

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

September 19, 2011

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, September 19, 2011, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed September 12, 2011. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, September 19, 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	GARY BUSH AS - State Budget Administrator's Office
RANDY GERKE Deputy Director	KATHY TENOPIR Legislative Fiscal Office
JASON HAYES Legal Counsel	JEN PERSON State Auditor's Office
MIDEN EBERT Retirement Plan Supervisor	JERRY HOFFMAN Nebraska State Education Association
FRED TURNER IT Manager	VICKI HUBER Administrative Secretary
TERESA ZULAUF Internal Auditor	SHEILA LINDER Administrative Assistant
NANCY REIMER 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 September 19, 2011, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, J. Elliott, and J. States. Absent: D. Pederson and E. Stuhr.

Agenda Item 4 – Approval of Minutes: M. Shepard moved for approval of the minutes of the August 22, 2011, Board Meeting. R. Wassinger seconded the motion. J. Elliott requested the following changes be made to the tenth paragraph of Agenda Item 11: correct the spelling of P. Chambers' name in the first sentence and edit the second sentence to read "To date, no one from the Retirement Committee or employee groups have been to our office to use the projection model." M. Shepard and R. Wassinger accepted the changes. Members voted as follows: For: G. Elwell, M. Shepard, R. Wassinger, J. Elliott, and D. Blank. Abstained: R. Rehmeier. Against: None. Motion carried.

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

E. Stuhr joined the meeting at 10:02 a.m.

Agenda Item 6 – Public Comments or Correspondence from Citizens: J. Hoffman was present representing the Nebraska State Education Association (NSEA). He distributed a handout from the National Institute on Retirement Security, titled "Pensionomics: Measuring the Economic Impact of State and Local Pension Plans". He summarized the handout and explained it will be part of a set of materials the NSEA will be distributing to the Legislative Retirement Committee and the Appropriations Committee.

D. Blank pointed out that NPERs' Annual Report includes data depicting benefits paid out to Nebraska counties.

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

Agenda Item 7 – Human Resources Manager Report: S. Linder reported on her managerial responsibilities as the Human Resources Manager for NPERs. Her duties include: processing the agency's payroll, all human resource matters, special activities, and supervising the Receptionist and Administrative Secretary.

D. Blank thanked S. Linder for her work.

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

Agenda Item 8 – State and County Audit Report: J. Person reported finishing the State and County Retirement Plans audit for the period of January 1, 2010, through December 31, 2010. She reviewed the comments and recommendations of the State Auditor’s Office listed in the report issued on August 25, 2011.

M. Shepard asked how audit comment No. 4, regarding Supreme Court Law Clerks, can be resolved. J. Person stated that it will remain an audit comment until the Attorney General issues an opinion or some action is taken on the matter.

G. Elwell moved to accept the Audit Report. R. Wassinger seconded the motion. Members 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 9 – Internal Auditor Quarterly Report: T. Zulauf addressed some of the audit points reported in Agenda Item 8 and the steps her department has taken to resolve the issues.

She stated the NPERS Benefits Department and Ameritas will need to resolve some of the audit points.

D. Blank emphasized that the recent audit results are great and the Board discussed issues regarding the resolution of prior year findings. On behalf of the Board, D. Blank directed NPERS to make the resolution of prior audit points a priority.

R. Wassinger asked how to impose late fees to counties. J. Hayes stated a Rule and Regulation is scheduled to be developed to address this issue. P. Chambers stated there is a late fee in place for the Schools and the County procedure is being developed. When the Rules and Regulations are approved and in place, NPERS can begin to charge late fees. J. Hayes quoted Neb. Rev. Stat. §23-2308, which provides that the Board may access an administrative processing fee of \$25 for counties reporting late, plus interest.

T. Zulauf reported her department has completed 18 County employer audits. The findings included ineligible compensation and demographic issues. She commented that there are still some counties with no procedures to monitor part time employees even though NPERS has provided them with procedures. She reported refunds were issued; resulting in \$2700 returned to employees, \$2600 to employers, and \$2100 back into the forfeiture account. She stated her department’s goal is to finish 35 employer audits by end of the year.

She also reported working on a newsletter to County employers and updating the County employer manual.

G. Elwell suggested putting a “frequently asked questions” area on the NPERS website so both employers and employees are able to get instant answers to common issues.

T. Zulauf reported her department has completed 21 School employer audits for the last fiscal year, four audits are complete for the new fiscal year, and eight are in process. She stated 100% of member demographic information was tested; since internal audits are still finding 20% of contributing members have incorrect demographic information, including gender status, which needs to be correct for the actuary.

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

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

Agenda Item 10 – Information System Update: F. Turner reported 37 open problem incident reports (PIRs) as of August 31, 2011. He stated there are two additional resources from the Office of the Chief Information Officer (OCIO) are in place to assist in resolving PIRs if necessary.

He stated he has been working on a cost estimate for a deficit budget request to be discussed in Agenda Item 11.

F. Turner reported the SharePoint Services site is ready and a presentation is planned for NPERS management in October. He explained SharePoint will replace the Intranet site for NPERS' internal use. Items on shared drives at this time will be transferred to this site, which is secured. G. Elwell commented that SharePoint seems to be more "user friendly."

He reported a Disaster Recovery exercise was completed on the evening of Thursday, September 15, 2011. NPERS staff and Board members were contacted during a mock disaster notification. He deemed the exercise successful; stating callers were able to reach 57 of the 59 people on the list to be notified.

