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The Committee on Nebraska Retirement Systems met at 12:10 p.m. on Tuesday, March 23, 2010, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing. Senators present: Dave Pankonin, Chairperson; Jeremy Nordquist, Vice Chairperson; Lavon Heidemann; Russ Karpisek; and Heath Mello. Senators absent: LeRoy Louden.

SENATOR PANKONIN: Good afternoon, everyone. We want to welcome you to the Nebraska Retirement Systems Committee. This is a hearing where we accept a couple of reports from groups we work with. And as noted in the agenda, we'll first have the Nebraska Investment Council annual report, followed by the Nebraska Public Employees System Retirement Systems annual report. And like any hearing, we hope that you have your cell phones on manner mode or off so we can listen to the reports. Right now we have Senator Health Mello is with us. I'm Senator Dave Pankonin. We are expecting in here, he is arriving, Senator Russ Karpisek will be joining us. I think the other senators had another hearing that took...Senator Nordquist and Senator Louden and Senator Heidemann is at a meeting but will probably be joining us later. So with that, if our Chief Investment Officer, Mr. States, will come forward.

JEFFREY STATES: I think the page has materials for you, so...

SENATOR PANKONIN: Okay, we'll pass those out.

JEFFREY STATES: (Exhibits 1 and 2) Senator Pankonin and members of the Nebraska Retirement Committee, we thank you for the opportunity today to appear before you to present the Nebraska Investment Council 2009 annual report. My name is Jeffrey States, that's J-e-f-f-r-e-y S-t-a-t-e-s and I am the Nebraska State Investment Officer. I'm going to start by telling you that on behalf of the council and the staff we greatly appreciate the interest of the committee and the opportunity to discuss our investment programs with you. Two thousand nine, as you know, was a year of transition for the financial markets and the portfolios that we manage. It was also a year for a challenge for the council with the resignation of my predecessor, Dave Bomberger, in February and then my taking the office in November. During that eight month interim we were very fortunate to have able services of Joseph Jurich as the portfolio manager on the staff step in to fill that role along with the support of our investment consultant Ennis Knupp. I want to show you what didn't change in 2009 was the commitment of the Nebraska Investment Council. Its membership was stable and it continues, as we all do, to be committed to prudently manage the funds and trusts for the people of Nebraska. I think you have now received a copy of the council's 2009 annual report, as well as a supplemental handout that has some market information that I will discuss with you. The council manages, as the report includes, investments for some 31 different entities and a single entity can include a number of multiple funds. The best example of that would be the state's operating investment pool, which includes all of the cash funds and monies for various separate departments. For all of these entities and the various funds that we manage the council's responsibility is in investment. It does not determine the amount of funds that are contributed nor the amounts that are paid out. Starting on page 5 is a list of the...or is the council's mission statement as well as an identification of who the current council members are. And, as I said, John Dinkel was reconfirmed last year. The council members certainly serve on staggered terms. So we're very fortunate, however, to have such a...I think a well qualified, both professionally and dedicated group working with the council. Because it's their commitment, I think, that makes us function well. I will, at this point, turn to some of the material that's in the supplemental report that I gave you and go through it. It provides a little bit of background on the capital markets and then...and I do this because it also, I think, lays the framework for a little bit of the expectation for where we think investment performance for the fund will go. And then I will go through the specifics on a couple of the items in the report. I'll just start to kind of remind you how far we came in 2009. And I'm so fortunate to be here this year. My predecessor was here a year ago when the stock market for the prior year had been down 28.6 percent. And just in the first quarter of 2009, the stock market declined another 27 percent. So we were to the point where even in the first quarter there was a lot of uncertainty about the economic future of the country and its financial stability, no one being certain with respect to whether it was going to go further and be turned into a 1930's type depression, collapse of financial institutions was a concern. And it's wonderful to be here a year later. And this shows you, I mean, that recovery was fairly widespread from stocks in both the U.S. and globally. Things like emerging markets, to some extent, have recovered by 78 percent because they were down by 50, the rest of that difference, a lot of it's accountable by changes in the dollar value as the dollar depreciated a little bit. The markets that continue to lag, to some extent, are the private markets, both real