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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JANUARY 21, 2014

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:04 a.m., Tuesday, January 21, 2014, 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 site on Monday, January 13, 2014. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Tuesday, January 14, 2014. 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
STUART SIMPSON
RON ECKLUND
JEFF STATES, EX-OFFICIO

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

NANCY REIMER
Ameritas

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 January 21, 2014, Board Meeting to order at 10:04 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, S. Simpson, R. Ecklund, and J. States.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the December 16, 2013, Board Meeting. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Abstain: S. Simpson. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & December 2013 Retirement Report: J. Elliott moved to approve the Budget Status Report and the December 2013 Retirement Report.

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

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

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

Agenda Item 8 – Internal Auditor-Three-Year Audit Plan: The Three-Year Audit Plan addresses the audit priorities of the PERB and serves as the work plan for NPERS' Internal Auditor. T. Zulauf summarized the Three-Year Audit Plan for January 2014 - December 2016. The Plan was reviewed by the PERB Audit Committee prior to the meeting and copies were provided to the Board. She noted revisions that have been made to the plan include that the employer audit reports will be provided to school boards and county commissioners and the audit schedules include additional Counties and Schools.

R. Ecklund moved to approve the Three-Year Audit Plan. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Information System (IT) Update: F. Turner reported 53 problem incident reports (PIRs) as of December 31, 2013.

In regard to the issue involving the Office of the Chief Information Officer (OCIO) backing up NPERS' servers, he reported he and P. Chambers met with Brenda Decker and Jayne Scofield, from the OCIO, on December 30, 2013. At that time, the OCIO made a commitment to have this process satisfactorily completed by March 1, 2014. He stated the OCIO back up reports have been successful since December 20, 2013. NPERS plans to wait for 60 days of error-free reports, before deciding to transfer totally to the OCIO backup services.

F. Turner updated the Board on the needs of upgrading the FileNET software. NPERS IT is concerned the next version is a lot more than the agency needs. NPERS IT has contacted three alternate resources and F. Turner reviewed the other options.

P Chambers commented that she wanted the Board to be aware of the upcoming expense of this software upgrade, which holds images and manages the workflow process on NPRIS.

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

Agenda Item 10 – Legal/Legislative Update: M. Effken reported the Legislative Session began January 2, 2014. He provided a list of current legislation dealing with retirement, as of January 17, 2014.

He summarized each bill recently introduced as follows:

LB 713 would change provisions relating to time deposit open accounts under the Nebraska Capital Expansion Act. Although assigned to the Retirement Committee, it is more concerned with banking than retirement issues.

LB 759 would require that certain local governmental subdivision retirement plans, maintained by local governmental entities, submit annual reports to the Legislative Retirement Committee.

LB 918 changes investment provisions for state and county defined contribution plans. It removes the requirement that the stable return account be invested by the State Investment Officer only in guaranteed investment contracts.

LB 929 provides for a new definition of “sex neutral basis” for benefit calculations for police officer and firefighter retirement plans of cities of the first class. It does not affect retirement plans administered by the PERB.

The list also included legislation carried over from 2013.

He stated NPERS is working on a bill with the Retirement Committee concerning buy backs of previously refunded service by members of the School plan. This legislation would require the member to pay full actuarial cost of such repurchase. To date, this bill had not been introduced.

He also mentioned a series of bills which will affect all agencies. These relate to regulation procedures and additional reporting.

M. Effken announced hearings are scheduled for LB 713 and LB 759 on January 22, 2014, and for LB 918 on January 30, 2014. J. States reported he will be testifying on LB 918, which is legislation introduced at the request of the Nebraska Investment Council (NIC). He stated LB 918 has no fiscal impact; but, gives the NIC more flexibility in the administration of the defined contribution plan funds.

P. Chambers commented that it is the fiduciary responsibility of the Board, to make sure a variety of investment options are available to Defined Contribution plan members. P. Chambers and J. States explained stable return account investment products and changes in the industry that affect the guarantee provider contracts.

E. Stuhr moved that NPERS provide testimony in support of LB 918. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

Agenda Item 11 – Investment Officer’s Update: J. States reported the performance for the second half of 2013 has been strong. He did not have end of the year performance numbers for the defined benefit plans; however, based on the reports from November and some individual investments, he expected returns to be just under 18%. He stated this performance has helped to eliminate the need for additional smoothing

He stated the NIC is waiting for Gail Werner-Robertson’s confirmation hearing to be scheduled.

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

Agenda Item 12 – Director’s Report: P. Chambers announced the governor reappointed J. Elliott to the PERB. To date, the confirmation hearing has not been scheduled.

P. Chambers announced Darrell Fisher's resignation from the PERB, effective January 2, 2014. The Governor will be appointing a new Patrol member.

P. Chambers reported January has been very busy. The Call Center took over 1000 calls during the week of January 6-10, 2014. She provided a handout with a summary of NPERS annual retirements for 2008 through 2013, explaining the increased activity over the last five years.

P. Chambers reported over 25,000, 1099Rs were sent with a gross amount of \$485.7 million. Federal taxes were withheld in the amount of \$45.9 million and State taxes were withheld in the amount of \$14.5 million.

She reported the benefits staff has been working overtime to process refunds, which includes rollovers.

P. Chambers reported working with M. Effken drafting legislation and reviewing new bills as they are introduced.

P. Chambers thanked J. States and JoLynn Winkler for meeting with NPERS concerning the stable value investment funds.

P. Chambers reported participating in a conference call with R. Gerke and the actuaries to discuss the development of projection model software, which is a part of their contract. Priorities of the model software will be to project different assumed interest rates and changes in the funding of the Judges plan. The model will also provide projections for funding of the School and Patrol plans.

P. Chambers reported receiving a letter from Ben Mattern explaining the technology platform and system changes occurring with SunGard. Ameritas will remain responsible for any issues that may arise and will continue working with NPERS staff on changes in procedures and the member website.

P. Chambers announced that N. Reimer has invited the PERB to hold their March meeting at Ameritas.

P. Chambers reported work has begun on NPERS’ Annual Report to the Legislature.

She reported the state auditors expect to be done with the School, Judges, and Patrol audit the first part of February.

P. Chambers reported testifying to the Kansas House Pension Committee on Wednesday, January 15, 2014. The Kansas Legislature has a defined benefit plan and has voted to establish a cash balance plan. The Committee requested she make a presentation on Nebraska's defined contribution and cash balance plans.

She provided the following reports to the Board: State and County Investment Returns from 2003 through 2012, and a review of the Cash Balance (CB) and Defined Contribution (DC) plan membership and assets, and how they were affected by members making the election to transfer from the DC plan to the CB plan in 2003, 2008, and 2013.

R. Ecklund moved to approve the Director's Report. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, 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 Tuesday, February 18, 2014, in the 1526 Building, at 1526 "K" Street, Lincoln, Nebraska.

P. Chambers reported that reservations have been made at Quarry Oaks, in Ashland, Nebraska, for the Board's annual retreat scheduled to be held on Monday, July 21, 2014.

Agenda Items 16 and 17 – Executive Session: At 11:54 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. 123015, 406446, 415660, and 080431. E. Stuhr 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, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

S. Simpson left the meeting during Executive Session.

At 1:22 p.m., R. Ecklund 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, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 123015, 406446, 415660, and 0800431. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, R. Rehmeier, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:24 p.m.



Phyllis G. Chambers
Director