

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

August 22, 2011

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, August 22, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed August 15, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 15, 2011. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
MARK SHEPARD
RICHARD WASSINGER
DON PEDERSON
ELAINE STUHR
JANIS ELLIOTT
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: SGT. GLENN ELWELL, VICE-CHAIR
JUDGE RANDALL REHMEIER

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	GARY BUSH AS - State Budget Administrator's Office
RANDY GERKE Deputy Director	JERRY HOFFMAN Nebraska State Education Association
JASON HAYES Legal Counsel	KAREN KILGAREN Nebraska State Education Association
TERESA ZULAUF Internal Auditor	VICKI HUBER Administrative Secretary

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 table by the door.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the August 22, 2011, Board Meeting to order at 9:00 a.m. Present at roll call: D. Blank, M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and J. States. Absent: G. Elwell and R. Rehmeier.

Agenda Item 4 – Public Hearings for Rules and Regulations Nos. 1, 2, 3, 4, 5, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25: Public notice of the rule making hearing was published in the Lincoln Journal Star and Omaha World Herald on Friday, July 22, 2011. D. Blank stated draft copies of the Rules and Regulations are located on the table located by the conference room door. Pursuant to NEB. REV. STAT. § 84-907, the Board took testimony and evidence on modification of the Nebraska Administrative Code Title 303, concerning the chapters listed. J. Hayes reviewed each chapter being revised or repealed.

There was no public testimony or other submissions on the modifications of Nos. 1, 2, 3, 4, 5, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25.

P. Chambers stated the wording in Chapter 20 requires further review. The word “Delayed” may need to be changed to “Deferred,” in Section 001.

D. Blank thanked J. Hayes for his work updating the Rules and Regulations.

Agenda Item 5 – Board Action on Rules and Regulations Nos. 1, 2, 3, 4, 5, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25: On behalf of the Regulation and Policy Review Committee, J. Elliott moved for approval of Rules and Regulations Nos. 1, 2, 3, 4, 5, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25, with potential review of the language in Chapter 20, as discussed during the hearing. E. Stuhr seconded the motion. Members voted as follows: For: M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

Agenda Item 6 – Approval of Minutes: R. Wassinger moved for approval of the minutes of the July 25, 2011, Board Meeting. D. Pederson seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and M. Shepard. Against: None. Motion carried.

Agenda Item 7 – Approval of Budget Status Report & July 2011 Retirement Report: E. Stuhr moved to approve the budget status report and the July 2011 Retirement Report. M. Shepard seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, D. Blank, M. Shepard, and R. Wassinger. Against: None. Motion carried.

Agenda Item 8 – Public Comments or Correspondence from Citizens: J. Hoffman was present, representing the Nebraska State Education Association (NSEA). He stated some members of the NSEA are concerned with the cash balance plan model for school employees and the 30-year projection model, how it was funded and how it will be used. He stated the NSEA is seeking improved communications between NPERS staff, the PERB, and the NSEA about all matters related to the plan and plan members. NSEA and NCSA sent a joint letter to the PERB Chairman dated August 8, 2011, stating their concerns. On behalf of the board, the Director responded to NSEA and NCSA in writing on August 19, 2011, addressing their concerns stating the PERB discussed the 30-year actuarial projection model at a number of board meetings and received direction from the Legislature to proceed with the model.

Agenda Item 9 – Legal/Legislative Update: J. Hayes stated it is possible that clarification and updates to statutes will be coming from the Retirement Committee this fall; for inclusion in the next legislative session, which begins in January 2012. He suggested members of the Board contact him with any issues or concerns.

R. Wassinger moved to approve the Legal and Legislative Report. J. Elliott seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, M. Shepard, R. Wassinger, and D. Pederson. Against: None. Motion carried.

Agenda Item 10 – Investment Officer’s Update: J. States distributed copies of the Second Quarter 2011 Performance Review from Hewitt Ennis Knupp. He reported as of June 30, 2011, performance of the defined benefit plans for the fiscal year at 23.1%, which is slightly higher than the policy benchmark of 22.8%. The cash balance plans were at 22.9%.

He stated the U.S. economy is growing, but not at the rate predicted and explained issues with the European and other foreign markets.

J. States reported the Nebraska Investment Council (NIC) met last week and continues to stay on target with its long term strategies. He added that we are in a short term environment, which in time will provide a reasonable return over the next ten years.

He reported the NIC has hired a new portfolio manager and with the legislature and governor’s support, will be adding additional staff in the future.

