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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

FEBRUARY 23, 2015

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, February 23, 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 Friday, February 13, 2015. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, February 16, 2015. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
RICHARD WASSINGER, VICE-CHAIR
JANIS ELLIOTT
RON ECKLUND
DENNIS LEONARD
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: ELAINE STUHR

NONMEMBERS PRESENT:

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| PHYLLIS CHAMBERS Director | JACK HARDY IT Manager |
| RANDY GERKE Deputy Director | TERESA ZULAUF Internal Auditor |
| ORRON HILL Legal Counsel | NANCY REIMER Ameritas |
| JOHN WINKELMAN Training Supervisor | NEIL BATEMAN Retired Teachers |
| MIDEN EBERT Retirement Plan Supervisor | 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 February 23, 2015, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, R. Wassinger, J. Elliott, R. Ecklund, D. Leonard and M. Walden-Newman. Absent: E. Stuhr.

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

Agenda Item 5 – Approval of Budget Status Report & January 2015 Retirement Report: J. Elliott moved to approve the Budget Status Report and the January 2015 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

Excuse Board Members: R. Wassinger moved to excuse E. Stuhr. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, 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 – Legal/Legislative Update: O. Hill provided an update on current legislation dealing with retirement. He reported LB 40, LB 41, LB 42, and LB 126 have been signed by the President/Speaker of the Legislature and are waiting for the governor's approval.

He stated the hearing on LB 447 is scheduled for March 5, 2015. LB 447 changes provisions of the Class V School Employees Retirement Act. He stated LB 447 currently has no impact on the PERB or NPERS; however, it may impact the PERB and NPERS if LB 448 is passed. J. Elliott moved that NPERS not testify toward LB 447 at this time as at this time it has no impact on the PERB or NPERS; if asked, NPERS will provide neutral testimony. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

O. Hill explained LB 448 proposes to merge the Omaha School Employees Retirement System (OSERS) with NPERS. Current and new Class V school employees would become members of the Nebraska School Employees Retirement system. J. Elliott moved NPERS testify neutrally toward LB 448 to explain the potential impact. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

O. Hill explained LB 551 creates the Local Government Employees Retirement Act to be administered by the PERB. D. Leonard moved NPERS testify neutrally toward LB 551 to explain the potential impact. R. Ecklund seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

O. Hill explained LB 655 creates a cash balance plan for firefighters in first class cities, administered by the PERB. D. Leonard moved NPERS testify neutrally toward LB 655 to explain the potential impact. R. Ecklund seconded the motion. Members voted as follows:

For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

D. Leonard 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, and R. Wassinger. Against: None. Motion carried.

Agenda Item 8 – Investment Officer’s Update: M. Walden-Newman reported he was confirmed by the Legislature.

He reported the calendar year performance for the Cash Balance plan was 6.9% as of December 31, 2014. The defined benefit plans performance was at 1.1% for the first 6 months of the fiscal year. He explained weak international equity markets detracted from performance in the second half of the calendar year. He stated the performance is in line with the expectations of the NIC consultants, given current capital market assumptions.

M. Walden-Newman reported he has been meeting with fund managers for the last two months in order to understand their mandates and understand the performance.

He planned to testify at the Legislative Appropriations Committee hearing scheduled for Friday, February 27, 2015.

He emphasized he has assumed a position which oversees an agency where “nothing needs to be fixed.” He stated his task is to improve and he will look at the work plan and revamp as necessary.

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

Agenda Item 9 – Director’s Report: P. Chambers announced Judge Randall Rehmeier was recently appointed to the Parole Board and has resigned from his position on the PERB, effective February 4th. She stated he was very complimentary of the PERB.

She reported a representative from the Governor’s office stated they were meeting to discuss board appointments the first week in March.

P. Chambers reported NPERS has completed the project to provide information to schools on compensation and benefits. There are approximately 270 different schools with different contracts, compensation structures, and benefits. NPERS contacted Groom Law Group to assist with federal tax questions pertaining to compensation and benefits. She pointed out that if NPERS’ plans are not complying with federal tax code, their tax qualification status could be jeopardized. Groom has provided NPERS with their opinions. P. Chambers and O. Hill worked together to prepare a letter with information for the schools. Mike Dulaney, with the Nebraska Council of School Administrators, reviewed the letter and supported NPERS providing the information to school administrators. NPERS sent the letter to all Nebraska school administrators via email on Friday, February 20, 2015. P. Chambers

reviewed contents of the letter, which was included in the Board materials. Information included will be made available to all school employers.

P. Chambers reported the IRS has requested more information on the Patrol DROP. Groom Law Group has provided the information to the IRS, as requested.

P. Chambers stated NPERS' appropriations hearing will be Thursday, February 26, 2015, at 1:30 p.m. She reported NPERS' budget request was approximately \$5.3 million for 2016 and \$5.4 million for 2017. The Appropriations Committee approved the budget adjustments NPERS requested. She planned to request a carryover to be used for the 2016 actuarial experience study and an IT scanning project. She explained NPERS has approximately 6.7 million images stored on microfiche, 7.4 million images on microfilm and 425,500 pages in ledgers. These records need to be scanned to protect member contribution history and beneficiary information. .

She reported the School, Judges, and Patrol audit exit conference was February 18, 2015. D. Blank complimented NPERS staff and R. Ecklund for their assistance with the achievement of the audit results. The auditors will present their report at a future PERB meeting.

P. Chambers reported PEW Charitable Trust is planning on releasing another research report on public pension plans. PEW plans to use 2013 data which is two years old and less favorable than 2014 data. The National Council on Teacher Retirement is going to send a letter to PEW on behalf of its members expressing concern that the information is outdated and misleading.

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

Agenda Item 10 – Board Committee Reports: There were no reports.

Agenda Item 11 – Board Education/Travel Requests: There were no requests.

Agenda Item 12 – Future Meetings/Agendas: The next PERB meeting is Monday, March 16, 2015, at Ameritas.

Agenda Items 13 and 14 – Executive Session: At 11:31 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. 414451, 157095, and 077130; personnel matters; and other legal matters. J. Elliott seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

At 1:24 p.m., R. Ecklund moved that the Board exit Executive Session and reconvene in Regular Session. D. Leonard seconded the motion. Members voted as follows: For:

D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 414451, 157095, and 077130. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:25 p.m.



Phyllis G. Chambers
Director