

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

November 17, 2008

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:30 a.m., Monday, November 17, 2008, at the Embassy Suites, Regents E Conference Room, 1040 "P" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed November 7, 2008. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, November 10, 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
 DAVE BOMBERGER, EX-OFFICIO

MEMBERS ABSENT: DON PEDERSON
 ELAINE STUHR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	JOE SCHAEFER Legal Counsel
GAIL WERNER-ROBERTSON Nebraska Investment Council	JAN FOX Training Supervisor
RICHARD DeFUSCO Nebraska Investment Council	MIDEN EBERT Retirement Plan Supervisor
JOHN DINKEL Nebraska Investment Council	JERRY BROWN IT Manager
NORMAN RIFFEL Nebraska Investment Council	TERESA ZULAUF Internal Auditor
KATHY DAWES Nebraska Investment Council	GARY BUSH DAS - State Budget Administrator's Office
JOSEPH JURICH Nebraska Investment Council	JEREMY NORDQUIST Retirement Committee Research Analyst
JOLYNN WINKLER Nebraska Investment Council	MARY JOCHIM Sterling Financial Advisors
RANDY GERKE Deputy Director	DAVE SLISHINSKY Buck Consultants

TAMMY RINGEL

Buck Consultants

KATHY TENOPIR

Legislative Fiscal Office

STEVE CUMMINGS

Ennis Knupp & Associates

CHRIS RILEY

Ennis Knupp & Associates

JASON HAYES

State Treasurer's Office

KRIS KUCERA

State Auditor's Office

NEIL BATEMAN

Retired Teachers

KORBY GILBERTSON

State Troopers Association of Nebraska

WILLIAM MUELLER

Nebraska District Court Judges Assoc.

PAUL O'HARA

Nebraska County Judges

CATHY SCHAPMANN

Nebraska State Education Assoc.

NANCY REIMER

Ameritas

NANCY HICKS

Lincoln Journal Star

FARANARZ TABATABAI

Public

ANNA SULLIVAN

Public

SHEILA LINDER

Administrative Assistant

VICKI HUBER

Staff Assistant

Joint Meeting with the Nebraska Investment Council:

Agenda Items 1, 2 and 3 - Meeting Called to Order: At 8:29 a.m., NIC Chairperson, G. Werner-Robertson, called the joint Nebraska Investment Council (NIC) and Public Employees Retirement Board (PERB) Meeting to order. She 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 Item 4 – Introductions and Comments by Chairpersons: G. Werner-Robertson commented on the importance of the NIC and PERB joint meeting and the special interest in the investment world this year.

At this time the PERB and NIC members, legal counsel, and consultants introduced themselves.

Present at roll call: D. Blank, G. Elwell, D. Kahla, M. Shepard, G. Camerer, R. Wassinger and D. Bomberger. Absent: D. Pederson and E. Stuhr.

D. Blank highlighted accomplishments for NPERS and the PERB for the year which included the implementation of the Deferred Retirement Option Plan (DROP) for the State Patrol, the opportunity for State and County Defined Contribution members to transfer to the Cash Balance plan, the Cash Balance dividends issued, the progress on the Information Technology Systems conversion, and the completion of an actuarial audit. He thanked the PERB, NPERS staff, and Executive Director, P. Chambers, for doing a great job.

Agenda Item 5 – Summary of Actuarial Results for School, Judges and State Patrol:

D. Slishinsky presented the Actuarial Review for 2008 provided by Buck Consultants. He explained the plans administered by the Board, the evaluation process and provided a brief

presentation of the actuarial reports for the School, State Patrol, and Judges plans. He also provided information regarding the State and County Cash Balance Plan. A copy of the presentation is available from the Retirement Systems' office.

Agenda Item 6 – Quarterly Performance Report for Retirement Plans: C. Riley from Ennis Knupp presented the Investment Performance Report for the third quarter and the period ending October 31, 2008. He discussed the effect of the financial crisis on the equity and bond markets. A copy of the report is available from the NIC office.

