

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

April 18, 2011

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, April 18, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed April 8, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 11, 2011. G. Elwell chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: SGT. GLENN ELWELL, VICE-CHAIR
MARK SHEPARD
JUDGE RANDALL REHMEIER
DON PEDERSON
ELAINE STUHR
JANIS ELLIOTT
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: DENIS BLANK, CHAIR
RICHARD WASSINGER

NONMEMBERS PRESENT:

RANDY GERKE Deputy Director	GARY BUSH AS - State Budget Administrator's Office
JASON HAYES Legal Counsel	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	KRISTA DAVIS State Auditor's Office
FRED TURNER IT Manager	JEN PERSON State Auditor's Office
TERESA ZULAUF Internal Auditor	NEIL BATEMAN Retired Teachers
BRENDA DINGES Retirement Specialist	ERIC ASBOE Nebraska Supreme Court
DAVE SLISHINSKY Buck Consultants	VICKI HUBER Administrative Secretary
DOUG FIDDLER Buck Consultants	

Agenda Item 1: G. Elwell stated the meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the table by the doors.

Agenda Items 2 and 3 – Meeting Called to Order: G. Elwell called the April 18, 2011, Board Meeting to order at 9:33 a.m. Present at roll call: G. Elwell, M. Shepard, R. Rehmeier, D. Pederson, E. Stuhr, J. Elliott, and J. States. Absent: D. Blank and R. Wassinger.

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

Agenda Item 4 – Approval of Minutes: J. Elliott moved for approval of the minutes of the March 21, 2011, Board Meeting with correction of the spelling of her last name in Agenda Item 7, page 3. R. Rehmeier seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, M. Shepard, R. Rehmeier, D. Pederson, and E. Stuhr. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & March 2011 Retirement Report: E. Stuhr moved to approve the budget status report and the March 2011 Retirement Report. R. Rehmeier seconded the motion. Members voted as follows: For: R. Rehmeier, D. Pederson, E. Stuhr, J. Elliott, G. Elwell, and M. Shepard. 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 – School, Judges, and Patrol Audit Report: K. Davis reported finishing the School, Judges, and Patrol Audit for the period of July 1, 2009, through June 30, 2010. She reviewed the comments and recommendations of the State Auditor's office listed in the report issued on March 23, 2011.

K. Davis explained the resolution of prior audit points can be complicated, as schools operate differently, samples selected are different from year to year, laws are changed, and it can be difficult to receive cooperation from the schools. She noted that the Accounting and Internal Auditing areas have done very well in straightening out audit points, although there were still points in the Benefits area that had not been taken care of.

J. Elliott moved to accept the Auditor's report. E. Stuhr seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, G. Elwell, M. Shepard, and R. Rehmeier. Against: None. Motion carried.

Agenda Item 8 – State and County Actuary Reports: D. Slisinsky provided background information on the Equal Retirement Benefit Fund (ERBF). He then reviewed the ERBF report for the State and County, comparing valuation results from 2011 and 2010.

D. Slisinsky provided a history of the Cash Balance plan since it was created in January 2003, tables included in the materials he provided to the Board, documented interest credits

and dividends, along with investment returns from 2003 through 2010. He reviewed the actuarial valuation results for the State and County Cash Balance funds, including member data, assets, funded ratios, and actuarial liability.

In response to a question from G. Elwell, D. Slishinsky explained there are two years remaining in which the losses from 2008 will be recognized.

D. Slishinsky reported there is no additional State contribution required for the State and County plans. Both the State and County plans are below 100% funded on an actuarial and current value basis; therefore, no dividend is payable under current Board policy.

In conclusion, D. Slishinsky reported the investment rate of return experienced on the actuarial assets during 2010 of approximately 4.0% was significantly less than 7.75% expected. The return on market value of assets of 13.0% was much more than 7.75% expected. The large deferred asset losses from 2008 will continue to reduce the actuarial funded status and increase the actuarial contribution over the next two years unless there continues to be a strong market recovery.

E. Stuhr moved to accept the actuary report. M. Shepard seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, M. Shepard, R. Rehmeier, and D. Pederson. Against: None. Motion carried.

The Board took a break at 10:52 a.m. and reconvened at 11:04 a.m.

Agenda Item 9 – Revise Board Policy #1 – Board Duties and Governance: J. Hayes reported drafting revisions to Board Policy #1 to reflect the Board's request at the March meeting, to separate the Audit and Legislative Committee into two separate committees.

He reported the Policy and Planning Committee met prior to the meeting to discuss the Rules and Regulations. On behalf of the Policy and Planning Committee, J. Elliott moved to table any changes to Board Policy #1 at this time, to allow for further review by the Committee. R. Rehmeier seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, M. Shepard, R. Rehmeier, D. Pederson, and E. Stuhr. Against: None. Motion carried.

Agenda Item 10 – Change County Defined Contribution Fees and Deferred Compensation Plan Fees: R. Gerke requested the Board approve reducing the County Defined Contribution (DC) and Deferred Compensation Plan (DCP) fees from five to zero basis points.

J. Elliott moved to change the County DC and DCP asset charges to zero; effective April 25, 2011. E. Stuhr seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, R. Rehmeier, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

Agenda Item 11 – Legal/Legislative Update: J. Hayes distributed a list of recent changes in current legislation regarding retirement issues.

