

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

January 24, 2011

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, January 24, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed January 14, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, January 17, 2011. G. Elwell chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: SGT. GLENN ELWELL, VICE-CHAIR
JUDGE RANDALL REHMEIER
RICHARD WASSINGER
DON PEDERSON
JANIS ELLIOTT
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: DENIS BLANK, CHAIR
ELAINE STUHR
MARK SHEPARD

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	BEN MATTERN Ameritas
RANDY GERKE Deputy Director	NANCY REIMER Ameritas
JASON HAYES Legal Counsel	JERRY HOFFMAN Nebraska State Education Association
MIDEN EBERT Retirement Plan Supervisor	DAN McMAHAN Nebraska State Education Association
TERESA ZULAUF Internal Auditor	VICKI HUBER Administrative Secretary
GARY BUSH AS - State Budget Administrator's Office	

Agenda Item 1: G. Elwell stated this 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 January 24, 2011, Board Meeting to order at 10:00 a.m. Present at roll call: G. Elwell, R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, and J. States. Absent: D. Blank, M. Shepard, and E. Stuhr.

Agenda Item 4 – Approval of Minutes: R. Rehmeier moved for approval of the minutes of the December 20, 2010, Board Meeting. D. Pederson seconded the motion. Members voted as follows: For: G. Elwell, R. Rehmeier, R. Wassinger, D. Pederson, and J. Elliott. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & December 2010 Retirement Report: R. Wassinger moved to approve the budget status report and the December 2010 Retirement Report. R. Rehmeier seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, 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 – Election of Officers for 2011: G. Elwell opened nominations for the Board Chairman position. D. Pederson nominated D. Blank for chairman. R. Wassinger seconded the nomination. R. Wassinger moved that nominations cease and a unanimous ballot be cast for D. Blank. J. Elliot seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, J. Elliott, G. Elwell, and R. Rehmeier. Against: None. Motion carried.

G. Elwell opened nominations for the Vice-Chairman position. R. Rehmeier nominated G. Elwell for Vice-Chairman. D. Pederson seconded the nomination and moved that nominations cease and a unanimous ballot be cast for G. Elwell. Members voted as follows: For: D. Pederson, J. Elliott, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

G. Elwell opened nominations for the Secretary position. J. Elliott nominated P. Chambers for Secretary. R. Wassinger seconded the nomination and moved that nominations cease and a unanimous ballot be cast for P. Chambers. Members voted as follows: For: J. Elliott, G. Elwell, R. Rehmeier, R. Wassinger, and D. Pederson. Against: None. Motion carried.

Agenda Item 8 – Benefits Report: M. Ebert gave a report on NPERS' Benefits Department and Call Center. She reported the number of calls answered and individual office visits has increased since 2009. There has been a 14% increase in the number of retirement benefits processed since 2009. She summarized how the benefits process works for the various types of distributions.

M. Ebert explained how members are educated about their options when requesting a distribution before reaching retirement age and the typical content of scheduled "appointments" and "walk-in" visitors of NPERS.

Agenda Item 9 – Global Equity Fund: J. Hayes reported that the matter of adding a global equity fund as an investment option was not included in recent legislation. The determination of whether to include a global equity fund will be left up to the discretion of the Nebraska Investment Council (NIC).

J. Elliott moved to accept the recommendation made by Hewitt Ennis Knupp at the November 15, 2010, Joint PERB and NIC meeting, and limited only to the Board's authority found within section 84-1503, concerning its administration of the retirement plans identified therein, that a global equity fund option be added to the State and County Employees' Defined Contribution Plans, the Deferred Compensation Plan (DCP), and the State Patrol's Deferred Retirement Option Plan (DROP). R. Wassinger seconded the motion. Members voted as follows: For: G. Elwell, R. Rehmeier, R. Wassinger, D. Pederson, and J. Elliott. Against: None. Motion carried.

