

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

April 20, 2009

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, April 20, 2009, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed April 10, 2009. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 13, 2009. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:                   DENIS BLANK, CHAIR  
                                          SGT. GLENN ELWELL, VICE-CHAIR  
                                          JUDGE GLENN CAMERER  
                                          DON PEDERSON  
                                          ELAINE STUHR  
                                          JANIS ELLIOTT  
                                          JOE JURICH, EX-OFFICIO

MEMBERS ABSENT:                   MARK SHEPARD  
                                          RICHARD WASSINGER

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	MARY JOCHIM Sterling Financial Advisors
RANDY GERKE Deputy Director	DAVE SLISHINSKY Buck Consultants
JOE SCHAEFER Legal Counsel	TAMMY RINGEL Buck Consultants
JAN FOX Training Supervisor	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	WILLIAM ROBINSON The Hartford
JERRY BROWN IT Manager	JOANNE JERMOLOWICZ The Hartford
FRED TURNER NPERS	LIZ LEBER State Auditor's Office
TERESA ZULAUF Internal Auditor	ERIC ASBOE Nebraska Supreme Court
GARY BUSH DAS - State Budget Administrator's Office	VICKI HUBER Staff 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 April 20, 2009, Board Meeting to order at 9:00 a.m. Present at roll call: D. Blank, G. Elwell, G. Camerer, E. Stuhr, J. Elliott and J. Jurich. Absent: M. Shepard, R. Wassinger, and D. Pederson.

**Excuse Board Members:** G. Elwell moved to excuse M. Shepard and R. Wassinger. E. Stuhr seconded the motion. Members voted as follows: For: G. Elwell, G. Camerer, 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 March 16, 2009, Board Meeting. Motion was seconded by J. Elliott. Members voted as follows: For: G. Camerer, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

D. Pederson joined the meeting at 9:03 a.m.

**Agenda Item 5 – Approval of Budget Status Report & March Retirement Report:** G. Elwell moved to approve the budget status report and the March 2009 Retirement Report. Motion was seconded by E. Stuhr. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, D. Blank, G. Elwell, and G. Camerer. 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.

**Agenda Item 7 – Hartford Annual Report:** B. Robinson and J. Jermolowicz presented a review of the Hartford Deferred Compensation Plan (DCP) for January 1, 2008, to December 31, 2008. A copy of the report is available at the NPERS office.

B. Robinson reported 1,031 members are participants in the Hartford DCP and plan assets total \$31,305,975.

He provided a participant overview of the plan by age and an investment option review tracking the assets of each investment utilized by the plan.

B. Robinson's report included a retiree update of assets by investment option and average account balances. He stated 92 are taking a systematic withdrawal and 312 are receiving annuities.

G. Camerer moved to accept the Hartford Annual Report. G. Elwell seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, G. Camerer, and D. Pederson. Against: None. Motion carried.

**Agenda Item 8 – Actuary Report – Cash Balance and ERBF:** T. Ringel provided background information regarding the Equal Retirement Benefit Fund (ERBF). She then reviewed the ERBF report.

D. Slishinsky provided a brief history of the Cash Balance plan and reviewed the actuarial valuation results for the State and County Cash Balance funds.

Copies of the reports are available at the NPERS office.

D. Slishinsky reported there were no changes in actuarial methods or assumptions since January 1, 2008, and market value returns are approximately 74% of actuarial values.

D. Slishinsky reported losses were less than expected on a funding basis. He stated as deferred losses become recognized, additional funding may be needed depending on the market recovery. If there is a strong market recovery, gains may offset the losses. Without a strong market recovery, additional State contributions will likely be needed in the next couple of years.

J. Jurich questioned the assumed rate for the ERBF. D. Slishinsky stated the assumed rate is 7.75%, which is the same as the Cash Balance fund.

E. Stuhr inquired how Nebraska compares with other states. D. Slishinsky stated Nebraska is in line with other states in investment performance for 2008.

P. Chambers questioned if other states provide statutory funding. D. Slishinsky reviewed some of the neighboring states' statutory requirements for funding of benefits.

G. Camerer moved to accept the Actuary Report. E. Stuhr seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, G. Camerer, D. Pederson, and E. Stuhr. Against: None. Motion carried.

The Board took a break at 10:13 a.m. and reconvened at 10:31 a.m.

**Agenda Item 9 – Information System Update:** J. Brown reported the NPRIS project is in the 90-day warranty period. He reported 22 Problem Incident Reports (PIRs) identified prior to implementation are still open and 57 post-implementation PIRs are still open. He stated all PIRs will be resolved before the project can be determined complete. He stated there were 98 open PIRs on April 2, 2009, so they are making progress.

J. Brown reported the project is within budget. He stated the project team is currently developing agreements for ongoing support after the warranty period. Two agreements are being developed, one between NPERS and the Office of the CIO (OCIO). The other is between the OCIO and Saber. He stated Saber will provide a knowledge transfer to the OCIO over the next 20 months. D. Pederson asked J. Brown to explain a knowledge transfer. J. Brown stated Saber will be educating the OCIO regarding the operation of the NPRIS application so the OCIO can provide support in the future. J. Brown stated a staffing plan is established. There will be a decision during the agreement whether OCIO is able to continue support. The knowledge transfer will occur after the warranty period.

J. Brown reported meeting with the Technical Panel of the Nebraska Information Technology Commission regarding project status. The panel has requested one more report at their July meeting. He stated the panel is satisfied.

This was J. Brown's last meeting before retiring April 30, 2009.

