

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

October 17, 2011

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:02 a.m. Monday, October 17, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed October 7, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 10, 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  
  ELAINE STUHR  
  JANIS ELLIOTT  
  JEFF STATES, EX-OFFICIO

MEMBERS ABSENT:                   DON PEDERSON  
  MARK SHEPARD

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	JERRY HOFFMAN Nebraska State Education Association
JASON HAYES Legal Counsel	NEIL BATEMAN Retired Teachers
JOHN WINKELMAN Training Supervisor	MATT SCHAEFER Mueller Robak LLC
MIDEN EBERT Retirement Plan Supervisor	ANGELA HATCHER Public Information Technician
DENNIS COOPER Data Services Manager	SCOTT SINGLETON Retirement Specialist
TERESA ZULAUF Internal Auditor	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 October 17, 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 M. Shepard and D. Pederson. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 4 – Approval of Minutes:** R. Wassinger moved for approval of the minutes of the September 19, 2011, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & September 2011 Retirement Report:** G. Elwell moved to approve the budget status report and the September 2011 Retirement Report. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 6 – Public Comments or Correspondence from Citizens:** J. Hoffman was present representing the Nebraska State Education Association (NSEA). He distributed a Fact Sheet summarizing a research report from the National Institute on Retirement Security, titled: Decisions, Decisions: Retirement Plan Choices for Public Employers and Employees. The handout shared findings from the seven state retirement plans analyzed, who offer a choice between DB and DC retirement plans.

**Agenda Item 7 – Employee Recognition:** P. Chambers stated October is Employee Recognition Month for the State of Nebraska and announced Scott Singleton and Teresa Zulauf as NPERS' employee and manager of the year respectively. She gave a brief background of each recipient's work within the agency. D. Blank presented both honorees with a framed certificate.

P. Chambers added two NPERS employees will be honored for 30 years of service with the State, two with 25 years, one with 20 years, one with 15 years, and three with 10 years. They will be honored on Oct. 20<sup>th</sup> at a ceremony at the Capitol. NPERS will also recognize employees with milestones of service with NPERS at the October Agency meeting.

The Board took a break for pictures at 10:10 a.m. and reconvened at 10:12 a.m.

**Agenda Item 8 – Data Services Manager Report:** D. Cooper reported on his responsibilities as the Data Services Manager for NPERS. He supervises ten employees in the mail room/scanning area and data purification/demographics areas. He stated staff in the data purification area provides daily maintenance of demographics, beneficiary listings, and verification of service credit for School plan members. The purification of School service

credit is approximately 75% complete. In addition to their daily work, his staff has been working on a beneficiary project. Beneficiaries for 16,400 of over 37,000 School plan members have been entered into NPRIS. Next they will enter the beneficiaries for over 18,000 State and County plan members. Members without a current beneficiary listing on file are sent a letter requesting them to submit a beneficiary form. He stated the next project will be to address the issue of members with duplicate accounts in NPRIS.

He reported NPERS' mail room employees process an average of 3,000 pieces of both incoming and outgoing mail per month. He explained each document is coded, scanned, and imaged into NPRIS when it is received. He stated an average 30,000 documents are scanned per month. He stated the scanning of historical documents, previously in storage for active members, is complete and the area will be working on converting over 6,300 retiree files into the NPRIS system.

D. Cooper stated his other duties include, but are not limited to: inventory and purchase of all office equipment and supplies, office space and meeting set-up, agency security, maintain the retention schedule of documents and images, phone maintenance and technical support, chairman of the safety committee, management of the storage room and the future disaster recovery site.

J. Elliott and G. Elwell provided suggestions how employee groups might be able to assist with the challenges of locating missing members.

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

**Agenda Item 9 – Legal/Legislative Update:** J. Hayes stated Lynn Melson, from the Attorney General's office notified NPERS that it would be prudent to adopt each Rule and Regulation individually.

D. Blank moved to approve revisions to Chapter 1, Rules and Regulations for Public Employees Retirement Board Management, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 2, Rules and Regulations for Remittances, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve repeal of Chapter 3, Rules and Regulations for Retirement Numbers, as repealed by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 4, Rules and Regulations for Refund Termination and Benefit Procedures, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 5, Rules and Regulations for Types of Evidence to Determine Age and Status, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve repeal of Chapter 8, Rules and Regulations for Membership Eligibility, as repealed by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve repeal of Chapter 9, Rules and Regulations for Reporting Agents, as repealed by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 11, Rules and Regulations for Service Credit, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 12, Rules and Regulations for Appeal of Board Actions and Decisions, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 13, Rules and Regulations for Covered Compensation for Retirement Contributions and Benefits, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve repeal of Chapter 14, Rules and Regulations for Retirement Option Changes, as repealed by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 15, Rules and Regulations for Purchase of Service and Military Service Credit, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve repeal of Chapter 16, Rules and Regulations for Service as a Judge, as repealed by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 17, Rules and Regulations for Administration of Internal Revenue Service Code Section 415 and Maximum Compensation Limits, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 18, Rules and Regulations for Retirement Benefit and Contribution Adjustments, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve the adoption of Chapter 19, Rules and Regulations for Employer Audit Requirements, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 20, Rules and Regulations for Investment and Allocations and Transfers, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 21, Rules and Regulations for Qualified Domestic Relations Orders, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 22, Rules and Regulations for Eligibility and Vesting Credit, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 23, Rules and Regulations for Computation of Final Average Compensation, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve revisions to Chapter 24, Rules and Regulations for Retirement Benefit Options and Distribution Rules, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to approve the adoption of Chapter 25, Rules and Regulations for Transfer of Municipal Employee to Retirement System for Nebraska Counties, as adopted by the Board on August 22, 2011. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

J. Hayes provided a handout regarding requests for emergency withdrawals from a deferred compensation 457(b) plan. He explained Internal Revenue Code (IRC) and Treasury Regulations as they relate to NPERS' DCP document.