Agenda Item 10 – Ameritas Contract Renewal: B. Mattern, from Ameritas, expressed appreciation for the opportunity to provide continued service for NPERS and reviewed the proposed fees.

P. Chambers recommended the contract with Ameritas be renewed from October 1, 2011, through September 30, 2016. She reviewed accomplishments made while Ameritas has been record keeper and the contents of the renewed contract.

R. Rehmeier moved to permit the Director and Legal Counsel to draft a renewal agreement with Ameritas, pursuant to the fee schedule as set forth in the January 13, 2011, letter from Ameritas, for the purpose of extending their current recordkeeping services contract for the five-year period from October 1, 2011, through September 30, 2016. J. Elliott seconded the motion. J. Hayes stated the final renewal agreement will be brought before the Board. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, and G. Elwell. Against: None. Motion carried.

P. Chambers added, negotiations of additional fees would be needed, if legislation is passed that provides any major changes to the plans.

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

Agenda Item 11 – Excessive Trading Policy: P. Chambers requested the Board adopt a policy to limit excessive trading similar to the policy used by Ameritas. The policy would limit the number of buys and sells permitted in one fund of a DC, DCP, or DROP participant's account. She explained the policy's details and how Ameritas would notify members of any trading restrictions.

P. Chambers reported Dimension Fund Advisor (DFA) has expressed concern with excessive trading occurring among NPERS plan participants. She stated Ameritas has a policy in place and they are able to implement it with the NPERS' plans.

If adopted, she stated the policy would be implemented this spring or summer of 2011. The soonest notification to members could be in April, by including it with the spring newsletter and April member account statements.

J. States explained the increased costs involved with excessive trading by individuals and how the proposed policy conforms to common policies among other fund managers. He stated the NIC has a contractual agreement with DFA to comply with their regulations. This "round-trip" restriction is one of those requirements. He stated the NIC has decided to encourage it as a general policy to apply to all investments and respond to the regulatory environment of the Securities Exchange Commission (SEC).

J. Elliott moved to adopt Board Policy No.13, regarding Excessive Trading. R. Wassinger seconded the motion. Members voted as follows: For: D. Pederson, J. Elliott, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

Agenda Item 12 – Service Delivery Policy: P. Chambers distributed two handouts providing the results of research done by NPERS staff in order to develop the Service Delivery Policy. She explained "service delivery" refers to how long it takes to process School retirement benefits. The handouts included service delivery results from 2001 through 2010.

She stated the proposed policy is consistent with NPERS' current practice.

R. Wassinger moved to adopt Board Policy No. 14, regarding Service Delivery. R. Rehmeier seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, R. Rehmeier, R. Wassinger, and D. Pederson. Against: None. Motion carried.

Agenda Item 13 – Director Reimbursement Policy: P. Chambers explained the current process for approving the Director's expenses. She asked to Board to approve a policy for expenses under \$100.

J. Elliott moved to adopt Board Policy No. 15, regarding Reimbursement for Director Expenses. R. Rehmeier seconded the motion. Members voted as follows: For: G. Elwell, R. Rehmeier, R. Wassinger, D. Pederson, and J. Elliott. Against: None. Motion carried.

The Board took a break at 11:08 a.m. and reconvened at 11:21 a.m.

Agenda Item 14 – Legal/Legislative Update: J. Hayes distributed a list of retirement related bills and reviewed the content of those that would have an impact on NPERS or the PERB, in their current written form. He recommended P. Chambers provide neutral testimony in regard to LB's 246, 307, 382, 486, 509, 679, and 680.

There was discussion among Board members regarding who should incur the costs of any actuarial studies that might be requested by the Legislative Retirement Committee.

J. Elliott requested P. Chambers provide estimates of the cost impact that LB 337, regarding changing the timeframes for audits by the State Auditor's office, would have on NPERS.

