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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

OCTOBER 19, 2015

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:05 a.m., Monday, October 19, 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, October 9, 2015. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 12, 2015. R. Wassinger chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: RICHARD WASSINGER, VICE-CHAIR
ELAINE STUHR
JANIS ELLIOTT
KELLI ACKERMAN
JUDGE J. DERR
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: DENIS BLANK, CHAIR
RON ECKLUND
DENNIS LEONARD

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	DENNIS ROHREN Accountant III
RANDY GERKE Deputy Director	ANGELA HATCHER Artist II
ORRON HILL Legal Counsel	NANCY REIMER Ameritas
MIDEN EBERT Retirement Plan Supervisor	NEIL BATEMAN Retired Teachers
JACK HARDY IT Manager	ERIC ASBOE Nebraska Supreme Court
TERESA ZULAUF Internal Auditor	PAUL NACARIO ICMA-RC
BRENDA DINGES Retirement Specialist II	VICKI HUBER Administrative Assistant

Agenda Item 1: R. Wassinger 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: R. Wassinger called the October 19, 2015, Board Meeting to order at 10:05 a.m. Present at roll call: R. Wassinger, E. Stuhr, J. Elliott, K. Ackerman, J. Derr, and M. Walden-Newman. Absent: D. Blank, R. Ecklund, and D. Leonard.

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

Agenda Item 4 – Approval of Minutes: J. Elliott moved for approval of the minutes of the September 21, 2015, Board Meeting. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & September 2015 Retirement Report: E. Stuhr moved to approve the Budget Status Report and the September 2015 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, 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 – Employee Recognition: P. Chambers explained October is Employee Recognition Month for the State of Nebraska. She stated NPERS staff chose two Employees of the Year. She announced Brenda Dinges and Dennis Rohren as this year's honorees.

P. Chambers gave a brief background of each recipient's outstanding work within the agency and read a few comments from the staff who nominated the recipients for their awards. R. Wassinger presented both honorees with a framed certificate.

Agenda Item 9 – Information System (IT) Update: J. Hardy reported NPERS' IT staff has been working on technology upgrades.

He stated his department is working on a project to upgrade all of the databases used by NPERS. There are 14 databases to be migrated and 4 are complete.

J. Hardy stated the reporting software used in NPRIS needs to be replaced. NPRIS has 140 custom reports. The current software is no longer supported by the vendor. They are currently evaluating different reporting solutions.

Version control software is a repository for storing all of the versions of the programming source code for NPRIS. This upgrade is in progress and is estimated to be completed by November 30, 2015.

He stated none of the upgrades will have a significant impact on the budget and costs may even be less.

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

Agenda Item 10 – Legal/Legislative Update: O. Hill stated the majority of his report would be covered under the Board Committee and Director's reports. His report was discussed after Agenda Item 13 and approved after Agenda Item 15. The vote is recorded after Agenda Item 13.

Agenda Item 11 – Investment Officer's Update: M. Walden-Newman reported the calendar performance for the Cash Balance (CB) plan was -.34% as of August 31, 2015. The fiscal year defined benefit (DB) plans performance was -2.99%.

Agenda Item 12 – Director's Report: P. Chambers reported staff in the Benefits department continues to work overtime processing retirement's benefits and distributing the Cash Balance dividends. She pointed out Member Services is receiving 300 more calls per month this year, compared to last year. There have been 1500 walk-ins to date, which is the same amount for the entire year last year. P. Chambers expressed the need for extra staff in the Member Services and Benefits departments.

She reported the record keeping request for proposals (RFP) was released to the public on October 5th. The Department of Material is currently receiving questions and they will forward them to NPERS on Oct 31st. NPERS will then have until November 30th to respond to the questions. The questions and answers will be put on Material's website. The deadline to submit a proposal is December 29, 2015, at 2 p.m. The current contract with Ameritas expires September 30, 2016.

P. Chambers and O. Hill met with representatives from the Nebraska State Education (NSEA) and the Nebraska Council of School Administrators (NCSA) to discuss possible legislation. They have also been working with Kate Allen from the Legislative Retirement Committee.

