

**PUBLIC EMPLOYEES RETIREMENT BOARD
REGULAR MEETING AND EDUCATION RETREAT**

August 24, 2009

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:33 a.m., Monday, August 24, 2009, at the Cornhusker Marriott Hotel, Garrat Room, 333 South 13th Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed August 18, 2009. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 17, 2009. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR
SGT. GLENN ELWELL, VICE-CHAIR
MARK SHEPARD
JUDGE GLENN CAMERER
RICHARD WASSINGER
DON PEDERSON
ELAINE STUHR
JANIS ELLIOTT
JOE JURICH, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS

Director

RANDY GERKE

Deputy Director

JOE SCHAEFER

Legal Counsel

JAN FOX

Training Supervisor

MIDEN EBERT

Retirement Plan Supervisor

FRED TURNER

IT Manager

TERESA ZULAUF

Internal Auditor

SHEILA LINDER

Administrative Assistant

DENNIS COOPER

Data Services Manager

NANCY HICKS

Lincoln Journal Star

GARY BUSH

AS - State Budget Administrator's Office

MARY JOCHIM

Sterling Financial Advisors

DAVE SLISHINSKY

Buck Consultants

TAMMY RINGEL

Buck Consultants

NANCY REIMER

Ameritas

KATHY TENOPIR

Legislative Fiscal Office

KEVIN VANDOLDER

Ennis Knupp & Associates

KATE ALLEN

Legislative Retirement Committee

NEIL BATEMAN
Retired Teachers

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 August 24, 2009, Board Meeting and Retreat to order at 8:33 a.m. Present at roll call: D. Blank, G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott and J. Jurich.

Agenda Item 4 – Chairman’s Comments and Introductions: D. Blank stated he would be leaving the meeting during lunch. G. Elwell and M. Shepard also had other obligations and would be leaving during the meeting.

P. Chambers welcomed everyone and thanked V. Huber for the decorations and meeting arrangements. She introduced D. Cooper, NPERS’ Data Services Manger, who is responsible for the set-up of Board meetings. P. Chambers stated other NPERS managers would be in attendance throughout the day.

Agenda Item 5 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the July 20, 2009, Board Meeting. Motion was seconded by M. Shepard. Members voted as follows: For: G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Item 6 – Approval of Budget Status Report & July Retirement Report: R. Wassinger moved to approve the budget status report and the July 2009 Retirement Report. Motion was seconded by G. Elwell. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

Agenda Item 7 – Deficit Budget Request; Contribution Income: R. Gerke explained NPERS is funded by investments and contributions. He gave a brief update of current income and expenses for each plan.

R. Gerke stated preparations are being made for deficit budget requests. He reported the Legislature previously authorized NPERS’ request of \$17,545 of annualized salaries for 2007-2009 resulting from the Nebraska Association of Pubic Employees/American Federation of State, County, and Municipal Employees (NAPE/AFSCME) contract negotiations. This was not put into the category of Personal Service Limitation (PSL). R. Gerke requested approval to move the authorized \$17,545 for 2007-2009 annualized salaries into the PSL line from below the line.

G. Camerer moved to accept R. Gerke’s request. Motion was seconded by J. Elliott. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, G. Elwell, and M. Shepard. Against: None. Motion carried.

Agenda Item 8 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 9 – Information System Update: F. Turner reported 17 warranty problem incident reports (PIRs) and 25 post warranty PIRs as of August 20, 2009. He reported the service level agreement (SLA) between NPERS and Saber has been reviewed by Saber and the Office of the Chief Information Officer (OCIO) and is ready for NPERS to review and sign. NPERS executed a third letter of intent with Saber for August. The performance bond with Saber has been continued through July 2010. He stated this was suggested by AS (Administrative Services) purchasing division since Change Control Requests (CCRs) and PIRs are not resolved.

He reported two replacement developers from the OCIO began working at NPERS on August 10, 2009. They have completed a week of training and will be making PIR changes this week.

F. Turner stated his report to the Nebraska Information Technology Commission (NITC) is rescheduled for Tuesday, September 8, 2009.

F. Turner reported the Saber developer is training the OCIO employees on a daily basis and the OCIO has increased their supervision of the new resources. He stated he has attended some of the training sessions and is pleased with the progress.

