

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING AND RETREAT**

August 24 and 25, 2008

10:30 a.m.

The Annual Board Meeting and Retreat of the Public Employees Retirement Board convened at 10:30 a.m., Sunday, August 24, 2008, at the Wingate Inn, in Kearney, Nebraska.

The Board members were notified of this meeting by Agenda mailed August 15, 2008. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 11, 2008. D. Blank chaired the meeting and S. Linder recorded the minutes.

MEMBERS PRESENT:                   DENIS BLANK, CHAIR  
  SGT. GLENN ELWELL, VICE-CHAIR  
  MARK SHEPARD  
  JUDGE GLENN CAMERER  
  RICHARD WASSINGER  
  DON PEDERSON  
  ELAINE STUHR  
  DAVE BOMBERGER, EX-OFFICIO

MEMBERS ABSENT:                   DALE KAHLA

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	MARY JOCHIM Sterling Financial Advisors
JOE SCHAEFER Legal Counsel	KEVIN VANDOLDER Ennis Knupp & Associates
MIDEN EBERT Retirement Plan Supervisor	SHEILA LINDER Administrative 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 Board Meeting and Retreat to order at 10:31 a.m. on August 24. Present at roll call: D. Blank, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Absent: D. Kahla, M. Shepard and D. Bomberger.

D. Kahla was absent. M. Shepard was expected to be late and D. Bomberger was scheduled to arrive in the afternoon.

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

**Agenda Item 4 – Meet the Board:** R. Wassinger thanked everyone for the work put into the Retreat. He then asked each of the board members to give a brief background about themselves.

M. Shepard arrived at 10:55 a.m.

**Agenda Item 5 – Annuity Presentation:** M. Jochim of Sterling Financial provided a presentation regarding annuities. She talked about individual investors; the average return individuals receive historically; some reasons why their returns are low; downfalls of investing; and fallacies and fears regarding annuities.

Dave Bomberger joined the meeting at 12:15 p.m.

The Board recessed for lunch at 12:30 p.m. and reconvened at 1:37 p.m.

**Agenda Item 7 – NPERS Manager Reports:** The managers and director provided the Board with information regarding their respective departments.

**Agenda Item 8 – Nebraska Investment Council Duties:** D. Bomberger stated there will be a State Investment Officers Round Table on Tuesday and invited the Board to attend.

D. Bomberger provided history of the NIC, the duties of the NIC, and information on the funds the NIC is responsible for. He provided background information on the NIC staff and how they fulfill the duties of the NIC.

The Board took a break at 2:55 p.m. and reconvened at 3:10 p.m.

**Agenda Item 9 – New Practices in DC Plans and 457 Plans:** D. Bomberger introduced K. Vandolder of Ennis Knupp, who is the independent investment advisor that the Nebraska Investment Council (NIC) contracts with. K. Vandolder provided an informative presentation on new practices for DC plans and 457 plans.

**Agenda Item 10 – Cash Balance Plan Discussion:** J. Schaefer reviewed the history of partial distributions in the CB plan, and the problem of accounts remaining after a final account valuation. Members are only permitted to defer their entire CB account, or they may take a benefit which includes a partial distribution and an annuity if they do not wish to annuitize the entire account. Staff will contact current participants who have a partial balance to determine the benefit option they prefer.

P. Chambers talked about the residual accounts. These accounts have been accumulating interest and dividends. Per statute, she recommended changing Board Policy 10 to exclude any further interest or dividends on these accounts. Previously, the recordkeeper did not have the ability to prevent paying interest and dividends on their system. Ameritas is proposing to set up a non-interest bearing account. The residual accounts would be moved to this account. Ameritas is making this a fourth quarter project and plans to have it ready by the end of December.

The residual account problem was identified last year and staff have been working on them. There are 210 accounts at this time, down from 1,600 accounts last year.

The Board approved a 5.18% dividend for the State and a 5.34% dividend for the County at the June PERB Meeting. P. Chambers stated the dividend can be paid in September or October. An advantage to paying the dividend in October would be that the dividend will be shown on the statement.