estate and private equity, but that's because they tend to trail the marketplace and they price in the impact of market activity a little bit slower. Turning to the next page, I just want to highlight for you a little bit what got us out of that panic state. And it was pretty aggressive intervention in the markets by the federal reserve and the federal government to step in and provide some confidence that the credit markets would not continue to collapse or unravel with the collapse of Lehman and then following some issues with AIG and there was a lot of concern about where the next brick was going to fall and the wall collapse, intervention there as well as the fact that because there was a lot of lack of confidence someone needed to provide liquidity in the market and feds stepped in to do that, lowering interest rates as well as really providing their balance sheet to buy a lot of the debt that needed to be soaked up in the mortgage sector and other places again to keep us afloat during a short period of time. And fortunately it worked. So, we went through almost as rapid a recovery as we did a decline. At least as the stock market was concerned for 2009, that was kind of a local rally at first, because things that fall the farthest tend to be the ones that bounce back the fastest. But it was and this chart on the third page just kind of demonstrates that, that triple A or more highly rated corporations haven't returned still from the bottom of about 46, 47 percent. But those that have lesser quality and were more depressed were upwards of 300, 400, 500 percent in returns. If you threw caution to the wind and just bought cheap, that's what some people were doing, there was a significant payoff, but there was a risk that those dreams wouldn't be achieved either. The next page is a little bit of a history, the ten years rolling basis for the U.S. stock market. Over the last 200 years, you can see there's been a consistent pattern of ups and down. Average return in the stock market about 8.1 percent. Good thing off the chart, I suppose, when we're at the end over here on the right-hand side is that when you're down you have almost nowhere to go but up. And we were able to start to do that. But I think there is a great amount of concern about how sustainable the current balance is going forward. And if you look at the prior periods, in the thirties, the recovery that first happened in '31 or '32 was followed by another movement down. You find for different reasons but a similar thing happening in the 1970's where after having a market that peaked in the fifties and sixties a movement down. And it kind of sustained itself almost the entire decade. So we still had challenges ahead of us because we started to recover, but history tells us there are a variety of outcomes and that those outcomes create uncertainty. Let me just flip past the next chart, except for the point of noting that there are more years where the returns have been above zero than below and certainly significant ones where the returns have been above. Also the 8 percent actuarial return we're looking for and kind of the 8 percent return that's currently attributed, kind of, to the capital markets from the equity sector. The bond market also participated and continues to provide a lot of the support for the market. And you can see what happened. Interest rates currently, one of the things that provides some stimulus and continues to support the market, has been the low level of the front end of the yield curve with the fed rate at .25 percent moving down from 3.5 at the end of December of 2007. An ongoing concern of the marketplace is what happens as that rate ultimately has to rise? And the feds got a delicate role to perform in trying to ease its way out of the support that it provided to the market in 2009 to kind of get people to participate in the marketplace again, as well as try and keep us...if the economy begins to pick up or when the economy starts to pick up from overheating and becoming kind of an inflationary marketplace that we were in the 1970's. Along with that, and we already know it, employment is an issue because the economy slowed down quite a little bit. And one thing, that COLA has to happen for the economy to begin to grow and the outlook to become better is for employment to improve. And as you see, the average over the 30 years, at 6.2 percent, we're well above that. And so, the expectations are we'll gradually move back to that but how quickly is a concern. And then we have an ongoing debate today about whether we're going to have inflation coming out of this recovery because of the large levels of stimulus in the debt versus deflation in some cases. Because, as we know, one of the things that got us into this situation were assets that were overinflated, a lot of leverage being used in the market. And we're still seeing balance sheets being corrected and some deal leveraging occurring which creates some depreciation in the asset values of people's holdings. TIPS, which are the Treasury Inflation Protection market, you can see still are anticipating a fairly low level of inflation for the next several years. And last just as a note, the dollar did, during 2009, decline. And that's just...questions about, to some extent, the attraction