

## PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

December 19, 2011

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:03 a.m., Monday, December 19, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed Monday, December 12, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 12, 2011. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

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

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	GARY BUSH AS - State Budget Administrator's Office
JASON HAYES Legal Counsel	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	JERRY HOFFMAN Nebraska State Education Association
MIDEN EBERT Retirement Plan Supervisor	VICKI HUBER Administrative Secretary
FRED TURNER IT Manager	

**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 December 19, 2011, Board Meeting to order at 10:03 a.m. Present at roll call: D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and J. States.

**Agenda Item 4 – Approval of Minutes:** M. Shepard moved for approval of the minutes of the November 21, 2011, Board Meeting. D. Pederson seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & November 2011 Retirement Report:** G. Elwell moved to approve the budget status report and the November 2011 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, 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 – Education Services Manager Report:** J. Winkelman reported on his background and responsibilities as the manager of the Education Services Department for NPERS. He gave a brief background of the two employees he supervises and explained their duties within the department. The department develops and presents all retirement plan seminars; produces all publications, including handbooks, employer manuals, and retirement newsletters; and manages the NPERS website.

He stated the focus of his department has been on cost containment for seminars and printing, along with updating manuals as soon as possible and making them available on the website. They have also been working to improve the newsletter graphics.

J. Winkelman distributed materials to the Board showing 2011 seminar attendance, seminar costs from 2009, 2010, and 2011, and evaluation results.

He explained how plan members are notified and encouraged to attend the seminars and how speakers and their topics are selected

Members of the Judges and State Patrol plans are invited to attend the School seminars; however, very few actually attend. Individual presentations can be requested by agencies or employee interest groups and the department provides a “Retirement 101” presentation.

E. Stuhr questioned whether there were statistics on the percentage of plan participants who have attended a seminar. J. Winkelman stated that information has not been gathered.

D. Blank complimented the Education Services staff on their seminars and mentioned he has never heard a negative comment.

E. Stuhr moved to approve the Education Services Manager Report. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 8 – Internal Auditor Report and Three-Year Audit Plan:** T. Zulauf reported working on putting employers' frequently asked questions on the NPERS website, which will be completed in the near future.

T. Zulauf reported her department has completed 29 County employer audits since January 1, 2011, and 7 are in progress. Findings include ineligible compensation and monitoring part-time employees. She commented that most counties are good at providing requested information.

She reported her department has completed 21 school audits for 2011. She stated her staff has been spending time on other projects for the State Auditor's office and NPERS' accounting department.

The Three-Year Audit Plan addresses the audit priorities of NPERS and serves as the work plan for the Internal Auditor. T. Zulauf provided the Board copies of the updated Appendixes A, B, and D of the Three-Year Audit Plan for January 2012 through December 2014. She stated the majority of updates were made to projected internal audits and the quarterly "look ahead" calendar, which now includes 2014.

D. Blank inquired as to whether T. Zulauf had anything that needed to be reported to the PERB in addition to her report. She responded, "not that I am aware of."

J. Elliott moved to approve the Internal Auditor Report and revised Three-Year Audit Plan. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 9 – Board Action of Attorney General Modifications to Rules and Regulations Nos. 1 and 12:** J. Hayes reported the Attorney General's office is requiring minor modifications be made to Chapters 1 and 12 of the Rules and Regulations submitted in September. Copies of the proposed revisions were provided to the Board prior to the meeting. J. Hayes summarized and explained the reasons for the changes.

D. Blank moved to approve revisions to Chapter 1, Rule and Regulations for Public Employees Retirement Board Management in subsection 002.04 changing the quorum meeting requirement of the Board from four to five members. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 12, Rule and Regulations for Appeal of Board Actions and Decisions, removing language in subsection 006.06 concerning court reporter costs assessed during a formal appeal hearing. R. Rehmeier seconded the motion.

Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 10 – Board Action on Amendments to Deferred Compensation Plan (DCP)**

**Document:** J. Hayes provided copies of proposed changes to the DCP plan document to the Board prior to the meeting. He reviewed the changes.

D. Blank moved to approve revisions to the Deferred Compensation Plan, to make necessary changes to comply with IRS regulations, to initiate a 3-day period within which written investment changes will occur, and to establish a default investment selection. M. Shepard seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 11 – Legal/Legislative Update:** J. Hayes reported the three-day on-site portion of the legal compliance audit was completed last week. Representatives from Groom Law Group and the Segal Company interviewed NPERS staff and members of the Board; asking a series of questions regarding plan processes and procedures and their compliance with the IRS, Federal and State laws. The agency will receive follow-up questions from the auditors over the next few months. He anticipates an initial report to be released sometime in April 2012.

