

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

May 18, 2009

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, May 18, 2009, in the Atrium Conference Room, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed May 11, 2009. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, May 11, 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

TERESA ZULAUF

Internal Auditor

FRED TURNER

IT Manager

GARY BUSH

DAS - State Budget Administrator's Office

MARY JOCHIM

Sterling Financial Advisors

PAULINE QUINN

Sterling Financial Advisors

WAYNE ROBINSON

Sterling Financial Advisors

NEIL BATEMAN

Retired Teachers

NANCY REIMER

Ameritas

ERIC ASBOE

Nebraska Supreme Court

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 May 18, 2009, Board Meeting to order at 9:00 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 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the April 20, 2009, Board Meeting. Motion was seconded by D. Pederson. 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 5 – Approval of Budget Status Report & April Retirement Report: R. Wassinger moved to approve the budget status report and the April 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 6 – Public Comments or Correspondence from Citizens: At this time M. Jochim and P. Quinn introduced W. Robinson as a new employee of Sterling Financial Advisors. P. Quinn stated W. Robinson would be assisting with financial planning on a one-on-one basis.

W. Robinson provided a brief background on himself.

M. Jochim distributed publications by Ernst & Young LLP for Americans for Secure Retirement titled "Retirement vulnerability of new retirees: The likelihood of outliving their assets" to the Board.

Agenda Item 7 – Approve Adjustment of State and County DC and DCP Fees: R. Gerke requested approval to lower County Defined Contribution (DC) asset charges from 35 to 25 basis points and Deferred Compensation Plan (DCP) asset charges from 15 to 5 basis points. He also requested approval to lower State Defined Contribution (DC) fees from 30 to 5 basis points. R. Gerke explained there was excess forfeiture money which will be used to offset employer contributions. An equal amount will be transferred to pay employer expenses in the State plan.

G. Elwell moved to approve R. Gerke's request to lower plan fees effective June 1, 2009. M. Shepard 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.

Agenda Item 8 – Information System Update: F. Turner thanked everyone for the time allowed for his transition into the NPERS IT Manager position and stated it was very beneficial to have Jerry Brown provide his training.

F. Turner stated the NPRIS warranty period will conclude May 31, 2009. He stated the decline in Problem Incident Reports (PIRs) is not as hoped. As of May 13th there are 95 open PIRs and 13 Change Control Requests (CCRs). Saber will manage warranty PIRs and the project support team will handle future problems separately.

He reported the project is within budget.

F. Turner stated two support agreements are being developed. A master agreement will be between NPERS and the Office of the Chief Information Officer (OCIO) and another, the Service Level Agreement (SLA) agreement between Saber and NPERS, will need to go through State purchasing. He stated he anticipates both contracts to be completed in approximately two weeks.

He stated a final review of the NPRIS conversion will occur with the Technical Panel of the Nebraska Information Technology Commission will in July. The Quality Assurance team will present their final report on the project at that time.

F. Turner reported the project team will be located in the NPERS office. R. Goracke's last day on the project is May 29, 2009.

D. Pederson asked what is holding up the fixes. F. Turner explained that often with the complexity of the system, problems are resolved and other PIRs are discovered as a result of the resolution. D. Pederson questioned whether Saber has sufficient resources and whether sufficient money is held back to insure the contract is completed to satisfaction. F. Turner stated, contractually, 15% of the cost is being deferred until all problems are resolved and the project is deemed complete.

G. Camerer moved to approve the Information System Report. J. Elliott 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.

Agenda Item 9 – Legislative Update: J. Schaefer announced confirmation hearings reappointing Board members D. Blank, G. Elwell, and M. Shepard for the term beginning January 2010 are scheduled for Wednesday, May 20, 2009, at 12:10 p.m.

J. Schaefer provided documents outlining the progress and summary of bills associated with retirement issues. His review included LB 187, under which the school plan contribution rate will increase by 1% for 5 years, and the state contribution will increase to 1% from the current .7% for the same period; LB 188, under which the State Patrol member rate will increase to 15% on July 1, 2009, and will increase to 16% for member and employer on July 1, 2010; and LB 414 which will provide a salary increase for Judges, will increase the member contribution rate by 1% for 5 years beginning July 1, 2009, and will increase the court fee for retirement by \$1 to \$6 for the same 5 years.

