

PUBLIC EMPLOYEES' RETIREMENT BOARD  
EDUCATION SESSION AND MEETING MINUTES FOR  
Tuesday, May 20, 2008 and Wednesday, May 21, 2008

---

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

May 20, 2008  
Board Education Session

The Retirement Board Education Session was never called to order due to the lack of a quorum of the Retirement Board. No official meeting occurred.

---

May 21, 2008  
Board Meeting

The Retirement Board Meeting of the Public Employees' Retirement Board was called to order by Chairwoman Susan DeFrancesco at 8:16 a.m., May 21, 2008, in the PERS' Board Room, 693 West Nye Lane, Carson City. Members present: Susan DeFrancesco, Charles Silvestri, Elizabeth Fretwell, David Kallas (via telephone), George Stevens, and Warren Wish. Members absent: Purisimo Hernandez.

I. DISABILITIES

- A. On motion of Charles Silvestri, the Retirement Board voted unanimously of those present to:
1. Approve permanent and total disability retirement for: Robert Alexander, Cynthia Barber, Barbara Belcher, Debora Bourne, Robert Cohen, Carolyn Collins, Maria Dio, Don Erickson, Elizabeth Gadsden, Paul Hardwick, Kara Kelly-Borgognone, Sandra Kirker, James Link, Gary Ott, John Outlaw, Beverly Patrick, Phillip Roberts, Randall Sanford, Carol Scott, Lynda Sharp, Mark Turner, Belinda Wesolowski, Sharon Wright, and Susan Zelinka.
  2. Approve reemployment requests by disability recipients: Victoria Alvarez, Jeanne Bush, Denis D'Alessandro, Susan Decker, Gloria Dondero-Pedro, Jose Garzon, Michael Gluskin, Lula Lewis, Edmund Light, and John Lubich.
  3. Defer the reemployment request by disability recipient Melody Dixon until July 2008 so she may attend the meeting in Las Vegas.
- B. On motion of Charles Silvestri, the Retirement Board voted unanimously of those present to approve the dependent child survivor beneficiary coverage under the provisions of NRS 286.473(4) for Jessica Meligan.

II. INVESTMENTS

- 
- A. Staff provided a review and performance update on Payden & Rygel's active U.S. bond portfolio for the PERS' fund. Brian Matthews and Joan Payden of Payden & Rygel discussed their investment philosophy and performance record for the past ten years. After discussion, on motion of Charles Silvestri, the Retirement Board voted unanimously of those present to:
    - 1. Terminate Payden & Rygel's active bond portfolio and to transfer the assets to U.S. bond index portfolios managed by Barclays, Payden & Rygel, and UBS.
    - 2. Approve the Investment Objectives and Policies for the PERS' fund, as submitted.
  - B. Staff and Paul Troup of Callan Associates presented the Quarterly Performance Update for the PERS', Legislators', and Judicial funds for the period ending March 31, 2008.
  - C. Staff reviewed the recommended changes to the Interim Investment Directives for the PERS' fund. On motion of Elizabeth Fretwell, the Retirement Board voted unanimously of those present to approve the Interim Investment Directives for the PERS' fund, as submitted.

### III. BOARD

- A. Debby Thomsen, PERS' Principal Auditor, presented the results of the accounts receivable internal audit report. On motion of Warren Wish, the Retirement Board voted unanimously of those present to accept the Accounts Receivable Internal Audit Report, as submitted.
- B. Sub-Committee Chairman Warren Wish provided an update on the Sub-Committee's progress.
- C. On motion of Charles Silvestri, the Retirement Board voted unanimously of those present to approve the minutes of the Retirement Board's education session and board meeting held April 15 and 16, 2008, as submitted.
- D. There were no changes to the Retirement Board meeting dates.
- E. There were no changes to the Retirement Board's education curriculum calendar.