of holding the dollar and part of that was related to the fact that our interest rates generally were lower than those around the globe. And so to one level to attract interest in our debt rates need to go up and that will make, probably, greater demand for the dollar. But while opportunities seem to be elsewhere and some concern still about our stability as a marketplace, there was a little bit of a movement away from the dollar during 2009. The next slide, and this will get us back to the annual report, is to look at how the various programs that the Nebraska Investment Council is responsible for performed during 2009, state defined benefit plan one year return about 22.1 percent, cash balance, similar investment class is being invested in a variety of strategies and asset classes is just slightly lower than that at 21.9, slightly lower because of the cash funds into that being different. Healthcare endowment invested in a similar manner at 21.8, the endowments that are in what we call a 50-50 program, returning slightly better because they're a mix of...they have less exposure to some of the alternatives base. And then some of the more specialized funds that we manage money for are also shown there. If I can, quickly, I guess, I'll try to speed myself up to get to the report. But you'll find introduction to the annual report on pages 6 and 8, it summarizes much of what I've just presented with respect to the year. But I would want to just highlight a couple of things that are mentioned there on page 7 related to what happened with the council and its funds. The assets under management for 2009, grew by almost $2 billion, they were up 16 percent to $14.1 billion, which was a strong recovery from 2008. I'm sorry, I moved to the annual report. That's a tripling of the assets under management from 1996. Investment earnings for all the funds were about $2.3 billion. Offsetting that a little bit was the fact that we actually had net cap contributions outflow of about $314 million. Some of that, much of it is because of the fact that the Retirement Systems Programs, in many cases, are mature, and so we're actually slightly paying out more benefits than what we're currently taking in, in contributions. So investment earnings are helping support that over time. Also contributing...contributions continue to be the College Savings Plan, we saw a net increase of $102 million. And we also saw the operating investment pool actually decline by about $168 million. And I would suspect a lot of that's because of the fact that, as we know, state revenues themselves have been under pressure and I think there's been some action to encourage agencies to use the cash that they have available to meet their expenditure needs. Difficult credit markets causes us in one area to make a slight change in the way we manage the office, and it was with the Operating Investment Pool. And we did, early in the year, divide the pool. The government and agency piece, which is the high credit portion of the market, continues to be managed internally by staff. That's about $1.7 billion on a daily basis. The other $800 million was separated out into a corporate portfolio that we've contracted, at least for the current time period, with an outside credit market specialist. And that was to make sure that we were understanding the markets and also to help us build a more diversified portfolio in that area. Another event for last year was the RFP for the College Savings Plan with the Treasurer. The Union Bank contract was due to expire at the end of this year and so that was why it went out to bid. Ultimately, the Treasurer and the council made a decision that we'll transition that program to the First National Bank of Omaha by the end of this year. Continued emphasis from the council on diversification of investments with a focus on risk as well as trying to accomplish return. And that's a difficult task particularly in an environment where the near term...the returns may look less than what we've seen over the last several years. The rest of the report, behind each of the tabs, provides summary material on each of the programs that we're responsible for and the executive summary shows you, and I will point you to that on page 9, the asset allocation between the various plans with about 60 percent of the funds managed by the council being those belonging to the Defined Benefit Plans and the state, county retirement plans and deferred comp. And page 10 will give you a kind of summary view of how those contributions and funds have grown in the various cash balances over the period. Behind the third tab, which is the Defined Benefit Program, I would just point out that $6.449 billion worth of funds were invested in those DB plans. And we saw investment earnings to those last year of about $1.148 billion. Again, I would just point out that that growth was in the funds in total, was really from the investment earnings because the payout of the net contributions were just slightly below what we received. The pie chart on page 12 would give you just a little more information about the asset allocation that we're currently following. Fixed income is 30 percent of our assets, and that's generally all in investment grade, high quality portfolio with a couple of