

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

December 17, 2012

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:05 a.m., Monday, December 17, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed Monday December 10, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 10, 2012. R. Wassinger chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: RICHARD WASSINGER, VICE-CHAIR
 ELAINE STUHR
 JANIS ELLIOTT
 JUDGE RANDALL REHMEIER
 STUART SIMPSON
 RON ECKLUND
 JEFF STATES, EX-OFFICIO
 RHONDA LAHM, NON-VOTING

MEMBERS ABSENT: DENIS BLANK, CHAIR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	JASON HAYES Nebraska State Education Association
JOHN WINKELMAN Training Supervisor	KATE ALLEN Legislative Retirement Committee
MIDEN EBERT Retirement Plan Supervisor	ERIC ASBOE Nebraska Supreme Court
FRED TURNER IT Manager	VICKI HUBER Administrative Secretary
TERESA ZULAUF Internal Auditor	

Agenda Item 1: R. Wassinger 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: R. Wassinger called the December 17, 2012, Board Meeting to order at 10:05 a.m. Present at roll call: R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, S. Simpson, R. Ecklund, R. Lahm, and J. States. Absent: D. Blank.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the November 19, 2012, Board Meeting. R. Ecklund seconded the motion. Members voted as follows: For: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & November 2012 Retirement Report: S. Simpson moved to approve the budget status report and the November 2012 Retirement Report. J. Elliott seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: Suvarna Ganadal was present and requested the Board consider assigning her late husband, Venkatesh Hadli's retirement account to her. R. Rehmeier encouraged Ms. Ganadal to seek legal counsel in order to obtain a court opinion on her rights as a surviving spouse.

Agenda Item 7 – Repeal Board Policy Nos. 7, 9, and 13 and Revise Board Policy No. 4: P. Chambers reported all rules and regulations have been updated and explained the need to repeal Policy 7 – Challenging Service Credit under Neb. Rev. Stat. § 79-907, which was incorporated into Title 303 Administrative Code Chapter 10 – Modification of School Creditable Service; Policy 9 – Materiality, which was incorporated into Title 303 Administrative Code Chapter 3 – Materiality Amounts for Transactions; and Policy 13 – Excessive Trading, which was incorporated into Title 303 Administrative Code Chapter 20 – Investment Allocations and Transfers.

She reviewed proposed revisions to Board Policy No. 4, Legal Counsel and Internal Auditor, which were included in the Board packet.

J. Elliott moved to repeal Board Policy Nos. 7, 9, and 13. S. Simpson seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

E. Stuhr moved to revise Board Policy No. 4 as presented. R. Rehmeier seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

Agenda Item 8 – Internal Auditor Report and Three-Year Audit Plan: T. Zulauf reviewed a written report she provided compiling results from School and County internal employer audits and other projects her staff has been working on.

She reported her department has completed 16 School employer audits since July 1, 2012. Her handout included details for each School audit.

She reported her department has completed 30 County employer audits in 2012. Fifteen internal audits had no issues and the report included detail on the County audits.

T. Zulauf reported providing information to the Director and Deputy Director concerning a finding in a County employer audit. The County was including mileage pay in their calculations to retirement contributions. The County had started including the reimbursement after a recommendation by the State Auditor's office.

She stated it is her department's goal to have all schools audited in five years and all Counties and Health Departments audited within four years. She stated they use the same method of deciding on the number of employers to be audited as the State Auditor. County audits include health departments and entities such as the Stuhr Museum.

She explained that NPERS does not internally audit Judges, Patrol or State plans, which have one reporting agent. School and County have several reporting agents. In April NPERS updated the internal audit process to mirror the State auditors' process. This has allowed them to complete more audits.

T. Zulauf's report also included results of reviewing lists from Hartford and Ameritas concerning members with possible required minimum distributions (RMD).

Her department continues to work on resolving past audit points.

To reduce the amount of paper documents kept in the office, the Internal Auditor's department has started back-end scanning completed employer audits.

T. Zulauf stated she would like to provide a draft of the Three-Year Audit Plan to the Director for review and then provide it to the PERB Audit Committee. The Board agreed to her suggestion.

R. Ecklund suggested a letter and a copy of all internal audit reports be sent to the appropriate school board and county commissioner. The Board agreed.

J. Elliott moved to approve the Internal Auditor Report. S. Simpson seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Response to Governor's Letter: R. Wassinger reported P. Chambers received a letter from the Governor after the meeting with the actuary on November 20, 2012. The letter posed questions for the PERB and NPERS and expressed the Governor's concerns regarding a conflict of interest when the NPERS' actuary also works with NSEA.

P. Chambers shared information in a draft response she and D. Blank prepared for the Governor. The letter includes reference to Neb. Rev. Stat. § 84-1503(2)(e), which contains

a provision allowing the actuary to provide services to entities other than the board. R. Rehmeier added that Neb. Rev. Stat. §50-417 deals with the Legislative Retirement Committee sharing information.