He explained the extent of liquidation of the participant's assets needed in order to permit a hardship distribution. If such a request is denied, J. Hayes stated it is important to notify the member of the reason; to give them the ability to appeal the decision if they so choose.

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

**Agenda Item 10 – Investment Officer's Update:** J. States reported the end of September market performance was depressed and the new fiscal year began with a negative return. He stated calendar year to date performance is breaking even. Consumers are taking advantage of low interest rates and making purchases. He reported the foreign markets are still unpredictable.

J. States reported attending the National Association of State Investment Officers (NASCIO) Annual Conference and briefly summarized ideas presented. He stated many other retirement systems have lowered their return estimates.

He reported that the corporate credit portion of the operating investment pool (OIP) investments, previously managed by an outside investment manager are being transitioned to internal management by the Council beginning this month. This will result in lower costs without compromising investment returns.

J. States reported that an interim Legislative Retirement Committee is reviewing the Health Care Endowment Fund. Funds coming into the Nebraska Tobacco Settlement Trust Fund are decreasing and the trust is not producing the amount that is being paid out.

The next NIC meeting will be the annual joint meeting with the PERB, scheduled for November 21, 2011.

Regarding the request for proposal (RFP) for a consulting firm, J. States reported the sub-committee will make their recommendation at the November joint meeting.

J. States reported he has sent Hartford materials to Hewitt EnnisKnupp for their input and is waiting for a response. The Hartford DCP portfolio will be reviewed at the November 21 joint meeting, with any proposed changes being presented at that time.

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

**Agenda Item 11 – Director's Report:** P. Chambers announced the PERB and NIC joint meeting will be held on Monday, November 21, 2011, on the lower level of the Cornhusker Hotel.

She reported staff has processed 246 School retirements with July 1 effective dates and 64 with August 1 effective dates. She pointed out the total of 1,252 School retirements to date has surpassed 2010's total for year to date.

P. Chambers, J. Hayes, and R. Gerke participated in a conference call with Groom Law Group, who is completing the compliance audit. Groom has requested NPERS provide documents by November 1<sup>st</sup> and are planning an on-site visit December 13-15, 2011.

She reported the School, Judges, and Patrol audit has been rescheduled to begin on November 1, 2011. Krista Davis will lead the audit.

P. Chambers announced the first Reliacard/debit card has been processed and two are pending. As of July 1, 2011, the Reliacard option replaced the option of receiving a retirement annuity in the form of check.

She stated, Wednesday, October 19<sup>th</sup>, Dave Slishinsky will be in Lincoln for a meeting with legislative staff to answer questions concerning the projection model.

P. Chambers recognized N. Bateman and referred to an article about him in the October 2011 issue of The Voice, NSEA's monthly magazine.

P. Chambers stated R. Gerke will provide a report on NPERS' Finance Department at the next PERB meeting.

She announced NPERS received an award for increasing their charitable giving the last three years. The agency held a seminar presentation on "everyday professionalism" for all staff on September 21, 2011.

On September 27, 2011, P. Chambers and J. Hayes met with members of the NSEA to discuss prospective legislation.

P. Chambers provided an update on the National Council on Teacher Retirement (NCTR) Annual Convention she attended in Baltimore, Maryland, October 9 - 13, 2011. She explained the organization of the executive committee and gave a summary of the presentations. Topics included geopolitical issues and how they relate to the U.S.A., the future of retirement security, investment forums, global aging, actuary and legal panels, and the presentation of the Teacher of the Year.

She reported NPERS has not received a response to the IRS determination letters that were submitted in 2008.

While in Baltimore for the NCTR Annual Convention, P. Chambers visited the Maryland State Retirement and Pension System. She gave a description of their plans and noted their system consists of all defined benefit plans.

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

**Agenda Item 12 – Board Committee Reports:** There were no reports.

**Agenda Item 13 – Board Education/Travel Requests:** There were no requests.

**Agenda Item 14 – Future Meetings/Agendas:** The next meeting will be the joint meeting with the Nebraska Investment Council and will be held on Monday, November 21, 2011, in the Arbor Room of the Cornhusker Hotel, 333 South 13<sup>th</sup> Street, Lincoln, Nebraska. The meeting will begin at 8:30 a.m.

**Agenda Items 15 and 16 – Executive Session:** At 11:41 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. 059932, 125603, and 115183; Disaster Recovery Lease Contract; Director Evaluation; personnel matters; and other legal matters. E. Stuhr seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:57 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, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 059932, 125603, and 115183. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

E. Stuhr moved to grant the Director approval to enter into a contract with the Department of Administrative Services for the purpose of leasing disaster recovery space. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

P. Chambers noted the cost of the lease will be a total of \$10.93 per square foot, including space and building assessment fee; for a period of two years. She compared security cost quotes between an outside vendor and Capitol Security. NPERS is statutorily required to use Capitol Security for security services.

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

The meeting adjourned at 12:59 p.m.

Phyllis G. Chambers  
Director