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 Balen at 3:00 p.m., January 17, 2006, in the PERS’ Board Room, 5820 South Eastern Avenue, Suite 220, Las Vegas. Members present: Mark Balen, Susan DeFrancesco, Purisimo Hernandez, David Kallas, Charles Silvestri, George Stevens and Warren Wish. Members absent: None.

JANUARY 17, 2006
BOARD EDUCATION SESSION

I. INVESTMENTS
   A. Staff discussed investment risk and correlation and their relevance to the construction of the PERS’ portfolio.

II. ADMINISTRATION
   A. Staff reviewed the income statements, balance sheets, and their use in preparing the monthly and annual financial statements including the Comprehensive Annual Financial Report (CAFR) for the PERS’ fund.

III. PUBLIC COMMENT

IV. RECESS

Chairman Balen recessed the meeting at 4:00 p.m.

JANUARY 18, 2006
BOARD MEETING

The Board meeting of the Public Employees’ Retirement Board was called to order by Chairman Balen at 8:00 a.m., January 18, 2006, in the PERS’ Board Room, 5820 South Eastern Avenue, Suite 220, Las Vegas. Members present: Mark Balen, Susan DeFrancesco, Purisimo Hernandez, David Kallas, Charles Silvestri, George Stevens, and Warren Wish. Members absent: None.

I. DISABILITIES
A. On motion of David Kallas, the Board voted unanimously to:

1. Approve permanent and total disability retirement for: Susan Aiazzi, Michael Bisceglia, Debra Bonsangue, Victoria Bonuel, Kenneth Boardman, Glinda Bullock, Gladys Carrasquillo, Kely Chuma, Denis D’Alessandro, Jerry Daniels, Richard Hansen, Albert Hibbard, Donna Holihan, Carolyn Johnson, Jerry Lawson, Margaret Marino, Daniel McQueen, Phillip Mikler, Candace Montoya, Wade Penegor, Michael Ravlin, Carol Rubel, Carolyn Smith, Norman Smith, Thomas Spear, Anita Teague, and Pamela Thompson.

2. Approve reemployment requests by disability recipients: James Benthin, Steven Bremer, Laura Fletcher, Pedro Hernandez, Barry Lovgren, Brian Mirch, and Timothy Mutch.

B. On motion of George Stevens, the Board voted unanimously to approve Joseph Constanza’s request to be determined an incapacitated child under NRS 286.673.

II. INVESTMENTS

A. Mike Nyeholt and Terry Ragsdale of Capital Guardian presented an update on their active domestic equity growth portfolio.

B. David Cox, Jennifer Hunt, and Nancy Scinto of Voyageur presented an update on their active U.S. growth equity portfolio and an organizational overview.

C. Hank Banach of Bank of New York presented a review of their Securities Lending portfolio including its performance and an organizational overview.

D. Staff discussed the benefits of increasing PERS’ asset allocation index portion in the domestic equities asset class by reducing the active portion to 35% from 40% and increasing the indexing portion to 65% from 60%. Discussions ensued regarding whether to hire an additional value equity manager and/or to increase the domestic equities index allocation to 65%. Staff reviewed the three firms that were interviewed at the December 2005 Board meeting to manage a value equity mandate; Cooke & Bieler, Delaware Associates, and T. Rowe Price. After discussion, on motion of David Kallas, the Board voted 2-yeas and 5-nays (Wish, DeFrancesco, Silvestri, Stevens and Hernandez voted no) to maintain the current asset allocation of 60% indexing and 40% active management in the domestic equities asset class. Motion failed. On motion of George Stevens, the Board voted 6-yeas and 1-no (Kallas voted no) to increase the
current asset allocation in the domestic equities asset class to 65% indexing and 35% active management. On motion of Warren Wish, the Board voted 2-yeas and 5-nays (Kallas, Balen, Silvestri, Stevens, and Hernandez voted no) to increase the indexing portion of the domestic equities asset class to 65% and hire a new value equity manager. Motion failed.

E. Staff presented the recommended changes to the Investment Objectives and Policies, for the PERS’ fund consistent with Board action taken under agenda item II-D. On motion of Warren Wish, the Board voted unanimously to approve the amended Investment Objectives and Policies, PERS’ fund, consistent with Board action taken under agenda item II-D.

F. Staff reviewed the modifications to the Interim Investment Directives for the PERS’ fund consistent with the Board’s action taken under agenda item II-D. On motion of George Stevens, the Board voted unanimously to approve the amendments to Directives 13 and 14 of the Interim Investment Directives, PERS’ fund consistent with Board action on agenda item II-D. On motion of David Kallas, the Board voted unanimously to allow staff to amend the Interim Investment Directives for the PERS’ fund in any way necessary to reflect the Board’s decision under agenda item II-D.

G. Staff thanked Ruthann Moomy of Callan Associates for her additional support during the past few months and appreciates PERS’ relationship with Callan Associates. Staff then presented the recommended changes to the Callan Associates Performance Expectations. On motion of David Kallas, the Board voted unanimously to approve the Callan Associates Performance Expectations, effective January 18, 2006, as submitted.

