

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

May 16, 2011

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:02 a.m., Monday, May 16, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed Friday, May 6, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, May 9, 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
ELAINE STUHR
JANIS ELLIOTT
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: DON PEDERSON

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
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
FRED TURNER IT Manager	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 doors.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the May 16, 2011, Board Meeting to order at 10:02 a.m. Present at roll call: D. Blank, G. Elwell, R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, and J. States. Absent: M. Shepard and D. Pederson.

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

Agenda Item 4 – Approval of Minutes: J. Elliott moved for approval of the minutes of the April 20, 2011, Board Meeting with the correction; changing the word “His” to “He” in Agenda Item 8, page 3. R. Rehmeier seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & April 2011 Retirement Report: R. Wassinger moved to approve the budget status report and the April 2011 Retirement Report. G. Elwell seconded the motion. Members voted as follows: For: R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. 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 – Revise Board Policy #1 – Board Duties and Governance: The Board voted to table any changes to Board Policy #1 at the April PERB meeting. J. Hayes reported the Board Policy and Planning Committee met prior to the meeting to discuss Rules and Regulations. He provided a draft of proposed revisions to Board Policy #1.

On behalf of the Policy and Planning Committee, J. Elliott moved to change the name of the Policy and Planning Committee to the Regulation and Policy Review Committee and to separate the Audit and Legislative Committee into two separate committees. E. Stuhr seconded the motion. Members voted as follows: For: R. Wassinger, E. Stuhr, J. Elliott, D. Blank, G. Elwell, and R. Rehmeier. Against: None. Motion carried.

Agenda Item 8 – Revise Deferred Compensation Plan Document – Participation and Rollovers: J. Hayes explained proposed revisions to the Deferred Compensation Plan (DCP) document, which parallel changes made by the Legislature and the Internal Revenue Service.

A copy of the proposed revisions was included in the Board packets.

Updates to the document include language regarding eligibility for Plan participation in Neb. Rev. Stat. § 84-1504; along with an update to the Pension and Protection Act, which allows rollovers into an Individual Retirement Account (IRA). Prior to the change, these rollovers were only allowed to beneficiaries. This will include Roth IRAs; however, the taxpayer would be responsible for income tax, as NPERS would not withhold taxes on a direct rollover. He stated members who have chosen the systematic withdrawal option may rollover more than

once. To date, state statutes do not allow this type of rollover for the other plans administered by NPERs.

On behalf of the Regulation and Policy Review Committee, J. Elliott moved to approve revisions to the DCP plan document as outlined in the draft provided; to be effective immediately. E. Stuhr seconded the motion. Members voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Mutual of Omaha Deferred Compensation Annuity Contract: R. Gerke stated the annual annuity contract with Mutual of Omaha-United of Omaha ends June 30, 2011, and provided brief information on statistics and interest rates. He requested the Board approve to extend the contract for one year.

G. Elwell moved to renew the Terminal Funded Annuity Contract with Mutual of Omaha-United of Omaha for the DCP, for one year beginning July 1, 2011. R. Wassinger seconded the motion. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, R. Rehmeier, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

Agenda Item 10 – Information System Update: F. Turner reported the count for open problem incident reports (PIRs) is averaging approximately 30 per month.

He reported the contingency support contract between Hewitt-Packard State and Local Enterprise Services, Inc. (HPSL) and NPERs is now signed and complete. He stated their services may be used for a future update of websphere.

F. Turner reported the Disaster Recovery Plan approximately 90% complete. He stated NPERs is still working with the AS – Building Division to obtain an off-site location. The goal is for the Plan to be completed by July 1, 2011.

He reported working with the Office of the Chief Information Officer (OCIO) to develop a cost estimate to host all of the NPRIS hardware in preparation for the move to the Assurity Building.

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

Agenda Item 11 – Internal Auditor Report: T. Zulauf provided the Board with a handout outlining her report. She reported her department has completed four County employer audits and 13 are in process. She reported refunds were issued to employers and employees for errors found in the audit of contributing members who had ineligible compensation included in their compensation used to calculate retirement contributions. The report included total amounts of refunds issued.

She stated 100% of member demographic information was tested and the number of errors has improved with minimal errors.

In regards to School employer audits, she reported 18 are complete and 13 are in process. She pointed out, 16% of the school employees have incorrect demographic information including gender status, which needs to be correct for the actuary. Additional findings include lack of sufficient documentation to support hours worked, lack of sufficient documentation to support the 7% Exemption Report, and School employees were noted contributing to retirement through another school and not contributing through the school being audited.

T. Zulauf explained the employee and employer need to make sure they are enrolled in retirement when eligible. It is important for the employee to receive credit for all hours worked.

Her report included a status review of the resolution of prior audit points in the School, Judges and Patrol plans.

Responding to a question from E. Stuhr, T. Zulauf stated the 25% in errors regarding eligible compensation for County employers is high. However, she pointed out the materiality policy reduced the percent that were actually refunded.

T. Zulauf also explained in County and School employer audits, the employer is notified of the errors and then NPERS' internal auditors follow-up to confirm the employer does not continue to make the errors.

