

## PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

June 20, 2011

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, June 20, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed Thursday, June 9, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 13, 2011. G. Elwell chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:                   SGT. GLENN ELWELL, VICE-CHAIR  
JUDGE RANDALL REHMEIER  
RICHARD WASSINGER  
ELAINE STUHR  
JANIS ELLIOTT  
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT:                   DENIS BLANK, CHAIR  
MARK SHEPARD  
DON PEDERSON

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	GARY BUSH AS - State Budget Administrator's Office
RANDY GERKE Deputy Director	BEN MATTERN Ameritas
JASON HAYES Legal Counsel	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	DAVID BUDKA The Hartford
MIDEN EBERT Retirement Plan Supervisor	KIRSTEN STEIERT The Hartford
FRED TURNER IT Manager	VICKI HUBER Administrative Secretary
TERESA ZULAUF Internal Auditor	

**Agenda Item 1:** G. Elwell 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:** G. Elwell called the June 20, 2011, Board Meeting to order at 9:33 a.m. Present at roll call: G. Elwell, R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, and J. States. Absent: D. Blank, M. Shepard, and D. Pederson.

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

**Agenda Item 4 – Approval of Minutes:** R. Wassinger moved for approval of the minutes of the May 16, 2011, Board Meeting. E. Stuhr seconded the motion. Members voted as follows: For: R. Wassinger, E. Stuhr, J. Elliott, G. Elwell, and R. Rehmeier. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & May 2011 Retirement Report:** R. Rehmeier moved to approve the budget status report and the May 2011 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, R. Rehmeier, 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 – Hartford Annual Report:** K. Steiert reported Bill Abramowicz will no longer be working with the State DCP plan. Bill is now working with consultants in Hartford's public market and she will be handling the NPERS plan. She introduced D. Budka, who is a member of Hartford's investment advisory group.

K. Steiert presented the Retirement Plan Review for January 1, 2010, to December 31, 2010. She reported assets over \$38 million as of June 15, 2011, with 886 participants. She pointed out there is large number of participants in the 50-64 age category and suggested there may be a need for preretirement planning with advisors. She stated as of December 31, 2010, 269 retirees are receiving an annuity and 77 are taking systematic withdrawals.

D. Budka reviewed the 2010 Plan Investment Review and Investment Alternatives Report. The investment review included market indicators, Morningstar Category Grid Analysis, fund performance, and enhanced analytics zephyr prepared for the State of Nebraska. The Investment Alternatives Report provided an updated investment return and risk report for fund managers as of March 31, 2011.

E. Stuhr moved to accept the Hartford Annual Report. J. Elliott seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, R. Rehmeier, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 8 – Compliance Request for Proposal (RFP):** P. Chambers explained the contents of the RFP to select a qualified contractor for compliance auditing services. She

summarized the process and timeline; with proposals to be submitted to Administrative Services by August 3, 2011. NPERS' last compliance audit was completed ten years ago.

J. Hayes will notify the Board of any changes in the proposed timeline.

J. Elliott moved for general approval of the release of the RFP as presented. R. Wassinger seconded the motion. Members voted as follows: For: G. Elwell, R. Rehmeier, R. Wassinger, E. Stuhr, and J. Elliott. Against: None. Motion carried.

**Agenda Item 9 – Ameritas Contract Renewal:** At the January 2010 PERB meeting, the Board voted to permit the Director and Legal Counsel to draft a renewal agreement with Ameritas, for the purpose of extending their current recordkeeping services contract for the five-year period from October 1, 2011, through September 30, 2016. P. Chambers presented a renewal to the Recordkeeping and Administrative Services Agreement with Ameritas. She reviewed revisions to the contract and the schedule of fees.

E. Stuhr moved to approve the Ameritas contract renewal as presented and to approve the Director to sign the contract. J. Elliott seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

The Board took a break at 10:53 a.m. and reconvened at 11:02 a.m.

**Agenda Item 10 – Disaster Recovery Plan:** At this time, F. Turner gave an Information System update and reported 34 open problem incident reports (PIRs) as of June 17, 2011.