H. Staff informed the Board that Jim Kellerman, Chief Investment Officer of WestAM will be leaving the firm for personal reasons. David Hays will assume the Chief Investment Officer role at WestAM. Staff will continue to monitor this portfolio and keep the Board apprised of any further developments.

III. BOARD

A. Staff updated the Board on the progress of the 2nd opinion review of PERS’ investment programs with Independent Fiduciary Services (IFS). Staff from IFS will be contacting the Board members and staff to conduct interviews as part of their review process.

B. On motion of Warren Wish, the Retirement Board voted unanimously to approve the minutes of the Retirement Board education session and meeting held December 13 and 14, 2005, as submitted.

C. On motion of Purisimo Hernandez, the Board voted unanimously to change the May meeting dates from May 16 and 17 to May 9 and 10, 2006.
D. There were no changes to the Retirement Board education curriculum calendar.

E. Staff reviewed the request for proposal process for an internal control examination firm. PERS received three responses to their request; Clifton Gunderson LLP, Grobstein, Horwath & Company, and Kafoury, Armstrong & Company. After reviewing the minimum requirements: comprehensiveness of their work plan, hours required to perform the task, experience and qualifications of their staff, resources of the firm, fees, and their timelines, staff recommends retaining Clifton Gunderson LLP. On motion of Susan DeFrancesco, the Board voted 6-yeas and 1-no (Charles Silvestri voted no) to authorize the retention of Clifton Gunderson LLP to perform the Internal Control Examination for the Public Employees’ Retirement System, the Judicial Retirement System, and the Legislators’ Retirement System, at a cost not to exceed $124,875.00.

IV. ACCOUNTING

A. Terry Klas of PricewaterhouseCoopers and staff reviewed the fiscal year 2005 audited financial statements and management letter with staff responses for the Public Employees’ Retirement System, the Legislators’ Retirement System, and the Judicial Retirement System. On motion of Purisimo Hernandez, the Board voted unanimously to accept the fiscal year 2005 audited financial statements; management letter and staff responses for the Public Employees’ Retirement System, Legislators’ Retirement System, and the Judicial Retirement System.

V. ADMINISTRATION

A. Leslie Thompson of The Segal Company discussed asset liability modeling for public pension systems and conducting a baseline asset liability study of the Public Employees’ Retirement System. Ms. Thompson also discussed the items that could be analyzed in the study and what possible questions the Board would like to ask. On motion of David Kallas, the Board voted unanimously to authorize staff to initiate and move forward with an asset liability modeling study to be performed by The Segal Company for the Public Employees’ Retirement System.

B. Staff reviewed disability statistics for the last five years which included how many service retirements versus disability retirements that PERS receives annually. The service retirements to disability retirement’s ratio has remained constant during the last five years. Brad Ramirez of The Segal Company presented disability study results for police/fire members and regular members compared to current assumptions utilized in completing PERS’ annual actuarial valuation.

C. Staff highlighted PERS’ workflow process in the C*A*R*S*O*N system and how the monthly statistical reports are generated from this process.

VI. RATIFICATION AGENDA
On motion of David Kallas, the Retirement Board voted unanimously to:

A. Approve the Administrative Fund disbursements.

B. Approve all personnel action since the last report.

C. Approve the Final Benefit Audit Report for December 2004.


E. Approve out-of-state travel for appropriate staff to attend training on Fluke Network Devices in Dallas, Texas, January 30 through February 3, 2006.

F. Approve out-of-state travel for appropriate staff to attend the annual PRISM conference in San Francisco, California, April 22 through April 26, 2006.

G. Approve a contract with Hughes-Calihan to lease seven printers for a term of 60 months.

VII. DENIALS

VIII. REPORTS

Staff highlighted some changes to the statistical report on the collection of the number of phone calls received now that the call center includes the Las Vegas office. Also, staff noted the formatting change to the overtime report.

IX. 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 no report.

C. Administrative report by Staff.

Executive Officer:

1. The Executive Officer reviewed the Interim Retirement and Benefits Committee agenda for their January 25th meeting.

2. The Executive Officer read a copy of a letter addressed to the Governor complimenting and thanking PERS’ staff and Bob Auer, PERS’ Deputy Attorney General, for their assistance in solving Mr. Michael Scher’s situation with PEBP.
D. Questions and/or comments by members of the Retirement Board.

X. **ADJOURNMENT** – The meeting was adjourned at 2:10 p.m. by Chairman Balen.

The following is the time schedule for the meeting:

On January 17, 2006, the Education Session was called to order at 3:00 p.m. by Chairman Balen and recessed at 4:00 p.m. The January 18, 2006, Board meeting was called to order at 8:00 a.m. Three breaks were taken at 9:10, 10:10, and 11:00 a.m. for approximately ten minutes each. The meeting was recessed at 12:30 p.m. for lunch for approximately 30 minutes and the meeting was adjourned at 2:10 p.m.

L. MARK BALEN
Chairman, Retirement Board

DANA K. BILYEUV
Executive Officer