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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**DECEMBER 18, 2017**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, December 18, 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, December 8, 2017. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 11, 2017. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

### **MEMBERS PRESENT:**

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

### **NONMEMBERS PRESENT:**

RANDY GERKE  
Director  
ORRON HILL  
Legal Counsel  
PATTY PIERSON  
Retirement Plan Supervisor  
JACK HARDY  
IT Manager  
TERESA ZULAUF  
Controller  
MELISSA NUSS  
Administrative Assistant  
DEAN GRESS  
IT Applications Developer  
MARIA DAVIS  
Retirement Specialist

MITCH SNYDER  
Retirement Specialist  
JOHN WINKELMAN  
Education Services Manager  
KATHY TENOPIR  
Legislative Fiscal Office  
KATE ALLEN  
Retirement Committee Legal Counsel  
JASON HAYES  
Nebraska State Education Association  
NEIL SULLIVAN  
DAS Budget Office  
ERIC ASBOE  
Nebraska Supreme Court  
AMY POGGENKLASS  
Nebraska Counsel of School Administrators

**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 December 18, 2017, Board Meeting to order at 9:33 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, D. Leonard, K. Ackerman, J. Derr, J. Schulz, P. Lancaster, and M. Walden-Newman.

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

**Agenda Item 5 – Approval of Budget Status Report & November 2017 Retirement Report:** D. Blank moved to approve the Budget Status Report and the November 2017 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. 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 – Education Services Report:** J. Winkelman provided materials summarizing the accomplishments of the Education Services Department in 2017. A total of 28 School Retirement Planning seminars were held across the state, with 1,321 attendees. There were 16 State and County Retirement Planning seminars held with 765 attendees. Four Financial Management seminars were held across the state, with a total of 112 attendees. Six School Employer workshops were held in six locations across the State with 240 attendees. There were six Retirement 101's conducted with approximately 400 people in attendance.

J. Winkelman reported that there was a new employee who joined Education Services, Natalia Kraviec. He commended both N. Kraviec and Cheryl Mueller for their hard work.

He reported the under 50 Financial Management program is transitioning to a new speaker. John Morrey has conducted the seminar for approximately 25 years, and his son, Michael Morey will be the new speaker. Education Services will continue to encourage heightened attendance levels at these seminars.

J. Winkelman discussed webinars, including the power of delivering information in person to members in a dynamic setting. He encouraged the use of webinars for Retirement 101's for members. He noted that encouraging members to attend comprehensive all day seminars across the State is vital to serve members who may not be able to utilize or gain access to NPERS office visits, as well as reduce the number of "walk-ins" at the NPERS office.

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

**Agenda Item 8 – Internal Auditor Quarterly Report and Three-Year Audit Plan:** T. Zulauf provided the PERB with a written report compiling results from the internal audits of School and County employers. She reported 14 School employer audits completed and eight School audits are pending for FYE 6/30/18. She reported 20 County internal audits have been completed with six counties in the audit process.

T. Zulauf commented on the nature of employer focus on retirement versus other issues considered a higher priority by employers. K. Ackerman commended the education provided for reporting agents T. Zulauf has achieved through the audit process. O. Hill stated that long-term disability insurance being listed as compensation is a common error among reporting agents. D. Leonard suggested the Internal Auditor complete an annual report regarding error trends.

T. Zulauf provided the Three-Year Internal Audit Plan. It reflects updates to the schedule of the County and Health Departments and the School lists. She noted the Memorandum of Understanding (MOU) which has been entered into and between Administrative Services and NPERS. The MOU discusses agency responsibilities and State accounting responsibilities. The MOU is updated on an annual basis and is used by the State to determine that adequate internal controls exist within all State agencies.

J. Schulz 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, J. Elliott, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 9 – Nebraska State Education Association Presentation:** J. Elliott introduced the speaker. She stated that a goal of the PERB is to periodically hear from member groups involved with the plans as an introduction or overview of participating member groups. The outreach project was featured at the 2015 NPERS annual retreat and has been revitalized by R. Gerke.

