

## PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

December 22, 2008

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, December 22, 2008, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

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

MEMBERS PRESENT:

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

MEMBERS ABSENT:

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	MARY JOCHIM Sterling Financial Advisors
JOE SCHAEFER Legal Counsel	NANCY REIMER Ameritas
JANIS ELLIOTT Nebraska State Education Association	NEIL BATEMAN Retired Teachers
KATE ALLEN Legislature	DON WESLEY O'Hara Lindsay Government Relations
JAN FOX Training Supervisor	VICKI HUBER Staff Assistant
JERRY BROWN IT Manager	

**Non Agenda Item:** D. Blank introduced Janis Elliott, a newly appointed Board member. Once confirmed by the Legislature, she will serve a 5-year term as a School representative.

**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 December 22, 2008, Board Meeting to order at 9:00 a.m. Present at roll call: D. Blank, G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr.

**Agenda Item 4 – Approval of Minutes:** G. Elwell moved for approval of the minutes of the November 17, 2008, Board Meeting. Motion was seconded by M. Shepard. Members voted as follows: For: G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr and D. Blank. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & November Retirement Report:** E. Stuhr moved to approve the budget status report and the November 2008 Retirement Report. Motion was seconded by D. Kahla. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and D. Kahla. Against: None. Motion carried.

**Agenda Item 6 – Approval of Revision to State Patrol Actuary Report:** P. Chambers explained the draft of the State Patrol actuary report was based on the assumption that all eligible State Patrol members were in DROP, which is not the case. D. Slishinsky, from Buck Consultants, has revised the report to reflect the actual number of DROP participants. The 1.2 million dollars of additional contributions previously reported has been changed to \$817,000. She recommended the PERB approve the revised report. G. Camerer moved to approve the actuarial report as revised on the State Patrol Retirement System as recommended by the Director, P. Chambers. R. Wassinger seconded the motion. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and D. Kahla. 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 – Information System Update:** J. Brown reported Saber's integrated testing is in progress. The next step is to test "end to end." Saber is near completion of end to end testing. User acceptance testing (UAT) has begun. The IT staff's Phase 2 and 3 testing is near completion of over 500 scripts. All areas are participating in UAT. Open system testing is in progress, with unusual situations being tested. Open system testing is expected to continue into January for two to three weeks.

He reported the project is within budget and future issues are not anticipated.

Training has been scheduled for January 6<sup>th</sup> through 27<sup>th</sup>. Open system testing will parallel the training. Cutover is planned for the weekend of February 14<sup>th</sup> through 16<sup>th</sup> (during the extended President's Day weekend). There will be no "down" time. Prior to the official cutover, trial cutovers will be performed.

J. Brown distributed a replacement schedule for his retirement. The schedule reflects his replacement to begin work March 2, 2009, allowing a two-month overlap until his last day of April 30th. He gave a brief summary of the position's responsibilities. He stated P. Chambers, R. Gerke, Brenda Decker, Steve Henderson, and he will be involved in the interview process. P. Chambers stated the replacement will be an employee of the Office of the CIO and contracted by NPERS, as J. Brown is presently. She added the office for this position will continue to be located at NPERS.

D. Bomberger questioned if there was an alternate plan if the search is not completed on schedule. J. Brown said there would be less overlap.

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

**Agenda Item 9 – Legislative Update:** J. Schaefer gave a brief review of NPERS proposed legislation for 2009.

He reported Congress recently approved the Worker, Retiree, and Employer Recovery Act of 2008. Legislation provides that plans can give a "holiday" where no required minimum distribution (RMD) is required to be started or made in 2009. J. Schaefer recommended PERB request the Legislature to authorize the change for the Defined Contribution Plan and the Deferred Compensation Plan.

J. Schaefer added that in regard to the Worker, Retiree, and Employer Recovery Act of 2008, the rate NPERS uses to provide cash balance interest credits was not one approved as a "market rate" of return. This problem is resolved in the Act.