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

Agenda Item 10 – Investment Officer's Update: J. Jurich briefly reviewed the Preliminary Performance Summary materials provided to the Board by Ennis Knupp. He stated as of July 31, 2009, the portfolios are recovering nicely.

D. Pederson questioned if the Council was contemplating changes with the current managers. J. Jurich explained how the Investment Council works with Ennis Knupp regarding the retention of fund managers.

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

Agenda Item 11 – Director's Report: P. Chambers reported attending several meetings regarding the State Investment Officer (SIO) search. She stated the Search Committee will be interviewing finalists on Wednesday, September 2, 2009, at the Embassy Suites in LaVista, Nebraska, and an announcement should be made in the near future.

P. Chambers reported meeting with the NPERS' landlord and the AS building division to discuss improvements to the leased space. She stated the current lease ends May 2010.

She reported researching locations to be used for disaster recovery; but, has not located space that would meet the Agency's needs.

P. Chambers reported meeting daily with F. Turner regarding IT matters. She stated Saber is making progress on CCRs and training. She explained the developer training is a new process and the length of time it will take is unknown. The support maintenance agreement covers 18 months and can be altered if necessary.

P. Chambers reported the State and County audits are complete. The exit conference has not yet been scheduled.

She stated the State Auditors are presently completing an IT audit. The School, Judges, and Patrol audits are scheduled to begin in September. She noted the State and County audits are approximately two months behind this year and the School, Judges, and Patrol will also be later than usual.

P. Chambers reported the agency is receiving a number of calls from members asking if there is a dividend this year. She reported statements for all defined benefit plans were sent the first week in August. The Call Center received hundreds of calls as a result of the birthdates being incorrect on all the statements. She stated the error occurred when the print shop retrieved data using the beneficiaries' birth date. Notification of the error was posted on the NPERS website and phone system. J. Elliott stated teachers reported the phone message put them at ease.

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

Agenda Item 12 – Board Committee Reports: There were no reports.

Agenda Item 13 – Board Education/Travel Requests: J. Elliott and P. Chambers requested an additional \$500 in travel expenses to attend the National Council on Teacher Retirement (NCTR) Annual Convention to be held October 10-15, 2009.

G. Camerer moved to approve the additional travel expense request for J. Elliott and P. Chambers and set the amount at \$3,000 or less for each individual. R. Wassinger seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

Agenda Item 14 – Future Meetings/Agendas: The next meeting will be held on Monday, September 21, 2009, in the TierOne Conference Center at 1221 "N" Street. (Note: Following the meeting the location was changed to the Atrium Conference Center, 1200 "N" Street, Suite 206.)

E. Stuhr requested changing the date of the October Board meeting scheduled for October 19, 2009. D. Blank asked that the Board revisit the request at the September Board Meeting.

The Board took a break at 9:17 a.m. and reconvened at 9:37 a.m.

Agenda Item 16 – Investment Assumption Review: D. Slishinsky provided a presentation including the topics of pension plan funding, economic assumptions, how Buck Consultants develops an investment return assumption, and information on the impact of lowering the investment return assumption.

There was discussion among the Board and presenters regarding how Nebraska compares with other states concerning the use of smoothing, handling unfunded liabilities, and having health insurance tied in with retirement benefits.

Agenda Item 17 and 25 – Executive Session and Board Action on Executive Session

Topics: At 11:25 a.m., G. Camerer moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications of Retirement Nos. 428197, 123580, 417424, 085087, Emergency Deferred Compensation Application of Retirement No. 701846, Legal Matters, and the Director's Evaluation. Motion was seconded by G. Elwell. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

D. Blank left the meeting during Executive Session and G. Elwell presided over the remainder of the meeting.

At 1:00 p.m. G. Camerer moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by J. Elliott. Members voted as follows: For: G. Elwell, M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

G. Camerer moved to table the Disability Application of Retirement No. 417424 in order for the applicant to be offered the opportunity of a further evaluation by a doctor designated by the Board; to address issues raised in the initial application. Motion was seconded by E. Stuhr. Members voted as follows: For: M. Shepard, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

G. Camerer moved for approval of the Disability Applications of Retirement Nos. 428198, 123580, 085087, and the Emergency Deferred Compensation Application for Retirement No. 701846. Motion was seconded by R. Wassinger. Members voted as follows: For: G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, G. Elwell, and M. Shepard. Against: None. Motion carried.