M. Shepard left the meeting at 10:50 a.m.

E. Stuhr moved to approve the Information System Update. R. Rehmeier 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 – Deficit Budget Request: P. Chambers reviewed the NPERS IT deficit spending request, recommended for additional expenses for four items: migration of the NPERS servers, a WebSphere upgrade, an OCIO resource cost increase, and disaster recovery Virtual Machine and San Storage. Board members received a summary of the details of this request in the Board packets.

F. Turner stated a Nebraska Information Technology Commission (NITC) proposal will be submitted.

G. Elwell moved to approve the deficit spending request as presented. 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 – Roth DCP Option: P. Chambers proposed considering the addition of a Roth option to the Deferred Compensation Plan (DCP). She explained several changes made by the Internal Revenue Service (IRS) recently involving Roths. The Board approved rollovers from the DCP into an Individual Retirement Account (IRA) at the May 2011 meeting and the IRS now permits 457 plans to have a Roth option. N. Reimer distributed a handout from Ameritas, which provided an overview of Roth 457 salary deferral options. P. Chambers explained State plan members would have the option to contribute to one or both of the traditional DCP and the proposed Roth option.

P. Chambers stated employers would have to make sure Roth contributions are submitted as post tax and members will be asked to make changes in allocations electronically rather than through the retirement office.

She referred to materials provided in the Board packets, which included comparisons between a Roth IRA and a Designated Roth Account and explained proposed characteristics of NPERS' option.

J. Elliott moved that the Director move forward with the process of adding a Roth DCP Option. R. Wassinger 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 – Legal/Legislative Update: J. Hayes reported the Rules and Regulations approved at the August meeting have been submitted to the Attorney General's office for approval. They will then be submitted to the Governor's Policy Research Office for approval and finally to the Secretary of State's office. He stated the Rules and Regulations will go into effect five days after they are delivered to the Secretary of the State's office.

He reported the Legislative Retirement Committee has set its 2011 interim calendar for this fall. The first hearing will be Monday, September 26, 2011, on LR 215 and LR 216. The regularly scheduled annual interim hearing, where the actuary report is presented to the Committee is scheduled for Tuesday, November 22nd, following that Monday's joint board meeting of the PERB and the Nebraska Investment Council (NIC).

R. Rehmeier moved to approve the Legal and Legislative Update. 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 14 – Investment Officer's Update: J. States reported the next NIC meeting is September 28, 2011.

He gave his insight on issues occurring in the U.S. and foreign markets and federal discussions on U.S. regulation.

J. States reported working on the agenda for the joint meeting with the PERB, which will include looking at DCP plan options.

He reported the sub-committee working on the request for proposal (RFP) for a consulting firm is close to a decision.

E. Stuhr moved to approve the Investment Officer's Update. J. Elliott 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 15 – Director's Report: P. Chambers reported the compliance audit contract was awarded to Groom Law Group and the Segal Company. She and J. Hayes are developing the agreement.

She reported 655 School retirements with a June 1 effective date were completed by August 25th. Staff has completed 184 retirements with a July 1 effective date. In process are 32 applications with July 1 effective dates and 82 with an August 1 effective date.

P. Chambers reported on her testimony to the Kansas legislature on the Nebraska cash balance plan. She gave a brief summary of other testimonies that were presented.

She reported writing letters to two boards of counties who have not submitted their information for internal audits. She reported the letters were sent on a Wednesday and NPERS received the information promptly on Friday.

P. Chambers reported Ameritas is working on revising statements to include the disclosure of fees, required by the Securities and Exchange Commission (SEC). The deadline has been changed to April 1, 2012, instead of December 31, 2011, which will allow Ameritas to work on the County late contributions project first.

She reported meeting with Gerry Oligmueller and G. Bush to discuss a survey from Moody's Investors Service, a credit rating agency used for many states and municipalities. Dave Slishinsky assisted in completing the survey. She pointed out Nebraska received a AAA public finance rating from Standard and Poor Financial Services, LLC.

P. Chambers announced she has accepted an invitation to serve on the nomination committee for the National Council on Teacher Retirement (NCTR).

She reported meeting with F. Turner and Dan Hiller from Nebraska Emergency Management Agency (NEMA) to look at NPERS' Disaster Recovery Plan. F. Turner will review the training offered by NEMA and provide input back to the Director.

R. Wassinger moved to approve the Director's Report. R. Rehmeier 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 16 – Board Committee Reports: There were no reports.

Agenda Item 17 – Board Education/Travel Requests: There were no requests.

Agenda Item 18 – Future Meetings/Agendas: The next meeting will be held on Monday, October 17, 2011, in the in the Great Western Bank Conference Center, 1221 “N” Street, Lincoln, Nebraska.

Agenda Items 19 and 20 – Executive Session: At 11:46 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. 045170 and 110989, an OCIO Support and Maintenance Agreement, personnel matters, and other legal matters. E. Stuhr seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: J. Elliott, D. Blank, G. Elwell, R. Rehmeier, R. Wassinger, and E. Stuhr. Against: None. Motion carried.

M. Shepard returned to the meeting during the Executive Session.

At 1:44 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, E. Stuhr, and J. Elliott. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of 145170 and 110989. E. Stuhr seconded the motion. D. Blank noted for the record, that when the Board went into Executive Session Retirement No. 145170 was referred to as Retirement No. 045170; which was a clerical error in Agenda Item 18. Members voted as follows: For: G. Elwell, M. Shepard, R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, and D. Blank. Against: None. Motion carried.

E. Stuhr moved to approve the OCIO Support and Maintenance Agreement. G. Elwell seconded the motion. Members voted as follows: For: M. Shepard, R. Rehmeier, R. Wassinger, E. Stuhr, J. Elliott, D. Blank, and G. Elwell. Against: None. Motion carried.

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

The meeting adjourned at 1:46 p.m.

Phyllis G. Chambers
Director