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**PUBLIC EMPLOYEES RETIREMENT BOARD MEETING
CORRECTED MINUTES**

JUNE 16, 2014

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:03 a.m., Monday, June 16, 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 website on Friday, June 6, 2014. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 9, 2014. 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
DENNIS LEONARD
JEFF STATES, EX-OFFICIO

MEMBERS ABSENT: ELAINE STUHR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	KATE ALLEN Retirement Committee Legal Counsel
RANDY GERKE Deputy Director	NANCY REIMER Ameritas
MATT EFFKEN Legal Counsel	KIRSTEN STEIERT MassMutual
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
FRED TURNER IT Manager	VICKI HUBER Administrative Assistant
TERESA ZULAUF Internal Auditor	

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 16, 2014, Board Meeting to order at 10:03 a.m. Present at roll call: D. Blank, R. Wassinger, J. Elliott, R. Rehmeier, S. Simpson, R. Ecklund, D. Fisher, D. Leonard, and J. States. Absent: E. Stuhr.

Agenda Item 4 – Approval of Minutes: D. Leonard moved for approval of the minutes of the May 19, 2014, Board Meeting. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Abstain: R. Rehmeier and S. Simpson. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May Retirement Report: R. Rehmeier moved to approve the Budget Status Report and the May 2014 Retirement Report. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, 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 – MassMutual DCP Annual Report: K. Steiert updated the Board on the transition from Hartford to MassMutual. She commented that there is not much change for the participants. She reported the transition services are in place and the process should be completed by the end of the year. She stated NPERS' contract is still a Hartford contract, which will stay in force until there are no participants or NPERS ends the contract.

K. Steiert presented the Retirement Plan Review for January 1, 2013, to December 31, 2013. She reported assets over \$39 million. Even with no new contributions and the participant count decreasing by 6%, plan assets increased by 14% 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, 2013, the plan had 729 participants and 288 retirees.

P. Chambers explained the PERB and the Nebraska Investment Council (NIC) review investment funds offered to participants through MassMutual. Statutorily, the NIC makes the investment decisions for the defined benefit, defined contribution, or cash balance plans.

K. Steiert provided the Board with copies of an Investment Return & Risk Report Snapshot. The report included Morningstar Category Analysis and Alternatives Analysis, along with MassMutual's recommendations for revisions to investment funds offered in the Nebraska DCP plan. The NIC reviewed the report prior to the PERB meeting. J. States reviewed remarks from the NIC concerning MassMutual's recommendations to terminate or replace some of the funds which have been underperforming.

If changes are made, K. Steiert explained MassMutual could notify the participants via a notice on statements and a letter. P. Chambers stated an article will be put in the State and County newsletter.

J. States indicated the recommendations will be on the NIC Retreat Agenda in July.

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

Agenda Item 8 – Biennium Budget Process: R. Gerke reported he recently completed the annual budget training and agencies are beginning the budget process. He explained the budget process and deadlines. He provided a handout with budget status information for Programs 041, 042, and 515 for FY 2014-15. The information included budget totals, categories, and expense examples.

J. Elliott moved to accept the report on the Biennium Budget Process. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Internal Auditor Quarterly Report: T. Zulauf reported that she and John Winkelman, from Education Services, presented at a County Employer Workshop on June 1, 2014. Their presentation was well received. They answered questions from County Clerks, who work with payroll and submit retirement contributions to NPERS.

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 32 School employer audits for the fiscal year ending June 30, 2014. Seven audits are in process and 3 audits need to be reviewed. She reported 3 Schools had no issues found. Other Schools had issues with gross wages, enrollment, hours reported, and demographics. However, she commented that demographics issues are down.

T. Zulauf reported her department has completed 22 County employer audits to date. Six audits are in process and 2 need to be reviewed. Seven employers had no issues found; 32% of the total pool tested. Issues with other County audits included procedures, enrollment, ineligible compensation, and voluntary member forms not on file. She stated the number of County demographic issues is down.

T. Zulauf stated she was not aware of any other issues to report to the PERB.

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

Agenda Item 10 – Legal/Legislative Update: M. Effken noted Kate Allen, Legal Counsel for the Legislative Retirement Committee was present at the meeting. He stated they will be working together on legislative resolutions.

