

**PUBLIC EMPLOYEES RETIREMENT BOARD  
REGULAR MEETING AND EDUCATION CONFERENCE**

JULY 23, 2012

8:45 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:54 a.m., Monday, July 23, 2012, at the Lied Lodge and Conference Center, Stein AB Room, Nebraska City, Nebraska.

The Board members were notified of this meeting by Agenda mailed July 17, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, July 16, 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  
  JUDGE RANDALL REHMEIER  
  STUART SIMPSON  
  RON ECKLUND  
  JEFF STATES, EX-OFFICIO

MEMBERS ABSENT:                   JANIS ELLIOTT

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	KATE ALLEN Legislative Retirement Committee
RANDY GERKE Deputy Director	JERRY HOFFMAN Nebraska State Education Association
JASON HAYES Legal Counsel	KAREN KILGARIN Nebraska State Education Association
MIDEN EBERT Retirement Plan Supervisor	KEITH BRAINARD NASRA
FRED TURNER IT Manager	MAX KOTARY Hewitt EnnisKnupp
NANCY REIMER Ameritas	BOYD STUHR Public
KATHY TENOPIR Legislative Fiscal Office	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 July 23, 2012, Board Meeting to order at 8:54 a.m. Present at roll call: D. Blank, G. Elwell, R. Wassinger, E. Stuhr, R. Rehmeier, S. Simpson, R. Ecklund, and J. States. Absent: J. Elliott.

**Agenda Item 4 – Chairman’s Comments and Introductions:** D. Blank thanked the Board Education Committee for their work on the Retreat.

**Agenda Item 5 – Approval of Minutes:** R. Wassinger moved for approval of the minutes of the June 18, 2012, Board Meeting. E. Stuhr seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

**Agenda Item 6 – Approval of Budget Status Report & June 2012 Retirement Report:** G. Elwell moved to approve the budget status report and the June 2012 Retirement Report. S. Simpson seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

**Agenda Item 7 – Public Comments or Correspondence from Citizens:** There were no public comments or correspondence from citizens with business not scheduled on the agenda.

**Agenda Item 8 – Public Pension Issues and Trends:** P. Chambers introduced Keith Brainard, research director for the National Association of State Retirement Administrators (NASRA). K. Brainard provided a presentation which included: comparisons of retirement benefits in the U.S., changes being made in pension accounting standards, historical funding levels, recent public pension plan reform, and taxpayer spending on pensions.

S. Simpson left the meeting at 10:10 a.m. and returned at 10:14 a.m.

K. Brainard suggested additional information on these topics can be found in the NASRA Issue Briefs, available on their website.

He pointed out the use of hybrid plans is growing and that many states have used Nebraska’s cash balance plan as a guide to create their own.

The Board took a break at 10:24 a.m. and reconvened at 10:44 a.m.

During the break, J. States left the meeting to attend another meeting.

**Excuse Board Members:** S. Simpson moved to excuse J. Elliott. G. Elwell seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

**Agenda Item 9 – Acronyms:** P. Chambers provided at handout with common acronyms used by NPERS and public retirement. She stated she will update the list periodically.

**Agenda Item 10 – Disability Summary Report:** The PERB is statutorily responsible for reviewing member applications for disability retirement. P. Chambers provided a report on the disability process for NPERS. She reported NPERS receives approximately 28 disability applications annually. Out of 20,000 members receiving a monthly retirement benefit, 341 are disability payments.

Her presentation included: the statutory definition of a disability, common disabilities and reasons members apply for disability retirement, the rules for each retirement plan, NPERS' disability review process, and costs incurred by the agency.

P. Chambers stated that disabilities for the Judges plan are reviewed by the Commission on Judicial Qualifications. The Commission then forwards their approval to NPERS for processing.

She reviewed results of the 2011 NASRA Disability Survey, which compared 47 systems and their disability processes.

P. Chambers stated NPERS has relatively few disabilities. NPERS' disability process is fair and works well. The Board approval process works well.

J. States returned to the meeting at 11:40 a.m.

P. Chambers reaffirmed that the board will direct NPERS staff to request follow-up disability exams when the board deems it necessary.

**Agenda Item 11 – DCP Hardships:** J. Hayes reviewed the IRS rules concerning emergency distributions and how they apply to NPERS' Deferred Compensation Plan (DCP). He provided the board advice on criteria that should be considered and procedures to follow, when granting an emergency distribution of funds.

J. Hayes explained the de minimus of \$5,000, which may be applied to certain DCP distributions.

The Board took a break for lunch at 12:04 p.m. and reconvened at 1:12 p.m.

**Agenda Item 12 – Current Economic Outlook and Capital Market Forecasts:** J. States introduced Max Kotary, CFA, CAIA, from Hewitt EnnisKnupp. M. Kotary is the consultant to the Nebraska Investment Council (NIC).

