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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

DECEMBER 19, 2016

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:30 a.m., Monday, December 19, 2016, 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, December 9, 2016. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 12, 2016. R. Ecklund chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

RON ECKLUND, CHAIR
JANIS ELLIOTT, VICE-CHAIR
DENIS BLANK
ELAINE STUHR
DENNIS LEONARD
KELLI ACKERMAN
JUDGE J. DERR
PAM LANCASTER
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	VICKI HUBER Administrative Assistant
ORRON HILL Legal Counsel	KATE ALLEN Retirement Committee Legal Counsel
JOHN WINKELMAN Training Supervisor	NANCY REIMER Ameritas
PATTY PIERSON Retirement Plan Supervisor	JASON HAYES Nebraska State Education Association
JACK HARDY IT Manager	JIM SCHULZ Public

Agenda Item 1: R. Ecklund 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. Ecklund called the December 19, 2016, Board Meeting to order at 9:30 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, J. Derr, P. Lancaster, and M. Walden-Newman. Absent: None.

Agenda Item 4 – Public Hearing and Board Action on Revisions to Rules and Regulations, Chapter 14 – Capping of Retirement Compensation: Public notice of the rule making hearing was published in the Lincoln Journal Star and in the Omaha World Herald on November 16, 2016. 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 14, concerning the capping of retirement compensation. R. Ecklund opened the hearing. O. Hill explained the revisions.

O. Hill testified the revisions to Chapter 14 of Title 303 of the Nebraska Administrative Code were prepared to comply with the provisions of Neb. Rev. Stat. § 81-2026 as it was amended by LB 467, which was signed into law on April 18, 2016. LB 467 created a second tier within the Nebraska State Patrol Retirement System (Patrol Plan). Section 4 of LB 467 implemented capping of compensation for retirement purposes on Troopers who were hired on or after July 1, 2016. The statute requires the PERB to adopt and promulgate rules and regulations for the implementation of the capping provision, including rules and regulations relating to prorating, annualizing, or recalculating an officer's final average monthly compensation for each plan year in the capping period.

The capping language used in LB 467 was modeled after the capping language that was previously adopted in the School Employees Retirement System (School Plan).

Chapter 14, Title 303 NAC, was originally adopted as the rules and regulations for implementing capping in the School Plan. The proposed amendments to Chapter 14 apply capping uniformly to the covered School Plan and Patrol Plan members.

There was no public testimony or other submissions on the proposed modifications of Chapter 14.

J. Elliott moved that the Board approve revisions to Chapter 14 of Title 303 of the Nebraska Administrative Code, entitled "Capping of Retirement Compensation" in the form delivered to the Nebraska Secretary of State on November 9, 2016. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 5 – Approval of Minutes: D. Leonard moved for approval of the minutes of the November 21, 2016, Board Meeting. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 6 – Approval of Budget Status Report & November 2016 Retirement Report: E. Stuhr moved to approve the Budget Status Report and the November 2016

Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

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 – Education Services Report: J. Winkelman provided materials summarizing the accomplishments of the Education Services Department in 2016. Twenty-seven School Retirement Planning seminars were held across the state, with a total of 1,351 attendees. Seventeen State and County Retirement Planning seminars were held with a record high of 814 attendees. Four Financial Management seminars were held across the state, with a total of 122 attendees. Six “special request” presentations were held, with an estimated total of 675 attendees. Six School Employer workshops were held at six locations.

He reported all Plan Member Handbooks and employer reporting manuals were updated in 2016, except the Judges Plan Handbook.

P. Chambers thanked J. Winkelman and his staff for all their work. She commented that feedback from seminar attendees is always positive.

She pointed out NPERS is allowed to charge a seminar registration fee to cover costs only. With the increasing costs to hold the seminars, NPERS may look at increasing the registration fee.

K. Allen commented that she recently attended a State seminar and the presentation was excellent.

D. Blank moved to approve the Education Services Report. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 9 – Information System (IT) Update: J. Hardy reported the scanning of NPERS microfilm is going well. The process began in June 2016 and 41% of the microfilm has been scanned and has gone through the Secretary of State’s (SOS) qualify control review. He reported most of the images are of good quality and the SOS responds well to issues found. NPERS signed an agreement with the SOS to perform the microfiche scanning services. The SOS has ordered a new microfiche scanner for the project and will start scanning microfiche after it is installed and configured. The SOS requested 18 months to complete the microfiche scanning.

