

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

January 23, 2012

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:02 a.m., Monday, January 23, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed January 13, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, January 16, 2012. 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  
  JANIS ELLIOTT  
  JEFF STATES, EX-OFFICIO

MEMBERS ABSENT:                   DON PEDERSON  
  ELAINE STUHR

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	STUART SIMPSON North Platte Public Schools
JASON HAYES Legal Counsel	NANCY REIMER Ameritas
CHERYL MUELLER Training Specialist	NEIL BATEMAN Retired Teachers
MIDEN EBERT Retirement Plan Supervisor	ANGELA HATCHER Public Information Technician
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.

D. Blank introduced Stuart Simpson, who was appointed by Governor Heineman to replace M. Shepard on the PERB. S. Simpson is the Business Manager for North Platte Public Schools.

**Agenda Items 2 and 3 – Meeting Called to Order:** D. Blank called the January 23, 2012, Board Meeting to order at 10:02 a.m. Present at roll call: D. Blank, G. Elwell, R. Rehmeier, R. Wassinger, and J. Elliott. Absent: M. Shepard, D. Pederson, E. Stuhr, and J. States.

J. States joined the meeting at 10:03 a.m.

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

**Agenda Item 5 – Approval of Budget Status Report & December 2011 Retirement Report:** G. Elwell moved to approve the budget status report and the December 2011 Retirement Report. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, and R. Wassinger. 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 was addressed out of agenda order below.

**Agenda Item 8 – Election of Officers for 2012:** D. Blank opened nominations for the Board Secretary position. R. Wassinger nominated P. Chambers for Secretary. J. Elliott seconded the nomination. R. Wassinger moved that nominations cease and a unanimous ballot be cast for P. Chambers. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, and R. Wassinger. Against: None. Motion carried.

M. Shepard joined the meeting at 10:07 a.m.

P. Chambers opened nominations for the Board Chairman position. R. Wassinger nominated D. Blank for Chairman. R. Rehmeier seconded the nomination and moved that nominations cease and a unanimous ballot be cast for D. Blank. Members voted as follows: For: J. Elliott, G. Elwell, R. Rehmeier, M. Shepard, and R. Wassinger. Abstain: D. Blank. Against: None. Motion carried.

P. Chambers opened nominations for the Board Vice-Chairman position. R. Wassinger nominated G. Elwell for Vice-Chairman. J. Elliott seconded the nomination and moved that nominations cease and a unanimous ballot be cast for G. Elwell. Members voted as follows: For: D. Blank, J. Elliott, R. Rehmeier, M. Shepard, and R. Wassinger. Abstain: G. Elwell. Against: None. Motion carried.

**Agenda Item 7 – Presentation to Mark Shepard:** D. Blank, on behalf of the Board and NPERS, presented M. Shepard with a plaque to recognize his years of service to the Board, NPERS, and its members. M. Shepard was also presented with an Admiralship from the Governor. D. Blank thanked M. Shepard for his commitment.

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

M. Shepard complimented S. Simpson and stated he will be an asset to the PERB.

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

**Agenda Item 9 – Education Services Update:** C. Mueller provided a handout of trustee educational opportunities for the PERB members.

C. Mueller summarized material provided to attendees of both the Financial Management and Retirement Planning seminars.

She also distributed statistical information regarding retirement seminar attendance, amount of annuities purchased, and how to use the benefit estimator located on the NPERS website.

The Board discussed ways to promote the education available from NPERS and the use of the website's benefit estimator.

Copies of the Retirement Planning Seminar books for State and County plan members were provided to the Board.

**Agenda Item 10 – Information System Update:** F. Turner reported an average of 30 problem incident reports (PIRs). He reported his staff has also been working on 1099R testing, withholding tax statements, and special requests for legislation.

In regards to the Disaster Recovery Plan, he reported data recovery has been implemented and the UAT servers were successfully tested on December 16<sup>th</sup> and 17<sup>th</sup>.

The WebSphere Application Server is the foundation NPRIS is built on. F. Turner reported researching the costs to upgrade WebSphere. A decision was made last fall to have NPERS IT Staff do the upgrade. Chad Schlotfeld and Viji Pushkaran completed online training and NPERS IT Staff are in the process of testing the upgrade.

F. Turner stated performance statistics are being gathered from production servers and sent to the Office of the Chief Information Officer (OCIO) for use in configuring the virtual servers. The virtual servers will be replacing the physical servers and housed at the OCIO in the future.

He reported the one year support contract with Hewlett Packard State and Local (HPSL) expires in March. NPERS plans to bring a new service contract before the Board at February's meeting.