exceptions that we made with respect to some targeted, strategic distressed mortgage type investments that were entered into and actually in the end of 2008 and early 2009 to kind of take advantage a little bit on a closed-in type of fund basis of the short-term opportunity that's been created because of the difficulties. You kind of hate to make money on somebody else's problems, but there are big opportunities in some cases because of a need for...well, just the difficulties that the credit markets had which kind of branded everything the same way. And some are much better than others. I was going to say in this section also provides both returns by asset class, as well as performance of the individual managers. And a good place for this, so if there are specific questions on any of those I'd be happy to address them. The next tab provides similar information, beginning on page 21, for the State and County Retirement System and for the State Deferred Compensation Program, recognizing the difference that the cash balance program is, in fact, invested in a similar manner, involves the same asset allocation that we use for the Defined Benefit Program. The Deferred Comp, as well as the Defined Contribution Plan are invested in a series of funds and options which are provided to members, but they're self-directed. And so the membership determines the asset allocation and the mix that's there. But the assets in those funds today total about $1.7 billion, and they had earnings last year of $476 million, so good participation across the board in those. I would want to make a brief comment again about the Operating Investment Pool, since it's where a lot of the state's funds are, behind the next tab, starting on page 37. Just to remind you that you can see the mix of the funds today, where they come from; 80 percent of the funds come from various state agency programs, 17.8 from General Fund monies, and a smaller piece that's in a time deposit open account which really comes out of the General Fund monies invested with the Treasurer. And the shift in focus, at least in the short-term, to kind of make sure we were fully managing the aspects of those state funds, because we know they're critical for the management of state government, was to diversify the management by hiring the outside expert. You will remember that the budget for the council last year, which I think you helped support, did include some expansion of staff. And we're actively working with personnel to add those staff positions at this time, one to support the LIP as a portfolio manager to help us expand our capabilities and look towards being able to bring some of that corporate money back inhouse, but not until we feel like we're properly staffed and resourced to do that. And the second position that we're working on creating will help support what we're doing in the back office for accounting and reporting. Because the council, while the assets have grown, has not seen its staff, for a number of years, grow and we're finding that with the multiple responsibilities, from my perspective, the staff, and I think you've been told this before, has been doing a great job, it's overworked and we need the support to make sure that we're comfortable that we know as much about our investments as our managers and our outside consultant does so that we're less dependent on those relationships for just keeping us informed. Highlights of things that we're planning to do for this year, besides working on the staffing, this summer we will undertake a new asset liability study, kind of do them on a three- or four-year cycle and following the recent market events. The last one was done in '07. It's a good time for the council to sit down and talk about how it's investing the money, I think, with this consultant about where there are opportunities but also do a good risk assessment for what we're currently doing and kind of reaffirm our strategies and look for some opportunities going forward. The last of the report, behind the miscellaneous tab, or actually that supplemental tab, includes copies of the council's policies, just for your information. And I would want to point out, I think it's important and we're certainly aware and conscious of trying to manage this, but there is a summary of the costs and the funds that are being spent either directly through the budget and through the monies that are paid out through the investment earnings on pages 110 and 111, which show that the total council expenses for operations and investment management and custody was just a little bit below $29 million, which is about .25 percent or 25 basis points of the funds. And I think our goal and objective as we go forward is to try and not see that number on a basis point level go up and hopefully work to see whether there are ways that we can reduce the costs for the management of the funds, continuing to take advantage of opportunities for passive investment through indexing, where that seems to be appropriate, but also looking at being able to manage relationships as much as possible inhouse where we feel comfortable. And with that, Senator, I want to thank you all for your time. And we certainly look forward to continuing to work with you. And I'll answer any questions that you might have.

