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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

MAY 18, 2015

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:02 a.m., Monday, May 18 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, May 11, 2015. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, May 11, 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
DENNIS LEONARD
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: RON ECKLUND

MEMBER NOMINEES PRESENT: KELLI ACKERMAN
J. RUSSELL DERR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS
Director
RANDY GERKE
Deputy Director
ORRON HILL
Legal Counsel
JOHN WINKELMAN
Training Supervisor
MIDEN EBERT
Retirement Plan Supervisor
JACK HARDY
IT Manager
TERESA ZULAUF
Internal Auditor

GARY BUSH
AS - State Budget Administrator's Office
STEVE EBERT
Nationwide Financial
ALAN WICKMAN
Plan Member
NANCY REIMER
Ameritas
ERIC ASBOE
Nebraska Supreme Court
VICKI HUBER
Administrative Assistant

D. Blank welcomed Kelli Ackerman and J. Derr to their first PERB meeting. Their confirmation hearings were held at 8:30 a.m. the morning of the Board meeting. K. Ackerman was appointed to the School Administrator position on the Board and J. Derr was appointed to fill the Judges position.

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 May 18, 2015, Board Meeting to order at 10:02 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, D. Leonard and M. Walden-Newman. Absent: R. Ecklund.

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

Agenda Item 5 – Approval of Budget Status Report & April 2015 Retirement Report: D. Leonard moved to approve the Budget Status Report and the April 2015 Retirement Report. R. Wassinger seconded the motion. Members voted as follows: For: D. Blank, 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 – Cash Balance Dividend: P. Chambers explained the Nebraska statute and Board Policy 8, pertaining to the awarding of dividends. P. Chambers stated the State and County plans are above the minimum threshold rate as reported in the actuary report provided last month. She stated there must be a minimum 100% Funded Ratio on the Funded Basis and the Current Value Basis, both before and after the dividend is granted. At the April PERB meeting, the actuaries reported the State Funded Ratio is 103.9% and the Current Value Basis is 108.2%. The County Funded Ratio is 105.4% and the Current Value Basis is 107.5%. The actuary stated the Board could grant a dividend of up to 4.53% for the State plan and 5.81% for the County plan and still remain 100% funded.

P. Chambers stated the last time a State CB dividend was awarded to State plan members was in 2008. A County CB dividend was awarded last year.

J. Elliott moved that the PERB approve a dividend of 4.53% to State CB plan members and a dividend of 5.81% to County CB plan members. To receive a dividend, State and County CB plan members must have had a qualifying account balance as of December 31, 2014. The dividend shall be payable September 1, 2015, or as soon as administratively possible.

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.

Agenda Item 8 – Information System (IT) Update: J. Hardy reported 53 open problem incident reports (PIRs) as of April 30, 2015.

He stated the main focus of his staff has been on NPRIS' imaging and work flow system replacement project. He reported the migration from FileNet to OnBase is nearing completion. He provided the Board with a written status update of the major phases and the remaining schedule of the project. He stated the user testing was finished last week and went well. The project is projected to go "live" on June 22, 2015. As of April 30, 2015, he reported the project had used 87% of the Databank consulting budget.

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

Agenda Item 9 – Legal/Legislative Update: O. Hill reported on proposed changes to federal law that may affect retirement. He reviewed proposed changes to the IRS code.

He provided a written update of current Nebraska legislation relating to retirement. He pointed out new legislative resolutions that have been added. He discussed updates to bills currently in the legislative process and revisions that have occurred since they were introduced.

LB468, regarding the Judges retirement, was amended with AM 1582. AM 1582 accomplishes three goals:

1. It strikes the \$6 fee on pre-trial diversion programs and related references to pre-trial diversion programs in the bill – there are now no new fees in this bill;
2. It increases the amount diverted from the General Fund to the Judges Retirement Fund, beginning in 2017. (The Committee AM 1172 diverted \$3 per case, beginning in 2017.) AM 1582 will instead divert \$4 per case, beginning in 2017;
3. The remainder of the changes in AM 1582 were recommended by the Revisor's Office and include clarifications or corrections; but, do not change the meaning and intent of the bill.

O. Hill stated he is compiling a list of possible legislative changes for next year.

O. Hill reported he will be attending the National Association of Public Pension Attorneys (NAPPA) Legal Education Conference June 23-26, 2015.

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

Agenda Item 10 – Investment Officer’s Update: M. Walden-Newman welcomed the newly appointed members of the PERB and encouraged them to contact the Nebraska Investment Council (NIC) for any questions they might have.

M. Walden-Newman reported the fiscal year defined benefit (DB) plans performance was at 3.57% through March 31, 2015. The calendar year performance for the CB plan was 2.42%. He stated Nebraska’s DB performance ranks high related to its peers.

He explained the NIC’s role in LB 448 and AM1555. If passed, he stated he would be working on a finalized action plan for the proposed transfer of the Omaha School Employees Retirement System (OSERS) plan assets to the NIC portfolio. As the bill is currently drafted, the NIC would manage the investments of OSERS and would officially take over the management of their assets January 1, 2016, and the State Investment Officer would become an ex-officio of OSERS’ Board of Trustees. The Director of OSERS would become a member of the NIC July 1, 2016. The bill is on general file and has not been debated yet.