J. Elliott moved to approve the Information System Update. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, M. Shepard, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 11 – Legal/Legislative Update:** J. Hayes reported the 102<sup>nd</sup> session of the Legislature began January 4<sup>th</sup>. He distributed a list of retirement related bills and reviewed the content of those that would have an impact on NPERS and the Board, as follows:

- LBs 505, 679, 680, and 688 are holdover bills from last year.
- LB 916 is the annual update and clarification bill to address technical issues and updates IRS provisions.
- LB 973 would permit civil judgment garnishments to be attached to the state pension plans for certain high level felonies. J. Hayes stated other states have similar provisions and would be handled similar to a qualified domestic relations order.
- LB 1036 would provide for a cash balance benefit election for certain County and State employees in the Defined Contribution plan. The Board discussed a number of issues that could cause concern and J. Hayes stated NPERS is working with Senator Norquist's office to address the concerns.
- LB 919 would make the current \$6 court fee for the Judges Retirement Plan permanent.
- LB 1022 is a placeholder bill for State Patrol in case the Legislature would decide to adjust the contribution rates currently paid by State Patrol members.

Legislative hearings for LBs 916 and 1036 are scheduled for Thursday, January 26, 2012. LB 973 will be addressed in a hearing on Tuesday, January 31, 2012. The Board discussed NPERS providing testimony at the hearings. J. States commented on the impact LB 1036 would have on the Investment Council. J. Hayes stated it would be beneficial if J. States also testified at the hearing on LB 1036.

G. Elwell moved that NPERS testify on the following: LB 916 in a neutral capacity; LB 973 in a neutral capacity; and LB 1036 in a neutral capacity, providing an explanation of pitfalls and fiscal issues that pertain to LB 1036. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, M. Shepard, and R. Wassinger. Against: None. Motion carried.

J. Hayes stated members of the State Patrol have filed a lawsuit in Federal District Court against the State of Nebraska, alleging the State of Nebraska is in violation of trooper's constitutional rights by requiring increases in their contribution rates. He will continue to update the Board on this case as it progresses.

J. Hayes announced he plans to attend the National Association of Pension Plan Attorneys conference scheduled for February 2012, in Washington, DC. He stated the conference will cover current and future IRS public pension tax issues.

He reported Rules and Regulations Chapter 1 and 12 have been approved by the Governor and are now in effect. He expects the remaining rules and regulations to be approved in the next 30 days.

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

**Agenda Item 12 – Investment Officer's Update:** J. States reported the NIC has completed a new consulting contract with Hewitt EnnisKnupp. He announced Max Kotary has replaced Kevin Vandolder as the new head consultant from Hewitt EnnisKnupp for the NIC. Mr. Kotary will be supported by Laurel Nicholson. He gave a brief background of the new consulting team.

J. States reported investment returns for the calendar year for the defined benefit and cash balance benefit plans were zero. The asset values are slightly above those at the end of 2010.

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

**Agenda Item 13 – Director's Report:** P. Chambers announced the budget hearing is scheduled for Thursday, January 26, 2012. She reviewed results of the items preliminarily approved in NPERS' deficit budget request.

She plans to write a letter accepting the recommendations of the Appropriations Committee on the proposed budget.

P. Chambers announced the confirmation hearing for S. Simpson and Richard DeFusco (NIC) is scheduled for Wednesday, February 15, 2012. She reported the Governor has not appointed someone for the other open Board position and expects to receive an update after January 26<sup>th</sup>.

She reported \$37.5 million federal and \$12.2 million state income taxes were withheld by NPERS in 2011. The 1099Rs are balanced and will be mailed this week. She added that members who are receiving a benefit can access their 1099R online.

P. Chambers stated NPERS continues to assist other agencies gathering information. For example, Dean Gress recently performed a query for the Department of Education.

She reported the Kansas Legislature has recommended a hybrid retirement plan, in which the employee contributions are in a defined benefit plan and the employer contributions are deposited into a cash balance plan. The proposed plan requires participants to be age 65 in order to receive the employer portion and retirees must take an annuity.

She announced that Ameritas has offered to host the Board's regular meeting scheduled for Monday, March 19, 2012, at their location.

P. Chambers reported the online benefit estimator for the Judge's plan is in test mode.

J. Elliott expressed an interest in attending the National Council on Teacher Retirement (NCTR) Trustee Workshop in July and requested P. Chambers provide information when it becomes available.

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

**Agenda Item 14 – Board Committee Reports:** D. Blank referred to a tentative list of Board Committee assignments for 2012, provided with the meeting materials. He asked the Board to inform him if they would like to make any changes to their assignments.

**Agenda Item 15 – Board Education/Travel Requests:** There were no requests.

**Agenda Item 16 – Future Meetings/Agendas:** J. Elliott moved to change the next regular Board meeting scheduled for Monday, February 27, 2012, to Wednesday, February 29, 2012. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, M. Shepard, and R. Wassinger. Against: None. Motion carried.

A Board photo will be scheduled prior to the February meeting.

**Agenda Items 17 and 18 – Executive Session:** At 11:58 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. 124493, 167234, and 433737; Emergency Deferred Compensation Application for Retirement No. 700329; personnel matters; and other legal matters. R. Rehmeier seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, M. Shepard, and R. Wassinger. Against: None. Motion carried.

At 1:12 p.m., M. Shepard moved that the Board exit Executive Session and reconvene in Regular Session. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, M. Shepard, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 124493, 167234, 433737, and Emergency Deferred Compensation Application of Retirement No. 700329. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, R. Rehmeier, M. Shepard, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:13 p.m.

Phyllis G. Chambers  
Director