

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

APRIL 15, 2013

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, April 15, 2013, in the Great Western Bank Conference Center, Second Floor, 1221 "N" Street.

The Board members were notified of this meeting by Agenda mailed Friday, April 5, 2013. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 8, 2013. R. Wassinger chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: RICHARD WASSINGER, VICE-CHAIR
 ELAINE STUHR
 JANIS ELLIOTT
 STUART SIMPSON
 DARRELL FISHER
 JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: DENIS BLANK, CHAIR
 JUDGE RANDALL REHMEIER
 RON ECKLUND

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	ZACH WELLS State Auditor's Office
MATT EFFKEN Legal Counsel	PHILIP OLSEN State Auditor's Office
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
FRED TURNER IT Manager	ERIC ASBOE Nebraska Supreme Court
TERESA ZULAUF Internal Auditor	BRENT BANISTER Cavanaugh Macdonald Consulting
GARY BUSH AS - State Budget Administrator's Office	PAT BECKHAM Cavanaugh Macdonald Consulting
KATE ALLEN Retirement Committee Legal Counsel	Cheryl Wolff Governor's Policy Research Office
DAVE SLISHINSKY Buck Consultants	VICKI HUBER Administrative Secretary

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 door.

Agenda Items 2 and 3 – Meeting Called to Order: R. Wassinger called the April 15, 2013, Board Meeting to order at 9:32 a.m. Present at roll call: R. Wassinger, E. Stuhr, J. Elliott, S. Simpson, and J. States. Absent: D. Blank, R. Rehmeier, R. Ecklund, and D. Fisher.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the March 18, 2013, Board Meeting and corrected minutes of the February 24, 2013, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & March Retirement Report: S. Simpson moved to approve the budget status report and the March 2013 Retirement Report. E. Stuhr seconded the motion. Members voted as follows: For: J. Elliott, 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 – School, Judges, and Patrol Audit Report: P. Olsen and Zach Wells were present, representing the State Auditor's Office.

P. Olsen reported finishing the School, Judges, and Patrol Audit for the period of July 1, 2011, through June 30, 2012. He reviewed the comments and recommendations of the State Auditor's office listed in the report issued on April 2, 2013.

He acknowledged there is pending legislation that will correct some of the findings.

On behalf of the PERB, P. Chambers expressed appreciation for the excellent working relationship between the State Auditors and NPERS. P. Olsen made the comment that NPERS is always cooperative.

J. Elliott moved to accept the School, Judges, and Patrol Audit Report. E. Stuhr seconded the motion. Members voted as follows: For: J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Fisher joined the meeting at 9:55 a.m.

Agenda Item 8 – State and County Actuary Reports and Benefit Comparison: D. Slishinsky explained the history of equal retirement benefit funds (ERBF) and the conversion factors that are used.

He gave background information on the Cash Balance benefit plan since it was created in 2003. The report included documented interest credits, dividends, and investment returns from 2003 through 2012.

D. Slishinsky reviewed the actuarial valuation results for the State and County Cash Balance funds, member data, system assets, funded ratios, actuarial liability (reserve), and actuarial gains and losses.

He provided a historical view of contribution rates required by the state for 2003 through 2012 and five year projections of State and County funding, which included results for 2013 through 2018.

D. Slishinsky reported this is the final year of recognizing the losses of 2008 and stated some gains from the market can now be recognized.

He reported the State and County plans are below 100% funded on an actuarial and current value basis; therefore, no dividend payment is payable under current Board policy.

He summarized the report; stating the investment rate of return experienced on the actuarial assets during 2012, of approximately 3.5%, was significantly less than the 7.75% expected. The investment return on market value of assets of approximately 13% was more than the expected 7.75%.

D. Slishinsky has been the actuary for NPERS' plans since 1998. On behalf of the Board and NPERS, R. Wassinger presented D. Slishinsky with an Admiralship for his contributions to NPERS, the PERB, and the State of Nebraska.

J. Elliott moved to accept the State and County Actuary Report. D. Fisher seconded the motion. Members voted as follows: For: J. Elliott, D. Fisher, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

The Board took a break at 11:10 a.m. and reconvened at 11:17 a.m.

