

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JANUARY 28, 2013

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, January 28, 2013, in the Great Western Bank Conference Center, 1221 "N" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda mailed January 18, 2013. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, January 21, 2013. D. Blank chaired the meeting and V. Huber recorded the minutes.

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

MEMBERS ABSENT: ELAINE STUHR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	GARY BUSH AS - State Budget Administrator's Office
RANDY GERKE Deputy Director	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	JASON HAYES Nebraska State Education Association
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
FRED TURNER IT Manager	ERIC ASBOE Nebraska Supreme Court
TERESA ZULAUF Internal Auditor	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 front table.

Agenda Items 2 and 3 – Meeting Called to Order: D. Blank called the January 28, 2013, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, R. Wassinger, J. Elliott, R. Rehmeier, S. Simpson, R. Ecklund, and J. States. Absent: E. Stuhr.

Agenda Item 4 – Approval of Minutes: J. Elliott moved for approval of the minutes of the December 17, 2012, Board Meeting. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & December 2012 Retirement Report: R. Ecklund moved to approve the budget status report and the December 2012 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Excuse Board Members: R. Wassinger moved to excuse E. Stuhr. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, 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 – Election of Officers for 2013: D. Blank opened nominations for the Board Secretary position. R. Wassinger nominated P. Chambers for Secretary. S. Simpson seconded the nomination. D. Blank moved that nominations cease and a unanimous ballot be cast for P. Chambers. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

D. Blank opened nominations for the Board Vice Chairperson. S. Simpson nominated R. Wassinger for Vice Chairperson. R. Rehmeier seconded the nomination. D. Blank moved that nominations cease and a unanimous ballot be cast for R. Wassinger. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

R. Wassinger opened nominations for Board Chairperson. S. Simpson nominated D. Blank for Chairperson. J. Elliott seconded the nomination. R. Wassinger moved that nominations cease and a unanimous ballot be cast for D. Blank. Members voted as follows: For: R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Abstain: D. Blank. Against: None. Motion carried.

Agenda Item 8 – Governor's Budget Recommendations: R. Gerke provided a handout with the governor's recommendations for Programs 041, 042 and 515. He reviewed the revisions made to NPERS' budget request. He commented the Governor's recommendations include \$10,000 for NPERS' move to the Assurity Building and they did not include the agency's request for two additional Retirement Specialists.

R. Gerke explained NPERS requested \$35,000 for moving expenses. The Department of Administrative Services will pay for basic expenses only and he stated additional expenses totaled \$35,000 during the last move.

J. Elliott moved to approve the report on the Governor's Budget Recommendations. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Change Numbering of Board Policies: At the December 28, 2012, PERB meeting, Board Policy Nos. 7, 9, and 13 were repealed by the Board. P. Chambers provided a handout, with proposed renumbering of the Board Policies.

J. Elliott moved to renumber the Board Policies as presented. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Change of Hartford DCP to Mass Mutual: P. Chambers reported on Hartford's sale of its retirement plans to Mass Mutual. She reviewed the letter Mass Mutual sent regarding the sale and their continuation of service of the State of Nebraska Deferred Compensation Plan (DCP). The board committee has reviewed the benefits provided by the current plan and believes NPERS should continue using Mass Mutual. Mass Mutual's guarantee cannot be matched.

NPERS will continue to allow members to transfer these plans into the State's DCP.

R. Ecklund moved the Board acknowledge the acquisition of Hartford Retirement Plans Group by Mass Mutual Life Insurance Company effective January 1, 2013, with the understanding that Mass Mutual will become the program provider for our members in the Hartford DCP and that there will be no immediate changes to the contract or services provided. The PERB accepts the change of service provider, but reserves the right to review subsequent changes and amend or terminate the contract as needed. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Agenda Item 11 – Information System Update: F. Turner reported 39 open problem incident reports (PIRs) as of December 31, 2012. He stated PIRs have been averaging 30. He reported one developer has been working on other assigned projects, such as the [FileNet](#) upgrade.

