



1221 N Street, Suite 325
P.O. Box 94816
Lincoln, NE 68509-4816
Phone 402-471-2053
Toll Free 800-245-5712
Fax 402-471-9493
npers.ne.gov

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JUNE 17, 2013

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:02 a.m., Monday, June 17, 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, June 7, 2013. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 10, 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
STUART SIMPSON
RON ECKLUND
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT:

JUDGE RANDALL REHMEIER
DARRELL FISHER

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS

Director

RANDY GERKE

Deputy Director

MATT EFFKEN

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

KIRSTEN STEIERT

MassMutual

DAVID BUDKA

MassMutual

NEIL BATEMAN

Retired Teachers

JOYCE WELSCH

Nebraska Supreme Court

DEAN GRESS

IT Senior Application Developer

IRYNA VERCELLINO

IT Business Systems Analyst/Coordinator

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 June 17, 2013, Board Meeting to order at 9:02 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, S. Simpson, R. Ecklund, and J. States. Absent: R. Rehmeier and D. Fisher.

Agenda Item 4 – Approval of Minutes: J. Elliott moved for approval of the minutes of the May 20, 2013, Board Meeting. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May Retirement Report: E. Stuhr moved to approve the budget status report and the May 2013 Retirement Report. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, 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 – MassMutual DCP Annual Report: K. Steiert updated the Board on the transition from Hartford to MassMutual. She announced their website will be updated in the next few weeks and logos on stationery have already changed to MassMutual.

She provided the Board with a copy of the letter sent to participants, along with materials on retirement services provided by MassMutual.

K. Steiert presented the Retirement Plan Review for January 1, 2012, to December 31, 2012. She reported assets over \$34 million. With no new contributions and participant count decreasing by 10%, plan assets decreased by less than 1% during this 12-month period. The review includes an overview of member data, technological services, participant allocations, investment options, and retiree assets. As of December 31, 2012, the plan had 774 participants and 301 retirees.

D. Budka presented the 2012 Plan Investment Review as of December 31, 2012. Topics of the report included quarterly market indicators, investment summary, Morningstar category analysis, investment performance, and enhanced analytics. He stated currently the plan has 13 investment options and discussed specific funds that have been monitored recently for their underperformance.

P. Chambers reported meeting with M. Effken, and Chris Heinrich, legal counsel for the NIC, to discuss the responsibility of investment funds with MassMutual. In 2007 the Board voted to lower fees and made no changes in investment options. She stated they may look at adopting an investment policy. Statutorily, the PERB does not make investment decisions. The authority is given to the Nebraska Investment Council (NIC). J. States noted the NIC is prepared to work jointly and review options.

K. Steiert requested the Board contact MassMutual once a decision has been made to move forward on any revisions or policies regarding the investments. She offered to make recommendations if requested to do so.

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

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

Agenda Item 8 – Mutual of Omaha-United of Omaha DCP Annuity Contract: The contract was presented to the Board at the May PERB meeting. At that time there was a question concerning the dates in the contract. R. Gerke explained the inconsistency of the dates and verified that the dates were correct.

R. Ecklund moved to renew the Terminal Funded Annuity Contract with Mutual of Omaha-United of Omaha for the Deferred Compensation Plan (DCP), for one year beginning July 1, 2013. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Approve OCIO Service Agreement and Management Charter:
F. Turner stated there are no changes in the Agreement.

P. Chambers explained the IT work being done to transition NPERS backup services to the Office of the Chief Information Officer (OCIO). The main issue for the OCIO has been the capacity for running backups for multiple agencies. F. Turner explained that NPERS needs data backups every night at specific times and we need to make sure the OCIO is able to provide timely dependable service to NPERS. In the meantime, NPERS' server warranties will be expiring and we will need to renew them until we are certain that the OCIO can backup NPERS systems. When that occurs, we will amend the OCIO contract to include backup services

E. Stuhr moved to approve the OCIO Service Agreement and Management Charter for July 1, 2013, through June 30, 2014. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Internal Auditor Report: T. Zulauf provided the board with a written report compiling results from County and School employer audits.

