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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

CORRECTED MINUTES

MARCH 21, 2014

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:30 a.m., Friday, March 21, 2014, in the New Third Conference Room, Ameritas Life Insurance Corp., 5900 "O" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, March 14, 2014. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Tuesday, March 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

FRED TURNER

IT Manager

TERESA ZULAUF

Internal Auditor

BEN MATTERN

Ameritas

NANCY REIMER

Ameritas

MARY KLUG

Ameritas

SCOTT HOLECHEK

Ameritas

PHIL OLSEN

State Auditor's Office

ZACH WELLS

State Auditor's Office

ERIC ASBOE

Nebraska Supreme Court

DEAN GRESS

IT Senior Application Developer

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 door.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the March 21, 2014, Board Meeting to order at 9:30 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: R. Wassinger moved for approval of the minutes of the February 18, 2014, Board Meeting. 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 5 – Approval of Budget Status Report & February Retirement Report: J. Elliott moved to approve the Budget Status Report and the February 2014 Retirement Report. R. Ecklund 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 – School, Judges, and Patrol Audit Report: P. Olsen and Z. Wells were present, representing the State Auditor's Office. P. Olsen thanked NPERS and the PERB for their continued cooperation during the audit process. D. Blank commented that the Board is always ready to help in any way.

Z. Wells reported finishing the School, Judges, and Patrol Audit for the period of July 1, 2012, through June 30, 2013. He reviewed the comments and recommendations of the State Auditor's office listed in the report issued on March 13, 2013.

R. Ecklund moved to accept the School, Judges, and Patrol Audit Report. 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 8 – Ameritas Annual Report: B. Mattern updated the Board on the technology platform and system processing changes taking place at Ameritas. He reviewed the history of Ameritas' work with SunGard for technical support. He stated Ameritas is making a major investment to grow their retirement area. He explained participants will see a new website, new statements, and a new voice response system, on day one. More features will be added in the future. He commented that all usernames and passwords will remain the same for members.

The transition is scheduled to finish on Memorial Day weekend.

A copy of the Ameritas Annual Plan Review for December 31, 2013, was provided to the Board. The report will be made available on the NPERS website.

N. Reimer reviewed the report, which included an overview of contributions, distributions, and year end balances for NPERS' State, County, DCP, and DROP retirement plans. The report also includes member information such as average age, account balances, and member's years of service in each plan.

She highlighted Ameritas' accomplishments for 2013, including monthly meetings with NPERS, the DC to CB election to transfer, allowing counties and health districts using MIPS to make ACH/wire transfers, and initiating CB forfeiture transfers.

Included in the report is a chart showing activity status and average number of members affected by the Excess Trading Policy, which was implemented in 2011. She reported the excessive trading has declined.

She stated Ameritas' goals for 2014 include continuing to meet monthly with NPERS staff to review projects and priorities, to continue assistance and support with data clean-up initiatives and process improvement enhancements for the NPRIS data feeds and interfaces, provide assistance in implementing changes as required by new legislation, and implement new technology initiative.

R. Ecklund commented on how inexpensive the State plan is compared private offerings.

R. Ecklund left the meeting at 10:09 a.m.

E. Stuhr moved to accept the Ameritas Annual Report. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Ecklund rejoined the meeting at 10:11 a.m.

Agenda Item 9 – Support Agreement with Hewlett Packard State and Local (HPSL):

NPERS' support agreement with HPSL expires March 31, 2014. P. Chambers explained the terms of the agreement have not changed. She reported NPERS has used HPSL for conference calls and questions in the past.

F. Turner commented that HPSL has always been available to accommodate NPERS' needs and he would like to see the Agreement continued in case their service is needed.

S. Simpson moved to renew the Support Agreement with HPSL, until March 31, 2015.

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 10 – Office of the Chief Information Officer (OCIO) Backups of NPRIS:

F. Turner reported the OCIO back-ups have been excellent since December 24, 2013, except

for two days when the OCIO had system problems and those two days were successfully rerun. F. Turner stated he is confident in the OCIO's performance and he would like to discontinue NPERS' parallel back-ups on March 31, 2014. He stated this will save money and NPERS will not have to purchase new equipment to do their own back-ups.

D. Leonard moved to transfer all NPRIS back-ups to the OCIO and amend the existing agreement. 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.

The Board took a break at 10:19 a.m. and reconvened at 10:25 a.m.

Agenda Item 11 – Internal Auditor Quarterly Report: T. Zulauf reported on the accomplishments of the internal audit staff since the last report.

She provided the Board with a written report compiling results from the internal audits of County and School employers.

She reported 103 counties, public health districts, and hospitals have submitted their procedures for monitoring part-time employees.

T. Zulauf reported the Internal Auditor department has completed 21 School employer audits for the fiscal year ending June 30, 2014. Sixteen audits are in process. She reported two Schools had no issues found. Other Schools had issues with gross wages, enrollment, hours reported, and demographics. She stated her department's goal is to have 37 audits completed by the end of June.