Members of the Board discussed ways to notify all County employers with a summary of errors found during the audits of employer reporting across the state. T. Zulauf stated School Employers have annual training provided by the Educational Services and information is shared with them of the errors being found.

T. Zulauf commented that staff from the State Auditor's office have indicated they are beginning to use NPERS internal audits instead of traveling to the schools or looking at County payroll during work performed by the State Auditor, when auditing County Judges.

D. Blank and P. Chambers complimented the NPERS internal auditors on their work.

J. Elliott thanked T. Zulauf for providing a written report. T. Zulauf asked if the Board would like her to provide a monthly internal auditor written report. Board members indicated that quarterly reports sent in the Board packets would be sufficient.

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

Agenda Item 12 – Legal/Legislative Update: J. Hayes provided a list of recent changes in current legislation regarding retirement issues.

He reported LB 382, which increases the contribution rates for the School and State Patrol plans was approved by the Governor.

He pointed out two new interim studies, LR 210 & LR 215. LR 215 relates to LB 679 and 680.

J. Hayes provided an updated schedule for revising the Rules and Regulations and explained they will be adopted in two sets. He stated the first set contains eleven Rules and Regulations being revised or repealed, which were approved by the Regulation and Policy Review Committee prior to the regular meeting. The Committee will present the first set to the PERB on June 20, 2011; and a public hearing is planned July 18, 2011, during the regular PERB meeting. Thereafter, the first and second set will be submitted through the policy review and implementation process on August 26, 2011. J. Hayes stated he will continue to provide the same material to all Board members, which is sent to the Regulation and Policy Review Committee.

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

Agenda Item 13 – Investment Officer’s Update: J. States reported official year-to-date performance for the defined benefits plans, at 21.6% as of March 31st.

He mentioned companies are restructuring debt allowing for investment; most of the value in private equity is in buyouts. The Nebraska Investment Council’s (NIC) real estate portfolio managers are experiencing greater success negotiating with banks.

J. States reported a review of asset allocation and spending policy is in process for various miscellaneous trusts handled by the NIC in order to insure the management of funds is achieving policy goals of the agencies.

He reported responses to request for proposal (RFP) for investment consulting services are in and the Council will begin to review those.

He announced the May meeting of the NIC will include a public hearing to exempt investment managers that are NIC employees from the state personnel system; with the purpose of making salaries more competitive.

In regard to the addition of global funds for the DC and DCP plans, J. States reported the Council has not found any efficient and pure products. He added that members with investments in the U.S. equity and International equity funds will have significant exposure to the global market.

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

The Board took a break at 11:14 a.m. and reconvened at 11:25 a.m.

Agenda Item 14 – Director’s Report: P. Chambers reported approximately 394 School retirement applications received with a June 1 effective date. She noted that there about 100 more than normal, as a result of Lincoln Public Schools ending in May this year.

She stated NPERS staff has been working with U.S. Bank on implementing the use of the ReliaCard and information will be included in retirement packets for members with effective dates July 1, 2011, and later.

P. Chambers reported working with J. Hayes on updating the Ameritas contract and the compliance audit RFP. Together, they have also been working with NPERS staff, reviewing and updating the Rules and Regulations.

P. Chamber stated she continues to work with Dave Slisinsky on details of the 30-Year Projection Model for the School and Patrol plans.

P. Chambers reported she has been asked to speak on cash balance plans at an event entitled “Closing the Gap: Understanding and Managing State Pensions and Retiree Health Benefits,” sponsored by Pew Center on the States, in Washington, DC, June 21-22, 2011. She asked permission to attend, along with \$500 in miscellaneous travel expenses. The conference organizers will pay for her airfare and lodging expenses.

She reported participating in a conference call with R. Gerke, a representative from the office of the Auditor of Public Accounts, the NIC, and bond managers, to discuss synthetic investments and how to apply the new GASB Rule 53 to reporting.

P. Chambers mentioned NPERS staff is currently reviewing 199 applications for two Staff Assistant I position vacancies.

M. Shepard joined the meeting at 11:30 a.m.

R. Wassinger moved to accept the Director’s Report and travel request with expenses in the amount of \$500. G. Elwell seconded the motion. Member’s voted as follows: For: E. Stuhr, J. Elliott, D. Blank, G. Elwell, M. Shepard, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

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

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, June 20, 2011, in the in the Great Western Bank Conference Center, 1221 “N” Street, Lincoln, Nebraska. D. Blank stated public hearings for Rules and Regulations are scheduled for Monday, July 18, 2011, and the Annual Board Retreat is Monday, July 25, 2011.

Agenda Items 18 and 19 – Executive Session: At 11:41 a.m., E. Stuhr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing retirement applications, personnel matters, and other legal matters. J. Elliott seconded the

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

E. Stuhr left the meeting during Executive Session.

At 12:59 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: D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, and J. Elliott. Against: None. Motion carried.

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

The meeting adjourned at 1:00 p.m.

Phyllis G. Chambers
Director