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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

AUGUST 17, 2015

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, August 17, 2015, 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 Monday, August 10, 2015. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 10, 2015. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

DENIS BLANK, CHAIR
RICHARD WASSINGER, VICE-CHAIR
ELAINE STUHR
JANIS ELLIOTT
RON ECKLUND
DENNIS LEONARD
KELLI ACKERMAN
JUDGE J. DERR
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS
Director
RANDY GERKE
Deputy Director
ORRON HILL
Legal Counsel
MIDEN EBERT
Retirement Plan Supervisor
JACK HARDY
IT Manager
TERESA ZULAUF
Internal Auditor
NANCY REIMER
Ameritas

PHIL OLSEN
State Auditor's Office
ERIC ASBOE
Nebraska Supreme Court
STEVE EBERT
Nationwide Financial
ROB BILO
Nationwide Financial
PAUL NACARIO
ICMA-RC
VICKI HUBER
Administrative Assistant

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 August 17, 2015, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, J. Derr, and M. Walden-Newman. Absent: None.

Agenda Item 4 – Approval of Minutes: D. Leonard moved for approval of the minutes of the July 20, 2015, Board Meeting and Retreat. J. Elliott seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, and E. Stuhr. Abstain: R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & July 2015 Retirement Report: E. Stuhr moved to approve the Budget Status Report and the July 2015 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, 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 – State and County Audit: P. Olsen was present, representing the State Auditor's Office. He reported finishing the State and County audit for the period of January 1, 2014, through December 31, 2014. He reported there were no comments from the State Auditor's Office listed in the report issued on August 4, 2015. No internal deficiencies or instances of noncompliance were identified in the report. He commented that NPERS received an unqualified opinion, which is the best there is.

He stated new to the State and County audits are the Government Accounting Standards Board (GASB) reports.

D. Blank stated he is happy with the relationship NPERS has with the auditors. It is the PERB's goal to keep the number of points at zero.

P. Chambers complimented R. Gerke, Dennis Rohren, T. Zulauf, and M. Ebert who are NPERS' key staff members who have lead the efforts to achieve an audit report with zero points/comments.

R. Ecklund moved to accept the Public Audit Report. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 8 – Information System (IT) Update: J. Hardy explained to the new Board members, production investigation requests (PIRs) are requests for software changes in NPRIS. NPRIS is the pension administration software used by NPERS. The PIRs include enhancement requests, bug fixes, and software changes to meet legislative requirements.

He stated his department has been focusing on the imaging and workflow replacement project; converting FileNet to OnBase, used for scanning and imaging documents into NPRIS. He explained the project took 18 months to complete and went live June 22, 2015. It was completed on schedule and within budget. He gave credit to the IT team for their work on the project.

Currently his staff is working on modifying NPRIS to implement the new Judges tier and on processing purchase of military service credit.

R. Wassinger moved to approve the IT Update. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 9 – Legal/Legislative Update: O. Hill reported working on list of technical bill items. He asked the Board to let him know of any changes that need to be made. He stated he will work with the Board Legislative Committee.

O. Hill reported on daily correspondence he receives from members. Many of his responses are to School members in regards to substituting and reemployment matters. He emphasized that he explains he represents NPERS and the PERB. He offers general information; but, cannot give them specific legal advice.

J. Elliott asked for him to review the statutes regarding reemployment.

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

Agenda Item 10 – Investment Officer's Update: M. Walden-Newman thanked the PERB members who attended the Nebraska Investment Council's (NIC) retreat in July. He stated he would like to include discussions on global equity at the PERB/NIC Joint Meeting in November.

M. Walden-Newman reported the calendar performance for the Cash Balance (CB) plan was 2.7% as of June 30, 2015. The fiscal year defined benefit (DB) plans performance was at 3.85%.

He reported the NIC is beginning a global equity review, which is 15% of retirement funds. This will begin a new process at the NIC where the Council will review of the portfolio asset class by asset class, tackling a different class each year.

P. Chambers requested the NIC look at adding a global index fund for the Defined Contribution (DC) plan. Adding funds to the DC plan requires a legislative revision. NPERS needs to know, so revisions can be proposed in the next legislative session. She explained that prior to now, a global index fund was not available.

M. Walden-Newman reported the NIC is going to move the DC/DCP/DROP fund stable account from a separate account to a co-mingled account. He stated the move should provide a higher net return for the participants. The transition will take place over the next few months.

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

Agenda Item 11 – Director's Report: P. Chambers reported on August 14, 2015, a Cash Balance dividend was credited to 17,467 State members and to 8,050 County members. Over \$67 million was credited in member accounts. The PERB approved a 4.53% dividend to State CB plan members and a dividend of 5.81% to County CB plan members at the May meeting. With interest, the applied rate was 4.669% for the State and 5.988% for County. There were 1,034 State and 499 County members eligible for a dividend that terminated and received a distribution since December 31, 2014.

She reported receiving 698 School retirement applications with a June 1 effective date, 190 with a July 1 effective date, and approximately 75 with an August 1, effective date.

She reported signing the lease for office space in the 1526 Building, effective July 1, 2015, through June 30, 2017. The monthly cost per square foot is \$10.13. A building renewal assessment fee of \$2.14 per square foot was also charged. The monthly rent is \$12,427 for 2015-16.