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

Agenda Item 9 – Information System (IT) Update: F. Turner reported 43 open problem incident reports (PIRs) as of March 31, 2013.

He stated the conversion of physical servers to virtual servers is about complete.

He reported the Traverse General Leger software upgrade was successfully implemented on March 8, 2013.

F. Turner stated sample documents were stored on the PERB SharePoint site and two PERB members were given access to the site for testing. J. Elliott reported she did not have any problems using the site. A requisition has been made to purchase electronic tablets for the PERB members. The tablets will allow the Board portable access to the PERB SharePoint site and will be used in the future, instead of paper documents.

F. Turner distributed a hand-out with examples of emails PERB members should expect to receive when given account access.

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

Agenda Item 10 – Legal/Legislative Update: M. Effken provided an updated list of legislative bills directly effecting retirement. He reviewed the progress of each bill, which included the following:

LB263, NPERS' technical bill, has advanced from select file to the enrollment and review process.

Provisions of LB554, LB305, and LB306 have been incorporated into LB553, which creates a new tier for the School plan. This bill has advanced to general file and is on the scheduled for Tuesday, April 16th.

Provisions of LB229, related to the Judges plan, have been incorporated into LB306. LB306 is in the enrollment and review process.

LB638, creating a Cash Balance plan for new School members, has been indefinitely postponed.

LB639, which has newly hired Judges and State Patrol Officers join the existing State employees Cash Balance plan, was indefinitely postponed.

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

Agenda Item 11 – Investment Officer's Update: J. States distributed a handout showing calendar year performance for the defined benefit plans as of December 31, 2012. The hand-out illustrates performance returns from 1984 through 2012. He stated the graph shows the influence on the market in 2008 and how different the rates have been over time.

He stated preliminary reports indicate fiscal year to date performance for the defined benefits plans at 12.75%. The calendar year to date is almost 6%.

The Nebraska Investment Council's move to the Assurity Building has been rescheduled for July 15, 2013.

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

Agenda Item 12 – Director’s Report: P. Chambers stated she will meet with Rogier Slingerland, from CEM Benchmarking, on Wednesday, April 17, 2013, to review a draft report with R. Gerke and M. Ebert. CEM Benchmarking is scheduled to present their report to the PERB at the May meeting.

P. Chambers plans to attend the CEM World Conference with John Winkelman May 6-9, 2013, in Columbus, Ohio.

P. Chambers reported signing a contract with the Lied Lodge and Conference Center for the Annual PERB Retreat July 15, 2013. She asked the Board members to let her know if they plan to stay overnight on Sunday, July 14th.

P. Chambers reported meeting with Ben Mattern and Nancy Reimer, from Ameritas to discuss Ameritas’ new technology platform.

P. Chambers participated in conference calls with J. States, JoLynn Winkler, N. Reimer, and State Street, regarding investment services. They are in the process of moving trading duties from State Street to Ameritas. Ameritas will be working with Fidelity and SunGard Global Network (SGN-Fidelity).

P. Chambers reported the move to the Assurity Building will probably be in October or November 2013. She presented a draft floor plan to the NPERS staff at the March Agency meeting. Plans are in the works for the PERB to tour the Assurity space.

P. Chambers stated NPERS has a current staff opening in the Data Services department.

J. Elliott moved to approve the Director’s Report. S. Simpson seconded the motion. Members voted as follows: For: J. Elliott, D. Fisher, 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, May 20, 2013, in the Great Western Bank Conference Center at 1221 "N" Street.

Agenda Items 16 and 17 – Executive Session: At 11:56 a.m., E. Stuhr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications of Retirement Nos. 137866 and 114194, the Director's Evaluation and Salary, and other legal matters. D. Fisher seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: J. Elliott, D. Fisher, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:47 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: J. Elliott, D. Fisher, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

E. Stuhr moved for disapproval of the Disability Application of Retirement No. 137866 and approval of Disability Application of Retirement No. 114194. D. Fisher seconded the motion. Members voted as follows: For: J. Elliott, D. Fisher, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 12:50 p.m.

Phyllis G. Chambers
Director