

## PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

April 16, 2012

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:30 a.m., Monday, April 16, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed April 9, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 9, 2012. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR  
SGT. GLENN ELWELL, VICE-CHAIR  
RICHARD WASSINGER  
ELAINE STUHR  
JANIS ELLIOTT  
JUDGE RANDALL REHMEIER  
STUART SIMPSON  
RON ECKLUND  
JEFF STATES, EX-OFFICIO

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	GARY BUSH AS - State Budget Administrator's Office
JASON HAYES Legal Counsel	DAVE SLISHINSKY Buck Consultants
JOHN WINKELMAN Training Supervisor	DOUG FIDDLER Buck Consultants
ANGELA HATCHER Public Information Technician	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	KATE ALLEN Legislative Retirement Committee
FRED TURNER IT Manager	VICKI HUBER Administrative Secretary

**Agenda Item 1:** D. Blank 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:** D. Blank called the April 16, 2012, Board Meeting to order at 9:30 a.m. Present at roll call: D. Blank, G. Elwell, S. Simpson, R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, and J. States. Absent: R. Ecklund.

**Agenda Item 4 – Approval of Minutes:** R. Wassinger moved for approval of the minutes of the March 19, 2012, Board Meeting. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & March 2012 Retirement Report:** G. Elwell moved to approve the budget status report and the March 2012 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. 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 – Mutual of Omaha Deferred Compensation Plan Annuity Contract:** R. Gerke stated the annual annuity contract with Mutual of Omaha-United of Omaha ends June 30, 2012. He reported the annuity rate is 3.25%; down from last year.

P. Chambers reported 56 members have annuitized since 1998.

R. Rehmeier moved to renew the Terminal Funded Annuity Contract with Mutual of Omaha-United of Omaha for the DCP, for one year beginning July 1, 2012. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 8 – Change County Defined Contribution (DC) Fees and Deferred Compensation Plan (DCP) Fees:** This agenda item was listed incorrectly. R. Gerke stated a change in asset fees is needed for the State DC plan rather than the County DC plan. There was no change needed for the DCP. He requested the Board approve raising the State DC fees from zero to five basis points.

Materials with a cost analysis for current and future expenses were provided to the Board in their packet. R. Gerke stated he does not expect fees to rise if the number of members in the DC plan decreases due to members transferring into the Cash Balance plan in January 2013. There is no guarantee; but, the plan expenses are generally proportionate to the number of members.

D. Blank tabled the matter of increasing fees to the State DC plan until next month, since it was noted incorrectly on the agenda.

R. Ecklund joined the meeting at 9:38 a.m.

**Agenda Item 9 – Internal Audit Rate Report:** T. Zulauf provided materials explaining the different rates and factors used with NPRIS and Ameritas in the retirement plans.

The report will be included in the internal audit plan. Depending on the type of rate, T. Zulauf stated rates change quarterly, annually, or as a result of legislation. The Board suggested T. Zulauf provide them with updated rate information once a year.

**Agenda Item 10 – State and County Actuary Reports and Benefit Comparison:**

D. Slishinsky explained actuarial evaluations for the Cash Balance (CB) and Equal Retirement Benefit Fund (ERBF) are completed at the beginning of every year. He provided background information on the Equal Retirement Benefit Fund.

D. Fiddler reviewed the valuation results for the State and County ERBF, comparing 2011 and 2012.

D. Slishinsky provided a history of the Cash Balance benefit plan since it was created in 2003. The report included documented interest credits and dividends, along with investment returns from 2003 through 2011.

D. Fiddler reviewed the actuarial valuation results for the State and County Cash Balance funds, including member data, system assets, funded ratios, actuarial liability, actuarial gains and losses, and actuarial liability.

D. Fiddler pointed out that there is one more year before the losses of 2008 are fully recognized. D. Slishinsky stated that in next year's valuations, the actuarially required contribution would be expected to peek, depending on future investment returns.

D. Slishinsky presented historical rates of contribution for 2003 through 2011 and five year projections of State and County funding, which included results for 2012 through 2017. He reported there is no additional State contribution required for the State and County plans. Both the State and County plans are below 100% funded on an actuarial and current value basis; therefore, no dividend is payable under current Board policy. Projections indicate no dividends are expected over the next 5 years.