J. Schaefer mentioned K. Allen being in the audience. She will be working for Senator Pankonin who is a candidate for the legislative retirement committee chair.

D. Kahla moved to approve the Legislative Report and proceed with the recommendation to request authorization for the Defined Contribution and Deferred Compensation Plan to allow a RMD Holiday. E. Stuhr seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, D. Kahla, M. Shepard, and G. Camerer. Against: None. Motion carried.

**Agenda Item 10 – Investment Officer's Update:** D. Bomberger reported stocks up the last two weeks and no direct exposure to recent financial scandals.

Two new global equity managers have been added. The first phase of rebalancing is complete and our allocation to different asset classes is back within our range.

D. Bomberger referred to an article from Ennis Knupp, "Lessons Learned in 2008." He highlighted several points in relation to Nebraska Investment Council's business practices.

D. Bomberger reported Gail Werner Robertson has been reappointed as Chair of the Nebraska Investment Council (NIC). He stated the NIC enjoyed the November joint meeting and suggested possibly meeting jointly more than once a year.

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

**Agenda Item 11 – Director's Report:** P. Chambers reported on the continuing work with Ameritas in transferring funds with residual balances to non-interest bearing accounts and the development of new account statements. She reviewed the new statement. Listing the dividend separately is new to the statement and an explanation sheet is now included. Explanation information will also be on NPERS website. A disclaimer has been included in the statement, stating that members should check with NPERS to verify that their vesting is correct.

G. Elwell asked if beneficiaries can be added to the statement in the future. P. Chambers explained all beneficiaries are not on the system at this time and it is a possibility for the future.

P. Chambers reported meeting with five school administrators and discussing unique situations with schools and definitions of part-time employees. NPERS has guidelines regarding who should be in the plans based on statutes. She also reported meeting with the state auditor and staff who stated they would work with NPERS on the issues. She explained the difficulty with interpreting the statutes.

M. Shepard explained the difficulty with the substitute teacher situation. He stated the possibility of resolving the issue with regulations instead of changing statutes. He also pointed out the same issues occur in other plans.

P. Chambers reported attending the National Association of County Officials (NACO) conference. Cheryl Mueller, of Education Services, was complimented on her presentation at the conference.

P. Chambers complimented D. Kahla and the rest of the NPRIS Steering Committee for their contributions in the process. She stated the IT staff has done an excellent job of testing NPRIS and has allowed the schedule to remain on time. She stated an NPRIS timetable will be available at the next PERB meeting.

P. Chambers reported an annual fraud presentation was given for NPERS staff during the December 18<sup>th</sup> Agency meeting. The presentation by the Attorney General's office emphasized the importance of handling confidential member data.

J. Brown finalized a data sensitivity policy, which was issued to all NPERS staff.

P. Chambers reported visiting the Arizona Retirement System. She gave a brief review of her tour and their organizational structure.

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

**Agenda Item 12 – Board Committee Reports:** No reports were provided.

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

**Agenda Item 14 – Future Meetings/Agendas:** The next meeting will be held on Monday, January 26, 2009, in the Atrium Conference Center, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

**Agenda Items 15 and 16 – Executive Session:** At 10:14 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications of Retirement Nos. 113312 and 419416 and other legal matters. Motion was seconded by G. Camerer. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

At 11:49 a.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by E. Stuhr. Members voted as follows: For: G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr and D. Blank. Against: None. Motion carried.

G. Camerer moved for approval of the disability applications of Retirement Nos. 113312 and 419416. R. Wassinger seconded the motion. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and D. Kahla. Against: None. Motion carried.

G. Camerer moved the Director, P. Chambers, be authorized to enter final negotiations to resolve the claim filed by Union Bank & Trust and other legal matters arising from the contractual relationship with Union Bank & Trust. G. Elwell seconded the motion. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, D. Blank, G. Elwell, and D. Kahla.

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

The meeting adjourned at 11:52 a.m.

Phyllis G. Chambers  
Director