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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

DECEMBER 15, 2014

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:02 a.m., Monday, December 15, 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 Friday, December 5, 2014. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 8, 2014. R. Wassinger chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

RICHARD WASSINGER, VICE-CHAIR
ELAINE STUHR
JANIS ELLIOTT
JUDGE RANDALL REHMEIER
RON ECKLUND
DENNIS LEONARD
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT:

DENIS BLANK, CHAIR
STUART SIMPSON

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	GARY BUSH AS - State Budget Administrator's Office
RANDY GERKE Deputy Director	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	ZACH WELLS State Auditor's Office
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
JACK HARDY IT Manager	ZACH PLUHACEK Lincoln Journal Star
TERESA ZULAUF Internal Auditor	VICKI HUBER Administrative Assistant

Agenda Item 1: R. Wassinger 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: R. Wassinger called the December 15, 2014, Board Meeting to order at 10:02 a.m. Present at roll call: R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, R. Ecklund, D. Leonard and M. Walden-Newman. Absent: D. Blank and S. Simpson.

Excuse Board Members: R. Rehmeier moved to excuse D. Blank and S. Simpson. D. Leonard seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 4 – Public Hearing and Board Action on Revision to Rules and Regulations, Chapter 18: Public notice of the rulemaking hearing was published in the Lincoln Journal Star and the Omaha World Herald on November 13, 2014. Draft copies of Chapter 18 were available on the conference room table by the doors. Pursuant to NEB. REV. STAT § 84-907, the Board took testimony and evidence on modification of the Nebraska Administrative Code Title 303, Chapter 18, concerning benefit and contribution adjustments. R. Wassinger opened the hearing. P. Chambers explained the revisions.

P. Chambers testified that the revision to Chapter 18 of Title 303 of the Nebraska Administrative Code is for the purpose of incorporating specific reference to Internal Revenue Service requirements for refunding contributions to employers, as reflected in IRS Revenue Ruling 91-4. Generally, this Revenue Ruling provides the circumstances under which employer contributions can be returned to the employer, without violating the exclusive benefit rule. She further testified the IRS had requested the PERB add this reference.

There was no public testimony or other submissions on the modifications of Chapter 18.

D. Leonard moved to approve revisions to Chapter 18 Title 303 of the Nebraska Administrative Code, entitled “Rules and Regulations for Benefit and Contribution Adjustments” in the form delivered to the Nebraska Secretary of State on November 10, 2014. E. Stuhr seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried

Agenda Item 5 – Approval of Minutes: J. Elliott moved for approval of the minutes of the November 17, 2014, Board Meeting. R. Rehmeier seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 6 – Approval of Budget Status Report & November 2014 Retirement Report: R. Ecklund moved to approve the Budget Status Report and the November 2014 Retirement Report. D. Leonard seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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 – Deferred Compensation Plan (DCP) Audit Report: Z. Wells reported finishing the Deferred Compensation Plan audit for the period of January 1, 2013, through December 31, 2013. He reviewed observations and recommendations of the State Auditor's Office listed in the Attestation Report issued on October 1, 2014.

R. Ecklund moved to accept the DCP Audit Report. E. Stuhr seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Education Services Report: J. Winkelman provided a document summarizing the accomplishments of the Education Services department in 2014. Twenty-seven School Retirement Planning seminars were held across the state, with a total of 1,334 attendees. Fifteen State and County Retirement Planning seminars were held with a total of 625 attendees. Four Financial Management seminars were held with a total of 110 attendees; up 40 from last year. Six School Employer workshops were held at six locations. Surveys of the seminars continue to be very positive. He stated the only complaint with the seminars is that members wait until the last minute to register and the session is full.

J. Winkelman and T. Zulauf provided a presentation on changes to employer reporting to County clerks on June 12, 2014.

All the plan handbooks and employer manuals were updated. J. Elliott suggested a link to plan handbooks and other information available on the NPERS website, be included in the electronic newsletter.

The School Employer newsletter was recently updated. J. Winkelman and a member of the accounting staff are in the process of calling all School reporting agents to make sure they are aware of the changes in eligibility requirements brought about in LB 263.

