

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

July 25, 2011

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:39 a.m., Monday, July 25, 2011, at Quarry Oaks, Oaks Room, Ashland, Nebraska.

The Board members were notified of this meeting by Agenda mailed July 15, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, July 18, 2011. D. Blank chaired the meeting and V. Huber recorded the minutes.

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

MEMBERS ABSENT: JUDGE RANDALL REHMEIER

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	JEREMY NORDQUIST Nebraska State Senator
RANDY GERKE Deputy Director	LAVON HEIDEMAN Nebraska State Senator
JASON HAYES Legal Counsel	DAVE SLISHINSKY Buck Consultants
JOHN WINKELMAN Training Supervisor	TAMMY RINGEL Buck Consultants
MIDEN EBERT Retirement Plan Supervisor	KATHY TENOPIR Legislative Fiscal Office
DALE COMER Attorney General's Office	ROGER REA NSEA-Retired
GERRY OLIGMUELLER AS - State Budget Administrator	MICHAEL SMITH Omaha School Employees Retirement System
GARY BUSH AS - State Budget Administrator's Office	BRENT BANISTER Cananaugh Macdonald Consulting, LLC

PAT BECKHAM  
Cananaugh Macdonald Consulting, LLC  
HERB SCHIMEK  
Westside Community Schools  
KEVIN VANDOLDER  
Hewitt Ennis Knupp  
KAREN KILGARIN  
Nebraska State Education Association

JERRY HOFFMAN  
Nebraska State Education Association  
CHERYL WOLFF  
Governor's Policy Research Office  
KATE ALLEN  
Legislative Retirement Committee  
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 materials table.

**Agenda Items 2 and 3 – Meeting Called to Order:** D. Blank called the July 25, 2011, Board Meeting to order at 8:39 a.m. Present at roll call: D. Blank, G. Elwell, M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and J. States. Absent: R. Rehmeier.

**Agenda Item 4 – Chairman's Comments and Introductions:** D. Blank welcomed M. Shepard and complimented Lincoln Public Schools on their recovery accomplishments, since the May fire that destroyed their administration building.

**Agenda Item 5 – Approval of Minutes:** E. Stuhr moved for approval of the minutes of the June 20, 2011, Board Meeting. M. Shepard seconded the motion. Members voted as follows: For: G. Elwell, M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

**Agenda Item 6 – Approval of Budget Status Report & June 2011 Retirement Report:** R. Wassinger moved to approve the budget status report and the June 2011 Retirement Report. G. Elwell seconded the motion. Members voted as follows: For: M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

**Agenda Item 7 – Public Comments or Correspondence from Citizens:** J. Hoffman was present, representing the Nebraska State Education Association (NSEA). He distributed a handout, which included: a timeline of Nebraska teacher retirement improvements; an exhibit, published by Pew Center on the States, showing plan funding for FY 2009, across the U.S.; a history of School employee and employer contribution rates; and a historical graph of fiscal year returns compared to contributions, for NPERS' defined benefit plans.

He thanked the PERB for their commitment to the plan and public service.

**Agenda Item 8 – Management Charter with OCIO for IT Manager:** P. Chambers reported NPERS' annual contract with OCIO for the IT manager ended June 30, 2011. She explained NPERS pays 90% of the salary and benefits for the manager. She recommended the Board renew the contract for July 1, 2011, through June 30, 2012.

P. Chambers commented NPERS has two excellent developers from the OCIO. She stated the OCIO has committed to keep NPERS staffed with qualified personnel.

D. Pederson moved to approve renewal of NPERS' Management Charter with the OCIO through June 30, 2012. M. Shepard seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, G. Elwell, and M. Shepard. Against: None. Motion carried.

**Agenda Item 9 – Board Committees and Travel Requests:** Pending approval from her school district, J. Elliott requested to attend the National Association of Government Defined Contribution Administrators (NAGDCA) Annual Meeting, September 10-14, 2011, in Albuquerque, New Mexico, with up to \$3,000 in expenses.

M. Shepard moved to approve J. Elliott's request to attend the NAGDCA Annual Meeting, September 10-14, 2011, with expenses not to exceed \$3,000. G. Elwell seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, D. Blank, G. Elwell, M. Shepard, and R. Wassinger. Against: None. Motion carried.

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

**Agenda Item 10 – Director's Report:** P. Chambers reported receiving 13 questions regarding the request for proposal (RFP) for a compliance audit. She reviewed the questions and NPERS' responses. She explained a committee of NPERS staff and Board members will evaluate the submissions. She will report on the progress at the August Board meeting. The goal is to award the contract by September 1, 2011.

D. Blank and G. Elwell volunteered to be on the committee to evaluate submissions to the RFP.

P. Chambers announced NPERS will be testing the communication portion of the disaster recovery plan during the next month. She explained Board members will be receiving a call, simulating a "mock disaster". G. Elwell suggested using telephone, email, and autotext in the notification procedure.

P. Chambers reported a record of 639 School retirement applications with a June 1 effective date and 230 with a July 1 effective date.

P. Chambers reported the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) was 4.06%. Consequently, there will be a 2.5% Cost of Living Adjustment (COLA) for the defined benefit plans.

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

P. Chambers reported providing a presentation on cash balance plans at the conference organized by the Pew Center on the States, in Washington, D.C., June 21-22, 2011. She briefly summarized topics provided by other conference presenters and thanked the Board for allowing her to participate.