Agenda Item 7 – Update on Ennis Knupp: S. Cummings, Ennis Knupp CEO, gave a brief history of Ennis Knupp. D. Bomberger added that Ennis Knupp is highly regarded across the United States. S. Cummings reported the company was recently selected by the United States Treasury as one of the investment consultants on the \$700 billion program known as the Troubled Asset Relief Program (TARP). Jeanna Cullins has joined Ennis Knupp and will be allocating 60 percent of her time working with the Treasury Department on this project.

Agenda Item 8 – Discussion by Buck Consultants and Ennis Knupp Regarding Expected Rates of Return and Corresponding Consequences: D. Slisinsky stated Buck Consultants uses a historical approach that looks at returns over a long period of time. They use asset allocation to develop a rate of return that is applied to a discounting of cash flows extended over many years. The assumptions do not change frequently due to market conditions. They were reviewed during the experience analysis study and the recent audit by Milliman, Inc. He also stated he expects discussion will continue regarding keeping the rate of return at 8%.

C. Riley stated Ennis Knupp uses a capital asset pricing model to make their long-term asset class assumptions. They look at equity asset class and fixed income. Equity asset class has three components: dividend yields in the market, growth in corporate earnings, as well as private equity adjustments for extreme cases. With fixed income they look at long-term policy allocations.

Their overall asset class return expectations are 7.2%. Dividends or gains are not taken into account.

S. Cummings added the dividend is going to look higher. Their expectation is going to be neutral for United States stocks to be slightly positive in the future. An update should be available in approximately 45 days.

G. Werner-Robertson complimented the financial advisors, P. Chambers, and the PERB.

D. Blank commented that communication is very good between NIC and the PERB.

J. Dinkel thanked the leadership for their work on the respective boards.

It was clarified that if investment return assumptions are not achieved, the legislature will make up the difference and/or contribution rates will need to be adjusted.

D. Bomberger stated that Nebraska is in line with the average of 7.9% return assumptions with state plans across the nation.

Agenda Item 9 – Recess: The Joint Meeting adjourned at 9:52 a.m. D. Bomberger and M. Shepard left the meeting at this time. The regular PERB meeting reconvened at 10:12 a.m.

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

Agenda Item 10 – Approval of Minutes: R. Wassinger moved for approval of the minutes of the October 20, 2008, Board Meeting. Motion was seconded by G. Camerer. Members voted as follows: For: D. Kahla, G. Camerer, R. Wassinger, D. Blank, and G. Elwell. Against: None. Motion carried.

Agenda Item 11 – Approval of Budget Status Report & October Retirement Report: D. Kahla moved to approve the budget status report and the October 2008 Retirement Report. Motion was seconded by G. Elwell. Members voted as follows: For: G. Camerer, R. Wassinger, D. Blank, G. Elwell, and D. Kahla. Against: None. Motion carried.

Agenda Item 12 – Public Comments or Correspondence from Citizens: There was no one present at this time for public comments or correspondence from citizens with business not scheduled on the agenda. (Note a member of the public arrived later and was provided an opportunity to address the Board.)

Agenda Item 13 addressed out of Agenda order below.

Agenda Item 14 - Information System Update: J. Brown reported integrated testing is in progress. Testing is two weeks behind schedule. Several additions have been made to help stay on schedule. The Steering Committee is currently meeting every two weeks to receive an update on the progress of the project. Users are now involved with testing and Saber's staff is helping NPERS staff. He stated an updated schedule report will be provided at the December PERB meeting. D. Kahla added the schedule problem with the testing is not a surprise considering the workload for NPERS staff.

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

Agenda Item 12 – Public Comments or Correspondence from Citizens: State Plan member, F. Tabatabai, was present and voiced his concern regarding calculations from the reconciliation project. F. Tabatabai disagreed with NPERS' method of calculation and thought it should be calculated differently. G. Camerer assured the member that the PERB was following the State Auditor's recommendation.