He stated a cost estimate has been developed with the Office of the Chief Information Officer (OCIO) to move NPERS hardware to the OCIO server room. A timeline will be developed and then given to the Director, along with the estimate, for approval.

He reported the Disaster Recovery Plan is complete and circulated a copy of the manual for the Board to view. He briefly reviewed the format of the plan and identified steps to be taken in an emergency. He stated updates to the Plan's manual will continue to be made, as needed. Testing of the plan will be completed after an off-site location can be finalized with the State Building Division.

F. Turner also reported the staff member organizing the Disaster Recovery plan has moved and the person hired to fill that position is scheduled to start July 12, 2011.

F. Turner and P. Chambers reviewed the emergency procedures regarding the PERB, specifically.

J. Elliott complemented the NPERS staff on an impressive written plan. The Board requested to receive electronic copies of the Disaster Recovery Plan; along with the Rules and Regulations, when finalized.

J. Elliott moved to accept the Disaster Recovery Plan as presented. R. Wassinger seconded the motion. Members voted as follows: For: R. Wassinger, E. Stuhr, J. Elliott, G. Elwell, and R. Rehmeier. Against: None. Motion carried.

**Agenda Item 11 – Legal/Legislative Update:** J. Hayes reported the Legislature adjourned in May. He distributed copies of Legislative Resolutions regarding retirement issues: LR 210, LR 215, LR 216, and LR 262, which have been introduced in interim. He reviewed the contents of each study.

R. Rehmeier moved to approve the Legal and Legislative Report. E. Stuhr seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 12 – Rules and Regulations Review:** J. Hayes distributed an updated schedule for Rules and Regulations being revised or repealed. Copies of proposed revisions to Rules and Regulations Nos. 1, 2, 3, 8,9,11,13,16,18, 21, and 22 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 May.

On behalf of the Regulation and Policy Review Committee, J. Elliott moved to preliminarily adopt Rules and Regulations Nos. 1, 2, 3, 8,9,11,13,16,18, 21, and 22, as presented. E. Stuhr seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, R. Rehmeier, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 13 – Investment Officer’s Update:** J. States reported the fiscal year-to date performance for the defined benefit plans near 26%, as of May 31<sup>st</sup>; while the 12-month period, was 23.8%.

He stated the Nebraska Investment Council (NIC) Annual Retreat is scheduled for July 13 and 14, 2011, at Quarry Oaks. The retreat will include investment classes, along with policy review of non-retirement asset allocations and spending policies.

J. States reported the NIC is in the process of evaluating submissions to their RFP for consulting services and are targeting to have finalists or recommendations by their August meeting.

He announced the Council is currently interviewing a new pool of candidates for a portfolio manager.

R. Rehmeier moved to accept the Investment Officer’s Report. R. Wassinger seconded the motion. Members voted as follows: For: G. Elwell, R. Rehmeier, R. Wassinger, E. Stuhr, and J. Elliott. Against: None. Motion carried.

**Agenda Item 14 – Director’s Report:** P. Chambers reported a record of 625 School retirement applications with a June 1 effective date.

She announced, as of June 9, 2011, Woodbury Corporation is the new owner of the Great Western Bank property, where NPERS leases office space. The building will be officially known as "1221 Tower." Broe Real Estate Services will continue as property manager.

P. Chambers reported finalizing negotiations on an addendum with Buck Consultants for the 30-Year Projection Model for the School and Patrol plans. Dave Slishinsky is currently working on the project and plans to present it to the Board at the Annual PERB Retreat in July.

She reported all the speakers for the Retreat have been confirmed. Dale Comer will speak on the Open Meetings Law; Kevin Vandolder, from Hewitt Ennis Knupp, will cover investments; J. Hayes will discuss fiduciary responsibilities; and in the afternoon, D. Slishinsky will lead an interactive session on the 30-year Projection Model.

P. Chambers stated she will accompany R. Rehmeier, when he makes a presentation on the Judges Retirement Plan to the Nebraska Supreme Court, on June 29, 2011.