R. Rehmeier reviewed statutes and explained the idea of using percent of pay method is only an accounting option retirement systems can use.

R. Rehmeier moved the Director, on behalf of the PERB, respond to the Governor and supply all documents requested by the Governor. The PERB Chair shall provide input. J. Elliott offered an amendment that all PERB members review the response prior to submitting it to the Governor. After discussion, J. Elliott withdrew her amendment. E. Stuhr seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Legal/Legislative Update: P. Chambers reported J. Hayes and K. Allen worked on legislation prior to his last day. An update on the 2012 Regulation Report, including current and pending activity on Title 303, Nebraska Administrative Code for 2012 was provided to the Board, along with updated copies of all NPERS rules and regulations.

Agenda Item 11 – Investment Officer's Update: J. States reported overall performance for the calendar year to date is 12.02%, as of November 30, 2012, for all retirement plans. The fiscal year to date for the defined benefit plans is at 5.44%.

He stated the difficulty of returns still stems from 2008-2009. He commented that both the actuary and investment consultants have said the economy is growing slowly and the return will most likely not reach the assumed rate of 7.75% - 8.0% consistently in the next three to five years.

J. States reported working with NPERS on the conversion from Defined Contribution (DC) to Cash Balance. He briefly explained how the Council will split the funds so that contracts of members remaining in the DC plan will not be affected by the transition. Everything is in place to make the final transfer on January 2nd and 3rd.

R. Rehmeier moved to approve the Investment Officer's Update. R. Ecklund seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 12 – Director's Report: P. Chambers reported continuing to work on the RFP for actuarial services.

Everything is in order for the confirmation of R. Lahm. She reported the Governor has not provided any information on the reappointment of E. Stuhr.

To date, she reported there are 21 applicants for the legal counsel position. The position was advertised in the Lincoln Journal Star and is posted on the State Personnel website. Applications may be submitted until December 28, 2012. D. Blank and R. Rehmeier have

agreed to participate in the interview process in January. P. Chambers has been consulting with Assistant Attorney General, Lynn Melson, on legal issues.

P. Chambers reported the CEM Benchmarking survey data was submitted on December 3rd. She and R. Gerke participated in a conference call with their representative on December 7th. She anticipates receiving a draft report sometime in the spring of 2013.

She reported meeting with Ameritas regarding the Cash Balance election and found two members were not eligible. Both members have terminated and filed a grievance. She explained if they are reinstated they will be able to make the conversion. She thanked Ameritas and the NIC for their assistance during the election.

P. Chambers reported receiving final copies of the School, Judges, and Patrol actuary reports. Copies were provided to the Board and are available on the NPERS website.

She reported R. Gerke has been busy working with the State Auditors on the School, Judges, and Patrol audit and also on the financials.

P. Chambers reported receiving word that some Omaha area school districts are offering retirement buy-outs for the last time. J. Elliott stated some districts have offered some enhanced packages. P. Chambers commented that some of those taking the offers may not meet the Rule of 85.

She reported the mileage reimbursement rates for 2013 will increase from 55.5 cents to 56.5 cents per mile.

P. Chambers reported the Education Services Department finished up the State and County seminars, with 772 in attendance. At the request of members, J. Winkelman recommended NPERS provide a Medicare presentation at our seminars. Representatives from the Nebraska Senior Health Insurance Information Program (SHIIP) will begin to provide this information at our "Over 50" seminars in 2013.

She reported the Retiree Newsletters are ready to mail. NPERS sends 20,250 newsletters annually to School, Judges and Patrol retired members and 1,425 to State and County retirees.

P. Chambers reported Hartford is scheduled to sign the contract with MassMutual for their retirement plans on December 31, 2012. She stated there will be no noticeable difference in reporting or statements. Logos may be changed to include both companies in the upcoming year.

S. Simpson moved to approve the Director's Report. R. Ecklund seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 13 – Board Committee Reports: There were no reports.

Agenda Item 14 – Board Education/Travel Requests: There were no requests.

Agenda Item 15 – Future Meetings/Agendas: The next meeting will be held on Monday, January 28, 2013, in the Great Western Bank Conference Center, 1221 “N” Street, Lincoln, Nebraska.

Agenda Items 16 and 17 – Executive Session: At 11:44 a.m., R. Rehmeier moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 084837, 157584, 132728; personnel matters; and other legal matters. E. Stuhr seconded the motion. R. Wassinger repeated the motion for the record. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:41 p.m., R. Rehmeier moved that the Board exit Executive Session and reconvene in Regular Session. R. Ecklund seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Rehmeier moved for approval of the Disability Applications of Retirement Nos. 084837 and 157584, and to table the Disability Application of Retirement No. 132728 until the January meeting. E. Stuhr seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Adjournment: E. Stuhr moved that the meeting adjourn. S. Simpson seconded the motion. Members voted as follows: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 12:44 p.m.

Phyllis G. Chambers
Director