He reported the Office of the Chief Information Officer (OCIO) is still having issues with the file back-up capacity and the conversion of our file share server. The OCIO has issued a request for proposal (RFP) for additional backup capacity services.

F. Turner reported the review of using electronic tablets as a device for PERB members to review PERB board documents is on hold, pending Director and Board approval. The Board discussed security, software, and training concerns regarding the use of the tablets.

F. Turner stated the PERB will utilize the devices in a manner similar to other retirement

systems and that some confidential documents may not be shared electronically. He stated that Google offers "Google Drive", which eliminates extra fees and provides some management capabilities of the software loaded on the tablets.

F. Turner reported NPERS mailed 1099Rs last week and changes in withholding will be implemented next week.

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

Agenda Item 12 – Investment Officer's Update: J. States reported the budget recommendations from the Governor for the Nebraska Investment Council (NIC) matched their requests, except for not including an additional accountant position.

He stated the Council will do an asset liability study. The results will be discussed at their annual retreat in July.

He reported meeting with the State Treasurer regarding the State Street contract. At the Council's February meeting, J. States will recommend extending the contract with State Street for two years, at the current fees.

J. States reported on legislation directly affecting the NIC. LB77 proposes divesting investments held in companies which do business with or in Iran. Under the Act the Attorney General will take on most of the administrative responsibility of this bill to avoid having a fiscal impact on the NIC. The Council will oppose this legislation, because it interferes with its fiduciary duty. The NIC policy is to not defer its investment discretion or decision making to any outside entity or third party.

LB138 concerns the transfer of funds in the University of Nebraska's Health Care Program, which are held in a Trust at Wells Fargo Bank to the State Treasurer. This Act has no fiscal impact on the NIC. The transferred funds will be invested by the Treasurer with the NIC as part of the operating investment pool.

J. States reported preliminary performance for the calendar year to date at 13.2%, as of December 31, 2012, for all retirement plans. Final figures will be reported at the February Council Meeting. He stated the last six months have been strong, with a fiscal year to date for the defined benefit plans at 6.2%.

He commented on the expenditure side of the fiscal cliff. He stated performance will be disrupted, as long as Europe is still struggling. The market trades on emotion and creates volatility. The government continues to provide stimulus and early economic numbers for 2013 are slightly up.

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

Agenda Item 13 – Legislative Update: P. Chambers provided a list of legislation dealing with retirement as of January 25, 2013. She summarized the bills as follows:

LB 263 includes a number of technical issues including, compliance audit changes, minimum accrual rates, membership provisions, plan termination, IRS laws, and language revisions. She reported recently being contacted by a County Medical Center that is thinking of selling their plan, which would be covered in this bill.

The board discussed the history of membership rules in the School plan and the difficulty it causes in reporting contributions.

LB 552 would add a Cash Balance plan for firefighters of 1st class cities, which would be administered by the PERB.

LB 553 proposes a new tier to the School plan with benefit calculations from 3 years to 5 years, COLA changing to 1%, and change amortization to level % of pay. The state contributions would change from 1% to 2% of salary to help with funding of the plan.

LB 554 relates to the Omaha School Employees' Retirement System. J. Hayes stated it is similar to LB 553.

LB 638 creates a new tier to the School plan which is a cash balance plan. It also creates a board of twelve people: six at large and six representing the plans.

LB 639 transfers State Patrol and Judges to the State Cash Balance plan.

P. Chambers commented that many of the bills will require an actuarial study, which will cost \$5,000 per study. The study will report the fiscal impact.

She stated that constitutionally, retirement plans cannot change for existing members; however, post retirement cost of living adjustments (COLAs) are different.

The Board discussed scenarios that are not covered in the bills' language.

R. Gerke stated NPERS is preparing fiscal notes explaining how each bill would be funded.

Agenda Item 14 – Director's Report: P. Chambers reported the Cash Balance Election transfers were made without problems. She reported 1,630 members were transferred from the Defined Contribution plan into the Cash Balance plan. A total of \$271 million in assets were transferred.