He briefly reviewed a list of interim study resolutions associated with retirement issues that have been introduced.

There was a brief discussion on bills that provide retirees a tax benefit to retain residents of Nebraska.

D. Blank highlighted LB 188, which provides members taking a distribution the option to transfer money from their Cash Balance plan into the DCP.

D. Pederson moved to approve the Legislative Report. G. Elwell 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.

Agenda Item 10 – Investment Officer’s Update: J. Jurich stated the Nebraska Investment Council (NIC) will meet Tuesday, May 19, 2009.

J. Jurich reported high yield returned 6% in the first quarter. Also in the first quarter, equities have been down approximately 10.6%; however, since March 6th, they have been up. The property (real estate) index is down 7.3%. He reported seeing market expansion since March 6, 2009.

E. Stuhr moved to accept the Investment Officer’s Report. R. Wassinger 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 11 – Director’s Report: P. Chambers reported Internal Revenue Service (IRS) tax withholding tables changed in January 2009 as usual. As part of the government stimulus, in February the tables were changed again lowering the withholding of approximately 8,000 members. In February, the Agency sent members a letter announcing the withholding tax table change and a form to change their withholding if they chose. The Agency has received approximately 500 forms back and many phone calls. The IRS has recently announced public pension plans now have a choice whether they use the new tables. P. Chambers stated, because of the confusion for members and the costs involved, NPERS will continue to use the tax withholding tables the IRS released in February.

P. Chambers stated support maintenance contracts are being developed for NPRIS. She reported the last NPRIS Steering Committee meeting was held May 13th and it was decided the committee would disband.

She reported State and County audits are underway. P. Chambers stated Buck Consultants completed the draft actuary reports for the State and County Cash Balance plans and they were presented to the State Auditor.

She reported the agency has received approximately 335 School retirement applications with a June 1 effective date and 125 applications with a July 1 effective date.

P. Chambers stated she will be attending the NIC meeting May 19th in Omaha, Nebraska. She reported the State Investment Officer (SIO) search committee is placing ads in several professional publications.

P. Chambers stated the Department of Education has employees in two different retirement plans. They utilize both the State and School plans which sometimes causes confusion. She stated she and M. Shepard are scheduled to meet with Dr. Roger Breed, the new Commissioner of Education, on Wednesday, May 27, 2009.

R. Wassinger moved to approve the Director's Report. G. Camerer 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 12 – Board Committee Reports: R. Wassinger reported for the Education Committee and stated the Board retreat is scheduled to be held at the Wingate Inn located at 108 3rd Avenue in Kearney, Nebraska on Sunday, August 23, and Monday, August 24, 2009.

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, June 15, 2009, in Atrium Conference Center, 1200 "N" Street, Suite 206, Lincoln, Nebraska.

Agenda Items 15 and 16 – Executive Session: At 9:48 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 numbers 901235 and 074859, personnel matters, and other legal matters. 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.

At 11:10 a.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, J. Elliott, and D. Blank. Against: None. Motion carried.

G. Camerer moved for approval of the disability applications of retirement numbers 901235 and 074859. G. Elwell 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.

Agenda Item 17 – Approve NPRIS Support Contracts: J. Schaefer reported the NPRIS support contracts are not complete. D. Blank stated no action was required by the Board and NPERs management will continue the process of finalizing the agreements.

Agenda Item 18 – Investment Education Services Contract: D. Blank stated NPERs' contract with Sterling Financial Advisors ends August 2009. R. Wassinger suggested the Board review the current education services provided, changes that have been made since the last review, and the future educational needs of the Agency, and resume discussion at the Board Retreat in August. D. Blank requested the Education Committee meet prior to the August PERB meeting and provide recommendations to the Board at the retreat. He directed the Education Services Department and Sterling Financial Advisors to provide input prior to the August PERB meeting.

Adjournment: G. Camerer moved that the meeting adjourn. Motion was seconded by G. Elwell. 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.

The meeting adjourned at 11:16 a.m.

Phyllis G. Chambers
Director