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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

MARCH 16, 2015

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:35 a.m., Monday, March 16, 2015, in the New Third Conference Room, Ameritas Life Insurance Corp., 5900 "O" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Monday, March 9, 2015. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, March 9, 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
	MICHAEL WALDEN-NEWMAN, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	NANCY REIMER Ameritas
RANDY GERKE Deputy Director	MARY KLUG Ameritas
ORRON HILL Legal Counsel	SCOTT HOLECHEK Ameritas
MIDEN EBERT Retirement Plan Supervisor	PHIL OLSEN State Auditor's Office
JACK HARDY IT Manager	NEIL BATEMAN Retired Teachers
TERESA ZULAUF Internal Auditor	ERIC ASBOE Nebraska Supreme Court
BEN MATTERN Ameritas	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 March 16, 2015, Board Meeting to order at 9:35 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard and M. Walden-Newman. Absent: None.

Agenda Item 4 – Approval of Minutes: J. Elliott moved for approval of the minutes of the February 23, 2015, Board Meeting. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & March 2015 Retirement Report: D. Leonard moved to approve the Budget Status Report and the March 2015 Retirement Report. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Abstain: 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 – Ameritas Annual Report: Nancy Reimer introduced Mary Klug as the day to day contact; Ben Mattern, Vice-President of Retirement Plans; and Scott Holecheck, Director of Governmental and Client Relation Services.

A copy of the Ameritas Annual Plan Review for December 31, 2014, was provided to the Board. The report will be made available on the NPERS website.

N. Reimer reviewed the report, which included an overview of contributions, distributions, and year end balances for NPERS' State, County, DCP, and DROP retirement plans. The report also includes member information such as average age, account balances, and member's years of service in each plan.

She highlighted Ameritas' accomplishments for 2014, including monthly meetings with NPERS, paying a County Cash Balance dividend, and implementing new technology (new statements and new website with additional reports for NPERS).

B. Mattern updated the Board on Ameritas' new technology platform and system processing. He stated it was a 2 year project. He reported the platform went live in November 2014 and was successful. There were some technical issues and Ameritas is working with the NPERS IT staff to resolve those issues. B. Mattern thanked NPERS' IT team for their assistance in resolving the issues.

D. Blank thanked Ameritas for their positive working relationship with NPERS.

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

Agenda Item 8 - School, Judges, and Patrol Audit Report: P. Olsen was present, representing the State Auditor's Office. He reported finishing the School, Judges, and Patrol Audit for the period of July 1, 2013, through June 30, 2014. He reviewed the comment and recommendation of the State Auditor's Office listed in the report issued on March 11, 2015.

P. Olsen stated the audit went smoothly and the preparation of NPERS' financials is always well done. He commented NPERS' received an unmodified opinion, which is the best there is.

P. Olsen explained the public audit schedule, which is dictated by staffing and budget. He mentioned other state agencies that are audited annually, which included any agency receiving federal funds. Other agencies receive attestation reports every 3 to 6 years.

He reported the State and County public audit will begin the week of March 23, 2015.

D. Blank emphasized the Board's goal is to have no audit findings. P. Olsen stated zero audit findings are rare and one finding is good.

R. Ecklund moved to accept the School, Judges, and State Patrol Audit Report.

R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, 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 School employers. She stated the Internal Auditor responsible for County audits has been doing School audits this last quarter and has recently resumed work on County audits. She reported her department has completed 28 School employer audits since July 1. Seventeen are in process and four need to be reviewed. Approximately 14% had no issues found. Four County audits are in process and one needs review. Details of the internal audit results were attached to her report.

She reported her department has researched and provided documentation to MassMutual to resolve issues concerning deceased members. She has begun reviewing the Ameritas SSAE16 report.

J. Elliott complimented T. Zulauf and her staff.

D. Blank asked T. Zulauf if there were any other issues to report. She said there were none known.

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

Agenda Item 10 – 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 Governor. LB 282 and LB 616 were indefinitely postponed.

LB 448 and LB 468 were made priority bills of the Retirement Committee. LB 448 proposes to merge the Omaha School Employees Retirement System (OSERS) with NPERS. LB 468 creates another "tier" for judges who become members in the Nebraska Judges Retirement System after July 1, 2015.