He summarized the report, stating the investment rate of return experienced on the actuarial assets during 2011 of approximately 2.5% was significantly less than the 7.75% expected. The investment return on market value of assets of 0.3% was much less than the expected 7.75%.

D. Slishinsky provided a comparison of retirement benefits for the Nebraska School Employees Retirement System. Charts included in his handout, compared the accrual of benefits in the current School plan to hypothetical benefits in a cash balance plan or a defined contribution plan.

R. Ecklund left the meeting during Agenda Item 10.

E. Stuhr moved to accept the actuary report. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The Board took a break at 11:14 a.m. and reconvened at 11:24 a.m.

**Agenda Item 11 – Legal/Legislative Update:** J. Hayes updated the Board on recent progress in legislation and provided a list outlining the updates. He reported LB 916 was passed and was signed by the Governor on April 6, 2012. The law went into effect upon its signing.

The Board discussed distribution timelines for members switching to cash balance during the upcoming election period of September 1, 2012 through October 31, 2012, and terminating employment prior to the transfer of assets which will occur on January 2, 2013.

J. Hayes reported the Governor's office plans to approve NPERS' rules and regulations by the end of this month.

A draft copy of the legal compliance report was received last week and J. Hayes stated the report indicates NPERS is substantially in compliance with the requirements under the Internal Revenue Code and related Treasury Regulations. Representatives from Groom Law Group and the Segal Company will present their final report at the May 21<sup>st</sup> PERB meeting.

G. Elwell moved to approve the Legal/Legislative Update. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 12 – Investment Officer's Update:** J. States reported the Nebraska Investment Council's (NIC) next meeting is Thursday, May 24<sup>th</sup>.

He stated as of February 29<sup>th</sup>, the fiscal year-to-date performance for the defined benefit plans was up 1.6%. Through the end of February, the cash balance assets were up with a return of approximately 7.1% for the calendar year. The market declined some in March.

He commented that election years generally are good for the market.

S. Simpson moved to approve the Investment Officer's Update. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 13 – Director's Report:** With the passing of LB 916, P. Chambers stated NPERS will begin to work on preparing for the new legislation allowing for DC members to move to cash balance. Work will be done to notify and educate members on the option. The notification will be mailed Sept 1, 2012.

P. Chambers provided copies of the 2012 NPERS Annual Investment Report and highlighted its contents. The report includes the addition of the Board's Excessive Trading policy,

investment fund choices, and fund performance as of December 31, 2011; along with fees charged. She pointed out that there are resources at the back of the report to assist members with their investment decisions.

She reported that Hartford is selling their retirement plan division. There are approximately 857 members in the Hartford DCP plan, with approximately \$35 million in assets. The Hartford annual review will be presented at the May meeting. Hartford and NPERS will continue to operate the plan as usual, until we know more.

P. Chambers reported 357 School retirement applications received with a June 1 effective date. The Education Services department has held 14 School retirement seminars so far this year.

P. Chambers requested permission to attend the Institute for Fiduciary Education's investment conference June 27-29, 2012, with expenses paid by the NIC.

S. Simpson moved to approve the Director's Report and P. Chambers' request for travel June 27-29, 2012, to attend the IFE Market Makers 2012, in Carlsbad, California; with expenses to be paid by the NIC. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 14 – Board Committee Reports:** R. Rehmeier reported for the Education Committee and reminded the Board to update their calendars with the new date of July 23, 2012 for the Retreat. The committee continues to work on agenda details and welcomed suggestions from the board members.

**Agenda Item 15 – Board Education/Travel Requests:** There were no additional requests.

**Agenda Item 16 – Future Meetings/Agendas:** The next meeting will be held on Monday, May 21, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

**Agenda Items 17 and 18 – Executive Session:** At 12:02 p.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Application for Retirement No. 116876, personnel matters, and other legal matters. J. Elliott seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 1:05 p.m., S. Simpson moved that the Board exit Executive Session and reconvene in Regular Session. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 116876. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, J. Elliott,

G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:06 p.m.

Phyllis G. Chambers  
Director