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**PUBLIC EMPLOYEES RETIREMENT BOARD
REGULAR MEETING AND EDUCATION CONFERENCE**

July 16, 2014

8:45 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:49 a.m., Wednesday, July 16, 2014, in the Oaks Room, Quarry Oaks, Ashland, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Wednesday, July 9, 2014. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, July 7, 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
DENNIS LEONARD
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

GARY BUSH

AS - State Budget Administrator's Office

GERRY OLIGMUELLER

AS - State Budget Administrator

KATE ALLEN

Retirement Committee Legal Counsel

NANCY REIMER

Ameritas

KATHY TENOPIR

Legislative Fiscal Office

MAX KOTARY

Hewitt EnnisKnupp

MIKE COMSTOCK

Hewitt EnnisKnupp

JASON HAYES

Nebraska State Education Association

CASEY ANDERSON

Nebraska Supreme Court

DEAN GRESS

IT Senior Application Developer

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 July 16, 2014, Board Meeting to order at 8:49 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Rehmeier, S. Simpson, R. Ecklund, D. Leonard, and J. States. Absent: None.

Agenda Item 4 – Chairman’s Comments and Introductions: D. Blank welcomed everyone and thanked the PERB Education Committee for their contributions to the planning of the Retreat.

Agenda Item 5 – Approval of Minutes: D. Leonard moved for approval of the minutes of the June 16, 2014, Board Meeting. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Abstain: E. Stuhr. Against: None. Motion carried.

Agenda Item 6 – Approval of Budget Status Report and June 2014 Retirement Report: E. Stuhr moved to approve the Budget Status Report and the June 2014 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 7– Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 8 – OCIO Service Agreement and IT Management Charter: P. Chambers explained this is a renewal of NPERS’ contract with the Office of the Chief Information Officer (OCIO) for services, two staff developers, and a management charter for F. Turner’s position. They have been updated with the OCIO’s current standard rate for salary increases and benefits.

R. Ecklund moved to approve the OCIO Service Agreement and IT Management Charter; effective July 1, 2014, through June 30, 2015. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – DataBank Statement of Work Agreement - Imaging System: F. Turner explained the FileNet service plan is expiring. FileNet is the imaging system used in NPRIS. NPERS has decided to go with OnBase as a new imaging system and has been working with DataBank to provide the service. The cost of DataBank’s Statement of Work is estimated at \$140,091, which is less than the IBM cost. He requested approval of the Statement of Work Agreement with DataBank.

J. Elliott moved to approve the proposed Statement of Work Agreement among NPERS, Nebraska OCIO, and DataBank IMX for information technology services relating to the integration of the State of Nebraska Enterprise Content Management application, called

"OnBase," with the NPRIS Line of Business application, called "NPRIS," as a replacement for the current ECM application, called FileNet, at a total cost of approximately \$140,091, and authorize the Executive Director to execute the Statement of Work Agreement on behalf of NPERS. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Revision to Board Policy No. 12: M. Effken explained the proposed revision to the Board's Electronic Disbursement Policy. In order to help assure all benefit payments are delivered only to their intended recipients, the revision adds a provision for suspending benefit payments to any member who cannot be contacted for a period of 60 days at the address on file for the member in NPERS' database. Mail that is returned undelivered by the United States Postal Service or other recognized delivery service shall be deemed as evidence of the inability to contact a member. The proposed revision to the policy provides that upon confirmation of such member's address and status, payments will resume immediately.

J. Elliott reported the PERB Regulation and Policy Review Committee met and felt the 60-day time period was appropriate.

The Board discussed the language in the proposed revision which states payments will resume immediately. M. Effken suggested amending the language of the proposed revision to provide for resumption of payments as soon as administratively possible.

D. Leonard moved to approve the revision to Board Policy No. 12 as so amended. R. Rehmeier seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 11 – Retirement Investment Education and Overview: R. Rehmeier introduced M. Kotary and M. Comstock from Hewitt EnnisKnupp. M. Kotary stated the investment goal is to have enough money to pay the accrued (promised) benefits. Enhancing value must be balanced with protecting the accumulated funds. Their focus is long term; decades, rather than years. His presentation explained the use of asset/liability studies in setting asset allocation targets, implementation of those targets, and the evaluation of investment portfolios.

Topics included in his presentation included common asset classes, building a diversified portfolio, developing assumptions, benchmarking, active versus passive investment strategies, selecting active managers, and evaluating managers.

M. Comstock reviewed the practice of peers and how Nebraska compares. He reviewed the NIC asset allocation targets of the defined benefit plans and how they are implemented.

The Board took a break at 10:30 a.m. and reconvened at 10:45 a.m.

Agenda Item 12 – Return to Work Policies: P. Chambers reported she and M. Effken researched return to work (RTW) policies. She reviewed NPERS' current retirement and return to work rules for each plan, reasons employees return to work, reasons employers rehire, and NPERS' concerns with members returning to work. She provided statistics of NPERS' experience with return to work and reported the trend is increasing.