M. Kotary provided the Board a market update for U.S. and foreign markets as of March 31, 2012.

Topics of his presentation also included capital market assumptions, current interest rates, and a performance update of all plan funds managed by the NIC.

M. Kotary recommended working toward more global investments and increasing allocations in private equity and private real estate over time, which will provide diversity.

J. States commented that the NIC does not want to make a change until an asset study has been done. He stated the NIC is cautious about taking on new risk, while currently close to their goal.

**Agenda Item 13 – Legal Report:** J. Hayes reviewed the proposed addition of Rules and Regulations, Chapters 3, 10, and 16; along with revisions to Rules and Regulations, Chapters 2, 4, 5, 15, 20, and 24. The Board received copies of the proposals via email, prior to the meeting. J. Hayes anticipates revising three additional chapters in the near future.

R. Wassinger left the meeting at 2:05 p.m. and returned at 2:08 p.m.

J. Hayes stated notice has been given to the governor's office.

E. Stuhr moved to approve the Legal Report. S. Simpson seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

**Agenda Item 14 – Director's Report:** P. Chambers reported staff has been busy working on the Retreat, Rules and Regulations, Employer Workshops, and processing approximately 680 School applications for retirement received with a June 1 effective date.

P. Chambers thanked V. Huber for her help organizing the Retreat.

P. Chambers reported there will be a 1.58% Cost of Living Adjustment (COLA) for the defined benefit plans. A total estimate of \$6.1 million annual COLA will be paid over the coming year. Notification letters were mailed last week.

P. Chambers distributed a draft of the Cash Balance Election Form that will be used in the upcoming election period. She stated active members, currently making contributions in the Defined Contribution plan will receive an informational packet, scheduled to be mailed August 31, 2012, the day before the beginning date of the election period. Ameritas will be programming their system to accept online elections during the period. The Ameritas process will be tested during the next month. NPERS will provide updates on the count of members completing the election. Trading can still occur during the election period.

P. Chambers reported Ameritas has added the option to receive electronic account statements instead of receiving them by mail.

R. Gerke has been working on and has finished the preliminary biennium budget for 2013-2015, to be submitted by August 3, 2012.

P. Chambers reported David Powell has agreed to attend the legislative hearing on Tuesday, November 20<sup>th</sup> and present the Compliance Audit Report to the Legislative Retirement Committee.

She stated Dave Slishinsky will present the Experience Study at the August PERB meeting. She will also ask him to provide an estimate of the need for an additional state contribution.

P. Chambers reported the State and County audit is complete and the Board will be notified when the exit conference is scheduled.

P. Chambers reported an article was published in the NPERS newsletter and an additional article on the NPERS website, announcing Hartford's decision to sell their retirement plans. She stated members were notified they can transfer into the State DCP and there has been some interest.

D. Blank asked about the possibility of transferring all Hartford accounts to the state's DCP. P. Chambers stated Hartford would need 60 days notice prior to terminating the contract. R. Ecklund agreed to lead a committee of board members to review NPERS' options regarding the sale of the Hartford. E. Stuhr and J. States are also members of the committee.

G. Elwell left the meeting at 2:27 p.m. and returned at 2:29 p.m.

G. Elwell moved to approve the Director's Report. R. Rehmeier seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

**Agenda Items 15 and 16 – Executive Session:** At 2:47p.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. 107177, 113076, 423621, and 121279; personnel matters, the Director's Evaluation and Salary; and other legal matters. E. Stuhr seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

Note: The Board did not address Agenda Item 15(e); Emergency Deferred Compensation Application for Retirement No. 700436. Documents were not received prior to the meeting.

The Board took a break prior to entering Executive Session.

At 3:55 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. G. Elwell seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 107177, 113076, 423621, and 121279. R. Rehmeier seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

R. Wassinger moved to approve a 6% salary increase for the Executive Director, effective July 1, 2012. G. Elwell seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

**Agenda Item 17 – Recap of Day’s Topics and Retreat Evaluation:** D. Blank thanked the organizers for their work on the Retreat. He asked that the Board complete the retreat evaluations and return them to P. Chambers or V. Huber prior to leaving for the day.

**Agenda Item 18 – Board Committees and Travel Requests:** There were no committee reports and no requests for travel.

**Agenda Item 19 – Future Meetings/Agendas:** The next meeting will be held on Monday, August 20, 2012, in the Great Western Bank Conference Center, 1221 “N” Street, Lincoln, Nebraska. The meeting will begin at 9:00 a.m. and will include public hearings for Rules and Regulations discussed in Agenda Item 13.

**Adjournment:** R. Rehmeier moved that the meeting adjourn. S. Simpson seconded the motion. Members voted as follows: D. Blank, R. Ecklund, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger.

The meeting adjourned at 3:59 p.m.

Phyllis G. Chambers  
Director