SENATOR PANKONIN: Mr. States, thank you for that presentation. Obviously, we have these materials we'll look over. And I know you would be open to questions any time. But we'll see if there are any at this point. Seeing none, thank you for coming. And we appreciate the materials. And I'm sure if people have individual questions we'll contact you.

JEFFREY STATES: We'll welcome them at any time, yeah.

SENATOR PANKONIN: All right. Okay, we will now have Director Chambers come forward for the report, the NPERS report that I think people on the committee did get this last week, so maybe had a chance to look at it.

PHYLLIS CHAMBERS: Does everybody have a copy? I did bring a couple of extras.

SENATOR PANKONIN: We...okay. Anybody that would like a copy right now? I think we've got them.

PHYLLIS CHAMBERS: (Exhibit 3) Well, good afternoon, Chairman Pankonin and Retirement Committee members. My name is Phyllis Chambers, P-h-y-l-l-i-s C-h-a-m-b-e-r-s, and I'm the director of the Nebraska Public Employees Retirement Systems. I appreciate the opportunity to be before you today and present the 2010 annual report. I'm pleased to say that it's been a good year for the retirement plans for a number of reasons. Our investment funds have improved, as Jeffrey States has just explained to you, and that has been good for the funding status of our plans, for the Defined Benefit and the Cash Balance Plans and also for the individual members in the Defined Contributions Deferred Comps and draw plan. We continue to progress with our information technology system since we converted it a year ago. And we're improving our benefit processes and operations and it shows in our most recent audit by the...of the school, judges and State Patrol plans. You should have received a copy of this report, our 2010 annual report. This publication is a valuable resource for you in providing you important information about the plans and our agency. And I would hope that you would refer to it often when you have questions about the retirement systems. I'd like to cover a few important highlights in the report. The report does list the nine members of the Retirement Systems, and I hope I don't make too much noise in that microphone. Two of our board members are here today: Denis Blank, our chairman is here, and also, of course, Jeff States who is an ex officio member on our board. The report also covers our mission statement, our statutory authority and our organizational chart in the first few pages of the report. And then on pages 4 and 5 you will find our accomplishments for 2009. We grew our membership accounts to a record 111,053 accounts for this year. And our assets grew in the retirement plans from $6.7 billion to $7.2 billion. The call center answered over 34,000 calls from members this year. And we had 21,000 visitors to our office for retirement counseling and to fill out forms and processes for their benefits. We also processed 1,209 school retirements. We had over 200 purchases of service, 66 qualified domestic relations orders and 27 disability retirements. NPERS distributed over $410 million in benefits to members of all six of our plans in 2009. And those benefit payments were in the forms of annuity payments, refunds, rollovers, systematic withdraws and required minimum distributions. Last year, I reported to you that we converted our old technology system, the Pioneer, to the new NPERS system. We have spent the last year working on that system, determining issues, testing various components of the system. It is working very well. We're down to our last two minor issues that we hope to resolve in the next few weeks. And then in June we will pay off the system, we will be paying off the vendor. And our three-year project that we started in 2007, with the RFP, will be complete. And it is a relief to be through that process. It's been a lot of hard work for all of the people involved at our agency, and we appreciate the work of the vendor on that and the office of the CIO. We are continuing to work with the office of the CIO for maintenance and support of the system. Our partnership with them has proved to be very valuable. We've hired three of their employees, one of them is our new IT manager and then we have two developers on staff who work for us from the office of the CIO. We process a ton of mail at NPERS. Last year we had over 43,000 pieces of incoming mail; over 281,000 pieces of outgoing mail, and we scanned over 275,000 documents. We've increased our efforts to improve our data and our data base to correct addresses and Social Security numbers in our system. And we have reduced our return mail by 80 percent. We are also working on eliminating our mass mailings and our news letters and plan on sending those out by e-mail to help reduce our costs. Our Education Services Department has traveled throughout the state and we've trained over and presented seminars to over 2,800 individuals. We had 41 retirement planning seminars last year, 4 financial planning seminars, 9 employer workshops and 23 special presentations to agencies and other groups. The Public Employees