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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

AUGUST 18, 2014

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, August 18, 2014, in the 1526 Building, 4th Floor, Conference Room 4D, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Tuesday, August 12, 2014. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 11, 2014. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR
RICHARD WASSINGER, VICE-CHAIR
ELAINE STUHR
JANIS ELLIOTT
JUDGE RANDALL REHMEIER
STUART SIMPSON
RON ECKLUND
DENNIS LEONARD
JEFF STATES, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS

Director

RANDY GERKE

Deputy Director

MATT EFFKEN

Legal Counsel

MIDEN EBERT

Retirement Plan Supervisor

TERESA ZULAUF

Internal Auditor

GARY BUSH

AS - State Budget Administrator's Office

NANCY REIMER

Ameritas

VICKI HUBER

Administrative Assistant

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 door.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the August 18, 2014, Board Meeting to order at 9:32 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, S. Simpson, R. Ecklund, D. Leonard and J. States. Absent: None.

Agenda Item 4 – Approval of Minutes: D. Leonard moved for approval of the corrected minutes of the March, April, May, and June 2014 PERB meetings. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

E. Stuhr moved for approval of the July 16, 2014, PERB Regular Meeting and Education Conference minutes. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & July Retirement Report:

R. Ecklund moved to approve the Budget Status Report and the July 2014 Retirement Report. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, 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 – Revise Ameritas Recordkeeping Agreement – Trade Proration

Amendment: P. Chambers, J. States, and N. Reimer explained how Ameritas works with State Street to make investment changes directed by the members in the defined contribution and deferred compensation plans. Ameritas will now make the trade proration of funds in the options that include mixed funds and send those amounts to State Street.

The amendment resolves legal issues for Ameritas, assigns the duties appropriately, and simplifies the process. The internal fee is nominal, at .000035 basis points.

R. Ecklund moved for approval of the amendment to the Ameritas Recordkeeping Agreement as presented; to be effective December 1, 2014. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 8 – Review NPERS Mission, Vision Statement, and Goals: P. Chambers proposed changes in NPERS' Vision Statement and NPERS' Goals stated in the Annual Report to the Legislature. The Board discussed wording of the Vision Statement and adding a technology goal to the stated Goals as follows:

Revise Vision Statement – “The Nebraska Public Employees Retirement System seeks to administer the retirement systems with exceptional service, integrity, and commitment for the exclusive benefit of our plan members and to ensure retirement security for their future.”

Revise Agency Goals – (add sixth goal)

6. To continue improving our technology in order to achieve the highest level of service possible.

The PERB Regulation and Policy Review Committee met prior to the meeting to review the proposed revisions.

On behalf of the Regulation and Policy Review Committee, J. Elliott moved to revise the NPERS Vision Statement and Goals as presented. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Approve Draft Biennium Budget: R. Gerke reported meeting with the PERB Budget Committee prior to the meeting to discuss the draft Biennium Budget. R. Gerke explained what is included in sections of the budget, including the agency narrative, agency requests report, agency permanent salaries request report, narratives for all issues, agency modifications narratives, funds analysis reports, and program narrative reports.

For the benefit of public understanding, he stated he will add wording which explains what each of the funds is used for, prior to submitting it to the Budget Office. The draft is due September 15, 2014.

R. Gerke commented that a lot of the narrative information can be found in NPERS' Annual Report to the Legislature.

P. Chambers and R. Gerke briefly discussed the possibility of outsourcing the imaging of old records, which are still on microfiche and in ledger books.

P. Chambers thanked R. Gerke for his work on the draft. She recognized Gary Bush, from the Budget Office, who was attending the meeting and expressed her appreciation for his assistance with the budget process.

R. Wassinger moved to approve the Draft Biennium Budget with minor changes, as discussed. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, S. Simpson, E. Stuhr, and R. Wassinger. Abstain: R. Rehmeier. Against: None. Motion carried.

Agenda Item 10 – Legal/Legislative Update: M. Effken reported he is in the process of revising Chapter 15 of the agency's Rules and Regulations to reflect changes provided in LB 1042 regarding the purchase of refunded service.

He added discussions are ongoing for a technical bill or other legislation. He has been researching the possibility of subpoena power for the agency. He stated this would be particularly useful in cases pertaining to the recovery of lost funds in death situations.

M. Effken updated the Board on Supreme Court cases involving retirement issues. In the case involving a Patrol member, the Supreme Court ruled the Nebraska statute, which made garnishment of retirement benefits permissible in certain felony cases, unconstitutional.

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

Agenda Item 11 – Nebraska Investment Council changes to MassMutual DCP Funds:

At the June 2014 PERB meeting, MassMutual presented the Board with recommended changes to investment options provided in the MassMutual Deferred Compensation Plan (DCP). The Nebraska Investment Council (NIC) reviewed those recommendations.

P. Chambers reported that at the NIC retreat in July, the NIC voted to approve the following changes to the investment options included in the MassMutual DCP plan: (1) remove the Davis NY Venture Fund from the plan options and transfer the assets to the Hartford Capital Appreciation Fund and (2) remove the AllianceBernstein International Value Fund from the plan options and transfer the assets to the Templeton Foreign Fund. The NIC recommended that the Goldman Sachs Mid Cap-Value Fund and the Hartford Total Return Bond Fund not be removed, and continue to be monitored. P. Chambers stated she would like to move forward with the process and direct MassMutual to make those changes. She explained the State DCP is governed by the plan document. The PERB administers the plan; therefore, it needs to approve any changes in investment options provided to participants in the DCP.