J. Hardy reported his staff is also working on three NPRIS subsystem upgrades; WebSphere Application Server, OnBase Enterprise Content Management, and reporting software (Hyperion SQR).

Cost for the WebSphere upgrade is included in the original software purchase. NPERS' IT staff is experienced with this upgrade and the project will be completed internally. Therefore, there will be no additional cost. He stated the goal is to have this project completed by August 2017.

OnBase is a shared service centrally managed by the Office of the Chief Information Officer (OCIO). The OCIO is upgrading OnBase from version 14 to version 16. NPERS is responsible for testing and making any necessary software changes to ensure that NPRIS works with the new version. NPERS' goal is to have this completed in February 2017.

He stated staff is migrating the Hyperion SQR software to Microsoft SQL Server Reporting Services. NPRIS is being modified to integrate with the new reporting software. He anticipates this will be a long-term project, because there about 130 reports to convert and each one takes time to analyze and develop.

Work continues on the process improvement project. Programming changes to the refund processes are underway and staff is reviewing the retirement application process to identify possible improvements.

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

Agenda Item 10 – Internal Auditor Quarterly Report and Three-Year Audit Plan:

T. Zulauf provided the Board with a written report compiling results from the internal audits of School and County employers. She reported 9 School employer audits have been completed and 11 are pending for FYE 6/30/16. She reported 41 County internal audits have been completed.

She reported an increased amount of errors found in hours reported in the schools tested. Other issues have improved.

T. Zulauf provided an updated Three-Year Internal Audit Plan. She reviewed revisions made since last year.

Members of the Board commended T. Zulauf on the improvement of the Three-Year Audit Plan.

K. Ackerman moved to approve the Internal Auditor Quarterly Report and Three-Year Audit Plan. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 11 – Revise Deferred Compensation Plan (DCP) Document: Draft copies of the proposed revisions to the DCP plan document were presented to the PERB at the November PERB meeting and were available with the meeting materials.

O. Hill explained that the proposed changes to the DCP Plan Document are primarily designed to adopt the Model Amendments promulgated by the IRS in Rev. Proc. 2004-56 and clean up the language.

The only substantive change to the DCP is whether or not to continue to offer the optional "Special 457 Catch-up" (a.k.a. "3 Year Catch-up") that is offered under the current DCP Plan Document.

The "Special 457 Catch-up" provision allows an individual to contribute more than the normal IRC § 415 limits in their final 3 years before retirement. However, there are special rules that must be used to calculate the amount that an individual is allowed to defer. These rules can be complex for someone who is not familiar with both the rules, and the specific facts and circumstances of the individual who is attempting to use the "Special 457 Catch-up." This, generally, requires the individual to consult with their accountant and/or tax preparer.

O. Hill noted that this provision is separate and distinct from the "Over 50 Catch-up," which allows members to defer a specific amount of money over the IRC § 415 limits, when they are over age 50. The revised version of the DCP Plan Document continues the "Over 50 Catch-up."

P. Chambers explained the process and staff time involved calculating the allowed amounts and providing this information to members who are interested in utilizing the option. The Board discussed the benefit of providing the "3 Year Catch-up," the staff time involved, and possible risks involved.

J. Elliott moved to remove the option to allow participants in the DCP to use the "Special 457 Catch-up," with an initiation date of January 1, 2018, and a termination date of January 1, 2021. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

J. Elliott moved that the Board approve the revisions to the DCP without the "Special 457 Catch-up" and direct: (1) that the document be amended to reflect the removal of these sections, and (2) that the NPERS Director sign the revised DCP Plan Document as discussed. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 12 – Legal/Legislative Update: O. Hill reported that he and P. Chambers attended several meetings with Senator Kolterman, Kate Allen, Mike Dulaney, and Jason Hayes to discuss possible legislation for 2017.

O. Hill summarized a list of proposed legislation the Legislative Retirement Committee presented to the Nebraska State Education Association (NSEA).

O. Hill requested the Board's Legislative Committee meet prior to the January PERB meeting to discuss possible legislation.