P. Chambers reported the request for proposals (RFP) for record keeping services has been submitted to Administrative Services and a buyer has been assigned. A meeting to review the submission with the buyer is scheduled for August 18, 2015. She expects the RFP will be released for bids in September.

P. Chambers reported representatives from the State Patrol have asked NPERS to provide a presentation on the Patrol retirement plan. John Winkelman will speak in Grand Island and Lincoln. O. Hill will also speak at the Lincoln presentation; on military service credit. J. Winkelman has also been asked to provide a retirement seminar for Judges, in Omaha.

P. Chambers reported the Judges handbook is being updated to include the new tier that was created with the passing of LB 468.

She reported an audit entrance conference was held prior to the PERB meeting. The State auditors will be working on the GASB 68 and the School, Judges, and Patrol audits.

P. Chambers reviewed comments and the results from the PERB Retreat evaluations. E. Stuhr commented she enjoyed hearing from the member interest groups and would like them to speak every year. R. Wassinger reported talking to Larry Dix, who thanked the PERB for inviting him to speak.

She provided the Board with a copy of the funding policy of Colorado Public Employees Retirement Association (COPERA) and the Omaha School Employees Retirement System (OSERS). She explained GASB requires retirement systems to have a funding policy. The PERB already has a policy in place that is acceptable; however, the actuaries have suggested the Board may want to expand the current policy.

P. Chambers reported receiving a letter from Bob Bussman, from the Nebraska Association of Retired School Personnel (NARSP). He expressed his concern with the fact NPERS did not send out COLA letters to retirees this year to notifying them there would not be a COLA. She called him and explained the cost of mailing COLA letters would be approximately \$10,000. She also sent an email to NSEA and NCSA notifying them there was no COLA. She explained notifications are being made through NPERS' website. NARSP made the information available to their members in their newsletter.

P. Chambers announced Mike Smith, the Director of OSERS, announced his retirement; effective December 31, 2015.

She reported NPERS is in the process of hiring two staff members to replace employees who resigned in July. They are both moving out of state. A new person started that day in the Accounting department and J. Hardy is in the process of interviewing candidates for an IT opening.

P. Chambers provided a review of the Annual National Association of State Retirement Administrators (NASRA) Conference she attended August 1-4, 2015, in Monterey, California. Conference topics included: pension laws, GASB, risk management, investments, and retirement trends. She stated the Roll Call of states is always informative as states report on what is happening in their state. She left the conference and flew to Seattle, Washington on August 5th, for the National Council on State Legislatures' (NCSL) Legislative Summit; where she had been asked to speak about the CB plan in a panel discussion on alternate retirement plans. The Legislative Summit had over 4,000 attendees.

P. Chambers requested permission to attend the National Council on Teacher Retirement (NCTR) Annual Conference scheduled for October 10-15, 2015, in La Jolla, California; with up to \$3200 in expenses.

R. Ecklund moved to approve the Director's Report and travel to the NCTR Annual Conference October 10-15, 2015, with expenses up to \$3200. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 12 – Board Committee Reports: D. Blank proposed new members assume the committee assignments of the board member they replaced. The board agreed. K. Ackerman will be on the Budget and Personnel Committee and the Education Committee. J. Derr will be on the Regulation and Policy Review Committee and the Education Committee. M. Walden-Newman will be on the Education Committee.

Agenda Item 13 – Board Education/Travel Requests: K. Ackerman reported on the NCTR Trustee Workshop she attended July 26-29, 2015, in Cambridge, Massachusetts. She commented that it was excellent and she learned about different retirement plans. She encouraged Board members to attend. Topics she included in her report were: differences in funding, the wide ranges of expected rates of return, discussion on educating staff on the plans, pension ambassador programs, trustees contact with members, investments, legislation, federal regulations, and social security. She provided the Board with a copy of the agenda and a list of the state systems that attended the workshop.

E. Stuhr moved to approve the Trustee Education Report given by K. Ackerman. R. Ecklund seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank encouraged members of the board to attend educational opportunities.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting is Monday, September 21, 2015.

Agenda Items 15 and 16 – Executive Session: At 11:21 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. 901387, 157091, and 114592; Emergency Deferred Compensation Application for Retirement No. 704338; personnel matters; and other legal matters. D. Leonard seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:46 p.m., D. Leonard moved that the Board exit Executive Session and reconvene in Regular Session. J. Elliott seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 901387 and 157091. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved to deny the Disability Application of Retirement No. 114592. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Leonard moved to approve the Emergency Deferred Compensation Application for Retirement No. 704338. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: R. Ecklund. Motion carried.

D. Leonard requested permission to attend the National Conference on Public Employee Retirement Systems (NCPERS) Public Safety Employees Pension & Benefits Conference October 25-28, 2015, in Rancho Mirage, California; with travel expenses up to \$3200.

E. Stuhr moved to approve D. Leonard's request for travel to the NCPERS Public Safety Employees Pension & Benefits Conference October 25-28, 2015, with expenses up to \$3200. R. Ecklund seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

E. Stuhr called a meeting of the PERB's Legislative Committee to be held immediately following the PERB meeting.

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

The meeting adjourned at 12:52 p.m.



Phyllis G. Chambers
Director