### IV. ADMINISTRATION

- A. The public hearing for the proposed modifications to PERS' Official Policies dated September 1, 2007, began at 11:00 a.m. Staff reviewed the proposed policy modifications for call back. Chairwoman DeFrancesco called for public comment. Mark Vincent, City of Las Vegas, Bo Palecki, Reno Police Protective Association, Tim Iveson, Reno Firefighters, Robert Osoff, City of Henderson, Mike Anthony, City of Reno, Ann Silva, City of Carson City, Joe Espinoza, Vice-President PFFN, Ron

---

Dreher, PORAN, and Sue Johnson City of Carson City, addressed the Retirement Board regarding their concerns of the proposed language clarification to the “call back” definition, emergency definition, and who would be responsible for determining the situation was an emergency. After discussion, Chairwoman DeFrancesco requested that any members in the audience that had recommendations for different language and/or definition should put those in writing and send them to PERS prior to May 30, 2008 for inclusion in the June meeting materials. Action on these particular policy changes will be done at the June 18<sup>th</sup> meeting.

Staff reviewed the proposed policy modifications to the Employer Responsibilities section of PERS’ Official Policies dated September 1, 2007. Mark Vincent, City of Las Vegas, and Ron Dreher, PORAN voiced their concerns regarding these policy changes to the Retirement Board. After discussion, on motion of Elizabeth Fretwell, the Retirement Board voted unanimously of those present, to approve modifications to PERS’ Official Policies beginning at 12.20 through 12.38 with new language at 12.39 that allows for employers to request a time extension, if necessary, to implement all adjustments necessary to employee or retiree records.

- B. Staff reviewed the Police and Firefighters’ Retirement Fund Advisory Committee meeting minutes for April 24, 2008. On motion of Elizabeth Fretwell, the Retirement Board voted unanimously of those present to approve the minutes of the Police and Firefighters’ Retirement Fund Advisory Committee meeting held April 24, 2008.
- C. Staff presented the proposed request for an updated IRS Determination Letter for the Public Employees’ Retirement System and the request for plan determination letters for the Legislators’ and Judicial Retirement Systems. On motion of Elizabeth Fretwell, the Retirement Board voted unanimously of those present to authorize staff to begin the process of filing for plan qualification letters from the Internal Revenue Service for the PERS’ fund, the Legislators’ Retirement System and the Judicial Retirement System with the assistance of tax counsel.
- D. Staff provided an update on the JAVA language conversion project.

V. ACCOUNTING

- A. Staff reviewed the RFP process conducted for selection of an accounting firm to provide annual financial audits for the PERS’, Legislators’, and Judicial funds for fiscal years 2008 through 2012. Staff received completed bids from Clifton Gunderson, Kafoury Armstrong, Moss Adams, and PricewaterhouseCoopers. Upon completion of committee review Clifton Gunderson was chosen as the top candidate. After discussion, on motion of Elizabeth Fretwell, the Retirement Board voted unanimously of those present to authorize staff to enter into a contract with Clifton Gunderson to perform a financial audit of the Public Employees’ Retirement System, the Legislators’ Retirement System and the Judicial Retirement System for the fiscal years ending 2008, 2009, 2010, 2011, and 2012, for a total fee not to exceed \$652,900, with the Board reserving the right to review the contract annually and reappoint the firm or request an RFP, whichever is in the best interest of the System. David Kallas was not present for this vote.

---

VI. LEGISLATION

- A. Staff provided a request for actuarial cost studies to be performed by The Segal Company on certain items in preparation of the 2009 legislative session. On motion of Charles Silvestri, the Retirement Board voted unanimously of those present to approve the proposed benefit modification studies for the 2009 legislative session as amended, and directed staff to work with the actuary to prepare impact estimates to potential benefit reductions. David Kallas was not present for this vote.

VII. RATIFICATION AGENDA

On motion of George Stevens, the Retirement Board voted unanimously of those present to:

- A. Approve the Administrative Fund disbursements.
- B. Approve the personnel action taken since the last report.
- C. Approve the Final Benefit Audit Report for April 2007.
- D. Approve out-of-state travel for Charles Silvestri to participate as a panelist at the Enhanced Income for Retirement by Education (EIRE) conference in Ireland on May 24-28, 2008, at no cost to the System.
- E. Approve the quarterly Deceased Recipient Review report for the period ending March 31, 2008.
- F. Approve the Phase-In Agreement between the University of Nevada, Reno and Patricia Diehl effective May 6, 2008.
- G. Approve out-of-state travel for the Executive Officer to meet with Legal Counsel, David Powell in Washington, D.C. on June 4, 2008, to discuss the process and timeline for IRS plan determination letters for the Public Employees' Retirement System, the Legislators' Retirement System, and the Judicial Retirement System.