S. Simpson asked to discuss the advantages of the Patrol's Deferred Retirement Option Plan (DROP) and how it works. P. Chambers explained the concept of DROP and how it works in the Patrol plan. D. Leonard explained the DROP from a Patrol member's point of view. Since the plan's conception, he estimated at least 75% of Patrol members who are eligible, have taken advantage of DROP.

The Board discussed how the practice of returning to work could possibly contribute to the unfunded liability of the plans.

P. Chambers reviewed return to work rules for the Omaha School Employees Retirement System (OSERS) and several other states (Iowa, Missouri, South Dakota, Colorado, Arizona, Michigan, Ohio, and Kentucky). She explained Missouri's critical shortage law.

E. Stuhr pointed out school employees in Missouri do not receive social security benefits.

M. Effken reviewed the legal aspects of returning to work. NPERS refers to sources of state and federal law when dealing with return to work. Each retirement plan has its own retirement act which governs the plan. Agency regulations are also used to administer the plan, along with legislative history.

He explained the primary concern of plans under federal law is to maintain status as a qualified plan under Internal Revenue Code Section 401(a). He reviewed the law pertaining to the definitions of "separation from service," "termination of employment," and "retirement." He pointed out none of the plans include provisions for in-service distributions and all require termination of employment prior to distribution. He stated Congress passed the Pension Protection Act of 2006, which provides that in-service distributions are permitted if specifically provided for in a retirement plan.

R. Ecklund pointed out no plan has ever been disqualified by the IRS for this reason that we are aware of; however, fines and penalties may be administered.

P. Chambers thanked D. Gress for his assistance with queries to compile information for the presentation.

Board members provided comments and suggestions on how NPERS and the PERB should move forward with the issue of members returning to work.

Agenda Item 13 – Military Service Credit: P. Chambers stated military service credit will be discussed at a future board meeting.

The Board took a break for lunch at 12:21 p.m. and reconvened at 1:05 p.m.

R. Ecklund left the meeting during the lunch break.

Agenda Item 14 – Projection Modeling Software and Assumed Rates; Cash Balance

Dividend Projection; GASB 67 and 68: R. Rehmeier introduced P. Beckham and B. Banister from Cavanaugh Macdonald Consulting. P. Beckham updated the Board on GASB 67. Reporting will begin fiscal year 2014. She has been working with R. Gerke on the timeline.

P. Beckham explained the PERB policy guidelines for Cash Balance dividends to be awarded. She provided a handout with projections for the possibility of State and County dividends to be awarded at the end of 2014.

B. Banister demonstrated the projection modeling software. The software has the ability to estimate the funding outcome with different rates of return, assumed rates, liability, contribution rates, funding parameters, or additional state contributions needed.

P. Chambers pointed out this modeling software differs from the modeling software developed for NPERs and the Board in 2011. The previous modeling software incorporated plan-design changes and was provided by the former actuarial firm.

D. Blank left the meeting at 2:03 p.m. R. Wassinger chaired the remainder of the meeting.

The Board took a break at 2:10 p.m. and reconvened at 2:34 p.m.

Agenda Item 15 - Current Events - Retirement Plans: This agenda item was not addressed.

Agenda Items 16 and 17 – Executive Session: At 2:35 p.m., E. Stuhr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 169894, 115548, and 118401; personnel matters; and other legal matters. D. Leonard seconded the motion. R. Wassinger repeated the motion for the record. Members voted as follows: For: J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 3:11 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. J. Elliott seconded the motion. Members voted as follows: For: J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

J. Elliott moved for approval of the Disability Application of Retirement No. 118401. D. Leonard seconded the motion. Members voted as follows: For: J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Leonard moved for approval of the Disability Applications of Retirement Nos. 169894 and 115548. S. Simpson seconded the motion. Members voted as follows: For: D. Leonard, R. Rehmeier, S. Simpson, E. Stuhr, and R. Wassinger. Abstain: J. Elliott. Against: None. Motion carried.

Agenda Item 18 – Director's Report: P. Chambers reported at the NIC Retreat on July 15, 2014, the NIC voted to make some changes to the MassMutual DCP funds. Their decisions will be addressed at the August PERB meeting.

P. Chambers reported one of the OCIO developers will be working on the conversion from FileNet to OnBase; therefore, NPERS will be short a developer. P. Chambers has been working with F. Turner and the OCIO to assign an additional developer for NPERS, while Viji Pushkaran is working on the conversion project. V. Pushkaran will train the new developer; therefore, the OCIO will not charge NPERS for training time. P. Chambers stated this will help NPERS, since this person will be trained for future needs.

P. Chambers distributed a retreat evaluation and asked the Board members to complete it and return it to her or V. Huber.

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

Agenda Item 19 – Recap of Day's Topics and Retreat Evaluation: R. Wassinger stated the topics of the Retreat were very informative. P. Chambers expressed her appreciation for the Board's interaction and comments during the presentations.

Agenda Item 20 – Board Committees and Travel Requests: There were none.

Agenda Item 21 – Future Meetings/Agendas: The next meeting will be held on Monday, August 18, 2014, in the 1526 Building, at 1526 "K" Street, Lincoln, Nebraska.

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

The meeting adjourned at 3:19 p.m.

Phyllis G. Chambers
Director