Jason Hayes, Director of Public Policy with the Nebraska State Education Association (NSEA), thanked the PERB for inviting him to speak. He recognized the effectiveness of NPERS, the Legislature, plan member groups, and the Nebraska Investment Council working together.

He commented on the importance of member groups to receive actuarial studies in a timely manner to assist in dissemination of information to support plan members in making informed decisions on matters prudent to retirement plans and legislation effecting retirement plans.

J. Hayes encouraged the PERB and NPERS staff to educate senators, particularly new senators, during the upcoming Legislative session, on the effects of changing State

contributions to School retirement plans. He noted the compromise reached between the Legislature and plan members on LB 533 during the 2013 Legislative session.

J. Elliott thanked J. Hayes for speaking with the PERB and submitting comments and concerns of the NSEA for consideration.

Agenda Item 16 was addressed out of order.

**Agenda Item 16 – Presentation to Elaine Stuhr:** On behalf of the PERB and NPERS, J. Elliott presented E. Stuhr with a plaque and an honorary Admiralship to recognize her service to the PERB, NPERS, and its members for ten years, including her distinguished service to the State of Nebraska in various capacities. E. Stuhr thanked the PERB for the recognition.

The PERB took a break at 10:50 a.m. and reconvened at 11:05 a.m.

**Agenda Item 10 – Legal/Legislative Update:** O. Hill thanked the Legislative and Government Employer Review Committees for their work and provided updates on topics they are currently addressing.

The Legislative committee reviewed and revised the Rule and Regulation “shall to may” language. The LB 415 language has been reviewed and revised for scrivener changes. He stated both of these items are two separate requisitions and will be submitted separately to the Legislative Retirement committee.

O. Hill stated that the Government Employer Review Committee report would be best served under Agenda Item 13: Board Committee reports.

D. Leonard was recognized by O. Hill for statements presented to members of the State Patrol regarding the purpose of the PERB and the positive feedback received from members regarding his statements. J. Elliott requested D. Leonard’s statements be formally submitted to the PERB for approval.

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

**Agenda Item 11 – Investment Officer’s Update:** M. Walden-Newman provided the Board with a report of the Third Quarter 2017 Performance Review prepared by Aon Hewitt. He reviewed the report. As of September 30, 2017, the fiscal year-to-date performance for the defined benefit plans was +12.2 and the calendar year-to-date performance for the cash balance plans was +12.1. Assets totaled over \$26 billion. He stated nearly all asset classes approximate or outperformed their respective benchmarks during the quarter.

M. Walden-Newman reported it has been approximately a year since the NIC began managing OSERS assets. He confirmed that the NIC provides performance reports to OSERS on a calendar plan, as the NIC does for the State and County plans. The NIC is

further along than projected regarding the transition of the OSERS portfolio to reflect other NIC managed Nebraska School plans. He will be speaking with the OSERS School Board later in the day.

M. Walden-Newman described the formal watch list prepared by Aon Hewitt and the criteria Aon Hewitt utilizes to determine watch lists.

He stated the NIC is wrapping up a two-year long Equity Project. An undertaking of this sort of portfolio review is unique to the NIC among other national investment councils.

M. Walden-Newman discussed cyber security. He polled all of the NIC's managers and State Street Bank to discuss their cyber security processes and the protection of assets. He was satisfied with security safeguards that are in place. He noted that Black Rock, one of the world's biggest money managers utilized by the NIC, utilizes security measures requiring multiple redundancies regarding security.

M. Walden-Newman reported a complete review of NIC policies has been completed over the past year. Revised policies will be presented for approval by the NIC at their February 8, 2018, meeting.

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

**Agenda Item 12 – Director's Report:** R. Gerke presented the Director's report to the PERB. In December, School employers received forms promulgated by LB 415 in regard to data collection of prearranged work resumption and early retirement inducements. R. Gerke and O. Hill met with Lincoln Public Schools' representatives regarding full implementation of the new forms. R. Gerke commended the time and hard work provided by NPERS staff on implementation of the forms.

R. Gerke commented on work done regarding NPERS Internal Auditor hiring. He commended the Budget and Personnel Committee on a job well-done. Results of the search process were announced during the Board Committee reports under Agenda Item 13.