She reported mailing new tax withholding information to 14,000 members and approximately 22,000 1099Rs will be mailed. She noted 1099Rs are also available online.

P. Chambers announced Rhonda Lahm has resigned her position on the PERB. Rhonda was recently appointed as the director of the Department of Motor Vehicles. P. Chambers stated she has not received word from the Governor regarding a replacement.

The actuary informed NPERS that the new defined contribution annuity rate is 3.42%. These rates are updated annually. Last year's rate was 4.49% and in 2011 it was 4.82%. The Cash Balance rate remains 7.75%.

P. Chambers reported bids for the RFP for actuarial services opened on January 4, 2013. NPERS received two proposals. The RFP Review Committee, consisting of J. Elliott, R. Ecklund, R. Gerke, T. Zulauf, and P. Chambers, reviewed and scored the proposals. The winning bidder will be announced on the Department of Administrative Services' website.

She reported receiving 40 applications for the Attorney III position. The top four candidates were interviewed by D. Blank, R. Rehmeier, and P. Chambers on January 9th. The Board discussed the results in Executive Session and the top candidate was announced in Agenda Item 19.

In regards to the Internal Auditor's 3-Year Audit Plan, P. Chambers reported that T. Zulauf has updated the Plan and the Board Audit Committee will be receiving copies for their review.

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

Agenda Item 15 – Board Committee Reports: There were no reports.

Agenda Item 16 – Board Education/Travel Requests: J. Elliott reported being appointed to the Legislative Action Committee for the National Council on Teacher Retirement (NCTR). As a member of this committee, she will be traveling to Washington, DC, February 23-26, 2013, to attend meetings. Her basic travel expenses will be paid by NCTR; however, she requested \$500 for extra expenses she may incur. R. Rehmeier moved to approve J. Elliott's request for travel and one time request for contingent expenses not to exceed \$500. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, R. Rehmeier, S. Simpson, and R. Wassinger. Abstain: J. Elliott. Against: None. Motion carried.

Agenda Item 17 – Future Meetings/Agendas: The next meeting will be held on Monday, February 25, 2013, in the Great Western Bank Conference Center, 1221 N Street.

Agenda Items 18 and 19 – Executive Session: At 11:58 a.m., R. Rehmeier moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 137866 and 168808; Actuary RFP; Hiring of Legal Counsel; and other Legal Matters. J. Elliott seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

At 1:35 p.m., R. Ecklund moved that the Board exit Executive Session and reconvene in Regular Session. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

J. Elliott moved that the Board accept the recommendation of the Actuary Services RFP Review Committee and direct the Administrative Services- Materiel Division, Purchasing Bureau to issue a letter of intent to the bidder (with the highest score) as recommended by the RFP Review Committee. The Board further authorized the Director to sign the necessary documents to bind the contract. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

R. Rehmeier moved the Board accept the recommendation of the Interview Committee and hire Mathew J. Effken for the Attorney III position at NPERS and to authorize the director to negotiate the terms. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

R. Rehmeier moved for approval of the Disability Application of Retirement No. 168808. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

R. Rehmeier moved to table the Disability Application of Retirement No. 137866, until the February 25, 2013, PERB meeting. The applicant should be notified and advised that for the application to be reconsidered, it needs to be resubmitted; because it is inconsistent. The member has completed portions of two different options on the application. Specifically, he selected Option 4, Joint and Survivor Annuity; but, he completed the beneficiary section for Option 2 and 3. Furthermore, the applicant should supply further information that he deems necessary, to Dr. Coffman; as mentioned in the member's letter/email dated December 9, 2012. The applicant should also complete the psychological/cognitive test, as suggested by Dr. Coffman, and provide the results to Dr. Coffman. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

In regards to Agenda Item 13, S. Simpson moved that the Board directs NPERS staff to testify in a neutral capacity on all legislation that impacts NPERS and provide information to the Legislative Retirement Committee concerning the impact proposed legislation will have on retirement. J. Elliott seconded the motion. Members voted as follows: For: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:45 p.m.

Phyllis G. Chambers
Director