D. Leonard moved to approve the changes to the investment options of the MassMutual DCP as approved by the NIC. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 12 – Investment Officer's Update: J. States provided the Board with the Second Quarter 2014 Performance Review from Hewitt EnnisKnupp. He referred to the report and pointed out year-to-date performance for the defined benefit plans was 5.7% as of June 30, 2014. He commented that performance during the summer is sometimes slow and stated preliminary numbers show performance down approximately 1%. He commented that the economy is solid, but slow, and earnings growth is tapering off.

He reported the search continues for a new State Investment Officer. P. Chambers reported the search consultant is conducting preliminary interviews of candidates at this time.

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

Agenda Item 13 – Director's Report: P. Chambers reported the County cash balance dividend was credited on July 25, 2014, with no problems. A total of \$916,192.63 was credited to 8,199 members. The PERB approved a .29% dividend at the May meeting. With interest, the applied rate was .298%. There were 380 members eligible for a dividend who had retired or received a distribution since December 31, 2013. The dividends of those member accounts were credited to them in Fund 51, a non-interest bearing account, and the members will be contacted to apply for a refund of the dividend.

P. Chambers reported staff continues to work overtime to process School retirements and refunds. Weekly runs are being made instead of once a month to try and meet the 90-day deadline for processing applications with a June 1 effective date. She reported 163 School retirements are in process with a July 1 effective date and 108 are in process with an August 1 effective date. She explained that the whole office is involved with processing retirements.

P. Chambers reported over 20,000 COLA letters were mailed to the School, Judges, and Patrol retirees in July. Qualifying members received a COLA of 2.043%. The letters included a notice regarding the revision to Board Policy 12, involving the suspension of benefits if current addresses are not on file with NPERS.

P. Chambers reported the auditors have completed the State, County, and DCP audit. The Board will be notified when the exit conference is scheduled.

She reported Jack Hardy has been hired for the NPERS IT Manager position. J. Hardy has been the IT Manager of the Department of Revenue. He will begin employment with NPERS on September 4, 2014.

She reported DataBank will begin work on the imaging conversion soon and will finish sometime at the end of the year or the first part of January. When the conversion is complete, NPERS will look at imaging the old documents.

She stated the School, Judges, and Patrol newsletters will be going out in the near future. This issue will include information on the new rules regarding purchase of refunded service. She reported there are 34 purchase of service requests in process at this time.

P. Chambers provided a review of the Annual National Association of State Retirement Administrators (NASRA) Conference she attended August 2-6, 2014. She commented that the State Treasurers of North Carolina and New York are the only sole fiduciaries of public retirement plans. They do not have a board. Investments are managed by the treasurer rather than an investment council like Nebraska. She highlighted topics of the conference, which included: the credit crisis and management of interest rates, current pension trends, legal issues, pension reform, GASB changes, and IRS proposals for change.

P. Chambers requested permission to attend the National Council on Teacher Retirement (NCTR) Annual Conference scheduled for October 11-15, 2014, in Indianapolis, Indiana, with up to \$3500 in expenses.

E. Stuhr moved to approve the Director's Report and request for travel to the NCTR Annual Conference October 11-15, 2014, with up to \$3500 in travel expenses. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 14 – Board Committee Reports: J. Elliott reported the Regulation and Policy Review Committee discussed the issue of returning to work at their meeting prior to the PERB meeting. She stated the committee will continue their discussions.

Agenda Item 15 – Board Education/Travel Requests: J. Elliott reported on the NCTR Trustee Workshop she attended July 27-30, 2014. She explained the interactive program and highlighted conference topics, which included rules and regulations, legislation, behavioral finance, trading (fund managers), hedge funds, futuristic longevity, litigation in retirement systems, and municipal bankruptcies.

Agenda Item 16 – Future Meetings/Agendas: The next PERB meeting is Monday, September 15, 2014.

Agenda Items 17 and 18 – Executive Session: At 11:41 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement No. 137195, 129956, 901286, 095677, and 109333; Appeal No. 1-2013; personnel matters; and other legal matters. D. Leonard seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 1:09 p.m., R. Ecklund moved that the Board exit Executive Session and reconvene in Regular Session. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, 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. 137195. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Abstain: R. Ecklund. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 129956 and 095677. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for denial of the Disability Application of Retirement No. 901286. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, 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. 109333; to be reevaluated in two years. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Rehmeier moved that the Board accept and adopt the Recommended Order, including Findings of Fact and Conclusions of Law, issued by the Hearing Officer in Appeal No. 1-2013, and that the Chairperson execute on behalf of the Board an Order adopting the Hearing Officer's Recommended Order, denying the Petition of the Member and affirming the decision of the Executive Director that the Petitioner's termination of employment occurred on

June 30, 2013. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, 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, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 1:13 p.m.

A handwritten signature in cursive script that reads "Phyllis G. Chambers".

Phyllis G. Chambers
Director