Retirement Board met monthly. We had a retreat in August where they discussed the actuarial assumptions, investment market update, member education services, their fiduciary duties and retirement research studies. And in the fall, the PERB met with the Investment Council in a joint meeting where they listened to the actuary report of the Defined Benefit Plans and also a capital markets assumption report from the investment consultants, Ennis Knupp. We have a number of items listed on page 6 for our action plan, but, one of the most critical is our disaster recovery plan. We're working on that. We want to be able to duplicate our servers at the office of the CIO. We want to be able to pay benefits within 24 hours. We are looking at how to put together the disaster recovery plan. Our most important asset is our data base and our member information. And so our goal is to protect that and be able to pay the benefits on time for our members. We also are working hard to adhere to the new budget that was passed in the special session this last fall. We are watching our spending and we will be starting to work on our new biennium budget. This year we plan to audit 35 schools, 23 county employers and 2 public health departments to make sure that our contributions are being paid accurately and that the appropriate people are in the plans. And we do those audits by paper audits. We don't go out to the actual employee locations, but we can be very effective by doing it with paper audits. We will also be negotiating our lease renewal in May. And, in June we will be negotiating our renewal of our actuary contract. And in that contract I've asked our actuary to include the quarterly projections which this committee has asked for and so we are including that in the renewal of the contract. This report also includes the ten year history, most recent, of the legislation, it also talks about the funding status of the plans. On page 11 you will find the funding status. The judges plan is 102 percent funded as of last June; the school plan is 86.8 percent funded and the State Patrol plan is 89.8 percent funded as of last year. And the Cash Balance Plans were evaluated on December of 2008. The state plan is 99 percent funded, and the county cash balance plan is 97.8 percent funded. Now those will be...we have new numbers for 2009. The actuary is currently working on his...the state and county report. And he will be presenting those numbers to us at the April board meeting. Page 13 shows the retirement funding for Program 515 and the various components that are part of that 515 Program, that you're well aware of the contributions that the state contributes. Also, in the report, you'll find a summary of the plan assets and the summary of plan membership broken down by each of the plans. And I'd like to point out, on page 16, our operating budget. When I came our operating budget was $11.8 million, it is now $5 million. We have been paying off the Pioneer Legacy System on the master lease program. And our final payment will be in January of 2011. So we are operating on seven basis points. Our agency, which I think you would agree, is very lean and efficient. I'd like to skip over to the appendix. Appendix A has a list of the 13 investment funds that are offered in our defined contribution and deferred comp and draw plan. All of the funds this year were in positive territory as opposed to 2008. So that is good for individual investors in those plans. The cash balance credited rate has been 5 percent for almost two years now because the federal midterm rate plus 1.5 percent has been less than the 5 percent guaranteed. We did not issue a cash balance dividend this year, and I'm sure you're aware of that. I'm sure you're aware of the circumstances why. Our monthly defined benefit report is also listed. I've been providing that to you for several years now. But it shows the amount of monthly benefits paid out to the residents of Nebraska. In December of 2009, we paid out $27 million in benefits to over 17,000 plan members in the defined benefit plans. And of those, $24.5 million went to residents of Nebraska. And finally, the report includes a brief description of the plans and our board policies. I'd like to thank the Retirement Committee for the report of the retirement systems. I'm very proud of the work that we're doing. I want to assure you that we are watching the budget, that we are making sacrifices at our agency during these tough times. We do have an excellent staff. They work very hard and they care about the members. And we have very low turnover at our office. I would encourage you, if you have questions about the plans, to give me a call at any time. I'd also invite you to come visit our office at any time if you'd like to see our operations, and I would also like to invite you to attend a PERB meeting, if you would like, and/or the joint meeting that we have scheduled for this November. It's an excellent meeting where you can see both the Investment Council and the Public Employees Retirement Board in action. So with that, I'd be happy to answer any questions.

