s Update: J. States reported the Nebraska Investment Council (NIC) has not met since the last PERB meeting. Their next meeting is scheduled for Thursday, September 23, 2010.

He stated the transition to First National Bank continues with the new college savings plan and is expected to be complete in mid-December. Nebraska continues to have strong support in a college savings plan.

J. States reported the NIC also submitted their biennium budget and their annual audit is in process.

He reported the markets being up since August; however, a lot of uncertainty remains.

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

Agenda Item 10 – Director’s Report: P. Chambers reported a record number of 323 School retirements were processed in August.

The board was provided a copy of the NPERS Operating Budget Request for FY 2011-2013 Biennium. P. Chambers reported NPERS’ biennium budget has been submitted and pointed out there was a change since the August PERB meeting. On page 18, the Master Lease Payoff was added, which reduced the amount of the final request.

She commented on the agency modifications, which appear on page 104, and stated NPERS has never had to submit a budget modification prior to this year. She noted there was a total of \$28.9 million in budget modifications and while the PERB did not want to recommend any cuts to OSERS, we were also required to recommend \$24 million in cuts to the State retirement systems.

P. Chambers reported focusing a lot of attention this month on the attorney search. She stated with the help of D. Blank, M. Shepard, and D. Pederson; applications received were screened and interviews were held last week in order to have a report by this meeting. She later stated the committee will provide a report and recommendation under Agenda Item 11.

She reported working with the Attorney General’s office on several legal issues and they were very helpful. She stated she has written a letter to the Attorney General requesting permission to hire outside legal counsel to be used as a consultant during the interim and transition period of the new legal counsel. She reported she has not received a response to that request.

P. Chambers stated the Ameritas record keeping contract expires October 2011, and reported meeting with Ben Mattern regarding renewing the contract for another 5 years. She stated Ameritas would like to renew and NPERS will be negotiating a new contract.

P. Chambers reported preparing a response to the Legislative Retirement Committee regarding interim study LR 542. She stated a private briefing is scheduled for Friday, September 24, 2010, at 10:00 a.m. She will be attending with R. Gerke and invited the Board members to attend.

She reported the new federal mid-term rate for October is 1.73%.

P. Chambers reported continuing to work on the resolution regarding NPERS moving to the Assurity building in 2012, which will include pros and cons. She asked the Board if they preferred it in the form of a resolution or a letter.

P. Chambers updated the Board on Judge Glenn Camerer's recovery since September 2009.

J. Winkleman presented the video that appears on the New York State Teachers' Retirement System's website which P. Chambers mentioned in her report at last month's meeting.

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

Agenda Item 11 – Board Committee Reports: M. Shepard reported for the Budget and Personnel Committee and stated an excellent pool of 17 applicants was received for the attorney position. Four finalists were interviewed last week. On behalf of the Personnel Committee he recommended Jason Hayes for the position. M. Shepard gave a brief background of Mr. Hayes and the prior experience he would bring to the agency, including working for the Attorney General's office, legal counsel for the Legislative Retirement Committee, assistant to the State Treasurer, and an extensive background working with legislation and many of the employee groups that represent members of NPERS.

M. Shepard moved the PERB accept the recommendation of the Personnel Committee to hire Jason Hayes for the Attorney III position subject to a successful background check and compensation negotiation. D. Pederson seconded the motion. Discussion: D. Blank pointed out the PERB will be discussing the compensation for the attorney position during the Executive Session.

Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, and D. Pederson. Against: None. Motion carried.

D. Blank thanked P. Chambers and the Personnel Committee for their efforts and accomplishments in completing the search process in time for this meeting.

Agenda Item 12 – Future Meetings/Agendas: E. Stuhr made a motion to move the next meeting from Monday, October 18, 2010, to Tuesday, October 19, 2010. R. Wassinger seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

The meeting will be held in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

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

Agenda Items 13 and 14 – Executive Session: At 11:06 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. 126182, Emergency Deferred Compensation Application for Retirement No. 700672, personnel matters-compensation of the attorney position, and other legal matters. D. Pederson seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

At 12:27 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: G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 126182 and Emergency Deferred Compensation Application of Retirement No. 700672. G. Elwell seconded the motion. Members voted as follows: For: M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

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

The meeting adjourned at 12:29 p.m.

Phyllis G. Chambers
Director