J. Hayes continues to meet with Kate Allen, to prepare for the upcoming legislative session.

J. Hayes reported the remaining Rules and Regulations approved by the Attorney General's office have been submitted to the Governor. Chapters 1 and 12 will be submitted to the Attorney General's office for review. They are then forwarded to the Governor's office, to the Secretary of State, and then become law.

P. Chambers stated NPERS will provide the Board both electronic and hard copies of the Rules and Regulations, once they become law.

D. Blank thanked J. Hayes and the NPERS staff for their work updating all the Rules and Regulations, which will bring the agency current and resolve past audit points.

R. Rehmeier moved to approve the Legal/Legislative Update. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The Board took a break at 10:57 a.m. and reconvened at 11:06 a.m.

**Agenda Item 12 – Investment Officer's Update:** J. States reported as of the end of November returns for the Cash Balance plans were approximately 4.6%; adding that most of the growth was experienced prior to June.

He announced the NIC renewed the consulting contract with Hewitt EnnisKnupp at the regular NIC meeting on November 21, 2011. He stated the contract included a 20% reduction in overall services and fees. He stated a change will occur in the lead consultant.

He reported Governor Heineman has reappointed Richard DeFusco to the Council, pending approval by the Legislature.

J. States reported the NIC approved commitment to an additional real estate investment and has achieved the target goal of 5% in assets allocations.

As a part of the Council's review on the spending plans of all the non-defined plans, J. States made a presentation to a joint committee hearing of the Health and Human Services and Appropriations Committees on the Health Care Endowment Fund. It has been determined the fund is not sustainable over long term and the NIC is pleased the Legislature has created an interim committee to study the issue of health care funding.

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

**Agenda Item 13 – Director's Report:** P. Chambers, J. Hayes, and representatives from Buck Consultants met with Governor Heineman after the joint meeting on November 21, 2011, to present the actuary report. A hearing on LR 210 was held on November 22, 2011, and D. Slishinsky presented the actuarial report at that time. J. Elliott attended the hearing. Approximately 20 school representatives and retirees were also in attendance.

P. Chambers commented that the actuary's presentation was followed by other testimony and discussion. She reported that Susan Alt, from the Social Security office in Kansas City, provided information concerning the possibilities for the State Patrol to participate in Social Security. P. Chambers suggested inviting a Social Security representative to speak at a future PERB retreat.

P. Chambers reported attending a meeting hosted by the Nebraska State Education Association, retired group, concerning the possibility of exempting pension payments from Nebraska income tax. Senator Nordquist, Senator Mello, and other retiree groups also attended the meeting.

P. Chambers complimented J. Hayes on his work arranging the on-site compliance audit. David Powell, of Groom Law Group, did a follow up on the determination letters submitted in 2008 and reported that after three years they were finally assigned to a reviewer in April 2011. The determination letters will probably not be approved before the next filing cycle.

She briefly reviewed a Platte Institute Policy Study, titled "Public Sector Pensions in Nebraska".

P. Chambers announced D. Pederson and M. Shepard are leaving the Board and stated she had no news on their replacements. They will continue to serve until new Board members are appointed and approved by the Legislature.

She reported meeting with Bill Mueller and Matt Schaefer, the new lobbyists for the State Troopers Association of Nebraska to discuss the State Patrol plan and look at the modeling software.

P. Chambers stated she continues to meet with Jason Days on space planning for the Assurity building.

G. Elwell moved to approve the Director's Report. M. Shepard seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 14 – Board Committee Reports:** On behalf of the Budget and Personnel Committee, M. Shepard reported meeting with P. Chambers to review the Director's performance evaluation.

**Agenda Item 16 – Future Meetings/Agendas:** The next meeting will be held on Monday, January 23, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

R. Rehmeier moved to approve the 2012 PERB meeting calendar as presented. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Items 17 and 18 – Executive Session:** At 11:54 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. 105796, 105881, 123523, and 900827; personnel matters; and other legal matters. M. Shepard seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:48 p.m., G. Elwell 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, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 105796, 105881, 123523, and 900827. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Adjournment:** R. Rehmeier moved that the meeting adjourn. D. Pederson seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, D. Pederson, R. Rehmeier, M. Shepard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 12:49 p.m.

Phyllis G. Chambers  
Director