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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**APRIL 24, 2017**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 9:34 a.m., Monday, April 24, 2017, in the 1526 Building, 4th Floor, Conference Room 4D, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by the Agenda posted on the PERB SharePoint website on Friday, April 14, 2017. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 17, 2017. J. Elliott chaired the meeting and V. Huber recorded the minutes.

### **MEMBERS PRESENT:**

JANIS ELLIOTT, CHAIR  
DENNIS LEONARD, VICE-CHAIR  
DENIS BLANK  
KELLI ACKERMAN  
JUDGE J. DERR  
PAM LANCASTER  
JIM SCHULZ  
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

### **MEMBERS ABSENT:**

ELAINE STUHR

### **NONMEMBERS PRESENT:**

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

VICKI HUBER  
Personnel Officer  
MELISSA NUSS  
Staff Assistant I  
NANCY REIMER  
Ameritas  
ZACH WELLS  
State Auditor's Office  
PAT BECKHAM  
Cavanaugh Macdonald Consultants  
BRENT BANISTER  
Cavanaugh Macdonald Consultants  
ALAN WICKMAN  
State Retiree

**Agenda Item 1:** J. Elliott 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:** J. Elliott called the April 24, 2017, Board Meeting to order at 9:34 a.m. Present at roll call: D. Blank, J. Elliott, D. Leonard, K. Ackerman, P. Lancaster, J. Schulz, and M. Walden-Newman. Absent: J. Derr and E. Stuhr

**Agenda Item 4 – Approval of Minutes:** J. Schulz moved for approval of the minutes of the March 20, 2017, Board Meeting. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & March 2017 Retirement Report:** D. Leonard moved to approve the Budget Status Report and the March 2017 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. 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.

J. Derr joined the meeting at 9:38 a.m.

**Agenda Item 7 – State and County Actuarial Valuations and ERBF Reports:** B. Banister explained the history of the equal retirement benefit funds (ERBF).

He reviewed the valuations of the State and County ERBF as of January 1, 2017.

P. Beckham commented on the current assumption that 25% of the members in this fund will annuitize. The actuaries will review this assumption to be sure it is still appropriate and report back to the PERB.

P. Beckham explained the Cash Balance (CB) benefit plan is a hybrid plan with characteristics of a defined benefit and defined contribution plan. It is a defined benefit plan, because of the guaranteed interest rate credit.

She reviewed the State and County actuarial valuations as of January 1, 2017. The report included membership statistics, system assets, funded ratios, the history of contribution rates, interest credits and dividends, and investment returns for the State and County plans from 2003 through 2017.

The number of retirees increased 12% last year.

She reported, as of January 1, 2017, the State and County funded ratios calculated on a **funding basis** are 105.3% and 105.4% respectively. The funded ratios calculated on a **current value basis** are 102.5% for the State and 100.5% for the County.



B. Banister explained the criteria required for paying a dividend. The Board policy requires both the funded and current value basis to be at 100%, after a dividend is granted. Based on State law and Board policy, a dividend could be paid this year for both the State and County plans.

He reviewed the history of State and County dividends awarded and the differences in the State and County dividends.

The report included five-year projections of expected State and County funding results with projected contributions.

In conclusion, P. Beckham stated both plans have a positive funding outlook. The funded ratio exceeds 100%. The actual contribution rate exceeds the actuarial contribution rate. The active member count in the Cash Balance plans is expected to grow in future years. There are 2,500 active State employees remaining in the DC plan and 1,000 active County employees in the DC plan.

Copies of the valuation reports are available from the Retirement Office or on NPERS' website.

D. Leonard moved to approve the State and County Actuarial Valuations and ERBF Reports. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

The board took a break at 10:45 a.m. and reconvened at 11:00 a.m.

J. Elliott stated the Board would take action on the dividend at the May PERB meeting.

The PERB and the actuaries discussed the pros and cons of paying a dividend, the impact of the percentage awarded, and the risk of future market performance.

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

**Agenda Item 8 – Mutual of Omaha-United of Omaha DCP Annuity Contract:** R. Gerke stated the annual annuity contract with Mutual of Omaha-United of Omaha expires June 30, 2017. He reported the annuity rate currently is 2.75% for the first 2 months and 2.25% thereafter. The proposed renewal decreases the annuity rate to 2.5% for the first 2 months and 2.0% thereafter. No other terms of the contract are changed.

He explained NPERS uses Mutual of Omaha-United of Omaha to provide DCP annuities. Only 96 participants are currently receiving an annuity. He reported 14 members annuitized in 2016 and 12 members annuitized in 2015.

J. Schulz moved to renew the Mutual of Omaha-United of Omaha DCP Annuity Contract for one year. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman,

D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

**Agenda Item 9– Legal/Legislative Update:** O. Hill provided an update on current legislation dealing with retirement.

He stated, LB415 has become an “omnibus” bill. Amendment (AM) 923 adds the provisions of LB31, LB32, LB110, LB219, LB278, LB413, and LB532. AM1000 provides technical changes to AM923 language to make it easier to administer (based on recommendations made by NPERS’ staff). The bill has not been debated yet.

