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## PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

DECEMBER 16, 2013

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:04 a.m., Monday, December 16, 2013, in the 1526 Building, 4th Floor, Conference Room 4D, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website Monday, December 9, 2013. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 9, 2013. D. Blank chaired the meeting and V. Huber recorded the minutes.

### MEMBERS PRESENT:

DENIS BLANK, CHAIR  
RICHARD WASSINGER, VICE-CHAIR  
ELAINE STUHR  
JANIS ELLIOTT  
JUDGE RANDALL REHMEIER  
RON ECKLUND  
DARRELL FISHER  
JEFF STATES, EX-OFFICIO

### MEMBERS ABSENT:

STUART SIMPSON

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	SENATOR AL DAVIS Legislative Retirement Committee
MATT EFFKEN Legal Counsel	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	JASON HAYES Nebraska State Education Association
MIDEN EBERT Retirement Plan Supervisor	ERIC ASBOE Nebraska Supreme Court
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 door.

**Agenda Items 2 and 3 – Meeting Called to Order:** D. Blank called the December 16, 2013, Board Meeting to order at 10:04 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, R. Ecklund, D. Fisher, and J. States. Absent: S. Simpson.

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

**Agenda Item 4 – Approval of Minutes:** D. Fisher moved for approval of the minutes of the November 18, 2013, Board Meeting. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & November Retirement Report:** E. Stuhr moved to approve the Budget Status Report and the November 2013 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, 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 – Education Services Report:** J. Winkelman distributed a handout summarizing the accomplishments of the Education Services department in 2013. He reported his department updated all the plan handbooks. Thirty-two School Retirement Planning seminars were held, at 10 locations, with a total of 1,377 attendees. Fourteen State and County Retirement Planning seminars were held in six locations, with a total of 549 attendees. Three Financial Management seminars were held in two locations for a total of 70 attendees. Six School employer workshops were held at six locations. The Education Services department has also provided eight “In-Services” or Retirement 101 sessions so far this year, with another one scheduled on December 20, 2013. A presentation on Medicare was added to the seminar program this year. J. Winkelman reported the partnership with SHIP (Senior Health Insurance Information Program) has been well received by those attending the seminars.

J. Winkelman stated the School, State, and County employer reporting manuals were updated.

D. Blank complimented J. Winkelman and his staff and commented that he always receives positive comments about the seminars.

D. Fisher reported attending a State Patrol seminar recently, and stated it was very well received.

D. Blank asked J. Winkelman if he had any suggestions for getting more people to attend seminars. J. Winkelman stated low attendance only seems to be a problem with the “Under 50” sessions and both are promoted through the newsletters.

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

**Agenda Item 8 – Internal Auditor Report and Three-Year Audit Plan:** T. Zulauf provided the Board with a written report compiling results from the internal audits of County and School Employers.

She reported The Internal Auditor department has completed 13 School employer audits for the fiscal year ending June 30, 2014. Issues were identified in the areas of gross wages, enrollment, hours reported, and demographics. One School employer had no issues found.

T. Zulauf reported her department has completed 29 County employer audits, to date. Issues found in the County audits were in the areas of procedures for monitoring hours worked, mandatory contributions, extra contributions prior to certification, ineligible compensation, and demographics. Seven County employer audits did not have any issues. She commented that progress is good with demographic issues. Only one employee was found with demographic issues.

The Board discussed ways to educate the employees and employers. J. Elliott asked T. Zulauf to provide the Board with copies of the newsletters sent to the employers.

T. Zulauf explained the procedure followed after an issue is found, to make sure it is resolved. She stated communication is done with the employer reporter. The PERB expressed a need to communicate with the school board on a routine basis. T. Zulauf commented that a lot of errors found are in the interpretation of contracts.

T. Zulauf reported providing a draft of the 3-Year Audit Plan to the PERB's Audit Committee. The Committee members had no concerns with the draft. T. Zulauf will provide the final 3-Year Audit Plan to the PERB next month. The Board will vote on it at that time.

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

**Agenda Item 9 – Legal/Legislative Update:** M. Effken updated the Board on the progress of the revisions to Rules and Regulation approved by the Board at the September PERB meeting. He reported all five of the Rules and Regulations were approved by the Governor and were effective as of December 7, 2013.