O. Hill thanked K. Allen for preparing the list and sharing it with the PERB.

P. Chambers commended Senator Kolterman on his open communication style and working closely with NPERS and the School plan interest groups.

K. Ackerman left the meeting at 11:15 a.m.

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

The Board took a break at 11:18 a.m. and reconvened at 11:28 a.m. K. Ackerman returned to the meeting during the break.

Agenda Item 13 – Investment Officer’s Update: M. Walden-Newman reported his agency has completed the review of the domestic and international investment portfolio. Aon Hewitt is in the process of reviewing the NIC’s proposed revisions.

The agency is starting to use a research management system through the OCIO and their contracted provider. This will allow increased communication between the NIC staff and their consultants. The program will also provide NIC staff the ability to do investment monitoring internally, rather than hiring someone.

They are redesigning the NIC website, which should be completed in January.

He reported that everything is in place to begin managing the Omaha School Employees Retirement System (OSERS) assets on January 1, 2017. OSERS’ plan assets will be kept separate from NPERS’ assets.

Aon Hewitt and NIC staff are reviewing the investment options offered to participants in the Defined Contribution (DC) plans and the DCP.

M. Walden-Newman provided the Board with copies of the Third Quarter 2016 Performance Review prepared by Aon Hewitt. He reviewed the report. As of September 30, 2016, the fiscal year-to-date performance for the defined benefit plans was +3.9% and the calendar year-to-date performance for the cash balance plans was +7.1%. Assets totaled over \$23 billion. He stated all asset classes are at or above their benchmarks. He stated the markets are continuing to rise.

D. Blank moved to approve the Investment Officer's Update. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 14 – Director’s Report: P. Chambers reported receiving the Governor’s Chief Human Resource Officer’s authorization to fill the positions of the two Call Center staff retiring in December. She emphasized the importance of staffing the Call Center. She announced that during the hiring and training process in the Call Center, appointments for retirement

estimates will be reduced from four to three per day. Members retiring in the near future will be given preference for one-on-one office visits and members not yet ready to retire are encouraged to use the Benefit Estimator on NPERS' website.

She reported R. Ecklund, J. Elliott, P. Chambers, and the actuaries met with Governor Ricketts on November 21, 2016. The actuaries presented the School, Judges, and Patrol Actuarial Valuation Reports. P. Beckham also presented the reports to the Legislative Retirement Committee at a hearing on November 22, 2016.

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

Agenda Item 15 – Board Committee Reports: There were no reports.

Agenda Item 16 – Board Education/Travel Requests: There were no requests. J. Elliott reported attending her first meeting of the National Council on Teachers Retirement (NCTR) Executive Committee and stated she will periodically update the Board with information from NCTR.

Agenda Item 17 – Future Meetings/Agendas: The next PERB meeting is Monday, January 23, 2017.

Agenda Item 18 – Presentation to Ron Ecklund: On behalf of the Board and NPERS, J. Elliott presented R. Ecklund with a plaque and an honorary Admiralship to recognize his service to the PERB, NPERS, and its members for five years; including his last year as PERB Chairman. R. Ecklund thanked the Board for the recognition.

Agenda Items 19 and 20 – Executive Session: At 12:09 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 127514, 092540; 141265, and 167538; Case Review No. A-16-3; personnel matters; and other legal matters. D. Leonard seconded the motion. R. Ecklund repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

At 1:54 p.m., D. Leonard moved that the Board exit Executive Session and reconvene in Regular Session. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

D. Blank moved for approval of the Disability Applications of Retirement Nos. 127514, 092540, 141265, and 167538. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

In the matter of Case Review No. A-16-3, J. Derr moved that the Board make a finding that the member did not terminate employment during the 180 days following May 19, 2016, and that the Board direct NPERS to (1) retain the member's November 2016, December 2016, January 2017, and February 2017 benefits payments to recoup or offset the unauthorized distributions the member received, and (2) that the member be notified that the member's one hundred eighty (180) day period will begin on the last day of his employment as determined by NPERS. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

R. Ecklund concluded the meeting by thanking the Board and its predecessors for a fun, life-enriching experience.

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

The meeting adjourned at 2:00 p.m.



Phyllis G. Chambers
Director