

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

October 22, 2012

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, October 22, 2012, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed October 12, 2012. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 15, 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  
  STUART SIMPSON  
  RON ECKLUND  
  JEFF STATES, EX-OFFICIO

MEMBERS ABSENT:                   JUDGE RANDALL REHMEIER

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	KAREN KILGARIN Nebraska State Education Association
RANDY GERKE Deputy Director	NANCY REIMER Ameritas
JASON HAYES Legal Counsel	KIRSTEN STEIERT The Hartford
JOHN WINKELMAN Training Supervisor	KRISTA DAVIS State Auditor's Office
FRED TURNER IT Manager	NEIL BATEMAN Retired Teachers
TERESA ZULAUF Internal Auditor	VICKI HUBER Administrative Secretary
ANN HILLE Staff Assistant	

**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 October 22, 2012, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, G. Elwell, R. Wassinger, E. Stuhr, J. Elliott, S. Simpson, and R. Ecklund. Absent: R. Rehmeier and J. States.

**Agenda Item 4 – Approval of Minutes:** E. Stuhr moved for approval of the minutes of the September 24, 2012, Board Meeting. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & September 2012 Retirement Report:** J. Elliott moved to approve the budget status report and the September 2012 Retirement Report. G. Elwell seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, 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.

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

**Agenda Item 7 – Hartford DCP Committee Report:** R. Ecklund stated the Hartford DCP Committee met last week via conference call. In attendance at the meeting were: R. Ecklund, E. Stuhr, J. States, P. Chambers, and J. Hayes.

K. Steiert gave background of the sale and a description of general contract information between Hartford and NPERS. She commented on how the sale might affect the Nebraska plans. She went over the interest rates, fees, and death benefit that are part of the contract/plan. She stated that it is an open-ended contract.

R. Ecklund thanked K. Steiert for coming. He summarized the positive features of the Hartford plan. On behalf of the Hartford DCP Committee, R. Ecklund recommended the Board leave the relationship with Hartford as it stands and re-evaluate after MassMutual has acquired the retirement plans.

D. Blank moved to postpone taking action on the proposed transfer of the related Deferred Compensation Plan accounts from The Hartford to MassMutual until the next PERB meeting on November 19, 2012. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

**Agenda Item 8 – Employee Recognition:** P. Chambers stated October is Employee Recognition Month for the State of Nebraska and announced Ann Hille and John Winkelman as NPERS' employee and manager of the year, respectively. She gave a brief background of each recipient's work within the agency. D. Blank presented both honorees with a framed certificate.

**Agenda Item 9 – Presentation to Glenn Elwell:** D. Blank, on behalf of the Board and NPERS, presented G. Elwell with a plaque to recognize his years of service to the Board, NPERS, and its members. D. Blank thanked G. Elwell for his commitment.

G. Elwell stated he has accepted the position of Records Systems Manager with the Lancaster County Sheriff's Office. He has submitted his resignation from the PERB to Governor Heineman.

The Board took a break for pictures at 10:25 a.m. and reconvened at 10:35 a.m.

**Agenda Item 10 – State and County Audit Report:** K. Davis presented the State and County Retirement Plans audit for the period of January 1, 2011, through December 31, 2011. She reviewed the comments and recommendations of the State Auditor's Office listed in the report issued on September 10, 2012.

P. Chambers encouraged the board to review the financial assets, investments, and various charts that are also included in the audit report.

P. Chambers commented that NPERS staff is already working on many of the audit points in the report and some are resolved.

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

**Agenda Item 11 – Information System Update:** F. Turner reported 33 problem incident reports (PIRs) as of September 30, 2012.

He reported the conversion of physical servers to virtual servers is 96% complete. He complimented Chad Schlotfeld and his work on this project.

F. Turner stated his staff has been working on the conversion from the Defined Contribution plan to the Cash Balance. He explained the daily process of elections after forms and online submissions are received.

He reported the Director, NPERS managers, and key IT personnel participated in a test exercise at the disaster recovery site on October 19, 2012. He reported a smooth transition as the participants were able to remotely access the system information.

He stated NPERS will be converting to Outlook 2010 in the future. The Traverse general ledger software will also be updated.

J. Elliott asked if the conversion to the Office of the Chief Information Officer (OCIO) will potentially save NPERS money. F. Turner explained NPERS will not need to purchase new hardware and will use the OCIO for backup. NPERS will no longer use backup tapes.

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

**Agenda Items 12 – Legal/Legislative Update:** J. Hayes distributed a 2012 Regulation Report, including current and pending activity on Title 303, Nebraska Administrative Code for 2012.

He reported the first set of Rules and Regulations approved at the August meeting have been approved by the Attorney General, except for Chapter 10. The Board will be considering a minor modification to Chapter 10 in Agenda Item 13 to make changes recommended by the Attorney General's Office.

The approved Rules and Regulations, Chapters 2, 3, 5, 15, 16, 20, and 24 were delivered to the Governor's Policy Research Office on October 12, 2012, and J. Hayes anticipates they will be approved in the next 30 days.