M. Effken reported work has begun on legislation for the next session. One revision deals with types of purchase of service, which is an option available in the School, Judges, and Patrol plans. He gave a brief legislative history of purchase of service in the plans.

He reported no progress in the ongoing Patrol litigation, other than a motion to dismiss by the State, which was filed in September. He stated it is unknown when the Judge will make a decision. He commented it is a very complicated case.

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, D. Fisher, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 10 – Investment Officer's Update:** J. States reported 2013 continues to be a good year for investment returns. He reported the calendar year to date performance for the defined benefit and the Cash Balance plans at 16.76% through November 30, 2013, which is above the actuarial rate. He reported the fiscal year to date is slightly above 10%. He stated most of the gain has been since July, 2013.

He commented that the economic environment seems to be getting back to normal.

J. States reported, at the November Nebraska Investment Council (NIC) meeting the NIC approved a change to commit an additional 2.5 % of the assets to private real estate in order to hedge exposure when interest rates rise or inflation increases. He stated T. Rowe Price, the investment manager for the Stable Value investment program, is recommending the NIC change the stable value investment program from a separate portfolio to a commingle fund to provide better access to contracts with the bank or insurance companies willing to guarantee the portfolio from credit and interest rate investment risks. J. States mentioned it is becoming difficult finding insurance companies who will provide guarantees, since the assets are getting smaller in the Defined Contribution plan.

He reported the NIC may need to look at legislation regarding the requirement of providing a stable value product. He stated the NIC will work with NPERS when addressing the issue in the future. He stated the stable value assets are now at approximately 130 million, with two-thirds of the funds still in the Defined Contribution benefit plan.

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

**Agenda Item 11 – Director's Report:** P. Chambers updated the Board on facility issues in the 1526 Building. She reported the Building Division has stated they will not be providing a screen in Conference Room 4-D. She has discussed purchasing a screen cooperatively with the Nebraska Investment Council, Office of Public Accountancy, and the Banking Department. The Building Division installed insulation in the ceilings above the visitor offices and NPERS has purchased acoustic panels to improve privacy in those areas. She has also requested to have windows installed in the visitor offices.

P. Chambers thanked M. Effken for his work keeping the Rules and Regulations current.

P. Chambers recognized Senator Al Davis, Vice-Chair of the Legislative Retirement Committee, who was in present at the meeting.

She reported the hearing on LR198 went well. The actuaries presented the valuations and provided GASB information to the Retirement Committee. After the actuaries' presentation, P. Chambers testified on purchase of service (POS) and Judges' court fees. She reviewed the information she presented at the hearing; a 10-Year History of School POS. The purchase of service for leaves of absence, airtime, and out-of-state services are based on actuarial costs. The purchase of refunded service is based on interest or the assumed rate, which is not paying for the cost of the service and increasing the unfunded liability of the School plan. She has requested POS information from other retirement systems to use as reference. She referred to a handout with a 10-Year History of the Judges Plan. This handout included a history of member contributions, court fees, appropriations, additional State contributions, and funding.

P. Chambers stated a revised budget request was sent to Gerry Oligmueller, State Budget Administrator after the actuary report. She explained NPERS' budget is based on projections, which is why an adjustment is sent at this time.

She contacted David Powell and he is working on NPERS' IRS determination letters for all the plans.

P. Chambers reported discussions continue with F. Turner and the Office of the Chief Information Officer (OCIO), regarding the transfer of the NPERS File Server to an OCIO File Server.

She reported Ameritas has contracted with SunGard to improve their technology platform and system processes. NPERS' IT department is working with Ameritas adapting our procedures for a new network. P. Chambers thanked N. Reimer for her continued support.

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

**Agenda Item 12 – Board Committee Reports:** There were no reports.

**Agenda Item 13 – Board Education/Travel Requests:** There were no requests.

**Agenda Item 14 – Future Meetings/Agendas:** The next meeting will be held on Tuesday, January 21, 2014, in the 1526 Building, at 1526 "K" Street, Lincoln, Nebraska.

**Agenda Items 15 and 16 – Executive Session:** At 11:36 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, D. Fisher, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Rehmeier left the meeting during Executive Session.

There was no Board action on Executive Session topics.

At 12:25 p.m., J. Elliott moved that the Board exit Executive Session and reconvene in Regular Session. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 12:26 p.m.



Phyllis G. Chambers  
Director