She reported her department has completed 10 County employer audits, to date, in 2013 and 6 audits are in progress. She reported finding 13% of the employees not participating in the plan, when they were eligible.

T. Zulauf reported her staff has completed 35 School employer audits for the fiscal year ending June 30, 2013, and 7 audits are in progress. She reported demographic issues are down to 1% and one School audit did not have any issues.

The Board discussed their concerns with the percentage of County employees found not being in the plan.

D. Blank asked T. Zulauf if she had anything that needed to be reported to the PERB in addition to her report. She answered, "No."

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

The Board took a break at 10:10 a.m. and reconvened at 10:20 a.m.

Agenda Item 11 – Legal/Legislative Update: M. Effken reported the legislative session has ended. He provided a handout highlighting bills relating to retirement that were passed; LB263, LB306, and LB553.

He also provided a list of Legislative Resolutions that were introduced to examine various aspects of the retirement plans. He explained each resolution has been assigned to the Retirement Committee and it is up to the Committee to decide how the studies will be accomplished and funded.

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

Agenda Item 12 – Investment Officer's Update: J. States reported as of May 31, 2013, the fiscal year to date performance from State Street at approximately 15%. However, the month of June has been rough.

J. States invited the Board to attend the NIC Annual Retreat, which is scheduled for Tuesday, July 16, 2013, at 8:30 a.m. at Quarry Oaks, in Ashland, Nebraska. He stated the primary focus of the Retreat will be to look at issues related to asset allocations and options for possible changes and the impact any changes might make on returns. He stated the Council reviews asset allocations every three years. He invited the PERB to attend the Retreat. P. Chambers will provide the Board with the NIC Agenda as soon as it is available.

J. States reported continuing to work with Ameritas concerning the new trading platform for the Defined Contribution and Deferred Compensation plans. The new platform will be close to a 100% automated process. He reported the cost to be 1.5 to 1.6 basis points.

He stated the NIC is scheduled to move to the Assurity Building the end of July.

He anticipates the Council will be involved with LR369, which is to conduct a study and analysis of guidance principles for pension divestment policy decisions.

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

Agenda Item 13 – Director's Report: P. Chambers reported the 1221 Tower building, where NPERS currently leases office space, experienced a small electrical fire on May 31, 2013. She commended the NPERS staff for exiting efficiently and safely. She stated staff spent an hour outside waiting for the Fire Department to respond to the fire and allow us back in the building.

She reported NPERS is tentatively scheduled to move to the Assurity Building Monday, October 28, through November 15, 2013. She explained the timing is pending on the completion of the moves of the other agencies.

P. Chambers reported sending a letter to Carlos Castillo, as directed by the Board at the May meeting. She reported Mr. Castillo contacted her and denied the PERB's request for NPERS' office to remain in its present location and cancelled his meeting with the PERB Building Committee, scheduled for June 6th.

P. Chambers stated the office has been very busy with School retirements. She reported 764 School retirement applications were received with a June 1 effective date, compared to 680 last year. She commented that this is one reason why the office is not moving until fall.

She reported talking to David Powell regarding the receipt of the IRS Determination Letters. She stated the IRS is looking at the Patrol DROP plan. She explained how the DROP plan works and reported the IRS is questioning the process. Mr. Powell and NPERS are making a case that the DROP is a transfer of funds and not a contribution. All other plans received their Determination Letters in May.

P. Chambers pointed out that NPERS has been proactive with the IRS Determination Letters. The letters are not required. NPERS submits them in order to acquire a written guarantee that each plan is a tax-qualified plan and protects NPERS in case of an audit after the Letters have been received. Along with the compliance audit, these letters verify NPERS is in compliance with the IRS.

