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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**JUNE 15, 2015**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, June 15, 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, June 8, 2015. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 8, 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  
J. DERR

### **MEMBERS ABSENT:**

MICHAEL WALDEN-NEWMAN, EX-OFFICIO

### **NONMEMBERS PRESENT:**

PHYLLIS CHAMBERS  
Director  
RANDY GERKE  
Deputy Director  
ORRON HILL  
Legal Counsel  
MIDEN EBERT  
Retirement Plan Supervisor  
TERESA ZULAUF  
Internal Auditor  
SENATOR AL DAVIS  
Legislative Retirement Committee  
KATE ALLEN  
Retirement Committee Legal Counsel

NANCY REIMER  
Ameritas  
KIRSTEN STEIERT  
MassMutual  
STEVE EBERT  
Nationwide Financial  
NEIL BATEMAN  
Retired Teachers  
ERIC ASBOE  
Nebraska Supreme Court  
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 June 15, 2015, Board Meeting to order at 9:33 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, and J. Derr. Absent: M. Walden-Newman.

**Agenda Item 4 - Public Hearing and Board Action on Revisions to Rules and Regulations, Chapter 16 - Military Service Credit and Reemployment:** Public notice of the rule making hearing was published in the Lincoln Journal Star and in the Omaha World Herald on May 14, 2015. Draft copies of the Rule and Regulation listed were available on the conference room table by the doors. Pursuant to NEB. REV. STAT § 84-907, the Board took testimony and evidence on modification of the Nebraska Administrative Code Title 303, Chapter 16, concerning military service credit and reemployment. D. Blank opened the hearing. O. Hill explained the revisions.

O. Hill testified the revisions to Chapter 16 of Title 303 of the Nebraska Administrative Code intend to clarify the language and ensure compliance with the Uniformed Services Employment and Reemployment Rights Act (USERRA) at 38 U.S.C. § 1002 et seq. Generally, these provisions provide how military service impacts the public pension plans managed by the Nebraska Public Employees Retirement Board (PERB). He testified that there are several scrivener errors that have been identified in the proposed revisions. An errata sheet was available on the conference room table by the doors, which summarized the potential editorial revisions. The Board consented to a listing of these editorial revisions prior to inviting public comment.

There was no public testimony or other submissions on the modifications of Chapter 16.

D. Blank moved that the Board approve revisions to Chapter 16 of Title 303 of the Nebraska Administrative code, entitled "Rules and Regulations for Military Service Credit and Reemployment" in the form delivered to the Nebraska Secretary of State on May 8, 2015, subject to the revisions identified as scriveners errors at the public hearing held on June 15, 2015. 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.

**Excuse Board Members:** R. Wassinger moved to excuse M. Walden-Newman. 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 5 – Approval of Minutes:** E. Stuhr moved for approval of the minutes of the May 18, 2015, Board Meeting. R. Wassinger seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Abstain: R. Ecklund. Against: None. Motion carried.

**Agenda Item 6 – Approval of Budget Status Report & May 2015 Retirement Report:**

J. Elliott moved to approve the Budget Status Report and the May 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.

R. Ecklund pointed out NPERS has spent only 51% of their budget and there is only 1 month left in the fiscal year.

**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 – MassMutual DCP Annual Report:** K. Steiert updated the PERB on the fund changes recommended by the Nebraska Investment Council and approved by the Board at the August 2014 meeting. MassMutual was directed to remove the Davis NY Venture Fund from the DCP options and transfer the assets to the Hartford Capital Appreciation Fund and remove the AllianceBernstein International Value Fund from the plan options and transfer the assets to the Templeton Foreign Fund. She reported the transfers took place in April 2015 and were back dated to December 1, 2014. She reported six participants were impacted and a total of \$505 in adjustments was made.

K. Steiert stated this plan has been appealing to members, because of the contractual 4% guaranteed rate and 4% credited rate on the general account. No changes are pending at this time; however, she anticipates fees for the variable investments may increase in 2016. She stated she will discuss alternatives with P. Chambers in the next few months. K. Steiert explained that the low interest rate environment is not allowing the variable investments to pay for the plan.

K. Steiert presented the Retirement Plan Review for January 1, 2014, to December 31, 2014. She reported assets over \$38 million. The review includes an overview of member data, technological services, participant allocations, investment options, and retiree assets. As of December 31, 2014, the plan had 680 participants.

An Investment Return & Risk Report Snapshot was included in the report. This included performance for the various funds as of December 31, 2014, along with performance as of March 31, 2015.

R. Wassinger moved to approve the MassMutual DCP Annual Report. 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 9 – Internal Auditor Quarterly Report:** T. Zulauf provided the Board with a written report compiling results from the internal audits of County and School employers.

T. Zulauf reported the Internal Auditor department has completed 48 School employer audits for the fiscal year ending June 30, 2015. The County internal auditor assisted with School audits and has now returned to working on County employer audits. Eight County internal audits are completed to date and five are in process. The Internal Audit department plans to have 25-28 County audits completed by December 31, 2015.

R. Ecklund requested T. Zulauf provide the Board with an example of an employer's follow-up to NPERS' internal audit.

R. Ecklund moved to approve the Internal Auditor Quarterly Report. 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.

