

PUBLIC EMPLOYEES' RETIREMENT BOARD
EDUCATION SESSION AND MEETING MINUTES FOR
Tuesday, December 12 and Wednesday, December 13, 2006

The agenda for this meeting was mailed to every public employer, the news media, and other groups and individuals as requested.

The Education Session of the Public Employees' Retirement Board was called to order by Chairman Silvestri at 3:00 p.m., December 12, 2006, in the PERS' Board Room, 693 West Nye Lane, Carson City. Members present: Charles Silvestri, Susan DeFrancesco, Purisimo Hernandez, Elizabeth Fretwell, and Warren Wish. Members absent: David Kallas and George Stevens.

December 12, 2006
Board Education Session

I. ADMINISTRATION

- A. Terry Klas of PricewaterhouseCoppers and Staff reviewed PERS' annual external audit preparation and process.

II. INVESTMENTS

- A. Staff reviewed the use of private equity in the PERS' fund.

III. PUBLIC COMMENT

There were no public comments.

IV. RECESS

Chairman Silvestri recessed the meeting at 5:13 p.m.

December 13, 2006
BOARD MEETING

The Board meeting of the Public Employees' Retirement Board was called to order by Chairman Silvestri at 8:00 a.m., December 13, 2006, in the PERS' Board Room, 693 West Nye Lane, Carson City. Members present: Charles Silvestri, Sue DeFrancesco, Elizabeth Fretwell, Purisimo Hernandez, Warren Wish and David Kallas (via telephone). Members absent: George Stevens.

I. DISABILITIES

- A. Susan DeFrancesco stated for the record that she knows Gisele Despenza but did not feel that would keep her from voting. On motion of Warren Wish, the Board voted unanimously of those present to:

1. Approve permanent and total disability retirement for: Rena Abragan, James Cox, Robert Dandridge, Gisele Despenza, Ronald Fellion, Kathleen Frazier, Gerald Fundukian, Bonnie Gibson, Danielle Guazzini, Rymal Haggerton, Craig Hill, Gail Jones, Edmund Light, Barbara Marchand, Ralph McClay, Patty Otterstrom, Bernice Palen, Tami Phillips, and Anthony Prevetti.
2. Approve reemployment requests by disability recipients: Victoria Alvarez, James Elsea, Jimmy Faulkner, and Sheri Rasche.

II. INVESTMENTS

- A. Jim Chambliss, Karen Jakobi, and Matt Lugar of Pathway Capital Management presented an organizational overview and their annual private equity portfolio review for the PERS' fund.
- B. Staff has reviewed and analyzed the current U.S. Stock benchmark in accordance with recommendations from the 2nd Opinion Investment Program review completed earlier this year by Independent Fiduciary Services. Based on results of the review, staff recommends changing the benchmark for U.S. growth stock managers to the S&P Growth Index +0.25% as their performance objective and changing the benchmark for U.S. value stock managers to the S&P 500 Value Index +0.25% as their performance objective. On motion of Elizabeth Fretwell, the Board voted unanimously of those present to authorize staff to utilize the S&P Growth Index + 0.25% as the performance objective for U.S. growth stock managers, and the S&P 500 Value Index +0.25% as the performance objective for U.S. value stock managers.
- C. In conjunction with recommendations from the 2nd Opinion review, staff highlighted the objectives utilized in building PERS' current asset allocation policy and reviewed the current expectations for each asset class.
- D. Staff reviewed the proposed changes to the 2007 Investment Calendar. On motion of Elizabeth Fretwell, the Board voted unanimously of those present to approve the proposed amendments to the 2007 Investment Calendar, as submitted.
- E. There were no recommended changes to the Interim Investment Directives, for the PERS', Legislators', and Judicial funds.

III. BOARD

- A. On motion of Warren Wish, the Board voted unanimously of those present to approve the minutes of the Retirement Board meeting held November 15, 2006, as submitted.

- B. On motion of David Kallas, the Board voted unanimously of those present to change the February 2007 meeting dates to Wednesday, February 21st and Thursday, February 22nd and approve the proposed meeting dates for July 2007 through December 2007, as submitted.
- C. On motion of Purisimo Hernandez, the Board voted unanimously of those present to approve the revised 2007 Retirement Board education curriculum calendar, as submitted.

IV. ACCOUNTING

- A. Terry Klas of PricewaterhouseCoopers presented the fiscal year 2006 audited financial statements and management letter, including staff's responses, for the Public Employees' Retirement System and the Legislators' Retirement System. On motion of Warren Wish, the Retirement Board voted unanimously of those present, to accept the Fiscal Year 2006 audited financial statements for the Public Employees' Retirement System and the Legislators' Retirement System in addition to the management letter with staff responses.