M. Effken updated the Board on two appeals which are in process.

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

Agenda Item 11 – Investment Officer's Update: J. States reported the NIC and State Treasurer are issuing a Custody Bank RFP to test the market for the resources currently provided by State Street.

He reported State Auditors were on site. They completed the audit field work of all funds, including non-retirement funds. They also did a preliminary CAFR review.

J. States distributed a Performance Summary Report provided by State Street for the DC funds. He reviewed the handout, which showed the fiscal year-to-date performance for the S&P 500 up 22.1%. The return for the Investor Select which is invested similar to the DB/CBB account has a fiscal year-to-date return of 16.48%.

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

Agenda Item 12 – Director's Report: P. Chambers reported receiving 681 School retirement applications with a June 1 effective date. As of last week, 90 applications had been received for July 1 effective date. Staff continues to work overtime to process retirements and refunds.

F. Turner is retiring September 2, 2014. P. Chambers stated she has reviewed the current job posting for the IT Manager position with the Office of the Chief Information Officer (OCIO). NPERS and the OCIO will work together on the hiring process. They plan to interview and make a selection by the end of July.

P. Chambers and R. Gerke have been busy reviewing the actuary's modeling software. The actuaries will be demonstrating the software, along with providing an update on their transition, at the PERB Retreat.

P. Chambers reported NPERS is working on implementing LB 1042. One Retirement Specialist has been hired and another is in the selection process. Purchase of Service forms are being updated. Information about purchase of service will be in the newsletter.

She has discussed the County Cash Balance dividend with Nancy Reimer at Ameritas. The dividend will be awarded as a credit to member accounts with a qualifying balance as of December 31, 2014. The credit should be made prior to September 1, 2014.

P. Chambers and F. Turner have been working with the OCIO on the Service Agreement and Management Charter. The Service Agreement ends June 30, 2014, and will continue on a monthly basis if not renewed prior to that date. The new Service Agreement will include NPERS system back-ups. They plan to present a contract to the Board at the July meeting.

P. Chambers reported attending the National Council on Teacher Retirement (NCTR) Directors Meeting. The meeting included a tour of the Texas Teacher Retirement System. She described their facilities and operations and how they differ with NPERS.

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

Agenda Item 13 – Board Committee Reports: On behalf of the Education Committee, R. Rehmeier reported on the upcoming PERB Retreat. The Retreat is scheduled for Wednesday, July 16, 2014, at Quarry Oaks, in Ashland, Nebraska. The meeting will start at 8:45 a.m. He reviewed the preliminary agenda.

J. Elliott reported the Regulation and Policy Review Committee met that morning to discuss concerns pertaining to mail that is returned undeliverable for members receiving benefit payments. The committee is considering a Board policy on this matter.

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

Agenda Item 14 – Board Education/Travel Requests: J. Elliott requested the Board increase her previously approved expense allowance from \$3200 to \$3500, to attend the NCTR Trustee Workshop July 27-30, 2014, in Berkeley, California.

S. Simpson moved the Board approve an increase in J. Elliott's travel expenses, from \$3200 to \$3500, to attend the NCTR Annual Trustee Workshop July 27-30, 2014. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Agenda Item 15 – Future Meetings/Agendas: The next meeting is the PERB Annual Retreat, which will be held on Wednesday, July 16, 2014, at Quarry Oaks, 16600 Quarry Oaks Drive, Ashland, Nebraska.

Agenda Items 15 and 16 – Executive Session: At 12:04 p.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. 115083, 436996, and 101798; Personnel Matters, the Director's evaluation and salary; and other legal matters. R. Rehmeier seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

At 1:18 p.m., D. Leonard 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, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 436996 and 101798. S. Simpson seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 115083 to be continued for three years and be reevaluated at that time. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved to approve an increase in the Director's salary by 3.5%, effective July 1, 2014. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, R. Rehmeier, S. Simpson, and R. Wassinger. Against: None. Motion carried.

Adjournment: R. Ecklund moved that the meeting adjourn. 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. Against: None. Motion carried.

The meeting adjourned at 1:21 p.m.

Phyllis G. Chambers
Director