P. Chambers stated the PERB's joint meeting with the Nebraska Investment Council (NIC) is November 16, 2015. The actuaries will give their actuarial valuation report at the joint meeting and will present their report to the Legislative Retirement Committee on November 18th. The Return to Work study is still in process and may not be completed prior to the hearing on November 18th. The cost of the study will be distributed proportionately across the plans.

She reported NPERS currently has a vacancy for an internal auditor. This position primarily works with the internal audits of the County plans.

P. Chambers reported attending the Annual Conference of the National Council of Teacher Retirement (NCTR) October 10-15, 2015. The theme of the conference was "Getting it Right." Several panel discussions were provided by trustees, state investment officers, investment professionals, actuaries, and IT managers.

She shared statistics from the conference. According to the Wilshire 2015 Report on State Retirement systems, 131 states with defined benefit plans were 80% funded or better as of June 30, 2014. As of June 30, 2014, state and local retirements have \$3.8 trillion in assets after paying out over \$1trillion in benefits nationwide, since 2007. This accounts for approximately 3.9% of general state spending. More than half of 126 plans in the report have reduced their investment assumption to an average of 7.75%. Between 2009 and 2014, every state retirement system in the United States made changes to their pension benefit levels or contribution structures, or both. Thirty-six states changed their employee contribution rates.

P. Chambers encouraged the Board members to attend a NCTR Trustee Workshop or Annual Conference.

She stated next week she will be presenting on cash balance plans at the Conference of Consulting Actuaries. Pat Beckham will be on the same panel.

E. Stuhr moved to approve the Director's report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 13 – Board Committee Reports: E. Stuhr reported the Legislative Committee met prior to the Board meeting to discuss possible legislation. E. Stuhr moved that the Board approve the draft legislation from the PERB Legislative Committee for submission to the Retirement Systems Committee for consideration, including: 1) the provision prospectively removing the one-half year service credit for those over 65 years of age being vested in the School plan, 2) staggering the PERB membership, and 3) remove those receiving a disability benefit from being able to return to work for 20 hours per week. K. Ackerman seconded the motion.

Discussion: O. Hill reviewed the objectives of the proposed legislative revisions as follows:

- 1) He stated there has been some confusion as to when School plan members are vested. He explained the current statutory language, regarding School plan vesting at the age of 65, conflicts with the definition of a temporary employee and whether they are able to be in the plan. The Internal Revenue Code (IRC) states 5 years of service are standard for vesting purposes. The proposed legislation, removing the one-half year service credit requirement for those at age 65, would be consistent with the IRC.
- 2) Proposed revisions to current law regarding PERB terms attempt to establish a rotation where no more than two PERB members' terms end at the same time. The goal is to assure the board has experienced and educated members and represents members of all the plans. Any replacements or vacancies of a board position will only be filled through the end its current term.
- 3) The current wording in statute allowing those receiving a disability retirement to work appears to be in conflict with the IRC; as it allows in-service distributions. This could jeopardize NPERS' qualified status. The proposed change would eliminate the possibility of NPERS being found incompliant with the IRC.

E. Stuhr repeated the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

Agenda Item 14 – Board Education/Travel Requests: There were no requests.

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is Monday, November 16, 2015. It will be a joint meeting with the NIC at the Cornhusker Marriott Hotel. The meeting will start at 8:30 a.m.

Agenda Items 16 and 17 – Executive Session: At 11:06 a.m., E. Stuhr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 120540, 424101, 145989, 155456, 106994, 151464, 150286, 152806, 176532 and 114592; personnel matters; and other legal matters. J. Elliott seconded the motion. R. Wassinger repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

M. Walden-Newman left the meeting during Executive Session.

At 1:49 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

J. Derr moved that the Board approve the Disability Applications of Retirement Nos. 120540, 145989, 151464, 150286, and 152806; approve the Disability Application of Retirement No. 155456, to be reviewed in five years; deny the Disability Applications of Retirement Nos. 424101, 106994, and 114592; and table the Disability Application of Retirement No. 176532, to request further information. J. Elliott seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 1:51 p.m.



Phyllis G. Chambers
Director