

## PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

March 21, 2011

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:34 a.m., Monday, March 21, 2011, 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 mailed March 14, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, March 14, 2011. D. Blank chaired the meeting and V. Huber recorded the minutes.

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

MEMBERS ABSENT: MARK SHEPARD

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	MARY KLUG Ameritas
JASON HAYES Legal Counsel	STEVEN ANDERSON Ameritas
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
TERESA ZULAUF Internal Auditor	VICKI HUBER Administrative Secretary
BEN MATTERN Ameritas	

**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, 2011, Board Meeting to order at 9:34 a.m. Present at roll call: D. Blank, G. Elwell, R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, and J. States. Absent: M. Shepard.

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

**Agenda Item 4 – Approval of Minutes:** R. Rehmeier moved for approval of the minutes of the February 28, 2011, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & February 2011 Retirement Report:** E. Stuhr moved to approve the budget status report and the February 2011 Retirement Report. G. Elwell seconded the motion. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, G. Elwell, and R. Rehmeier. 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 – Ameritas Annual Report:** N. Reimer introduced M. Klug as the day to day contact for NPERS.

A copy of the Annual Plan Review for December 31, 2010, was provided to the Board.

N. Reimer reviewed the entire 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 a statistical review of member information such as average age, account balances, and member's years of service in each plan. The report also compared 2009 to 2010.

N. Reimer highlighted accomplishments for 2010, including monthly meetings with NPERS, providing information to Buck Consultants for their annual reporting, completing the offset of the Ameritas fee in the Reconciliation Account, assisting with the State and County annual audit, and adding a url link from the Ameritas website to the NPERS website for investment returns.

She stated plans for 2011 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, to implement excessive trading by May 1, and to provide assistance in implementing changes as required by new legislation.

In response to a question from J. Elliott, N. Reimer noted the Ameritas website has recently added the ability for members to view a copy of checks issued when a distribution has been made from their account.

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

**Agenda Item 8 – Require Direct Deposit or Prepaid Cards for Monthly Benefit**

**Payments:** R. Gerke requested the Board adopt a new policy to require annuity payments of new retirees be made by direct deposit or by the use of a load on a prepaid card. The policy would take effect July 1, 2011.

He stated the prepaid card is a program provided by the State Treasurer, which is currently used with unemployment and child support payments.

P. Chambers stated there is no charge to the agency for providing the card as an option and most problems with the cards would be handled by the bank issuing the cards.

R. Gerke reported each warrant (check) costs approximately 42 cents for NPERS to process and the agency currently spends approximately \$8700 annually to distribute monthly annuities by this method.

He explained that 91% of current retirees use direct deposit and the agency did not plan to revisit those who are receiving their monthly benefits by check; as many are elderly and prefer a check. The Board discussed the possibility of notifying retirees who are currently receiving annuity payments by check; pointing out the costs involved, the advantages of the alternate payment methods, and perhaps urging them to switch.

G. Elwell moved to adopt the Electronic Disbursement Policy as Board Policy No. 15, requiring NPERS to make electronic disbursement by either making a direct deposit to a member's bank account or by the use of a load on a prepaid card for issuing monthly annuity benefits payment to retired members. R. Wassinger seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, R. Rehmeier, R. Wassinger, and D. Pederson. Against: None. Motion carried.

P. Chambers emphasized the policy only applies to monthly annuity benefits. Currently Administrative Services also requires distributions over \$20,000 be processed through direct deposit.

**Agenda Item 9 – Legal/Legislative Update:** J. Hayes reported on changes in current legislation regarding retirement issues. He stated LB 509 and LB 382 have been prioritized by the Retirement Committee.

J. Hayes stated Committee Amendment AM 549, if adopted in General File, will amend the following bills into LB 509:

- LB 246 providing State Patrol plan benefits to a spouse who remarries after the death of a trooper;
- LB 486 which eliminates the exemptions for the school compensation cap and changes the cap so that on July 1, 2012, the cap would raise from 7% to 9%; and on July 1, 2013, the cap would be set at 8% and remain; and
- LB 532 which allows for a potential transfer of certain Department of Labor employees into the State plan if their current plan is closed.

He reported LB 382, which at the time of the Board meeting was still in Committee, would increase the school employee contribution rate .6% during the first year and provide a .9% increase the second year to cover the actuarial required contribution.

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

**Agenda Item 10 – Investment Officer’s Update:** J. States reviewed the Nebraska Investment Council (NIC) Annual Report, which was presented to the Legislature on March 15, 2011. A copy of the report was provided to the Board. He stated the report provides background and information on the over 30 programs for which the NIC has investment responsibility. He reported the annual return for the 2010 calendar year at approximately 13.4%.