E. Stuhr moved to amend Board Policy No. 10 to read "All accounts with an account balance as of December 31 of the previous year will be credited with the dividend amount, except that no dividend shall be paid to any account with a final account valuation made prior to December 31 of the year for which the dividend is granted." and to pay the Cash Balance dividend the first week in October or as soon as administratively possible. D. Pederson seconded the motion. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, and G. Elwell. Against: None. Motion carried.

J. Schaefer stated we have been allowing partial distributions in the CB plan, but we need to stop the practice on all future partial distributions. Staff will contact the current participants to inform them they will need to clear their account. J. Schaefer stated staff have started the revision to the plan booklet to clarify this matter.

**Agenda Item 12 – Retirement Options for DC, CB and DCP Plans:** P. Chambers reviewed the DC and CB retirement options. Members of the CB plan do not have the systematic withdrawal option. A few members of the plan have suggested allowing members to roll their accounts back into the DC plan upon retirement. P. Chambers stated the best option would be to allow them to move to the Deferred Compensation Plan (DCP). They could roll part or all of it. If they are going to annuitize, they would stay in the CB plan. If they want systematic withdrawal they could roll part or all to DCP. If this change were to be implemented, it may need to be handled through legislation.

**Agenda Item 14 – Executive Session:** At 4:54 p.m. G. Elwell moved to exit Regular Session and convene in Executive Session for the purpose of discussing the Director's Review and Legal Matters. E. Stuhr seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and M. Shepard. Against: None. Motion carried.

At 5:20 p.m., G. Camerer moved to exit executive session. R. Wassinger seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, M. Shepard, and G. Camerer. Against: None. Motion carried.

G. Camerer moved to go into recess for the day. R. Wassinger seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, D. Blank, G. Elwell, M. Shepard, G. Camerer, and R. Wassinger. Against: None. Motion carried.

**Agenda Items 16 and 17 – Meeting Called to Order:** At 8:30 a.m. on August 25, 2008, D. Blank called the meeting back into session. Present at roll call: D. Blank, G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr and D. Bomberger. Absent: D. Kahla.

P. Chambers spoke to Ben Mattern and learned that dividends backed out of the residual accounts would not appear on the statements. She also confirmed that Ameritas can credit the dividend the first week of October or as soon as administratively possible.

G. Camerer moved to pay out the Cash Balance residual accounts and to work with Ameritas to establish a fund to segregate those accounts. M. Shepard seconded the motion. Members voted as follows: For: D. Blank, G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 18 – Approval of Minutes:** R. Wassinger moved for approval of the minutes of the July 28, 2008, Board Meeting. Motion was seconded by E. Stuhr. Members voted as follows: For: G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and D. Blank, Against: None. Motion carried.

**Agenda Item 19 – Approval of Budget Status Report & July 2008 Retirement Report:** D. Pederson moved to approve the budget status report and the July 2008 Retirement Report. Motion was seconded by G. Elwell. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, and G. Elwell. Against: None. Motion carried.

**Agenda Item 20 – Review and Approval of 2009-2011 Biennium Budget:** R. Gerke stated DAS has new budget software he was required to use this year, although it is not fully functional yet. He asked for approval of the numbers and he will provide the final budget once the budget is in final form. He does not anticipate the numbers will change. The due date for submission of the budget is September 15, 2008. R. Gerke then reviewed the budget for the board.

E. Stuhr moved to approve the draft of the 2009-2011 Biennium Budget. R. Wassinger seconded the motion. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and M. Shepard. Against: None. Motion carried.

**Agenda Item 21 – Public Comments or Correspondence from Citizens:** There were no public comments or correspondence from citizens with business not scheduled on the agenda.

**Agenda Item 22 – Investment Officers Update:** D. Bomberger reported on the August 12<sup>th</sup> Nebraska Investment Council (NIC) meeting.

G. Camerer moved to approve the Investment Officers' Update. G. Elwell seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, M. Shepard, and G. Camerer. Against: None. Motion carried.

**Agenda Item 23 – Asset/Liability Study:** Kevin Vandolder, of Ennis Knupp, reviewed the Asset/Liability Study Ennis Knupp prepared for the NIC, including supporting asset allocation information.