P. Chambers reminded everyone, two meetings are scheduled in July. A public hearing for Rules and Regulations is scheduled for July 18<sup>th</sup> and the PERB Annual Retreat is July 25<sup>th</sup>. The July 18<sup>th</sup> meeting will begin at 9:00 a.m. and the length of the meeting will depend on attendance and comments. For the purpose a quorum, the Board discussed their availability for the July meetings.

P. Chambers requested permission to attend the National Council on Teacher Retirement (NCTR) Annual Convention, scheduled to be held in Baltimore, Maryland, on October 9-13, 2011; along with expenses up to \$3000.

She reported Ameritas has developed the capability for Defined Contribution and Deferred Compensation accounts to be rebalanced. Rebalancing can be done quarterly, semi-annually, or annually. N. Reimer explained how to elect auto rebalancing on the Ameritas website. P. Chambers pointed out the rebalancing does not affect excessive trading. N. Reimer reported there are two participants whose trading has been restricted at this time.

P. Chambers thanked the Board for allowing her to attend the NCTR Annual System Directors' Meeting, on June 9-14, 2011. She reported topics of the meeting included: a Government Accounting Standards Board (GASB) update, assumed rate of returns, dealing with media in crisis, and the need for marketing the positive aspects of pension plans. She showed a video of the new headquarters for the California State Teachers' Retirement System (CalSTRS), which appears on their website.

R. Wassinger moved to accept the Director's Report and approve her travel request to attend the NCTR Annual Convention, with expenses not to exceed \$3000. R. Rehmeier seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

**Agenda Item 15 – Board Committee Reports:** There were no committee reports.

At this time, G. Elwell reported on the Trustees and Administrators Institute he attended June 13-15, 2011. He reported topics of the Institute included: board/trustee ethics, rules and regulations, audits, fraud, and similar issues. He gave Nebraska's Auditor of Public Accounts and the PERB credit for being ahead of the private sector regarding the topics of the Institute.

E. Stuhr moved to accept the Board Education report submitted by G. Elwell. J. Elliott seconded the motion. Members voted as follows: For: R. Wassinger, E. Stuhr, J. Elliott, G. Elwell, and R. Rehmeier. Against: None. Motion carried.

**Agenda Item 16 – Board Education/Travel Requests:** There were no additional requests.

**Agenda Item 17 – Future Meetings/Agendas:** The next meeting will be held on Monday, July 18, 2011, in the in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska. The main purpose of this meeting is to hold public hearings for the Rules and Regulations addressed in Agenda Item 12.

Note: The PERB meeting and public hearing scheduled for Monday, July 18<sup>th</sup>, was later cancelled.

The PERB Annual Retreat will be held Monday, July 25, 2011, at Quarry Oaks, Ashland, Nebraska. The retreat is scheduled to begin at 8:30 a.m.

**Agenda Items 18 and 19 – Executive Session:** At 12:18 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. 137357, 606096, 116540, 119678, and 427814; Emergency Deferred Compensation Applications for Retirement Nos. 702606 and 703199; personnel matters, and other legal matters. E. Stuhr seconded the motion. G. Elwell repeated the motion for the record. Members voted as follows: For: E. Stuhr, J. Elliott, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

At 1:02 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. R. Rehmeier seconded the motion. Members voted as follows: For: J. Elliott, G. Elwell, R. Rehmeier, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications for Retirement Nos. 137357, 606096, 116540, 119678, and 427814; and Emergency Deferred Compensation Applications for Retirement Nos. 702606 and 703199. J. Elliott seconded the motion. Members voted as follows: For: G. Elwell, R. Rehmeier, R. Wassinger, E. Stuhr, and J. Elliott. Against: None. Motion carried.

E. Stuhr moved for the salary increases as recommended for the Agency Head and Non-Classified staff or managers at 1.5%, effective July 1, 2011. J. Elliott seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, and G. Elwell. Against: None. Motion carried.

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

The meeting adjourned at 1:05 p.m.

Phyllis G. Chambers  
Director