J. Hayes stated a fiscal note will be presented to the legislature that will provide this information.

R. Rehmeier moved to accept the Legal and Legislative report submitted by J. Hayes and that the Director testify in a neutral position on LB's 246, 307, 337, 382, 486, 509, 679, and 680. J. Elliott seconded the motion. D. Pederson moved to amend the motion to exclude LB 337 from neutral testimony by the Director; and for the Director to provide the Legislature information on the negative impact the bill would have on NPERS. R. Rehmeier accepted the amendment. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, and G. Elwell. Against: None. Motion carried.

Agenda Item 15 – Investment Officer's Update: J. States reported the preliminary fourth quarter performance numbers for the State and County 2010 calendar-year are strong. He commented that private equity meetings he has recently attended have shown positive investment activity.

He reported the confirmation hearing for NIC member, John Maginn was held this morning.

J. Elliott moved to accept the Investment Officer's Report submitted by J. States. R. Wassinger seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, J. Elliott, G. Elwell, and R. Rehmeier. Against: None. Motion carried.

Agenda Item 16 – Director's Report: P. Chambers reported working with J. Hayes on several legislative items this past month, including meeting with Senator Loudon and school representatives regarding LB 486. J. Hayes has worked with Kate Allen drafting language for proposed legislation.

P. Chambers reported contacting the actuary, concerning a projection modeling software. They are researching a 30-year model for each defined benefit plan, with projections for changing to a cash balance plan or adding a tier to the existing defined benefit plan. She reviewed a general cost proposal from Buck Consultants. Dave Slishinsky has estimated it would take approximately six weeks to prepare the projection model.

She reported confirmation hearings were held this morning to reappoint R. Wassinger and R. Rehmeier to the PERB.

P. Chambers reminded the Board their accountability forms are due April 1, 2011. She requested members provide a copy to NPERS.

She stated most legislative hearings will be scheduled at noon on Tuesdays. She announced the budget hearing is scheduled for Friday, February 25, 2011, and the annual report to the legislature is scheduled for Tuesday, March 15th.

P. Chambers reported meeting with Mike Foley, regarding LB 337. She reported that Mr. Foley indicated that the proposed change in the timeframe of audits would reduce his operating cost. To date, the hearing for LB 337 has not been scheduled.

P. Chambers reported that Ameritas has completed the transition to add plan numbers for county health districts without any issues.

In regards to the Disaster Recovery Plan, P. Chambers reported the first four chapters of the plan have been finalized. Research continues for an alternate location.

She stated she has started to work with the AS-Building Division on plans for the Assurity Building and has prepared a list of space requirements.

P. Chambers and J. Hayes commented that NPERS and Hewlett-Packard State and Local Enterprise Services, Inc. (HPSL) have come to an agreement for future support, and the contract is near completion.

D. Pederson moved to accept the Director's Report submitted by P. Chambers. J. Elliott seconded the motion. Members voted as follows: For: D. Pederson, J. Elliott, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

Agenda Item 17 – Board Committee Reports: There were no reports.

Agenda Item 18 – Board Education/Travel Requests: There were no requests.

Agenda Item 19 – Future Meetings/Agendas: The next meeting will be held on Monday, February 28, 2011, in the in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

P. Chambers announced that Ameritas has invited the Board to hold the March 21, 2011, meeting at their office located at 5900 "O" Street, Lincoln, Nebraska.

Agenda Items 20 and 21 – Executive Session: At 12:14 p.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Emergency Deferred Compensation Application for Retirement No. 704263, 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, R. Rehmeier, R. Wassinger, and D. Pederson. Against: None. Motion carried.

At 12:46 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. R. Rehmeier seconded the motion. Members voted as follows: For: G. Elwell, R. Rehmeier, R. Wassinger, D. Pederson, and J. Elliott. Against: None. Motion carried.

J. Elliott moved for approval of the Emergency Deferred Compensation Application of Retirement No. 704263 for the net amount of \$153.60. R. Rehmeier seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, J. Elliott, and G. Elwell. Against: None. Motion carried.

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

The meeting adjourned at 12:48 p.m.

Phyllis G. Chambers
Director