

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

July 20, 2009

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, July 20, 2009, in the TierOne Center, 1221 "N" Street, Second Floor, Conference Center, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed July 10, 2009. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, July 13, 2009. The published location of the meeting was changed on July 17, 2009, because the meeting room became unavailable. Notice of the change was made by posting the change at the original location and at the NPERS office, and the agenda kept current at NPERS was updated on July 17, 2009, with the new location information. 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	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	GARY BUSH AS - State Budget Administrator's Office
JOE SCHAEFER Legal Counsel	MARY JOCHIM Sterling Financial Advisors
JAN FOX Training Supervisor	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	KRIS KUCERA State Auditor's Office
FRED TURNER IT Manager	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 July 20, 2009, Board Meeting to order at 9:00 a.m. Present at roll call: D. Blank, G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott and J. Jurich. Absent: M. Shepard.

Agenda Item 4 – Approval of Minutes: D. Pederson moved for approval of the minutes of the June 15, 2009, Board Meeting. Motion was seconded by R. Wassinger. Members voted as follows: For: G. Elwell, G. Camerer, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

M. Shepard joined the meeting at 9:03 a.m.

Agenda Item 5 – Approval of Budget Status Report & June Retirement Report: E. Stuhr moved to approve the budget status report and the June 2009 Retirement Report. Motion was seconded by G. Elwell. P. Chambers commented the June Budget Status Report indicates very few budget items are over 100% of the fiscal budgeted amount. She complimented R. Gerke on a terrific job keeping the agency within budget. 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 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 – Information System Update: F. Turner reported as of July 14, 2009, 39 warranty problem incident reports (PIRs) remain open and 24 post warranty PIRs are open.

F. Turner reported minor changes have been made to the service level agreement (SLA) with Saber. The agreement is being reviewed at the Office of the Chief Information Officer (OCIO) and to date has not been finalized. NPERS has executed a second letter of intent with Saber for July. He stated a full time developer from Saber started June 30, 2009. A full time developer and full time functional analyst are now on site and code changes can be made.

He reported receiving the report from the University of Nebraska Quality Assurance Team which addressed several items from the NPRIS project that need to be completed. He stated the items include the transition plan involved with the SLA, a formal project completion document which will be formulated when the project is complete, and review and approval of the project documentation provided by Saber.

F. Turner stated he did not attend the July 14, 2009, Nebraska Information Technology Commission (NITC) meeting because the SLA had not been finalized. He is scheduled to make a report on the NPRIS project at the August 11, 2009, meeting.

F. Turner explained a developer is a person who takes requirements or functions that someone wants the system to perform and translates them into a computer program code.

R. Wassinger moved to approve the Information System Report. Motion was seconded by D. Pederson. 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 – Three-Year Audit Plan: Prior to the meeting, the PERB Audit Committee reviewed the Three-Year Audit Plan for the period of July 2009 through June 2012, and a copy was distributed to the entire Board prior to the meeting. The Three-Year Audit Plan addresses the audit priorities of the PERB and serves as the work plan for the Internal Auditor. T. Zulauf explained the audit plan, which includes internal audits and reviews and an audit tracking system. The plan also includes four appendixes which include a detailed table of projected internal audits, County and School employer audits, and a quarterly “look ahead” calendar which outlines the schedule of the internal audit plan.

She stated communication of internal audit results will be made to the Executive Director, P. Chambers; the Deputy Director, R. Gerke; and the Board Audit Committee. Upon approval by the Audit Committee, the report will then be forwarded to the PERB.

T. Zulauf stated her department will be responsible for reviewing audit points brought forward by the State Auditor’s Office and for providing the PERB and NPERS management with suggestions on the results of the audits. A review of prior audit findings will assist in identifying risks and a risk assessment will be performed annually.

G. Elwell, on behalf of the Audit Committee, stated the proactive aspect of this audit plan is very important and he is pleased with the content of the plan.

G. Camerer requested the status of the contractual arrangement with the CPA firm. P. Chambers stated NPERS utilized them for the reconciliation project under a consulting contract. It is possible to contact them if we need additional accounting work. She stated the Three-Year Audit Plan has been reviewed by Administrative Services (AS) State Accounting Division.

R. Wassinger stated he was impressed with the plan and believes it will eliminate some situations that have occurred in the past.

T. Zuluaf and members of the Board discussed the staffing, work load, and monitoring of the Internal Auditor’s department.

D. Blank added the plan will be updated every year and can be revised as necessary.

T. Zuluaf stated there would be an annual audit report to the Board, along with the individual audit reports being forwarded to the Board as requested by the Audit Committee.

G. Elwell requested the internal auditor provide quarterly updates regarding the progress of the Plan.

D. Blank emphasized the internal auditor has direct access to the Board and expects the internal auditor will report any concerns to the Board as directed, along with expecting the

Board to report their concerns to the Audit Committee. He complimented T. Zuluaf and the Audit committee and stated the Plan looks very good.

G. Elwell moved to approve the Three-Year Audit Plan. Motion was seconded by G. Camerer. 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 9 – Conference Reports: R. Gerke reported attending the Government Finance Officers Association (GFOA) Annual Conference in Seattle, Washington, May 26-29, 2009. He gave a brief update of the sessions he attended. He mentioned attending a session on funding policies with Dave Slishinsky and suggested Dave make a similar presentation to the PERB.

J. Schaefer reported attending the National Association of Public Pension Attorneys (NAPPA) conference in Portland, Oregon, June 23-26, 2009. He gave a brief update on sessions he attended. He mentioned the Internal Revenue Service is pushing to oversee public pension plans. It will prove advantageous that NPERS submitted determination letter applications. Sessions he attended on litigation confirmed pension plans are experiencing problems nationwide.