He reported LB 382, to increase the contribution rates for the School and State Patrol plans, was being debated at the time of the Board meeting. He stated Committee Amendment AM 1101, if adopted, will set the School employee contribution rate at 8.88% beginning September 1, 2011; and then on September 1, 2012, the rate be set at 9.78%. These rates would remain in effect until September 1, 2017, when the rate would decrease to 7.28%.

J. Hayes reported LB 509 was approved by the Governor last week. He stated he will be working with the Board Policy and Planning Committee to revise the Rules and Regulations to include the changes made in this bill.

J. Hayes distributed a tentative schedule for revising the Rules and Regulations. He reported the Board Policy and Policy Committee decided to move the schedule back a month. He stated the intention is to get all revisions adopted in the next three months, with a goal to have everything submitted in August. He estimated the process will then take an additional two months.

M. Shepard moved to accept the Legal and Legislative report. R. Rehmeier seconded the motion. Members voted as follows: For: M. Shepard, R. Rehmeier, D. Pederson, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

Agenda Item 12 – Investment Officer’s Update: J. States reported as of March 2011, the year-to-date returns for the School, Judges, and Patrol plans are approximately 20%.

He stated the Council’s request for proposal (RFP) for investment consulting services was approved and responses are due back mid May.

While attending meetings with real estate and private equity groups, J. States noted their members are optimistic.

D. Pederson moved to accept the Investment Officer’s Report. M. Shepard seconded the motion. Members voted as follows: For: R. Rehmeier, D. Pederson, E. Stuhr, J. Elliott, G. Elwell, and M. Shepard. Against: None. Motion carried.

Agenda Item 13 – Director’s Report: R. Gerke served as director for Phyllis Chambers, who was out of state and unable to attend the meeting. He reported the State and County audit is in progress and introduced J. Person, as the lead auditor for the project.

He reported P. Chambers and J. Hayes have been researching practices of neighboring state retirement plans and laws, relating to offering rollovers from a cash balance plan into Roth IRAs. J. Hayes stated he anticipates a plan for the DCP policy by next month.

He reported P. Chambers has been working with the Building Division and has not received a floor plan for the Assurity Building space.

R. Gerke reported working on the Visa Debit Card and the direct deposit requirement with the Electronic Transfer Policy, which was adopted at the March meeting. NPERS is participating in weekly conference calls with U.S. Bank.

He stated NPERS staff has completed work on the Annual Investment Report and copies should be available next month. The State and County member handbooks are also ready to be sent to the printer.

In regard to the Disaster Recovery Plan, R. Gerke reported P. Chambers submitted a request for an emergency location and was notified the agency is required to use State-owned space.

R. Gerke reported that P. Chambers has been asked to provide a presentation on hybrid retirement plans at the National Association of State Retirement Administrators' (NASRA) Annual Conference. On behalf of P. Chambers, R. Gerke requested the Board approve travel expenses for P. Chambers to attend said conference, in Lake Geneva, Wisconsin, August 5-10, 2011, with expenses in the amount of \$3000.

J. Elliott moved to accept the Director's Report submitted by R. Gerke and to approve P. Chambers' travel request with expenses in the amount of \$3000. E. Stuhr seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, G. Elwell, M. Shepard, and R. Rehmeier. Against: None. Motion carried.

Agenda Item 14 – Board Committee Reports: On behalf of R. Wassinger, J. Elliott reported for the Education and Retreat Committee. The committee received a suggestion to add Roth IRAs to the agenda. R. Wassinger would like members to contact him with additional ideas.

M. Shepard moved to accept the Education and Retreat Committee report submitted by J. Elliott. D. Pederson seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, M. Shepard, R. Rehmeier, and D. Pederson. Against: None. Motion carried.

Agenda Item 15 – Board Education/Travel Requests: There were no additional requests.

Agenda Item 16 – Future Meetings/Agendas: The next meeting will be held on Monday, May 16, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska. The meeting will start at 10:00 a.m.

The Policy and Planning Committee will meet prior to the May PERB meeting.

Agenda Items 17 and 18 – Executive Session: At 11:33 a.m., E. Stuhr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 415657, 820409, 411603, 155497, 135640; Emergency Deferred Compensation Application for Retirement No. 703199; personnel matters; and other legal matters. R. Rehmeier seconded the motion. G. Elwell repeated the motion for the record. Members voted as follows: For: J. Elliott, G. Elwell, M. Shepard, R. Rehmeier, D. Pederson, and E. Stuhr. Against: None. Motion carried.

At 12:05 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. M. Shepard seconded the motion. Members voted as follows: For:

G. Elwell, M. Shepard, R. Rehmeier, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

E. Stuhr moved for approval of the Disability Applications of Retirement Nos. 415657, 820409, 411603, 155497, and 135640; and approval of Emergency Deferred Compensation for Retirement No. 703199. J. Elliott seconded the motion. Members voted as follows: For: M. Shepard, R. Rehmeier, D. Pederson, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

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

The meeting adjourned at 12:06 p.m.

Randy Gerke
Deputy Director and Acting Board Secretary