E. Stuhr moved to approve the Education Services Report. J. Elliott seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Internal Auditor Quarterly Report and Three-Year Audit Plan:

T. Zulauf provided the Board with a written report compiling results from the internal audits of County and School Employers. She reported her department has completed 18 School employer audits since July 1. Twenty-two are in process. Forty-one County employer audits have been completed and one is in process. Approximately 34% of the County employers had no issues found. T. Zulauf stated her department has been focusing on the School employer audits in order to complete more audits in the fiscal year ending June 30, 2015. She stated they will resume the County employer audits when they feel comfortable on the number of School employer audits completed.

T. Zulauf explained the issue of ineligible compensation. She commented that problems arise when schools merge. The reporting agents do not know where documentation is located.

T. Zulauf provided a draft of the updated 3-Year Internal Audit Plan. She reviewed the revisions made since last year.

T. Zulauf reported her department will be working on two special projects in 2015. They are working on clearing out small account balances and working with MassMutual to update member information in their system.

R. Ecklund moved to approve the Internal Auditor Quarterly Report and Three-Year Audit Plan. D. Leonard seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 11 – Legal/Legislative Update: P. Chambers noted the revisions to Rules and Regulations Chapter 15 were approved by the Governor on December 8, 2014. It was effective December 13, 2014.

P. Chambers reported that she has talked with Kate Allen about Retirement legislation. They have discussed a possible bill to give NPERS subpoena power to obtain information from financial institutions regarding direct deposits of retiree payments. They also discussed possible legislation regarding rollovers when the estate is named as the beneficiary. After the first ten days of legislation, we will know what bills have been introduced that affect retirement.

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

Agenda Item 12 – Investment Officer's Update: M. Walden-Newman assumed the position as Nebraska's State Investment officer on December 8, 2014. He introduced himself to the PERB and commented on his previous experience as the Chief Investment Officer for the State of Wyoming.

He reported on the defined benefit plans' investment performance as of October 31, 2014.

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

Agenda Item 13 – Director's Report: P. Chambers reported sending an adjusted budget request to the Budget Office. The actuarial valuation results reported additional state contributions are needed for the Judges plan in the amount of \$749, 849. An additional \$4.6 million in state contributions are needed for the Patrol plan, which includes \$786,000 to fund military service credit requests.

The Legislative Retirement Committee requested an actuarial study of the Patrol DROP. The study has been completed by the actuaries and the report showed the DROP did not significantly affect the unfunded liability of the plan in its current structure.

Cavanaugh Macdonald has completed the Governmental Accounting Standards Board (GASB) 67 financial report. NPERS sent the report to the State Auditor's office for their review. The report will also be provided to the State Accounting Department for the Comprehensive Annual Financial Report (CAFR). Next year the actuaries will prepare the GASB 68 report listing the employer liabilities for School and County plans.

P. Chambers met with Mike Dulaney, from the Nebraska Council of School Administrators. He plans to recommend a replacement to the Governor Elect for the School Administrator's position on the PERB. S. Simpson resigned, effective December 31, 2014.

R. Rehmeier moved to approve the Director's Report. E. Stuhr seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 14 – Board Committee Reports: R. Rehmeier reported for the Assumed Rate (AR) Committee. He reported the Committee met following the November PERB meeting and is close to making a recommendation to the Board. R. Rehmeier and P. Chambers met with the Governor Elect prior to the PERB meeting to inform him about the Retirement plans and the assumed rate.

The PERB AR Committee also plans to meet with the chairs of the Legislative Retirement Committee and the Appropriations Committee prior to the January PERB meeting. Therefore, the AR Committee will defer any recommendation until after they meet with the committee chairs.

R. Ecklund moved to approve the Assumed Rate Committee report. J. Elliott seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

Agenda Item 16 – Future Meetings/Agendas: The next regular PERB meeting is Tuesday, January 20, 2014.

Agenda Items 17 and 18 – Executive Session: At 11:32 a.m., E. Stuhr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing the hiring of legal counsel and other legal matters. D. Leonard seconded the motion. R. Wassinger repeated the motion for the record. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:54 p.m., R. Ecklund moved that the Board exit Executive Session and reconvene in Regular Session. J. Elliott seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Rehmeier moved to accept the recommendation of the Interview Committee and hire Orron Hill for the Attorney III position at NPERS and to authorize the director to negotiate the

terms. D. Leonard seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Adjournment: E. Stuhr moved that the meeting adjourn. D. Leonard seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 12:57 p.m.



Phyllis G. Chambers
Director