Agenda Item 18 – Investment Update from Ennis Knupp: K. Vandolder provided materials including the Second Quarter Performance Report, Refreshing Asset Liability

Conclusions, and a Market Environment Presentation. He reviewed the Market Environment Presentation entirely, which included a historical view of the economy and investments.

He stated many of the government stimulus programs have actually been successful. Banks have become more conservative in their lending and in some cases, perhaps too cautious.

M. Shepard left the meeting at 1:31 p.m.

K. Vandolder's summary included many reasons to expect investment returns that are at least palatable, and perhaps attractive, in the coming years. Using Ennis Knupp's capital market assumptions (15-year horizon assumed), he stated the expected return on LTP investment policy is 7.4%.

Agenda Item 19 – Review of Member Education Services: R. Wassinger, Education Committee Chairman, introduced the committee, J. Elliott, G. Camerer, and J. Jurich. He presented the committee's recommendations regarding current practices, financial planning seminars, materials, marketing, and outreach.

R. Wassinger stated the NPERS website is doing an outstanding job supplying information to members and the committee promotes increasing the use of the internet for the education of plan participants.

G. Elwell cautioned the Board regarding the use of FaceBook and Twitter and suggested extending the use of conventional methods of communication, like radio, when circulating information to members.

R. Wassinger reported the committee took a very serious look at having a personal advisor on hand for NPERS members. He reported the agency has been paying \$4000 a month, \$48,000 a year, in a contract to answer members' questions regarding investments. He stated it is a good service, but questioned how many people are using the service. He reported the service has only been used by members 5 to 10 times in recent months.

R. Wassinger stated the committee does not believe it is cost effective to have an independent contractor. He stated the financial cost versus what the members are receiving, does not warrant the expense.

R. Wassinger moved the Board not issue any request for proposal (RFP) at this time for investment education services based on the findings and recommendation of the Board's Education Committee. Motion was seconded by J. Elliott. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, G. Elwell, and G. Camerer. Against: None. Motion carried.

R. Wassinger moved the Board accept the recommendations of the Education Committee. Motion was seconded by E. Stuhr. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, G. Elwell, G. Camerer, and R. Wassinger. Against: None. Motion carried.

The board took a break at 2:12 p.m. and reconvened at 2:26 p.m.

G. Camerer left during the break.

Agenda Item 21 – Fiduciary Responsibility; Appeals Process; Discussion of Revisions to Rules and Regulation; Possible 2010 Legislation: J. Schaefer stated his fiduciary responsibility handout provides a review and has not changed. The Board remains responsible to provide the highest level of duty to the members of NPERS. He also provided a handout outlining the appeals process.

J. Schaefer reported working with NPERS managers on updating the Board's rules and regulations which require a public hearing and approval. He referred to the Board's Rules Manual and requested the Board bring suggestions for changes to his attention.

He provided a brief update of possible upcoming legislation.

P. Chambers requested the Board consider a policy to charge employers for errors in reporting that result in multiple benefit adjustments, which require a substantial amount of time to correct. She stated NPERS would like to raise the materiality factors in the Board policies.

Agenda Item 22 – NIRS Research Study – Elder Hardship; Retirement Rx: P. Chambers reported on what is occurring with research on retirements. The National Institute on Retirement Security (NIRS) was organized to do research and educate people on the importance of defined benefit plans. She briefly reviewed the goal of the research and its results including how defined benefit plans have contributed to the well-being of older Americans and reduced elder hardship.

P. Chambers reviewed the book "Retirement Rx" written by Dr. Gilbaugh and Dr. Fraunfelder which identifies the results of their study of how patients respond differently to retirement. The book uses statistical results and testimonials to discuss retirement as a second career, the four phases of retirement, and eight traits of a successful retirement. She identified the book as a useful resource at NPERS' retirement seminars as it reminds people to keep in mind more than finances when you retire.

Agenda Item 23 – Recap of Day's Topics: G. Elwell complimented K. Vandolder's presentation and recommended he be asked to present again. He thanked the Education Committee for their work organizing the retreat.

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

The meeting adjourned at 3:16 p.m.

Phyllis G. Chambers
Director