SENATOR PANKONIN: Thank you, Director Chambers. I'm going to have a question. Does anybody else have a question? Senator Nordquist. By the way, Senator

Nordquist, our Vice Chair, has joined us as well as Senator Heidemann.

SENATOR NORDQUIST: Right, thank you. Thank you, Director. Just a couple of quick questions. On the cash balance funding, the 99 and 97, does that include...when do those investment...up to what point on the investment return?

PHYLLIS CHAMBERS: That was December 31 of 2008.

SENATOR NORDQUIST: Okay. So we can probably assume that it's stronger.

PHYLLIS CHAMBERS: I did ask the actuary that question yesterday. And I said, will it be back above 100? He said, he's not sure it would be because he has to recognize another 20 percent of the losses in 2008. I think it will be close. It may not be 100 percent.

SENATOR NORDQUIST: Okay. Okay. And then on the system, what was the final total on the tech system?

PHYLLIS CHAMBERS: We have kept it under...it's $7.1 million and we are a few hundred thousand under that right now.

SENATOR NORDQUIST: And your costs, ongoing costs for that are a couple staff people.

PHYLLIS CHAMBERS: We have three people from the office of the CIO. And I'm...I want to say that's several hundred thousand dollars for them.

SENATOR NORDQUIST: Okay.

PHYLLIS CHAMBERS: And then we are...we do have a...we're paying the vendor about $50,000 a month right now. But that is...that will...that is tapering off through December of this year.

SENATOR NORDQUIST: Okay. And then last question, just kind of on the basis points of overall operations. Have you ever done a comparison to similar states plans or surrounding states or anything like that on the basis points of their operations?

PHYLLIS CHAMBERS: On the basis points? Well, I did look at Iowa. Iowa is about seven basis points right now. But they also only have one plan, that's a DB plan. They don't have cash balance, defined contribution. And their deferred comp plan is managed by their HR personnel department. So they strictly have a defined benefit plan.

SENATOR NORDQUIST: Okay. That's pretty tough to compare then across...

PHYLLIS CHAMBERS: And Colorado's is about 7 percent. They also have mostly a defined benefit, they have a small 401K, but they do outsource that to an investment company. So I think on the low end we are...7 percent is as low as I've seen it and many of them are like around 10 to 15 percent basis points.

SENATOR NORDQUIST: Um-hum, okay, great. Thank you for coming in.

SENATOR PANKONIN: Director Chambers, just one of the things that our office, we appreciated getting your report last week so we had a chance to take a look at it. But one of the things that we didn't see, if you go to page 19 on your services summary, in past reports, kind of comparing, we don't see a metric on the service delivery results. We've had that information. We went back to 2006 and we've tracked this but we don't see it in this report. Do you...did we miss it?

PHYLLIS CHAMBERS: Well, I...no, I left it out. I looked at what was required to be in there and I took it out. I thought it was a little bit misleading. We're up, I forget what it says for last year, but I think we're...we haven't reduced the number of days that it's taking us to provide the service, it's probably one or two days more averages. And the reason for that is, and again I thought it was misleading, is that we have so many people that retire in the summer in the school plan. And because they retire in the summer, but they may not get paid...their last final payment isn't until July, the final contribution. And then by the time we get it, we get those numbers in and get the payments actually made it's more like 90 days. And so that skews the numbers because everybody wants a June 1 effective date, but they may not...they may get paid through August because of them being teachers and the way that they receive their payments. So while we would like to be able to say that everything is less than 60 days, in the summertime when we have those huge payments, those are more like...more into 90 days.

SENATOR PANKONIN: What...you know, if you go back to 2006, when you were at 78 percent and you had number of retirements processed was 1,123, and the number of retirements processed has gone up to...and your '09 number is 1,311. In the previous report it was like...it dropped to 56 percent. So if we're having a problem in that area, why do you think it was better in 2006 by, you know, 20 points versus the numbers...the last numbers we had? I mean, is there something we need to do or you need to do to get those back up or do we change the parameter to 90 days or...I understand the issue with teachers all kind of bunched up. But going back to 2006, I would assume you would have had the same type of issue. And yet the service delivery was quite better. Do you think something has changed or...

PHYLLIS CHAMBERS: I don't know, but I guess I would be happy to look into that. I was...

SENATOR PANKONIN: Okay. Yeah, I think that would helpful, just, you know, looking at the past numbers and then we didn't have that metric in this one, I think that would be something this committee would be interested in. And if we need to make some kind of policy change or provision, you know, I understand the circumstance of teachers hitting in a clump, so to speak. But we must have had that in 2006 and some of the previous years. And we seem to have handled it better. But that would be great to have some supplemental information on that.

PHYLLIS CHAMBERS: Okay. Since I wasn't there in 2006, I'm not sure, so I will look into it and report back to you.

SENATOR PANKONIN: Okay, right. Yeah, but we've got a great library of these publications, so it's real helpful for us to research it.

PHYLLIS CHAMBERS: Okay, okay. Well, I'm glad to know you're looking at them. I didn't think anybody would notice that we took that out. But I'm glad you did.

SENATOR PANKONIN: Okay. Well, we'll look forward to hearing more about that. Any other questions? Seeing none, that concludes our hearing today. Thank you, everyone, for attending.