

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

February 29, 2012

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Wednesday, February 29, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed February 22, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, February 20, 2012. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

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

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	FRED TURNER IT Manager
RANDY GERKE Deputy Director	TERESA ZULAUF Internal Auditor
JASON HAYES Legal Counsel	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	VICKI HUBER Administrative Secretary

D. Blank welcomed S. Simpson to his first meeting as a newly appointed PERB member.

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 February 29, 2012, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, G. Elwell, S. Simpson, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and J. States. Absent: None.

Agenda Item 4 – Approval of Minutes: G. Elwell moved for approval of the minutes of the January 23, 2012, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & January 2012 Retirement Report: R. Rehmeier moved to approve the budget status report and the January 2012 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: D. Blank summarized a letter from a member regarding Board Policy No. 13; the Excessive Trading Policy. The member requested the Board reconsider the 60-day period for a single round trip transaction and adopt a much less restrictive policy.

J. States explained that the 60-day restriction on round trip trading is considered routine and standard. One of our fund managers, initially proposed a 90-day restriction, but the PERB chose a less restrictive policy. Board members discussed the need for the policy per SEC Rule 22-C. Frequent trading by members can increase trading costs, reduce performance and have a detrimental effect on other participants

D. Blank asked P. Chambers to write a letter to the member stating the Board reconsidered the matter and has decided not to change the policy.

Agenda Item 7 – Elkhorn Logan Valley Public Health Department DCP Request: P. Chambers presented a letter from the Board of Health of Elkhorn Logan Valley Public Health Department (ELVPHD), requesting admission into the State Deferred Compensation Plan (DCP). P. Chambers stated the ELVPHD does not have another DCP; therefore, they qualify to join the State plan, per the DCP document and Neb. Rev. Stat. § 48-1401 and § 71-1631.

No board action was required and the board of ELVPHD will be notified of their acceptance into the DCP.

Agenda Item 8 – Revise Board Policy No. 6 – Contractual Services: J. Hayes summarized proposed revisions to Board Policy No. 6, to comply with Neb. Rev. Stat. § 73-501, et seq. and to update the schedule of existing contracts.

E. Stuhr moved to approve the proposed revisions to Board Policy No. 6. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

On behalf of NPERS and the PERB, D. Blank thanked D. Pederson for his service on the Board. Prior to his last meeting, D. Pederson requested the Board not honor him with the customary plaque or other award.

D. Pederson left the meeting at 10:31 a.m.

Agenda Item 9 – Annual Report to the Legislature Draft: P. Chambers presented a draft of the NPERS Annual Report. She stated the revisions to Board Policy No. 6 will be included in the final printing, along with the recent Board photo. She anticipates it will go to the printer this week. The report will be presented to the Legislature on March 20, 2012, and copies will be provided to the Board at the March meeting.

Agenda Item 10 – Support Contract with Hewlett Packard State and Local (HPSL):

F. Turner reviewed the support contract with HPSL, which expires March 31, 2012. He requested Board approval to renew the contract for another year. There is no cost to renew the contract unless we use their services.

S. Simpson moved to renew the support contract with HPSL for April 1, 2012, through March 31, 2013. 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 11 – Legal/Legislative Update: J. Hayes provided an updated list of retirement related bills and reviewed their progress as follows: LB 916 is expected to advance to select file today. The Retirement Committee amendment adds the provisions of LB 973 and LB 1036 to the bill. LB 973 will allow plaintiffs to garnish retirement benefits after they have been disbursed from the plan. LB 1036 allows a third election into the Cash Balance plan for State and County active members currently in the Defined Contribution plan. LB 1036 was revised to allow NPERS more processing time and specifies a member may only make one election and one only. The amendment also added a change in the death benefit payout for beneficiaries of School employees who have 20 years or more of service. The provision permits a lump sum payout of both the employee and employer contributions to make it the same as the benefit option provided to the beneficiaries of employees employed for 5 to 20 years.

J. Hayes reported the agency's rules and regulations have not yet been approved by the Governor's office. He expects more progress toward the end of the Legislative session.

He stated NPERS plans to proceed with a third set of Rules and Regulations over the next two months. These regulations will concern military service credit as well as changes to other areas that have been identified.

J. Hayes reported attending the National Association of Pension Plan Attorneys Conference in Washington, D.C. He reviewed the topics of sessions he attended and how they correspond with NPERS, particularly the Internal Revenue Code and the enforcement of Military Service credit by the US Department of Justice. He stated a primary effort will be made to include IRS provisions and issues with military service credit into our Rules and Regulations.