The second set of Rules and Regulations, Chapters 4, 9, 14, and 18, were delivered to the Attorney General's Office on October 2, 2012.

He hopes both sets of Rules and Regulations will be approved and finalized by January 1, 2013.

J. Hayes reported working with David Powell of Groom Law Group on the pending determination letters. Mr. Powell is also in the process of filing voluntary Correction Program forms for the State and County retirement plans, in accordance with recommendations made in the 2012 Legal Compliance Audit.

**Agenda Item 13 – Modification to Rule and Regulation 303 NAC, Chapter 10:** J. Hayes indicated that because this is a minor modification for compliance, a public hearing is not required. A copy of the proposed modification was provided to the Board prior to the meeting and copies were available on the materials table.

D. Blank moved the Board approve the following changes to Rule and Regulation Title 303, Chapter 10, subsection 004.01 in accordance with the recommendations made by the Attorney General's Office: Change subsection citations from 002.01 to 002.02 in line 1, and 002.02 to 002.01 in line 3, add a reference to subsection (1)(b) for the statutory citation 79-907, and strike the remainder of the subsection following 79-907(1)(b). R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

E. Stuhr moved to approve the Legal/Legislative Update provided in Agenda Item 12. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 14 – Investment Officer’s Update:** J. States reported on legislative items and hearings, including LR 518, in which the Legislative Committee is reviewing Council investments of assets of the retirement system or the Nebraska educational saving plan trust into economic development within the State of Nebraska.

He reported working on the NIC-PERB joint meeting, scheduled for Monday, November 19, 2012.

As of September 30, 2012, he stated the calendar year to date return for the retirement trusts is 11.2%.

Looking at the long term, J. States reported the 10-year annualized return for the fund is 8%. However, we are still down from the 2008-2009 recession, leaving the rolling return for 5 years at 2.1%.

He stated the economic growth outlook remains slow.

S. Simpson 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, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 15 – Director’s Report:** P. Chambers reported as of Friday, October 19<sup>th</sup>, 961 Defined Contribution plan members have elected to change to the Cash Balance plan. The assets are approximately \$154.5 million. Staff will have 60 days to review the submissions for eligibility.

She reported 161 School retirement applications were received with a July 1 effective date and 95 received with an August 1 effective date.

P. Chambers reported working with J. Hayes and State Purchasing on the request for proposal (RFP) concerning actuarial services. She outlined services the request will include. She anticipates releasing the RFP on November 15, 2012; final negotiations to be completed in February 2013; and the contract to begin July 1, 2013. It will be a three-year contract with the possibility for extensions.

P. Chambers stated the Disaster Recovery exercise went well. She complimented NPERS staff from the IT and Data Services Departments for their work setting up the site. She stated board members will have the opportunity to tour the site.

On Tuesday morning, November 20, 2012, Groom Law Group and Dave Slisinsky will make presentations to the Legislative Retirement Committee. The actuary is also scheduled to meet with the Governor at 1:00 p.m.

P. Chambers reported attending the National Council on Teacher Retirement (NCTR) Annual Conference, October 7-10, 2012. She announced the newly elected officers of the NCTR board and provided a summary of the programs. Topics included: future of retirement security, economic outlook, investing in different asset groups, legal updates, State and Federal legislation, actuarial and accounting issues, and public pension trends. She stated the highlight was the presentation of the Teacher of the Year Award.

P. Chambers provided copies of the book "State and Local Pensions, What Now?" by Alicia H. Munnell, to each board member. She briefly described its contents.

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

**Agenda Item 16 – Board Committee Reports:** D. Blank thanked the Hartford DCP committee for their research regarding transferring to the State DCP.

R. Wassinger stated the Budget Committee will meet following this meeting.

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

**Agenda Item 18 – Future Meetings/Agendas:** The next meeting is the annual joint meeting with the NIC, which will be held on Monday, November 19, 2012, in the Arbor II Room of the Cornhusker Hotel. The joint meeting is scheduled to begin at 8:30 a.m. The regular PERB meeting will immediately follow the joint meeting.

**Agenda Items 19 and 20 – Executive Session:** At 11:43 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. 114396 and 120879, Emergency Deferred Compensation Application for Retirement No. 700436, personnel matters, Actuary Request for Proposal, 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, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:58 p.m., S. Simpson moved that the Board exit Executive Session and reconvene in Regular Session. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, 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. 114396, 120879 and approval of the Emergency Deferred Compensation Application for Retirement No. 700436. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved to modify the motion to approve the Emergency Deferred Compensation Application for Retirement No. 700436 to include the amount approved to be

\$1050. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, G. Elwell, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved to (1) approve that the Director and Legal Counsel begin work with State Purchasing in order to finalize the terms and provisions of the RFP for actuarial services, (2) approve the current RFP draft document subject to modification prior to release, and (3) release the RFP for public distribution on or about November 15, 2012. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, 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, R. Ecklund, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: G. Elwell. Motion carried.

The meeting adjourned at 1:03 p.m.

Phyllis G. Chambers  
Director