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

**Agenda Item 11 – Open Meetings Laws:** D. Comer thanked the Board members for the work they do. He explained there has been an increase in the number of contacts with the Attorney General's office, regarding open meetings law issues. He and two other staff members are assigned to handle these calls.

He provided a handout outlining his presentation and noted it is also available on the Office of the Attorney General's website.

D. Comer explained anytime there is a quorum of members in attendance; it can be a recognized as a meeting. A meeting is defined in statutes as "all regular, special, or called meetings, formal or informal of any public body for the purposes of briefing, discussion of public business, formation of tentative policy, or the taking of any action of the public body."

Along with the definitions of meetings, he also highlighted his presentation with information regarding: the use of videoconferencing, telephone conferencing or conferencing by other electronic communication; emergency meetings; the right to public comments; and the inclusion of closed sessions during a meeting.

The Board took a break at 10:13 a.m. and reconvened at 10:33 a.m.

**Agenda Item 12 – Fiduciary Responsibility and Board Governance:** J. Hayes distributed an updated schedule for Rules and Regulations being revised or repealed. Copies of proposed revisions to Rules and Regulations Nos. 4, 5, 12, 14, 15, 17, 19, 20, 23, 24, and 25 were provided in the Board packets.

J. Hayes explained the sections of each Chapter being revised or repealed, which were reviewed by the Regulation and Policy Review Committee in June.

He explained the public hearing procedure to be followed at the August PERB meeting.

On behalf of the Regulation and Policy Review Committee, J. Elliott moved to preliminarily adopt Rules and Regulations Nos. 4, 5, 12, 14, 15, 17, 19, 20, 23, 24, and 25, as presented. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, G. Elwell, M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, and J. Elliott. Against: None. Motion carried.

J. Hayes explained fiduciary duties, comparing governmental and non-governmental plans representing the members of the plan. Duties include: duty of loyalty, no duty to seek

enhancement, duty of prudence, and duty to follow plan documents. His presentation also included common fiduciary issues and board responsibilities.

J. Hayes explained it is the responsibility of the PERB to update the Deferred Compensation Plan document to reflect the statutes.

D. Blank asked J. Hayes to provide copies of his presentation, to the Board.

**Agenda Item 13 – Investment Report and Market Update:** J. States reported preliminary fiscal year-to-date performance estimates through June 30, 2011, at 23.4%, for the defined benefit and cash balance plans.

K. Vandolder provided investment update materials from Hewitt Ennis Knupp. The market update included comments on the debt ceiling, core inflation, current interest rate expectations, currency movements, and updates on the various markets.

J. States emphasized the Nebraska Investment Council (NIC) is working with Hewitt Ennis Knupp to move toward more exposure to markets outside the United States. He stated the Council intends to build in some inflation protection and diversify.

K. Vandolder's presentation also included a performance review through March 31, 2011, for all the plans; an operation investment pool update; and capital market assumptions.

**Agenda Items 14 and 15 – Executive Session:** At 12:21 p.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. 081915 and 142866, personnel matters, and other legal matters. G. Elwell seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: G. Elwell, M. Shepard, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

M. Shepard left the meeting during Executive Session.

At 1:07 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. D. Pederson seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

G. Elwell moved for approval of the Disability Applications of Retirement Nos. 081915 and 142866. J. Elliott seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

D. Blank welcomed Senator Nordquist, from the Legislative Retirement Committee and Senator Heideman, from the Legislative Appropriations Committee; and recognized M. Smith, R. Rea, H. Schimek, and G. Ogligmueller, who were also in attendance.

M. Shepard returned to the meeting at 1:09 p.m.

**Agenda Item 16 and 17 – 30-Year Projection Model:** D. Blank noted the software being introduced by Buck Consultants is a proprietary issue and will not be distributed outside of NPERS; however, anyone can contact the Director for further information.

During 2011 Nebraska Legislative Session, bills were introduced which would change the benefit provisions for new members for School and State Patrol Systems. These bills were referred to Committee for further study and Buck was asked to prepare a projection model to study the fiscal impact that changes to new member benefits would have on long-term funding.

D. Slisinsky and T. Ringel presented model software with the capability to model the current plan and up to four additional plan design alternatives applicable to new members, simultaneously. The model handles defined benefit and cash balance designs for School and State Patrol systems; and displays results graphically over the 30-year projection period including member data, single plan, or multiple plan display.

The presentation included projection assumptions, projection model capabilities, projections of the current plan for all members, and projections of alternative plans for new members.

The board took a break at 2:02 p.m. and reconvened at 2:10 p.m.

Interacting with the Board and the public in attendance, D. Slisinsky and T. Ringel demonstrated the software with examples of projections that would result from changing the variables and types of plans and displaying the impact selected changes would have on funding.

**Agenda Item 18 – Recap of Day’s Topics and Retreat Items:** D. Blank requested the Board complete a retreat evaluation and expense forms and return them to V. Huber.

**Agenda Item 19 – Future Meetings/Agendas:** The next meeting will be held on Monday, August 22, 2011, in the in the Great Western Bank Conference Center, 1221 “N” Street, Lincoln, Nebraska. The meeting will include Public Hearings for the Rules and Regulations addressed in Agenda Item 12, along with those pre-approved during the June PERB meeting. The meeting will start at 9:00 a.m.

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

The meeting adjourned at 3:20 p.m.

Phyllis G. Chambers  
Director