Agenda Item 13 – Vesting Credit: P. Chambers recommended NPERS provide vesting credit for members qualified by statute to receive it and who have made valid application for it, based on the actual number of days of participation accrued in the other Nebraska governmental plan effective today. G. Camerer moved to approve the recommendation as stated. D. Kahla seconded the motion. Members voted as follows: For: D. Blank, G. Elwell, D. Kahla, G. Camerer, and R. Wassinger. Against: None. Motion carried.

Agenda Item 15 - Actuarial Valuation Results – School, Judges, State Patrol:

D. Slishinsky provided a presentation of the actuarial valuations, reviewing member data, system assets, plan experience, need for additional contribution, and benefit accrual cost.

G. Elwell moved to approve D. Slishinsky's report. D. Kahla seconded the motion. Members voted as follows: For: G. Elwell, D. Kahla, G. Camerer, R. Wassinger, and D. Blank. Against: None. Motion carried.

Agenda Item 16 – Legislative Update: J. Schaefer gave a brief update on the issues from the October meeting.

He provided a list of the 2009 Unicameral Legislature.

J. Schaefer stated a legislative hearing on LR 311 will be held this afternoon. D. Slishinsky will present information on the actuarial assumptions and the results that were presented earlier in the joint meeting.

J. Schaefer led discussion on LR 310 which would provide Purchase of Service for State Patrol members. It was decided he would testify at the hearing today on behalf of the PERB.

D. Kahla moved to approve the Legislative Update. R. Wassinger seconded the motion. Members voted as follows: For: D. Kahla, G. Camerer, R. Wassinger, D. Blank, and G. Elwell. Against: None. Motion carried.

Agenda Items 17 and 18 – Executive Session: At 11:31 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. 415826, Emergency Deferred Compensation Application for Retirement No. 703752 and other legal matters. Motion was seconded by G. Camerer. D. Blank repeated the motion for the record. Members voted as follows: For: G. Camerer, R. Wassinger, D. Blank, G. Elwell, and D. Kahla. Against: None. Motion carried.

At 12:28 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by G. Camerer. Members voted as follows: For: G. Camerer, R. Wassinger, D. Blank, G. Elwell, and D. Kahla. Against: None. Motion carried.

G. Camerer moved for approval of the Disability Application of Retirement No. 415826. D. Kahla seconded the motion. Members voted as follows: For: R. Wassinger, D. Blank, G. Elwell, D. Kahla, and G. Camerer. Against: None. Motion carried.

G. Camerer moved for denial of the Emergency Deferred Compensation Application of Retirement No. 703752. Motion was seconded by R. Wassinger. Members voted as follows: For: D. Blank, G. Elwell, D. Kahla, G. Camerer, and R. Wassinger. Against: None. Motion carried.

Agenda Item 19 - Director's Report: P. Chambers stated she wished to forego her report until next month due to time constraints. D. Blank, the actuaries and NPERS staff needed to attend a Legislative hearing of the Retirement Committee at 1:00 pm.

Agenda Item 20 – Board Committee Reports: No reports were provided.

Agenda Item 21 – Board Education/Travel Requests: There were no requests.

Agenda Item 22 – Future Meetings/Agendas: The next meeting will be held on Monday, December 22, 2008, in the Atrium Conference Center, 1200 “N” Street, Suite 206, Lincoln, Nebraska. P. Chambers provided a Calendar of proposed 2009 meeting dates.

G. Camerer moved to approve the 2009 calendar as presented. Motion was seconded by D. Kahla. Members voted as follows: For: G. Elwell, D. Kahla, G. Camerer, R. Wassinger, and D. Blank. Against: None. Motion carried.

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

The meeting adjourned at 12:33 p.m.

Phyllis G. Chambers
Director