Regarding the recent disaster in Japan, he reported that it will have some negative impact on the financial markets. However, he stated the impact is expected to primarily be limited to that country. With respect to the implications for the NIC portfolios, the impact will be small because most of the NIC managers are short Japan in their portfolios.

J. States reported as of February 2011, the year-to-date figures from State Street for the School, Judges, and Patrol plans show a fiscal rate of return up over 20%.

He reported the NIC has decided to issue a request for proposal (RFP) for investment consulting services. He commented that the Council is not dissatisfied with the services of Hewitt Ennis Knupp; but, expressed the need to review competitive pricing, which has not been done since 2003.

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

**Agenda Item 11 – Director’s Report:** P. Chambers thanked Ameritas for hosting the meeting and for their partnership with NPERS.

She provided the Board with the final wording of the Excessive Trading Policy that will be made available to members. She stated a form letter will be sent to 35 members, giving them advanced notice of the policy and informing them they have been identified as excessive traders. A notice of the policy will be on the NPERS website, inserted with the quarterly account statements; and an article will appear in the April newsletter.

P. Chambers reported Ameritas will provide a training session regarding the Excessive Trading Policy to the NPERS Call Center and Education Services department.

She stated the policy will bring our program into compliance with the Securities and Exchange Commission's (SEC) Rule 22-C for mutual fund companies. J. States commented that the rule has been in effect for four or five years. B. Mattern added that the regulation is industry wide.

She stated the School, Judges, and Patrol audit exit conference and the audit entrance conference for the State and County plans were held on March 8, 2011, and the audit response will be sent today. She reported fewer new and returning audit points than prior years and there were no financial audit points. A representative of the State Auditor plans to present the School, Judges, and Patrol audit report to the Board at the April meeting.

P. Chambers commented that during her report to the Legislature on March 15, 2011, she emphasized her concerns regarding the space requirements and parking needs for moving to the Assurity Building.

She reported that the Disaster Recovery Plan is nearing completion. She stated notification of the PERB is included in the plan.

P. Chambers stated NPERS is in the process of drafting an RFP for a compliance audit. Rules and regulations are included in the compliance audit and J. Hayes is beginning the process of revising them.

She reported scheduling the 2011 PERB retreat for July 25<sup>th</sup>, at Quarry Oaks, in Ashland, Nebraska. The Education Committee is hoping to have Dave Slishinsky present the actuarial study for projection modeling at the retreat. Dale Comer has been asked to provide a presentation on the Open Meetings Law.

P. Chambers reported the School Retirement Seminars have started and to date, all eight seminars had the maximum number of attendees. She shared comments from an evaluation complimenting NPERS staff, John Winkelman, and Cheryl Mueller.

She stated NPERS staff has been busy with publications. The School member handbook has been updated; revisions to the State and County handbooks are almost complete; the Annual Investment Report is expected to be completed in April; and a new estimator for purchase of service has been added to the NPERS website.

P. Chambers reported R. Gerke has been preparing the financial information for the State and County audit.

She reported J. Hayes attended the Nebraska State Bar Association's Conference on Estate Planning on March 11, 2011, which provided continuing education on retirement issues regarding beneficiaries.

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

**Agenda Item 12 – Board Committee Reports:** R. Wassinger, Chairman of the Education Committee, thanked P. Chambers for making meeting space arrangements for the retreat. He asked the Board to notify the committee of any suggestions for the retreat. D. Blank suggested an abbreviated business portion of the meeting and additional educational agenda items.

**Agenda Item 13 – Board Education/Travel Requests:** G. Elwell requested approval to attend the Trustees and Administrators Institute scheduled to be held June 13-15, 2011, in Las Vegas, Nevada, with expenses in the amount of \$2500.

D. Blank requested to attend the National Association of Government Defined Contribution Administrators (NAGDCA) Annual Conference, scheduled to be held September 10-14, 2011, in Albuquerque, New Mexico, with expenses in the amount of \$2500.

E. Stuhr moved to approve the travel requests for G. Elwell and D. Blank with the expense amount of \$2500 per individual. J. Elliott seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

**Agenda Item 14 – Future Meetings/Agendas:** The next meeting will be held on Monday, April 18, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

**Agenda Items 15 and 16 – Executive Session:** At 11:05 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Application for Retirement No. 094457, personnel matters, and other legal matters. D. Pederson seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: R. Wassinger, D. Pederson, E. Stuhr, J. Elliott, D. Blank, G. Elwell, and R. Rehmeier. Against: None. Motion carried.

At 11:30 a.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. G. Elwell seconded the motion. Members voted as follows: For: D. Pederson, E. Stuhr, J. Elliott, D. Blank, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 094457. R. Rehmeier seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, R. Rehmeier, R. Wassinger, and D. Pederson. Against: None. Motion carried.

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

The meeting adjourned at 11:32 a.m.

Phyllis G. Chambers  
Director