Agenda Item 10 – Investment Officer's Update: J. Jurich reported performance for June to be similar to May's performance, although he does not have final numbers. He stated that during May the defined benefit plan was up 4.2% for the year.

J. Jurich reported the State Investment Officer (SIO) search should be completed by mid-September.

He stated the Nebraska Investment Council (NIC) will be researching a private equity distressed fund and a top quartile fund which will be discussed at the August meeting.

J. Jurich reported consolidating brokerage at State Street to save time and money and stated the NIC has been busy completing June's report and is now completing quarterly reports.

G. Camerer requested information on the defined contribution plans and J. Jurich stated defined contribution plans are indexed investments and become asset class returns and generally, stocks and bonds will be higher. J. Jurich reported the May total equity portfolio for U.S. was up 4.85%, non U.S. was up 10.5%, global equity was up 9.76%, and fixed income was up 3.02%.

J. Elliott moved to accept the Investment Officer's Report. Motion was seconded by E. Stuhr. 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 NPERS' policy for requiring non-contributing member forms will not include closed schools if records indicate the member has moved to another school and is continuing to contribute. She added that if members did

not move to another school, NPERS will continue to make reasonable efforts to obtain a non-contributing member form from their last employer.

She reported the SIO Search Committee plans to interview candidates in August.

P. Chambers reported attending the National Council on Teacher Retirement System Directors' Meeting in New Port, Rhode Island, June 17-20, 2009, and gave an update of the meeting. She reported attendance was down and Roundtable discussions included members dealing with troubled economic times. She stated many systems are determining how they plan to raise their contributions, while Nebraska has already passed legislation to implement increased contributions.

P. Chambers suggested the PERB submit a letter to the Academy of Actuaries stating the Board supports the actuarial value of liabilities (AVL) method and smoothing in our financial reports.

P. Chambers reported the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) was less than last year. Consequently, there will not be a Cost of Living Adjustment (COLA) for the defined benefit plans.

She reported the Accounting staff has been preparing the fiscal year end and financial reports for the School, Judges and Patrol plans and there will be an entrance conference for the fall audit next month.

P. Chambers reported there are 270 registrants for the six School Employer Workshops, which are scheduled across the state for July. The Workshops will bring employers up to date on new legislation and how it will affect their reporting.

She reported the new contribution rates have been programmed into the system and new handbooks are being printed for the Deferred Compensation Plan and the Patrol Plan. The Patrol booklet will also include the Deferred Retirement Option Plan (DROP).

P. Chambers reported staff is busy processing School retirements. There are 498 retirement applications with a June 1 effective date. She stated the number of retirements is stable compared to prior years.

D. Blank requested P. Chambers review the sample letter provided by the National Association of State Retirement Administrators and the National Council on Teacher Retirement to be submitted to the Academy of Actuaries and report back to the Board.

G. Camerer moved to approve the Director's Report. The motion was seconded by R. Wassinger. 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: R. Wassinger reported for the Education Committee and stated the August 2009 regular monthly meeting of the PERB is scheduled to convene at 8:30 a.m. on Monday, August 24, 2009, with the educational retreat portion

beginning at approximately 10:00 a.m. He reviewed a tentative agenda for the meeting and the retreat following the regular meeting. He stated the retreat should conclude at approximately 5:00 p.m.

He stated the Education Committee will meet following this meeting.

P. Chambers stated the Executive Session of the August meeting is scheduled during lunch.

D. Blank requested a report from Dave Slisinsky be added to the August agenda explaining how annual annuity rates are determined for the State plan.

Agenda Item 13 – Board Education/Travel Requests: J. Elliott requested permission to attend the National Council on Teacher Retirement (NCTR) Annual Convention to be held October 10-15, 2009, in Indian Wells, California.

G. Camerer moved to approve J. Elliot's travel request. Motion was seconded by G. Elwell. 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.

P. Chambers also requested permission to attend the NCTR Annual Convention, October 10-15, 2009.

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

Agenda Item 13 addressed out of Agenda order below.

Agenda Item 14 – Future Meetings/Agendas: The next meeting will be the Regular Meeting and Planning and Education Retreat held on Monday, August 24, 2009, in the Garrat Room, Cornhusker Hotel, 333 South 13th Street, Lincoln, Nebraska. The meeting is scheduled to begin at 8:30 a.m.

Agenda Items 15 and 16 – Executive Session: At 10:19 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. 138781, 099965, 104434, 143946, 901218, Emergency Deferred Compensation Application of Retirement No. 701158. Personnel Matters, and other Legal Matters. Motion was seconded by E. Stuhr. D. Blank repeated the motion for the record. 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.

At 11:57 a.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. G. Camerer seconded the motion. 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.

G. Elwell moved for approval of the Disability Applications of Retirement Nos. 138781, 099965, and 104434. J. Elliot seconded the motion. 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.

G. Elwell moved for the denial of the Disability Application of Retirement No. 143946. R. Wassinger seconded the motion. 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.

G. Elwell moved for the approval of the Disability Application of Retirement No. 901218. E. Stuhr seconded the motion. 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.

G. Elwell moved for the approval of Emergency Deferred Compensation Application of Retirement No. 701158. D. Pederson seconded the motion. 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 13 – Board Education/Travel Requests Continued:

G. Camerer moved that the expenses of the previously approved travel requests for J. Elliott and P. Chambers be set in the amount of \$2500 or less for each individual. The motion was seconded by G. Elwell. 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.

Adjournment: E. Stuhr moved that the meeting adjourn. Motion was seconded by D. Pederson. 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.

The meeting adjourned at 12:03 p.m.

Phyllis G. Chambers
Director