He attended a Claims Board hearing in December to request a write-off of \$22,091.91 for uncollectable debts owed to NPERS.

R. Gerke reported the audit for State and County plans is underway.

He mentioned Jason Jackson, Chief Human Resources Officer for the Governor, was invited to speak at the NPERS agency meeting in December. He spoke with staff and managers on strategies for providing superior customer service to members, and he was very well-received by the agency.

R. Gerke reported on developments from the monthly Ameritas meeting. Ameritas will begin providing dividend disclosures on statements, rather than incorporating them in with earnings

amounts. In the third quarter, Ameritas will begin reporting beneficiary designations on member statements.

He commented on the progression of the FuzioN project, the new accounting, purchasing, and human resources system being implemented by the State of Nebraska. Several staff members have attended validation meetings and NPERS is staying ahead of new processes, so member services are not adversely affected.

R. Gerke reported Nancy Hicks, Lincoln Journal Star (LJS) reporter, spoke with him about retirement benefits provided to individuals who have broken the law. The article appeared in the Sunday, December 17, 2017, addition of the LJS.

He stated that O. Hill and V. Huber are revising NPERS policies. O. Hill and J. Hardy are developing a comprehensive procedural manual for the agency.

R. Gerke reported, in pursuance of reduced costs to the agency, NPERS has consolidated agency storage areas from two units to one.

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

**Agenda Item 13 – Board Committee Reports:** J. Schulz provided the Governmental Employer Review Committee report. He reviewed the Saunders Medical Center's request to withdraw from the County plan. He mentioned general governmental entity withdrawal provisions were discussed by the committee as a larger issue, which may need to be addressed in the future. O. Hill has received feedback from Cavanaugh Macdonald suggesting that if a request to withdraw were received, they would provide recommendations to the PERB to ensure a withdraw from a plan was executed properly. O. Hill presented an initial draft of a bill to the PERB, regarding county employer removal or withdrawal. A teleconference with the Governmental Employer Review Committee for review of the bill was suggested, to expedite the timeline for submission to the Legislative Retirement Committee.

P. Lancaster moved to approve the Government Employee Review Committee to move forward with finalizing the review of the county employer removal or withdrawal bill for submission to the Legislature. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. Against: None. Motion carried.

D. Blank, Budget and Personnel Committee Chairperson, yielded to K. Ackerman to provide an update of the search for NPERS Internal Auditor position. K. Ackerman reported four highly qualified candidates were interviewed for the position by K. Ackerman, J. Schulz, and R. Gerke. On behalf of the Budget and Personnel Committee, K. Ackerman recommended the PERB approve Diane Holtorf for the Internal Auditor position. She stated that D. Holtorf offers 17 years of experience with the Nebraska Auditor of Public Accounts, has worked with numerous State agencies, and that her experience will serve NPERS well into the future.

The committee asked the PERB to approve her appointment to include a start date of January 8, 2018.

K. Ackerman moved to hire Diane Holtorf to fill the Internal Auditor position, with a hire date of January 8, 2018. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. 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 will be Monday, January 22, 2018.

Agenda Item 16 was addressed out of order.

**Agenda Items 17 and 18 – Executive Session:** At 12:08 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members and legal matters: Case Review No. D-17-13; Prevention of Needless Injury to the Reputation of an Individual; Personnel Matters; Protection of Public Interest, Prevention of Needless Injury to the Reputation of an Individual; Update on Pending Litigation; Protection of Public Interest. E. Stuhr seconded the motion. J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. Against: None. Motion carried.

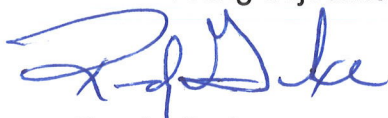
D. Blank left the meeting during Executive Session.

At 1:48 p.m., J. Derr moved that the Board exit Executive Session and reconvene in Regular Session. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. Against: None. Motion carried.

D. Leonard moved for approval of Case Review No. D-17-13. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. Against: None. Motion carried.

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

The meeting adjourned at 1:50 p.m.



Randy Gerke  
Director