She reported her department has completed 11 County employer audits, to date. Six County audits are in process. Two employers had no issues found. Issues found with the other County audits included demographics, enrollment, ineligible compensation, and a voluntary member form not on file.

T. Zulauf reported researching 164 individuals found on the Berwyn death report. Recommendations and documentation have been made for various members whose accounts were found in the report.

R. Ecklund moved to approve the Internal Auditor Quarterly Report. 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 12 – Legal/Legislative Update: M. Effken reported there are 15 days left in this legislative session. Seven bills related to retirement have been reduced to two through the process of amendments. He provided an update on the progress of each bill.

LB1042, relating to the repurchase of formerly refunded School employee service, moved to General File with amendment (AM2132). He stated this bill has recently had some opposition

from retired School employee representatives and it is not clear at this point where this bill may end up. It has not been debated by the Legislature since the last PERB meeting.

LB1041, concerning the School employee purchase of air time, was moved to LB1042 through amendment. (AM2132)

LB713 and LB977 were moved to LB759, though amendment. (AM2140)

LB759, which requires additional reporting for municipalities, was moved to General File with amendment. (AM2140)

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 13 – Investment Officer’s Update: J. States reported performance for the fiscal year to date at 13.5% at end of February and continues to be above the assume rate. He commented that the stock market seems to be headed forward at a good pace.

He reported the Nebraska Investment Council (NIC) hired a new internal auditor who started the first week of March. He stated the internal auditor will provide their agency with an independent check. He reported their agency will also be adding an accountant.

He reported LB759 now includes two bills affecting the NIC.

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

Agenda Item 14 – Director’s Report: P. Chambers provided the Board with copies of NPERS' Annual Report to Legislature. The report will be presented to the Retirement Committee on March 24, 2014. She highlighted NPERS' 2013 accomplishments included in the report as follows: NPERS' relocation to 1526 K Street, a record number of 119,420 member accounts, and growth in retirement assets of \$11.1 billion. She reviewed statistics for each area of the agency.

She reviewed the agency’s action plan for the future and highlighted the following: work with the actuary to develop the projection modeling software, implement the GASB 67 changes for financial reporting, submit the filings for IRS determination letters, programming of the new “Tier 2” requirements for School plan members, continue to work on providing handicap access and adequate parking, and upgrade the imaging software on NPRIS.

P. Chambers provided the Board with a report containing comments from members with concerns with the availability of parking at the 1526 Building.

She pointed out \$660 million were paid out in benefits in 2013 and reviewed the areas of Nebraska where the benefits are paid.

P. Chambers requested permission to attend the Annual National Council on Teacher Retirement (NCTR) System Directors' Meeting, to be held June 1-3, 2014, in Austin, Texas and the National Association of State Retirement Administrators' (NASRA) Annual Conference, scheduled to be held August 2-6, 2014, in Asheville, North Carolina. She requested \$3,200 in expenses for each trip.

D. Leonard moved to approve the Director's Report and requests for travel to attend the NCTR System Directors' Meeting and the NASRA Annual Conference, with expenses up to \$3200 for each request. 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 15 – Board Committee Reports: On behalf of the Education Committee, R. Rehmeier reported the PERB Retreat is scheduled for Wednesday, July 16, 2014, at Quarry Oaks, in Ashland, Nebraska. He requested the Board members provide him with suggestions for topics for the retreat. He suggested additional training on the iPads. The committee plans to meet prior to the PERB's April meeting.

R. Wassinger reported the Personnel Committee will be meeting to discuss the Director's evaluation.

Agenda Item 16 – Board Education/Travel Requests: J. Elliott requested permission to attend the Annual NCTR Trustee Workshop July 27-30, 2014, with up to \$3,200 in expenses. She stated the location had not yet been announced.

S. Simpson moved to approve J. Elliott's requests for travel to attend the Annual NCTR Trustee Workshop; with expenses up to \$3200. 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 17 – Future Meetings/Agendas: The next meeting will be held on Monday, April 21, 2014, in the 1526 Building, at 1526 "K" Street, Lincoln, Nebraska.

Agenda Items 18 and 19 – Executive Session: At 11:16 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 Nos. 134149 and 10280; Retirement No. 088513, personnel matters, and other legal matters. S. Simpson 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 1:00 p.m., S. Simpson moved that the Board exit Executive Session and reconvene in Regular Session. 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.

R. Wassinger moved for disapproval of the Disability Application of Retirement No. 134149 and approval of Disability Application of Retirement No. 102801. 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.

D. Leonard moved to suspend the retirement benefit of Retirement No. 088513 and recall all benefits already paid to the member. R. Ecklund seconded the motion. Members voted as follows: For: R. Ecklund and D. Leonard. Against: D. Blank, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Motion failed.

Adjournment: S. Simpson moved that the meeting adjourn. 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.

The meeting adjourned at 1:05 p.m.



Phyllis G. Chambers
Director