J. Hayes reported NPERS has responded to additional questions from Groom Law Group and the Segal Company. He anticipates a draft of the compliance audit report in April.

G. Elwell asked how the DROP is defined within the IRS rules and whether its members can roll over funds after the 5 year period. J. Hayes stated the legal compliance audit will answer questions such as this one. He stated it would be prudent for the Board to wait until the ruling, prior to responding to questions coming from members of the DROP.

J. Hayes discussed a letter D. Blank sent to the Government, Military and Veterans Affairs Committee; expressing the PERB's concerns, regarding provisions within LB 1076.

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 financial market growth is strong, but is still not positive for the fiscal year to date. He discussed foreign market progress in Europe. He stated the Federal Reserve's "Operation Twist," which intends to keep interest rates low across the yield curve, is expected to encourage people to take risk and begin investing in the stock market again.

He reported seeing progress on the issue with the Health Care Endowment Cash Fund. He commented that spending plans are expected to be lower in the future in order to make the fund self-sustainable.

J. States reported the Council will be looking at modifications to the College Savings Plan, in an effort to provide more options to participants and increase investor participation.

He stated that an addition of a global bond option may be considered again this year for the Defined Contribution plan. Conversations are occurring with an interest in providing private market real estate exposure.

E. Stuhr moved to approve the Investment Officer's Update. 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 11:19 a.m. and reconvened at 11:31 a.m.

Agenda Item 13 – Director's Report: P. Chambers reported a busy month coordinating legislative hearings and the appointments of new Board members. She announced Ron Ecklund's confirmation hearing is scheduled for March 13, 2012, at 12:10 p.m.

She provided the PERB with a 2012 calendar of major activities for NPERS and the PERB. She pointed out items on the calendar for April as follows: Accountability and Disclosure Statements are due April 1st, 2012; the Annual Investment Report to be completed; the State and County Actuary Report will be presented; and tentatively, Krista Davis plans to give the School, Judges, and Patrol audit report at the April PERB meeting.

She stated School retirement seminars started this week. The benefits department has received 162 requests for School retirement packets, so far. The department is working on required minimum distributions (RMDs), which are due by April 1st.

P. Chambers reported NPERS' lease of office space at the Great Western Bank expires on April 1, 2012. She stated the AS Building Division's plan is to renew the lease for one year and then lease from month to month, until NPERS moves to the Assurity building.

She visited the Disaster Recovery space and reported it is equipped with office furniture and computers with access to NPRIS.

She has received several inquiries regarding Nebraska's cash balance (CB) plan and reported participating in two conference calls with the Kansas legislature in February, explaining Nebraska's plan. She also responded to inquiries from Louisiana and Wyoming regarding the CB plan.

P. Chambers pointed out LB 976 was introduced to remove taxation on social security income in Nebraska.

She extended an invitation to the Board to attend a NIC meeting and to learn more about the investment process of our retirement plans. The next meeting of the NIC is March 26th, in Lincoln.

R. Rehmeier moved to approve the Director's Report. 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 14 – Board Committee Reports: On behalf of the Education Committee, R. Rehmeier requested the Board provide suggestions for the Annual Education Retreat in July. They are looking for input on location and topics.

P. Chambers mentioned Dave Slisinsky will be completing the experience study and could possibly present the report at the Retreat.

Agenda Item 15 – Board Education/Travel Requests: J. Elliott requested permission to attend the National Council on Teacher Retirement's Annual Trustee Workshop scheduled for July 23-25, 2012, at Stanford University in Menlo Park, California.

E. Stuhr moved to approve J. Elliot's travel request, with expenses not to exceed \$2500. 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.

Agenda Item 16 – Future Meetings/Agendas: The next meeting will be held on Monday, March 19, 2012, at Ameritas Life Insurance Corp., 5900 "O" Street, Lincoln, in the New Third Conference Room. The meeting will begin at 9:30 a.m.

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 Applications for Retirement Nos. 149174 and 181240, Emergency Deferred Compensation Application for Retirement No. 701428, 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 1:07 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. 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.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 149174 and 181240 and Emergency Deferred Compensation Application for Retirement No. 701428; with a stipulation that NPERS staff contacts the member with Retirement No. 181240 to clarify the option they have selected. 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.

Adjournment: G. Elwell 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 1:09 p.m.

Phyllis G. Chambers
Director