David Kallas was not present for this vote.

VIII. APPEALS

- A. Staff provided background information on Ms. Margaret Kiltz's request that PERS waive her benefit overpayment. PERS' records indicate that William Fitzmorris retired on July 26, 1999, with an accumulated service credit total of 20.23 years of Regular service and 10.02 years of Police/Fire service (total service of 30.25 years). He selected retirement Option 1 and named his spouse Margaret Kiltz as his beneficiary to receive 50% of the Police/Fire service upon his death.

On January 30, 2004, Margaret Kiltz met with a PERS' counselor to report the death of her husband, William Fitzmorris. The counselor explained that the benefit she would receive was based on his Police/Fire service credit and estimated her benefit to

be approximately \$483 per month. During this appointment, Ms. Kiltz questioned the benefit amount and stated she was never informed that only the Police/Fire service credit would be used in calculating the benefit amount. Ms. Kiltz stated she wanted to speak to someone about this amount and at that time the PERS' counselor explained the appeals process.

On February 6, 2004, a letter was sent to Ms. Kiltz by PERS stating that the monthly benefit would be \$1,550.50, which was an error. The benefit calculation was based on the entire amount that Mr. Fitzmorris was receiving which was incorrect. The benefit amount should have been \$503.62.

An annual audit of beneficiary recipients revealed that the benefit had been miscalculated. After researching the details of the account, it was determined that the benefit to Ms. Kiltz was overpaid by \$54,702.80 from February 2004 through March 2008. After staff discovered the overpayment, Ms. Kiltz was sent a letter dated March 31, 2008, stating that her monthly benefit would be reduced from \$1,711.38 to \$561.32 beginning with the April 2008 payment. To recapture the overpaid benefit, a deduction in the amount of \$547.03 was scheduled to be taken over a 100-month period beginning with the May 2008 benefit payment.

Ms. Kiltz has requested that PERS waive the overpayment and restore her monthly benefit to the amount she was originally receiving. After review, based on NRS 286.190 and applicable case law, staff is recommending that the Retirement Board grant Ms. Kiltz's request.

Karen Jenkins of Jenkins Law Firm, addressed the Retirement Board on behalf of Ms. Margaret Kiltz stating detrimental reliance on information provided by PERS and the "*Byrne Case Law*" to allow Ms. Kiltz to continue receiving her monthly benefit as she was originally receiving.

For the record, Elizabeth Fretwell disclosed that Karen Jenkins is a personal friend of hers. After discussion, on motion of Charles Silvestri, the Retirement Board voted unanimously of those present to approve the request of Ms. Margaret Kiltz to write-off her benefit overpayment and to maintain her monthly benefit at the level she was originally paid based upon their authority under NRS 286.190.

IX. DENIALS

X. REPORTS

XI. 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 had nothing to report.
- C. Administrative report by Staff.

- 
- Executive Officer:
1. The Executive Officer reviewed a draft of a new publication designed to explain PERS contribution to the health of Nevada. The mission of the System and contact information will be included in the publication.
  2. The Executive Officer mentioned that the Society of Actuaries and the American Academy of Actuaries may be publishing a potential statement on what public plans should disclose. This is different from what they agreed upon at the panel discussion that took place in New York earlier this year. The Executive Officer will keep the Board informed as this develops.
  3. The Executive Officer expressed her pride in PERS' Investment Officer, Ken Lambert on his achievement of becoming a Chartered Alternative Investment Analyst (CAIA).
  4. The Executive Officer requested that any Board member wanting to attend the NCTR conference in October notify Karen as soon as possible so she can make hotel arrangements.

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

## XII. ADJOURNMENT

The meeting was adjourned by Chairwoman DeFrancesco at 2:30 p.m.

---

The following is the time schedule for the meeting:

The May 21, 2008, Retirement Board meeting was called to order at 8:16 a.m. by Chairwoman DeFrancesco. Two breaks were taken at 9:43 a. m. and 11:55 a.m. for approximately ten minutes each. The meeting was recessed for lunch at 12:45 p.m. until 1:15 p.m. The meeting was adjourned at 2:30 p.m.