

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

March 19, 2012

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, March 19, 2012, in the New Third Conference Room, Ameritas Life Insurance Corp., 5900 "O" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed Monday, March 12, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, March 12, 2012. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
JUDGE RANDALL REHMEIER
RICHARD WASSINGER
RON ECKLUND
ELAINE STUHR
JANIS ELLIOTT
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: SGT. GLENN ELWELL, VICE-CHAIR
STUART SIMPSON

NONMEMBERS PRESENT:

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| PHYLLIS CHAMBERS Director | NANCY REIMER Ameritas |
| RANDY GERKE Deputy Director | MARY KLUG Ameritas |
| JASON HAYES Legal Counsel | STEVEN ANDERSON Ameritas |
| MIDEN EBERT Retirement Plan Supervisor | DENNIS ANDERSON Ameritas |
| TERESA ZULAUF Internal Auditor | VICKI HUBER Administrative Secretary |
| BEN MATTERN 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.

D. Blank welcomed Ron Ecklund to his first PERB meeting. He stated R. Ecklund was scheduled to be confirmed by the Legislature that morning.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the March 19, 2012, Board Meeting to order at 9:32 a.m. Present at roll call: D. Blank, R. Rehmeier, R. Wassinger, R. Ecklund, E. Stuhr, J. Elliott, and J. States. Absent: G. Elwell and S. Simpson.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the February 29, 2012, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & February 2012 Retirement Report: R. Wassinger moved to approve the budget status report and the February 2012 Retirement Report. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, R. Rehmeier, E. Stuhr, 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 – Ameritas Annual Report: N. Reimer introduced M. Klug as the day to day contact and Dennis Anderson, a systems analyst.

A copy of the Annual Plan Review for December 31, 2011, was provided to the Board.

N. Reimer reviewed the report, which included an overview of contributions, distributions, and year end balances for NPERS State, County DCP, and DROP retirement plans. The report also includes member information such as average age, account balances, and member's years of service in each plan. A historical summary of assets is shown for years 2006 through 2011.

She reported on the activity status and average number of members affected by the Excess Trading Policy.

N. Reimer highlighted accomplishments for 2011, including renewing the contract with NPERS, monthly meetings with NPERS, assigned 18 unique employer numbers to allow individual reporting and the ability to make ACH deposits, implemented the Excessive Trading Program, and added automatic portfolio rebalancing.

She stated goals for 2012 include continuing to meet monthly with NPERS staff to review projects and priorities, to continue assistance and support with data clean-up initiatives and process improvement enhancements for the NPRIS data fees and interfaces, and to provide assistance in implementing changes as required by new legislation.

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

Agenda Item 8 – Internal Auditor Report: T. Zulauf provided handouts, compiling results from School and County employer audits, to date.

She reported P. Chambers has asked the internal auditing staff to increase the number of school audits performed. At the request of the State auditors, T. Zulauf stated her staff will increase the number of follow-ups to schools that have been audited.

She gave examples of the types and numbers of School employees that are pulled to test/audit. She reported that the State auditors have suggested it is only necessary to test one month's payroll.

T. Zulauf reported her department has completed 17 School audits since July 1, 2011; 26 County employer audits in 2011; and 5 County employer audits in 2012.

She stated the interest rate report will be presented to the Board at the April 2012 meeting. P. Chambers stated staff is preparing a report that will be updated annually and will be added to the internal audit plan.

At 10:15 a.m., J. Hayes received an electronic message from the Legislative Retirement Committee's legal counsel, reporting that R. Ecklund had been confirmed by the Legislature.

D. Blank asked T. Zulauf if she had anything that needed to be reported to the PERB in addition to her report. She answered, "No."

R. Wassinger moved to approve the Internal Auditor Report. E. Stuhr seconded the motion. For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Revise Deferred Compensation Plan Document: J. Hayes reviewed the proposed changes to the plan, which are needed based upon recent tax law changes and changes encompassed within LB 916. Revisions to the document were provided electronically to the Board prior to the meeting.

R. Ecklund moved to approve revisions to the DCP document as presented. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The Board took a break at 10:30 a.m. and reconvened at 10:46 a.m.

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

Agenda Item 10 – Legal/Legislative Update: J. Hayes reported the Legislative session concludes on April 12, 2012. LB 916, with the Committee Amendment containing LB 973 and LB 1036, was placed on select file March 5th.