He reported several member groups have recently expressed concerns to points in the bill, which prohibit providing service during the 180 days following retirement and the 3-year wait to return to work if retired with an incentive. Groups had concerns to the provisions in the bill regarding disabilities, which was originally meant to clean up the language to mirror the Internal Revenue Code and NPERS’ current practice. He explained the history of how disabilities are determined in the School plan. The proposed revision would have no change in how NPERS administers disabilities.

O. Hill reported he and P. Chambers met with Senator Kolterman, Kate Allen, and representatives of the Nebraska State Education Association (NSEA) to discuss their concerns.

He reported Legislative Resolution 101 was introduced by the Legislative Retirement Systems Committee on April 11, 2017. LR101 memorializes and thanks P. Chambers for her service and accomplishments as Director of NPERS, and wishes her well in her future retirement. It was signed by the Legislature on April 19, 2017.

J. Schulz moved to approve the Legal/Legislative Update. K. Ackerman seconded the motion. Discussion: The Board discussed AM923; fiscal notes and the fact LB219 was amended into LB415. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

J. Elliott requested the PERB Legislative Committee meet immediately following the meeting to discuss LB415 and its amendments.

**Agenda Item 10 – Director’s Report:** P. Chambers reported J. Schulz was confirmed by the Legislature on April 6, 2017.

She reported NPERS is entering the the busy season for School retirements. To date, NPERS had received 294 School applications for retirement with a June 1 effective date and 80 with a July 1 effective date. She stated the new staff in the Call Center are doing well. To date, there were 59 appointments scheduled for May.

She reported refunds are processing faster since NPERS’ introduced a more effective workflow process.



P. Chambers and R. Gerke have been working with the actuaries on the State and County actuarial valuations. She thanked R. Gerke for all of his work reviewing the draft reports.

P. Chambers reported Senator Kolterman requested an actuarial analysis on the provision in AM923 to LB415, which modifies the "Rule of 85" for School members. Currently the minimum age for retirement under the "Rule of 85" is 55. The study was requested to estimate the financial impact this proposed change, to a minimum retirement age of 60, would have on the future funding of the School plan. The actuaries completed the study and P. Beckham explained the results provided in her letter dated April 21, 2017. A copy of the actuary's letter was provided to the board. She reported the results of the study indicate a higher percentage of members will retire at the minimum age of 60 than is currently assumed at the minimum age of 55. The new 7.5% assumption rate was used in the study. The results of the study reflect the change would have a small impact on the normal cost rate over the next ten years. However, the proposed change would save the State \$54.4 million in the future, with projections to July 1, 2046. The board discussed the benefits of changing the minimum age from 55 to 60.

P. Chambers reported she and O. Hill attended the sentencing hearing of Sarah Kelly on April 19, 2017. Ms. Kelley illegally collected over \$40,000 in NPERS benefit payments. Ms. Kelley was sentenced to 4 to 6 years in jail; with 2 years off for good behavior. P. Chambers quoted Judge Strong saying, "she stole money from the School retirement of Nebraska." P. Chambers thanked the Nebraska State Patrol investigator and the Texas law enforcement for their work in apprehending Ms. Kelley.

P. Chambers and O. Hill attended the Nebraska Association of School Business Officials (NASBO) meeting on April 20, 2017. They participated in the opening session.

P. Chambers reported working on compiling materials to assist the PERB Director Search Committee.

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

**Agenda Item 11 – Board Committee Reports:** D. Leonard reported for the Director Search Committee. He reported the Committee met, via conference call, on April 14, 2017. J. Elliott, K. Ackerman, J. Schulz, and D. Leonard are members of the Search Committee and all participated in the call. D. Leonard is the chair of the Committee and stated D. Blank will serve as a consultant to the Committee, since he was on the Board at the time of the last Director search. P. Chambers was identified as the contact person for the Committee. He reported the Committee discussed the search timeline, the Director's job duties, and public meetings and public records laws. They planned to post the job opening on the State's job site as well as several public retirement organizations' websites. Applications may be submitted to State Personnel through May 31, 2017. J. Elliott stated questions and comments can be submitted to the Committee.

**Agenda Item 12 – Board Education/Travel Requests:** J. Schulz requested permission to attend the National Council on Teacher Retirement (NCTR) Annual Trustee Workshop, July 23-26, 2017, in Cambridge, Massachusetts; with expenses up to \$4,500.

D. Blank moved to approve J. Schulz' request for travel to attend the NCTR Annual Trustee Workshop, July 23-26, 2017, with expenses up to \$4,500. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. and Leonard. Abstain: J. Schulz. Against: None. Motion carried.

**Agenda Item 13 – Future Meetings/Agendas:** The next PERB meeting is Monday, May 15, 2017. M. Walden-Newman stated he would not be able to attend the May PERB meeting.

**Agenda Items 14 and 15 – Executive Session:** At 12:01 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Case Review No. D-17-3; personnel matters; the Director search; and other legal matters. D. Leonard seconded the motion. J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

At 1:30 p.m., D. Blank moved that the Board exit Executive Session and reconvene in Regular Session. J. Schulz seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

J. Schulz moved for approval of Case Review No. D-17-3. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

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

The meeting adjourned at 1:32 p.m.



Phyllis G. Chambers  
Director