J. Brown thanked the PERB for their support of the project and him. D. Blank expressed his appreciation on behalf of the Board. G. Camerer also expressed his appreciation to J. Brown.

D. Blank questioned whether the Board should be concerned with 79 PIRs. J. Brown stated the numbers are more than anticipated; however, most are not considered major and progress is being made.

J. Brown reported NPRIS was not operational for an entire day on April 9, 2009, and the project team is still investigating the cause.

D. Pederson asked if there is a separate warranty for equipment. J. Brown stated there is a three-year warranty on the equipment. He stated the system is in good shape with new hardware and current software.

D. Pederson complimented J. Brown on making everything run smoothly.

G. Camerer moved to approve the Information System Report. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, G. Elwell, G. Camerer, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

**Agenda item 10 – Legislative Update:** J. Schaefer reviewed progress on bills associated with retirement issues including LB 121, under which a few State tax assessment employees would revert to County employees; LB 188, NPERS' annual cleanup bill; LB 403 which requires employees to be lawfully present in the state to participate in a retirement plan; and LB 449, which allows disability retirees to work up to 15 hours a week and continue to receive retirement benefits.

J. Schaefer also reviewed funding issues in the defined benefit plans. There was some discussion by the Board on future agreements regarding contributions in the Judges plan.

J. Elliott questioned the cost of additional monitoring of retirees continuing to work while receiving disability retirement benefits. P. Chambers stated the cost is yet to be determined.

D. Pederson moved to approve the Legislative Report. G. Camerer seconded the motion. Members voted as follows: For: G. Elwell, G. Camerer, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

G. Elwell left the meeting at 11:03 a.m.

**Agenda Item 11 – Investment Officer's Update:** J. Jurich distributed and reviewed the Nebraska Investment Council (NIC) annual report for January 1, 2008, through December 31, 2008.

He stated 2008 was an incredible year where gold and treasury were the only good investments. The global market also performed well.

J. Jurich briefly reviewed the first quarter report performance versus the benchmarks.

E. Stuhr moved to accept the Investment Officer's Report. D. Pederson seconded the motion. Members voted as follows: For: G. Camerer, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

**Agenda Item 12 – Director's Report:** The NPERS Annual report was distributed to the Board and P. Chambers briefly reviewed its contents. P. Chambers reported reducing the amount printed with a savings to plan members. The report includes information on all the funds and will be available online.

P. Chambers reported the Defined Contribution plan no longer has forfeitures since there are no new entries into the plan. As a result, NPERS has received complaints regarding the increased asset charges for the plans. She stated there are forfeitures in the Cash Balance plan and reported an excess of \$1.3 million will be transferred into two employer expense fund accounts established with the Department of Administrative Services (DAS) Accounting. Funds will be transferred in the next two weeks. These funds could possibly assist in offsetting the asset charges.

G. Camerer asked how fees are determined. P. Chambers stated R. Gerke determines the cost on a quarterly basis and allocations are made against the appropriate plan expense accounts. R. Gerke stated there will be an analysis this month and an adjustment in basis points will be determined and presented to the PERB at the May meeting.

P. Chambers announced an office party is planned for Wednesday, April 29, 2009, at 3:30 p.m. and invited the Board to join NPERS in celebrating J. Brown's retirement.

She reported the NPRIS Steering Committee met April 15, 2009, and meetings will continue into May, and possibly June.

P. Chambers reported researching for and preparing a Request for Proposal (RFP) for investment education services.

P. Chambers stated the contract with Ameritas continues until 2011. She reported meeting with Ameritas and their programming priority automating the residual balance account fund (Fund 51).

P. Chambers announced a State and Country audit entrance conference is scheduled for Wednesday, April 22, 2009, at 9:00 a.m. with the State Auditor.

She reported speaking with D. Slishinsky this month regarding projections for the Retirement Committee, working on funding projects, and preparations for the actuary reports.

P. Chambers stated the Appropriations Committee is preparing the State budget for presentation to the Legislature this week.

She reported she is working with the State Investment Officer (SIO) search committee. Committee members and Gary Hudepohl from the search firm, Hudepohl & Associates, Inc.,

are discussing compensation levels with the Retirement and Appropriations committees. She stated the committee anticipates it will take three to six months to complete the search.

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

**Agenda Item 13 – Board Committee Reports:** There were no reports.

**Agenda Item 14 – Board Education/Travel Requests:** P. Chambers stated Ennis Knupp is offering a client conference May 27-28, 2009.

**Agenda Item 15 – Future Meetings/Agendas:** The next meeting will be held on Monday, May 18, 2009, in the Atrium Conference Center, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

**Agenda Items 16 and 17 – Executive Session:** At 11:38 a.m., G. Camerer moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Application of Retirement Number 161629, personnel matters, and other legal matters. Motion was seconded by D. Pederson. D. Blank repeated the motion for the record. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Camerer, and D. Pederson. Against: None. Motion carried.

D. Pederson left the meeting at 12:29 p.m.

At 12:30 p.m., G. Camerer moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by E. Stuhr. Members voted as follows: For: J. Elliott, D. Blank, G. Camerer, and E. Stuhr. Against: None. Motion carried.

G. Camerer moved for approval of the Disability Application of Retirement No. 161629. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, G. Camerer, E. Stuhr, and J. Elliott. Against: None. Motion carried.

**Adjournment:** E. Stuhr moved that the meeting adjourn. Motion was seconded by G. Camerer. Members voted as follows: For: G. Camerer, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

The meeting adjourned at 12:31 p.m.

Phyllis G. Chambers  
Director