The Board took a break at 10:26 a.m. and reconvened at 10:37 a.m.

**Agenda Item 10 – Legal/Legislative Update:** O. Hill provided a list of changes to legislation approved by the Governor during the 2015 legislative session.

He explained LB 468, which creates a new tier for judges who become members after July 1, 2015 and diverts a portion of court fees normally sent to the General Fund to the Judges' retirement plan.

LB 40 grants the PERB investigatory and subpoena powers, which goes into effect in September this year.

LB 448 was tabled after a lengthy debate on the floor.

He stated he will be working on proposed legislation for next year and after talking to the Retirement Committee's legal counsel, he will have a list for the PERB at the retreat.

D. Leonard moved to approve the Legal/Legislative Update. 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.

**Agenda Item 11 – Investment Officer's Update:** There was no report.

**Agenda Item 12 – Director's Report:** P. Chambers reported receiving 714 School retirement applications with a June 1 effective date and 116 for a July 1 effective date.

P. Chambers reported receiving the IRS Determination Letter for the Patrol plan. Now all the plans are qualified by the IRS through 2019.

P. Chambers and Jack Hardy have been working with the Office of the Chief Information Officer (OCIO) on the Service Agreement and IT Management Charter. The Service Agreement ends June 30, 2015. The Management Charter is finished.

P. Chambers stated the Annual PERB Retreat is scheduled for Monday, July 20th at Quarry Oaks. Dana Bilyeu, Executive Director of the National Association of State Retirement Administrators (NASRA), will be the keynote speaker. Topics for the retreat include current national retirement issues, board education, legal issues, and an update from actuaries about mortality tables, the Board funding policy, and the experience study. P. Chambers hopes to arrange a panel of representatives from member interest groups to discuss their experience with the retirement systems.

P. Chambers reported the beneficiary listing project is completed for the School, Judges, and Patrol members. Members' beneficiary information has been entered into the system and will be included on future account statements.

P. Chambers and R. Gerke continue to work on the request for proposals (RFP) for the record keeper contract. The RFP is to be issued this fall and they plan to select someone by the end of the year. The evaluation committee consists of D. Blank, R. Wassinger, and several NPERS managers. It has been 10 years since the last record keeper RFP.

P. Chambers reported the current consumer price index (CPI) is flat. There may or may not be a cost of living adjustment (COLA) this year for the defined benefit plans.

P. Chambers and O. Hill have been working on the military service credit with the Patrol. They are in the process of setting up two training sessions for the Patrol members affected.

P. Chambers reported attending the National Council on Teacher Retirement (NCTR) Directors Meeting in Nashville, Tennessee. Topics at the meeting included current legislation, assumed rates, Governmental Accounting Standards Board (GASB) 67 and 68 reports, and IT system security. She mentioned several states reported legislative sessions being extended or adjourning prior to approving a budget. The NCTR has teamed together with NASRA and the National Conference on Public Employee Retirement Systems (NCPERS) and sent a letter to GASB, requesting GASB reconsider their definition of covered payroll, as this would cause retirement systems and employers to make unnecessary changes to their IT systems. The meeting included a tour of the Tennessee Retirement System. Their retirement system is under the Treasurer's Department. They also toured the state capitol.

P. Chambers reported talking to a committee of the New Hampshire's legislature about Nebraska's Cash Balance (CB) plan via a conference call. She has also been asked to be on a panel to speak about the CB plan at the National Council of State Legislatures (NCSL) Legislative Summit in Seattle, Washington, in August.

It was pointed out that P. Chambers does not promote CB plans when she speaks about them; but, only provides information. She stated that she emphasizes in her presentations that Nebraska's CB plan was created to improve the State and County defined contribution plan and was not created as an alternative for the defined benefit plans.

E. Stuhr moved to approve the Director's 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 13 – Board Committee Reports:** There were no reports.

**Agenda Item 14 – Board Education/Travel Requests:** K. Ackerman requested permission to attend the NCTR Trustee Workshop July 26-29, 2015 in Cambridge, Massachusetts; with expenses up to \$3950.

J. Elliott moved to approve K. Ackerman's request to attend the NCTR Trustee Workshop July 26-29, 2015, in Cambridge, Massachusetts; with expenses up to \$3950. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Abstain: K. Ackerman. Against: None. Motion carried.

**Agenda Item 15 – Future Meetings/Agendas:** The next meeting is the Annual PERB Retreat, which will be held on Monday, July 20, 2015, at Quarry Oaks, 16600 Quarry Oaks Drive, Ashland, Nebraska.

**Agenda Items 16 and 17 – Executive Session:** At 11:13 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Application for Retirement No. 144524; Emergency Deferred Compensation Application for Retirement No. 705100; personnel matters, Director's Evaluation and Salary; and other legal matters. K. Ackerman 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 12:54 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: 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 Application of Retirement No. 144524. 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.

R. Wassinger moved for approval of the Emergency Deferred Compensation Application of Retirement No. 705100 in the gross amount of \$10,205. 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.

R. Wassinger moved to approve a 3% increase in the Director's salary, effective July 1, 2015. 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.

**Adjournment:** R. Ecklund moved that the meeting adjourn. 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.

The meeting adjourned at 12:57 p.m.



Phyllis G. Chambers  
Director