O. Hill reported NPERS has good communication with the Retirement Committee and their legal counsel.

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

Agenda Item 11 – Investment Officer’s Update: M. Walden-Newman reported the defined benefits plans performance was at .44% as of January 31, 2015. The calendar year performance for the Cash Balance plan was a negative 1.7%.

He emphasized the Nebraska Investment Council’s (NIC) perspective is long term. He suggested his monthly report deliver a specific theme, rather than performance numbers and performance be reported quarterly.

He stated bonds are 30% of the funds in Nebraska’s portfolio. The NIC is working on reviewing managers where there have been changes in management. He explained sometimes management changes are disruptive to the firm’s staff, which can upset the supervision of the investments. The Council wants more than diversification in the funds. It also wants to have diversification within the managers. At the NIC meeting on March 26, 2015, he plans to propose restructuring the fixed income portfolio. The purpose of the proposed change is to bring diversity and stability to the bond management style, which is conservative. He stated Hewitt EnnisKnupp is in agreement.

D. Blank welcomed M. Walden-Newman’s approach to providing all types of investment information.

M. Walden-Newman suggested his agency provide investment education sessions for plan members and policy makers. He is contemplating bringing in fund managers to discuss the state portfolio and wondered if there would be an interest. The PERB welcomed the opportunity for investment education for the Board and discussed the prospective attendance of plan participants.

R. Ecklund left the meeting at 10:38.

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

R. Ecklund returned to the meeting at 10:40 a.m.

The Board took a break at 10:40 a.m. and reconvened at 10:52 a.m.

Agenda Item 12 – Director’s Report: P. Chambers thanked the Ameritas staff for hosting the meeting.

P. Chambers reported the Governor’s office has not made a decision on the Board appointments.

P. Chambers reported she and O. Hill have been working on legislation and attending hearings this last month. She explained the two bills that pertain to the Omaha School Employee Retirement System (OSERS). She explained OSERS’ organizational structure. OSERS’ Board of Trustees is responsible for their investments. The trustees take investment decisions to the Omaha Public Schools School Board for approval. She explained other differences between NPERS and OSERS including funded ratio and fiscal years.

She reported attending the appropriation hearing on February 26, 2015. She requested \$1.25 million carryover to be used for the 2016 actuarial experience study and an IT scanning project.

P. Chambers stated NPERS’ support agreement with Hewett Packard State and Local (HPSL) expires March 31, 2015. NPERS plans on renewing the agreement and is reviewing the terms. She explained NPERS has only used the service twice and was not charged.

She reported attending the NIC meeting on February 26, 2015, where she reported the PERB’s decision to keep the assumed rate at 8%. She reported the NIC emphasized they want to be sure they are not taking on too much risk. She stated the next experience study will use 2015 data and be used for further discussion on the assumed rate.

P. Chambers reported Member Services is very busy with retirement appointments. Appointments are already booked through the end of May.

P. Chambers requested permission to attend the National Council on Teachers Retirement (NCTR) Systems Director’s Meeting June 7-9, 2015, in Nashville, Tennessee; with expenses up to \$3200.

She stated NPERS and NIC will present their Annual Reports to the Legislative Retirement Committee at noon on Wednesday, March 25, 2015. A copy of the NPERS Annual Report was provided to the Board. P. Chambers highlighted several areas of the report. She pointed out NPERS pays approximately \$40 million in monthly benefits to retirees in Nebraska.

D. Leonard moved to approve the Annual Report, the Director’s Report, and the Director’s request for travel to attend the National Council on Teachers Retirement (NCTR) Systems Director’s Meeting June 7-9, 2015, in Nashville, Tennessee; with expenses up to \$3200.

E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, 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: There were no requests.

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is Monday, April 20, 2015.

Agenda Items 16 and 17 – Executive Session: At 11:24 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. 175347, 129781, and 433979; Emergency Deferred Compensation Application for Retirement No. 701896; personnel matters; and other legal matters. D. Leonard seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 1:19 p. m., D. Leonard moved that the Board exit Executive Session and reconvene in Regular Session. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, 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. 175347. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for disapproval of the Disability Application of Retirement No. 129781. D. Leonard seconded the motion. Members voted as follows: For: D. Blank, 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. 433979; with a review of eligibility in two years. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Leonard moved that NPERS' legal counsel be directed to make a proposal in the Rules and Regulations to address military member's contributions during military deployment; to be presented in draft form at the April PERB meeting. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:23 p.m.



Phyllis G. Chambers
Director