

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

MAY 21, 2012

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:02 a.m., Monday, May 21, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed May 14, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, May 14, 2012. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR
SGT. GLENN ELWELL, VICE-CHAIR
RICHARD WASSINGER
ELAINE STUHR
JANIS ELLIOTT
JUDGE RANDALL REHMEIER
STUART SIMPSON
RON ECKLUND
JEFF STATES, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS

Director

RANDY GERKE

Deputy Director

JASON HAYES

Legal Counsel

MIDEN EBERT

Retirement Plan Supervisor

FRED TURNER

IT Manager

TERESA ZULAUF

Internal Auditor

GARY BUSH

AS - State Budget Administrator's Office

NANCY REIMER

Ameritas

KATHY TENOPIR

Legislative Fiscal Office

KATE ALLEN

Legislative Retirement Committee

MELANIE WALKER

The Segal Company

DAVID POWELL

Groom Law Group

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.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the May 21, 2012, Board Meeting to order at 9:02 a.m. Present at roll call: D. Blank, G. Elwell, R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, S. Simpson, R. Ecklund, and J. States.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the April 16, 2012, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & April 2012 Retirement Report: R. Rehmeier moved to approve the budget status report and the April 2012 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, 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 – Compliance Audit Report: NPERS hired Groom Law Group and The Segal Company to perform an independent review of the Internal Revenue Code (IRC) §401(a) defined benefit retirement plans, IRC §401(a) defined contribution plans and IRC §457 deferred compensation plan and the administrative operation and practices of NPERS and to determine whether it meets standards set forth in the plan documents and determining the level of compliance with applicable federal laws.

Copies of the report were provided to the board and are available from the retirement office.

Melanie Walker, from The Segal Company, explained the process of the audit and summarized the findings and recommendations, involving operational compliance.

David Powell, from Groom Law Group, gave the Board background on his company and focused his presentation on federal and state statutes, rules and regulations from an IRS perspective.

The Board took a break at 10:03 a.m. and reconvened at 10:16 a.m.

Prior to each area of discussion, D. Powell gave background on the corresponding IRS rule. He reviewed the findings and recommendations documented in the report.

The review concluded that NPERS' retirement plans are substantially in compliance with the requirements under IRC §401 and related Treasury Regulations and other applicable federal laws. Areas of noncompliance do not impact the benefits given to participants.

D. Powell explained the structure of the IRS audit system and its agents. The Board and the audit group discussed methods and time lines for correcting the findings. D. Blank stated that J. Hayes has developed a priority list for corrections.

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

Agenda Item 8 – Change State Defined Contribution Fees: This matter was tabled at the May 2012 PERB meeting. R. Gerke requested the Board approve raising the State Defined Contribution (DC) fees from zero to five basis points.

S. Simpson moved to approve raising the State DC asset charges to five basis points, effective July 1, 2012. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The Board took a break at 11:09 a.m. and reconvened at 11:20 a.m.

Agenda Item 9 – Adopt Board Policy No. 16 – Cash Balance Election: J. Hayes explained details of the new policy, containing procedures for conducting a cash balance election and conversion permitting State and County Plan active members who have a DC benefit to make a one-time election and conversion into the cash balance benefit in accordance with the provisions found in Neb. Rev. Stat. §§ 23-2308.01 and 84-1309.02.

The policy will be placed on the NPERS website and distributed to members prior to the election period. The Educational Services department is working on a set of “frequently asked questions” to be available on the website.

S. Simpson moved to adopt Board Policy No. 16, regarding cash balance election. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Legal/Legislative Update: J. Hayes updated the board on the State Patrol lawsuit against the State of Nebraska. He reported the matter is still in pre-litigation.

J. Hayes stated NPERS anticipates having a set of six rules and regulations ready for the PERB Policy Committee to review, with a public hearing to be scheduled in August 2012. He hopes to have them through the approval process prior to the 2013 legislative session.

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

Agenda Item 11 – Investment Officer’s Update: J. States reported the next regular meeting of the Nebraska Investment Council (NIC) will be held on Thursday, May 24, 2012. The Council’s annual retreat is scheduled for July 17, 2012.

J. States informed the Board of three interim studies for 2012; LRs 452, 518, and 628, in which the Retirement Committee will examine state funds.

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

Agenda Item 12 – Director's Report: To date, P. Chambers reported 588 School retirement applications have been received with a June 1 effective date. Benefits staff will be begin working overtime. She reported 11 State Patrol retirements with 9 going into DROP, which now has 39 participants. She stated there were 17 State retirements, which is a large amount for one month.

She reported the IT WebSphere software upgrade was successful.

P. Chambers reported meeting with J. Hayes, Jerry Hoffman, and Scott Norby to discuss School retirement plan issues.

Representatives from Hartford will present their annual report at the June meeting. P. Chambers stated, since Hartford announced it is selling its retirement plan division she has been researching transferring current participants into NPERS' DCP. As of March 31, 2012, there were 89 members in the Hartford plan, including current and retired members. She reviewed the differences in the two plans and the benefits of transferring funds. Hartford has stated they will not charge NPERS for transferring all assets. P. Chambers asked for the Board's opinion on moving forward with such a transfer.

P. Chambers reported the State and County Audit Entrance Conference was held on May 18, 2012. NPERS has been busy working on prior audit points.

J. Elliott, P. Chambers, R. Gerke, and Dennis Rohren attended the Government Financial Officers Association Conference, in Omaha, on May 11, 2012. They attended a luncheon program on the future of pension plans.

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

Agenda Item 13 – Board Committee Reports: R. Rehmeier updated the Board on the preliminary agenda for the PERB's Educational Retreat scheduled for July 23, 2012; at the Lied Lodge and Conference Center in Nebraska City.

Agenda Item 14 – Board Education/Travel Requests: At the February 2012 PERB meeting, the board approved J. Elliott's request for travel to attend the National Council on Teacher Retirement's Annual Trustee Workshop scheduled for July 23-25, 2012. J. Elliott requested to amend the amount of \$2500 in expenses to \$3500 in expenses.

E. Stuhr moved to approve raising the amount of expenses for J. Elliott's travel request not to exceed \$3500. G. Elwell seconded the motion. For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 15 – Future Meetings/Agendas: The next meeting will be held on Monday, June 18, 2012, in the Great Western Bank Conference Center, 1221 “N” Street, Lincoln, Nebraska

Agenda Items 16 and 17 – Executive Session: At 12:09 p.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. 096009, 0762330, and 105417, Legal Matter for Retirement No. 067178, and other legal matters. R. Ecklund seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Ecklund and R. Rehmeier left the meeting during Executive Session.

At 1:21 p.m., S. Simpson moved that the Board exit Executive Session and reconvene in Regular Session. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 096009, 076233, 105417. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

G. Elwell moved the Board rule there was a bona fide separation from service following the member’s termination, in the legal matter of Retirement No. 067178. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:24 p.m.

Phyllis G. Chambers
Director