He reported speaking with Assistant Attorney General Lynn Melson, regarding the State Patrol lawsuit against the State of Nebraska. The State has filed a motion to dismiss in Federal Court and a motion to delay discovery.

J. Hayes stated the Legal Compliance Audit continues. Groom Law Group and Segal will present their report at the May 21, 2012, PERB meeting. J. Hayes is attempting to schedule a hearing with the Legislature's Retirement Committee on or around the same day.

He has begun the process of writing additional rules and regulations that were suggested by the Auditor of Public Accounts.

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

Agenda Item 11 – Investment Officer's Update: J. States reported fiscal year-to-date performance for the defined benefits plans are up 1.8% as of February 29th. The equity market continues to be strong for the calendar year.

He stated the Council now has more relationships to administer and is experimenting with making a governance policy permitting the State Investment Officer to make a new commitment with an existing general partner in certain circumstances. At the Council's next meeting, it will look at language for a policy to allow the State Investment Officer to authorize commitments with existing relationships without prior approval of the Council. This policy would allow the NIC to more efficiently manage the process of bringing in new managers.

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

Agenda Item 12 – Director's Report: P. Chambers thanked Ameritas for hosting the meeting and introduced Steven Anderson and Ben Mattern, who had joined the meeting.

P. Chambers reported working on the Annual Report to the Legislature, which she will present to the Legislature on March 20, 2012. She suggested the report is an excellent resource if questions arise about NPERS and the plans. She referred to 2011 as a year of records; with a record \$9.6 billion in assets, the number of accounts is up to 115,060; a record number of 1,570 School retirements; and NPERS paid out a record of \$503 million in benefits in all six plans. She briefly outlined the contents of the report.

P. Chambers pointed out NPERS has a fabulous staff. We operate the agency at a cost of only five basis points of plan assets.

E. Stuhr complimented the presentation of the Annual Report to the Legislature and its pleasing design. P. Chambers gave credit to NPERS', Angela Hatcher, who did the graphic design work on the report.

P. Chambers distributed a chart depicting State and County annuity history for 2003-2011. The chart illustrates how the number of annuities purchased in the State and County plans has significantly increased in 9 years.

She stated the Annual Investment Report will be completed in April. This report provides information on investments and their performance for 2011.

P. Chambers reported talking to the actuary, regarding the experience study. Dave Sliskinsky will be able to present the results of the study at the August PERB meeting.

She mentioned the news article reporting that the board overseeing the California Public Employees' Retirement system (CalPERS) recently approved lowering their assumed rate of return to 7.5%, from 7.75%. NPERS assumed rates will also be addressed in Buck's experience study.

P. Chambers announced interviews will be held for the Accountant III position at NPERS. Sheryl Hesseltine has accepted a position with AS-Accounting. R. Gerke has assumed the position's responsibilities in the interim.

As requested by the Board at the February PERB meeting, P. Chambers reported sending a letter responding to the member who wrote to the Board, expressing his concerns with the Excessive Trading Policy.

She reported the State Auditors have finished their on-site work for the School, Judges, and Patrol audit.

P. Chambers requested permission to attend the National Council on Teacher Retirement (NCTR) Director's Meeting June 10-12, 2012, in Denver, Colorado with up to \$2500 in travel expenses and the National Association of State Retirement Administrators (NASRA) Annual Conference August 3-8, 2012, in Olympic Valley, California with expenses not to exceed \$3000.

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

R. Ecklund moved to approve P. Chamber's travel to attend the NCTR Director's Meeting June 10-12, 2012, with up to \$2500 in travel expenses and the NASRA Annual Conference August 3-8, 2012, with expenses not to exceed \$3000. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 13– Board Committee Reports: R. Rehmeier stated the Education Committee is looking at having Keith Brainard, Research Director of NASRA, speak at the retreat and changing the date to July 23rd to accommodate Mr. Brainard’s schedule.

R. Rehmeier moved to change the date of the July Board meeting and Educational Retreat to Monday, July 23, 2012. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The Board discussed suggestions for presenters.

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

Agenda Item 15 – Future Meetings/Agendas: The next meeting will be held on Monday, April 16, 2012, in the Great Western Bank Conference Center, 1221 “N” Street, Lincoln, Nebraska.

Agenda Items 16 and 17 – Executive Session: At 11:52 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing 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, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Ecklund left the meeting during Executive Session.

At 1:03 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:04 p.m.

Phyllis G. Chambers
Director