The Board took a break at 10:00 a.m. and reconvened at 10:21 a.m.

M. Shepard left the meeting during the break.

**Agenda Item 25 – Fiduciary Responsibility, Rules and Regulations, Hardship Withdrawals and Disabilities Process:** J. Schaefer reviewed information regarding fiduciary duties that was provided in the Board packets.

J. Schaefer also reviewed the list of the Rules and Regulations, outlining where changes need to be made. He suggested having the entire chapter updated. He proposed to take those that are less significant and fast-track them. He noted the approval process can be a lengthy process. J. Schaefer plans to circulate the rules to the auditors as they are drafted to ensure the rules meet with their approval.

Information regarding unforeseeable emergency distributions in the Deferred Compensation Plan was reviewed. D. Blank suggested in the future staff provide a recommendation on the Emergency Deferred Compensation Applications when they are submitted to the Board.

**Agenda Item 26 – Director's Report:** P. Chambers reported she attended the NASRA conference in Utah the first week in August and gave a brief update.

The entrance conference for the School, Judges, and State Patrol Audit was held on August 14<sup>th</sup>. The audit is expected to last until November or December.

The actuary audit is moving along and they expect to have a report for the Board in September.

P. Chambers requested approval to attend the NCTR Annual Conference in Washington, D.C., October 11-18 at a cost of approximately \$2,500. She has two rooms reserved if any of the board members are interested in attending the conference.

P. Chambers announced Ennis Knupp is holding a board education conference October 15 and 16 in Chicago and she encouraged board members to attend if possible.

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

R. Wassinger moved to approve the Director's travel request to attend the NCTR Annual Conference. G. Elwell seconded the motion. Members voted as follows: For: E. Stuhr, D. Blank, G. Elwell, G. Camerer, R. Wassinger, and D. Pederson. Against: None. Motion carried.

**Agenda Item 27 – Board Committee Reports:** R. Wassinger thanked G. Camerer, D. Kahla, and D. Bomberger for their work on the retreat and he thanked P. Chambers, S. Linder and their staff for arranging the retreat.

**Agenda Item 28 – Board Education/Travel Requests:** D. Blank asked for approval to attend the Ennis Knupp educational conference on October 15 and 16 in Chicago. D. Pederson moved to approve D. Blank's travel request. E. Stuhr seconded the motion. Members voted as follows: D. Blank, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 29 – Future Meetings/Agendas:** The September meeting will be held on Monday, September 15, 2008, in the TierOne Community Meeting Room at 1221 N Street.

D. Blank asked to move the October PERB meeting to October 20<sup>th</sup>, moving it up from October 27<sup>th</sup>. The November meeting is a joint meeting with the NIC. The Chair of the NIC is not available on that day. There is a possibility the meeting will be moved to November 17<sup>th</sup>. G. Elwell may not be available on November 17<sup>th</sup>.

J. Camerer moved to change the October PERB Meeting from October 27<sup>th</sup> to October 20<sup>th</sup>. G. Elwell seconded the motion. Members voted as follows: For: G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and D. Blank, Against: None. Motion carried.

**Agenda Items 30 & 31 – Executive Session:** At 11:14 a.m. G. Camerer moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 135244 and 077081; Emergency Deferred Compensation Application for Retirement No.700329; Personnel Matters; and other legal matters. G. Elwell seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, and G. Elwell. Against: None. Motion carried.

At 12:20 p.m., D. Pederson moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by G. Elwell. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and G. Camerer. Against: None. Motion carried.

G. Camerer moved that Disability Application No. 077081 be approved, that Disability Application No. 135244 be denied, and that Emergency Deferred Compensation Application No. 700329 be denied. R. Wassinger seconded the motion. Members voted as follows: For:

R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and G. Camerer. Against: None.  
Motion carried.

**Agenda Item 32 – Adjournment:** E. Stuhr moved that the meeting adjourn. Motion was seconded by G. Elwell. Members voted as follows: For: D. Pederson, E. Stuhr, D. Blank, G. Elwell, G. Camerer, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 12:24 p.m.

Phyllis G. Chambers  
Director