P. Chambers updated the Board on plans for the Annual Retreat. The agenda includes Meredith Williams, the director of the National Council on Teacher Retirement (NCTR), who will present an overview of current issues in public retirement. Rogier Slingerland will present the CEM Benchmarking Report in the morning. Rex Schulte, an attorney for several schools, will provide information on compensation and health care and how it is reported related to school retirement. The new actuary will take over July 1, and Pat Beckham and Brent Banister, from Cavanaugh Macdonald, will make a presentation. The start time is to be announced and the Retreat should conclude around 4 p.m.

P. Chambers encouraged the Board to attend the NIC Retreat the next day. She mentioned that members of the Retirement Committee have been invited to attend the PERB and NIC retreats.

She reported M. Effken attended the NE Association of School Boards & NE Council of School Attorneys 2013 Nebraska School Law Seminar on June 7th, in Kearney.

P. Chambers stated R. Gerke has been working on the fiscal year end budget.

She reported the Benefits department is working on Dodge County participants that are joining the DCP. John Winkelman plans to travel and provide an educational presentation to Dodge County employees interested in the DCP.

P. Chambers stated she will be attending the NCTR Director's Meeting June 23-25, 2013, in Albany, New York. The meeting is being held at the New York Teacher's Retirement Systems' offices.

She stated M. Effken will be attending the National Association of Public Pension Attorneys (NAPPA) Legal Education Conference June 25 – 28, 2013, in Santa Fe, New Mexico.

She reported R. Gerke just returned from the Government Finance Officers Association (GFOA) annual conference. The conference had over 7,000 attendees.

P. Chambers stated plans are in the works to have a meeting with those agencies that will be affected by the changes made by the Government Accounting Standard Board (GASB). She will keep the Board updated on those plans.

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

Agenda Item 14 – Board Committee Reports: E. Stuhr reported on behalf of the Building Committee. R. Rehmeier, R. Wassinger, and E. Stuhr served on the Committee. She summarized steps the Committee and the Board have made in efforts for the NPERS' office to remain in its present location. She stated for the record: "at the May meeting, the PERB voted to send a letter to DAS Carlos Castillo requesting NPERS remain in its current location at 1221 "N" Street and that NPERS' lease be renewed on a long-term basis. The PERB Building Committee also scheduled a meeting with Mr. Castillo to discuss the lease and the Agency's needs. Mr. Castillo cancelled the meeting stating it would not be a productive meeting and our request was denied. The Board would like to go on record that we have made a number of attempts to remain in our current location in order to maintain accessibility and adequate parking for NPERS' members. We are extremely disappointed in the decision of DAS to move our agency."

Agenda Item 15 – Board Education/Travel Requests: J. Elliott informed the Board that rooms for the NCTR Trustee conference in July are full. She had to make arrangement outside of the conference location.

Agenda Item 16 – Future Meetings/Agendas: The next meeting will be the Regular Meeting and Annual Retreat, on Monday, July 15, 2013, at the Lied Lodge and Conference Center in Nebraska City, Nebraska.

Agenda Item 17 – SharePoint Demonstration and Training: F. Turner, Dean Gress, and Iryna Vercellino provided the Board members with a demonstration and training on the use of the I Pad and the PERB SharePoint website.

P. Chambers thanked D. Gress and I. Vercellino for their help setting up the site.

Agenda Items 18 and 19 – Executive Session: At 11:42 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. 166160 and 110604, the Director's Evaluation and Salary, 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, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:22 p.m., S. Simpson moved that the Board exit Executive Session and reconvene in Regular Session. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Fisher, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

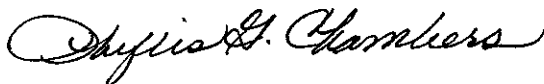
R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 166160 and 110604. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

On behalf of the PERB Personnel Committee, R. Wassinger reported the Director's Evaluation as very positive. He stated the Board intends to address the Director's salary at the July PERB meeting.

On behalf of the PERB, D. Blank thanked P. Chambers and commented that it has been a good year.

Adjournment: E. Stuhr 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: None. Motion carried.

The meeting adjourned at 12:24 p.m.



Phyllis G. Chambers
Director