V. ADMINISTRATION

- A. Staff highlighted the proposed amendment to Apex Computing's contract for information technology consulting services for fiscal year 2007. On motion of Purisimo Hernandez, the Board voted unanimously of those present to approve the amendment to the support agreement with Apex Computing, Inc., to an amount not to exceed \$1,100,000.00.
- B. Staff presented an interim private legal counsel contract with W. Chris Wicker, of Woodburn and Wedge. Mr. Wicker will work in conjunction with the Attorney General's office on pending litigation against PERS. This legal counsel is necessary due to the election of PERS' deputy attorney general to the position of Lyon County DA. On motion of David Kallas, the Board voted unanimously of those present to approve the Legal Counsel Agreement between the System and W. Chris Wicker, Woodburn and Wedge, at a cost not to exceed \$50,000.00 effective November 22, 2006, as submitted.

VI. LEGISLATION

- A. Staff reviewed the updated list of Bill Draft Requests PERS is tracking so far for the 2007 Legislative Session. No action is required at this time.

VII. RATIFICATION AGENDA

On motion of Susan DeFrancesco, the Retirement Board voted unanimously of those present, to:

- A. Approve the Administrative Fund disbursements.

- B. Approve all personnel action since the last report.
- C. Approve out-of-state travel for Board Chairman, Charles Silvestri to attend the Pension Bridge Annual Conference in San Francisco, California, February 26-27, 2007, at no cost to the System.
- D. Approve the Deceased Recipient Review Report for the quarter ending September 30, 2006.
- E. Approve Churchill County School District's request for a penalty waiver in the amount of \$271.54.
- F. Approve Eureka County's request for a penalty waiver in the amount of \$233.49.
- G. Approve Humboldt County's request for a penalty waiver in the amount of \$383.41.
- H. Retroactively approve the Investment Performance Guidelines for Dodge & Cox, JP Morgan, Payden & Rygel Active U.S. Bond, Western Asset Management, Julius Baer, and UBS Global Asset Management Active Non-U.S. Bond portfolios.

VIII. DENIALS

IX. REPORTS

X. PUBLIC COMMENT

- A. There were no individual statements and/or requests by the members, retired employees and/or the public.
- B. The Deputy Attorney General thanked the Board for the opportunity to represent PERS over the years.
- C. Administrative report by Staff.

- Executive Officer:
- 1. The Executive Officer announced that her presidential nomination for appointment to the Social Security Advisory Board was approved by the Senate on December 9, 2006. Ms. Bilyeu thanked the Board for their support of her pursuing this appointment. Senator Reid and PERS have issued press releases announcing her confirmation.
 - 2. The Executive Officer was the keynote speaker at the RPEN Washoe Chapter luncheon on December 11, 2006.

3. The Executive Officer requested information from PERS' actuary that would tell PERS what the contribution rates would be for regular members and police/fire members had the Board not changed PERS' funding policy. She also requested data on what the contribution rates would be for existing members if the plan were closed to new members. This information will be shared with the Interim Retirement and Benefits Committee.
4. The Executive Officer announced locations for upcoming speeches with different constituent groups for the beginning of 2007 in conjunction with implementing PERS' Public Relations Program.
5. The Executive Officer personally thanked Bob Auer, Deputy Attorney General, for his expertise and service to PERS over the years. He will be missed by all the staff.
6. The Executive Officer mentioned that her due diligence visit to The Segal Company's office in San Francisco went extremely well and she is very comfortable with the level of expertise they will provide to PERS.
7. The Executive Officer wished the Board and Staff a very Merry Christmas and a Happy New Year.

- Investment Officer:
1. The Investment Officer stated that Hank Banach of the Bank of New York Securities Lending office passed away unexpectedly last week. PERS has sent condolences to his family. Staff appreciated Hank's professionalism and integrity and service to PERS' members and he will be missed.
 2. The Investment Officer mentioned that a memorandum regarding his due diligence visit to New York is being prepared and will be distributed to the Board.
 3. The Investment Officer notified the Board that Callan Associates had settled a lawsuit with the City of San Diego.
 4. The Investment Officer notified the Board of the announced merger between the Bank of New York and Mellon. Staff will monitor the potential impact to PERS as more information becomes available.

- Operations Officer:
1. The Operations Officer announced that Lynette Jones, Director of Member and Retiree Services and herself spoke to the PORAN directors at their meeting in Reno on December 6th. It was a very

informal and successful discussion which included all aspects of the pension system.

D. Questions and/or comments by members of the Retirement Board.

Charles Silvestri: 1. Chairman, Charles Silvestri on behalf of the Board thanked Bob Auer for his years of service to PERS and wished him well in his new endeavors.
2. Chairman Silvestri wished the Board and staff a Merry Christmas and a Happy New Year.

Susan DeFrancesco: Susan DeFrancesco requested that staff send her a copy of the defined benefit/defined contribution discussion paper. Staff will distribute a copy to all Board members.

David Kallas: David Kallas wished the Board and staff a Merry Christmas and a Happy New Year.

XI. ADJOURNMENT

The meeting was adjourned by Chairman Silvestri at 12:17 p.m.

The following is the time schedule for the meeting:

On December 12, 2006, the Education Session was called to order at 3:00 p.m. by Chairman Silvestri and recessed at 5:13 p.m. The December 13, 2006, Board meeting was called to order at 8:00 a.m. Two breaks were taken at 9:36 a.m. and 10:55 for approximately ten minutes each. The meeting was adjourned at 12:17 p.m.