D. Pederson moved to approve the Investment Officer’s Update. E. Stuhr seconded the motion. Member’s voted as follows: For: J. Elliott, D. Blank, M. Shepard, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

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

Agenda Item 11 – Director’s Report: P. Chambers reported 522 School retirement applications processed and paid with a June 1 effective dates, 12 yet to be calculated, 15 with problems, 69 to be audited; and 31 are in the “scheduled to be paid” status. A total of 649, which is the highest NPERS has ever had, with a June 1st effective date. She stated, she has asked staff in the benefits department to work overtime to process them by August 25th, per the 90-day policy.

She distributed a handout entitled “Third Quarter Second 2011 Economic Data Points,” which was provided by Kevin Vandolder at the NIC meeting this month. She briefly reviewed the handout, including charts on National Debt and Budget, Tax Revenues, and Treasury’s Investors.

P. Chambers reported attending the National Association of State Retirement Administrators’ (NASRA) Annual Conference, August 5-10, 2011, where she participated in panel on hybrid retirement plans. She stated the Texas municipal and Texas county employees also have a

cash balance plan. She reported the conference also included discussion on the proposed Government Accounting Standards Board (GASB) directives, which will probably be finalized June of 2012.

P. Chambers reported she has been asked to provide informational testimony regarding the Nebraska cash balance plan to the Kansas Legislature on August 31, 2011. She explained the Kansas Legislature is doing a study and has requested several representatives from other states to testify. She requested permission to travel and make this informational presentation/testimony and stated her expenses will be paid by Kansas.

P. Chambers reported the State and County exit conference was held on August 11th and four Board members were able to attend. Jen Person will present the audit report at the September PERB meeting.

She shared National Council on Teacher Retirement (NCTR) Conference brochures with the board members

P. Chambers reported the School Employer Workshops have concluded and the State and County Seminar registrations have been mailed.

She reported continuing to work with the AS-Building Division on floor plans for the Assurity building.

P. Chambers reported D. blank officially retired August 12, 2011, from his position with the Nebraska Department of Agriculture; but will continue to serve on the Board.

P. Chambers reported she, R. Gerke and J. Hayes tested several scenarios using the new 30-Year Projection Model. To date, no one from the Retirement Committee or employee groups have been to our office to use the projection model. J. Elliott asked if the projection model is capable of showing individual final benefits to the member, comparing the different plans. It was discussed that this model is for cost projection only. When considering other modeling software in the future, J. Elliott suggested the Board request that the effects to final benefits be illustrated. D. Blank suggested the benefit adequacy study done in 2000 demonstrated the effect on final member benefits as a percent of their salary. P. Chambers stated there is an experience study scheduled for next year and NPERS would have to budget for any other studies.

J. Elliott requested to observe the projection model software while being used. P. Chambers stated she will notify the Board members when the next demonstration is scheduled.

D. Pederson attended the State and County audit exit conference and noted that he has attended many prior audits and it was refreshing to attend this last audit and find how few problems there were. He attributed the successful report to how well the retirement system is being administered.

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

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

Agenda Item 13 – Board Education/Travel Requests: There were no additional travel requests.

Agenda Item 14 – Future Meetings/Agendas: The next meeting will be held on Monday, September 19, 2011, in the in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

Agenda Items 15 and 16 – Executive Session: At 10:24 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 141989, 112109, 423958, 420847, and 100274; the Compliance Audit RFP; personnel matters; and other legal matters. D. Pederson seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and M. Shepard. Against: None. Motion carried.

At 11:34 a.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. J. Elliott seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, D. Blank, M. Shepard, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications for Retirement Nos. 141989, 423958, 420847, and 100274. M. Shepard seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, M. Shepard, R. Wassinger, and D. Pederson. Against: None. Motion carried.

R. Wassinger moved for denial of the Disability Application for Retirement No. 112109. D. Pederson seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, M. Shepard, R. Wassinger, D. Pederson, and E. Stuhr. Against: None. Motion carried.

M. Shepard moved to grant the Director the authority to negotiate with the successful bidder for compliance audit purposes, once the announcement has been made by Administrative Services -Purchasing. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

In regard to P. Chambers' request in Agenda Item 11, D. Pederson moved to approve the Director's travel to provide neutral testimony to the Kansas Legislature, with no travel expenses. E. Stuhr seconded the motion. Members voted as follows: For: M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

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

The meeting adjourned at 11:39 a.m.

Phyllis G. Chambers
Director