The PERB discussed their concerns regarding the liability of the new assets/investments, the separation of expenses for the NIC staff that will be incurred during the period of transition, and the actuarial required contribution (ARC).

M. Walden-Newman stated the NIC will not assume liability of OSERS investments that were in place prior to the proposed transition.

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

Agenda Item 11 – Director’s Report: P. Chambers provided the Board with a copy of the NPERs Annual Investment Report, which was recently published. She briefly reviewed the contents of the report.

P. Chambers reported receiving 434 School applications for retirement with a June 1 effective date. She stated generally it takes 60-90 days to process a School retirement during the busy summer season.

At the April 2015 PERB meeting, the actuaries were asked the probability of the State and County Cash Balance plans needing an actuarial required contribution (ARC). The CB plans have never needed an ARC to date. After the meeting, the actuaries estimated the investment returns would have to be negative for five consecutive years before an ARC would be required. This is an estimate and assumes that other plan assumptions would remain the same.

P. Chambers reported that this month she and O. Hill have worked on Military Service Credit and Chapter 16 of the Rules and Regulations. They met with the PERB Regulation and Policy Review Committee. J. Elliott reported on the Committee’s discussion during Agenda Item 12.

P. Chambers stated Kirsten Steiert will present the annual MassMutual report at the next PERB meeting.

P. Chambers stated the annual PERB Retreat is scheduled to be held Monday, July 20, 2015, at Quarry Oaks. She announced that Dana Bilyeu, Executive Director of the National Association of State Retirement Administrators (NASRA), will be the keynote speaker. The topic of her presentation will be national retirement issues.

P. Chambers reported she has been asked to speak about Nebraska's CB plan for the Conference of Consulting Actuaries (CCA) in October, in Florida. Her expenses will be paid by the CCA.

P. Chambers requested permission to attend the Annual NASRA Conference, August 1-5, 2015, in Monterey, California; with expenses up to \$3500.

She reported NPERS' Accounting department has been working on the State and County GASB 67 report and drafting a request for proposals (RFP) for the record keeper contract.

P. Chambers reported NPERS participated in the State Campaign Against Hunger to benefit the Lincoln Food Bank. Staff donated six barrels full of food and personal items; along with \$1900 in cash, and 200 backpacks for the school backpack program.

She explained how NPERS would be affected if LB 448, as revised by AM 1555, would pass. She and R. Gerke worked with the Retirement Committee and State Treasurer on the issue of processing OSERS benefits. If passed, OSERS would request the funds needed per month and NPERS would transfer the funds to OSERS. The State Treasurer preferred funds to go through NPERS.

P. Chambers reported receiving the State Patrol IRS determination letter; however, it was dated to be valid through Jan 31, 2014. David Powell is following up with the IRS to confirm the date.

R. Wassinger moved to approve the Director's Report and request for travel to attend the NASRA Conference August 1-5, 2015, with up to \$3500 in expenses. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

Agenda Item 12 – Board Committee Reports: J. Elliott reported the PERB Regulation and Policy Review Committee met on April 22, 2015, via conference call, to discuss revising Rule and Regulation, Chapter 16, pertaining to Military Service Credit and Reemployment. The Committee reviewed the entire regulation; suggesting revisions as needed. O. Hill provided a draft of the revised Regulation as discussed by the Committee and input from NPERS staff. This draft was submitted to the offices of the Secretary of State and Governor's Policy

Research on May 8, 2015. Notice was advertised on May 14, 2015, that a public hearing on the revisions to Chapter 16 will be held on Monday, June 15, 2015, at 9:30 a.m.

D. Blank assigned preparations for the PERB Annual Retreat to P. Chambers and NPERS staff.

On behalf of the of the Board's Budget and Personnel Committee, R. Wassinger reported he sent Board members evaluations to complete for the Director

Agenda Item 13 – Board Education/Travel Requests: There were no requests.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting is Monday, June 15, 2015, at 9:30 a.m.

Agenda Items 15 and 16 – Executive Session: At 11:25 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. 124179, 424484, and 120365; Appeal No. 1-2014; personnel matters; and other legal matters. E. Stuhr seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: D. Blank, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 12:37 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. 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. Wassinger moved for approval of the Disability Applications of Retirement Nos. 124179 and 424484 and disapproval of the Disability Application of Retirement No. 120365. 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.

D. Leonard moved that the Board accept and adopt the Recommended Order, including Findings of Fact and Conclusions of Law, issued by the Hearing Officer in Appeal No. 1-2014, and that the Chairperson execute, on behalf of the Board, an Order adopting the Hearing Officer's Recommended Order that the Petitioner's Petition and Notice of Appeal filed on September 19, 2014, be dismissed and that the relief requested therein be denied. E. Stuhr seconded the motion. Members voted as follows: For: D. Blank, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 12:39 p.m.



Phyllis G. Chambers
Director