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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

FEBRUARY 27, 2017

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, February 27, 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, February 17, 2017. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, February 20, 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
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT:

ELAINE STUHR
RON ECKLUND
PAM LANCASTER

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	VICKI HUBER Administrative Assistant
ORRON HILL Legal Counsel	JIM SCHULZ Public
PATTY PIERSON Retirement Plan Supervisor	NANCY REIMER Ameritas
JACK HARDY IT Manager	ZACH WELLS State Auditor's Office

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 February 27, 2017, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, J. Elliott, D. Leonard, K. Ackerman, J. Derr, and M. Walden-Newman. Absent: R. Ecklund, P. Lancaster, and E. Stuhr.

Agenda Item 4 – Approval of Minutes: K. Ackerman moved for approval of the minutes of the January 23, 2017, Board Meeting. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, and D. Leonard. Abstain: J. Derr. Against: None. Motion carried.

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

Agenda Item 5 – Approval of Budget Status Report & January 2017 Retirement Report: D. Leonard moved to approve the Budget Status Report and the January 2017 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, and D. Leonard. 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 – School, Judges, and Patrol Audit Report: Z. Wells was present, representing the State Auditor's Office. He reported finishing the School Judges, and Patrol Audit for the period of July 1, 2015, through June 30, 2016. He stated there were no comments or recommendations in the report issued on February 17, 2017. The report found no deficiencies in internal control or instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

He pointed out the new GASB 72, dealing with the fair value of investments, which impacts the disclosures in the footnotes. He explained the purpose of GASB 72 is to inform the reader about where the fair value of investments comes from.

Z. Wells thanked NPERS' staff and stated they are always very easy to work with.

Members of the Board commended NPERS' staff and the State Auditors for their work.

P. Chambers thanked the PERB Audit Committee for their participation in the audit exit conference.

Z. Wells stated their office appreciates the PERB's active interest in the audits.

D. Blank moved to approve the School, Judges, and Patrol public audit report. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, and D. Leonard. Against: None. Motion carried.

Agenda Item 8 – Information System (IT) Update: J. Hardy reported there were 55 open production investigation requests (PIRs) as of January 31, 2017.

He updated the Board on the scanning project. As of February 19th, he reported over 60% of the microfilm has been scanned and imported into NPRIS.

He reported the Secretary of State purchased a scanner for the microfiche scanning and their staff began scanning in January. The NPERS import and quality control processes are ready.

J. Hardy reported three major NPRIS subsystem upgrade projects are in progress. The OnBase upgrade will be completed on March 10, 2017; the WebSphere application server upgrade is on course to be completed in the third quarter of 2017; and the reporting software migration has been put on hold while staff works on the OnBase and WebSphere projects.

Phase 1 of the refund process improvement project was completed on February 17, 2017.

The Microsoft Office upgrade to version 2016 was completed this month.

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

Agenda Item 9 – Legal/Legislative Update: O. Hill provided an update on recent legislative activity dealing with retirement. He reported there are eight bills left to be heard and last month the PERB voted to provide testimony on three of those. He stated he would be providing testimony at the hearings on LB31 and LB415 that afternoon and a hearing was not yet scheduled for LB630. He reported most of the bills remain at the Committee level and a few have moved to general file.

He reported NPERS staff has been busy working with legislators and their staff, regarding potential amendments to bills.

J. Elliott commended O. Hill for keeping the PERB updated; providing summaries and dates of hearings.

P. Chambers commented on the hearing for LB548, which was held on February 23, 2017. The bill proposes to merge the Omaha School Employees Retirement System (OSERS) and NPERS' School Plan effective July 1, 2020. She reported many people attended the hearing. She reported there was only one proponent testimony. The Committee received several letters, including one from the Governor opposing the bill. P. Chambers summarized some of the testimony presented and discussed costs of transition and commented that it would be premature to merge the systems before OSERS' unfunded liability is addressed.

O. Hill explained LB31 pertains to the definition of creditable service in the School plan. Language in the bill intends to limit the types of leave available that will be treated as creditable service for retirement purposes. The bill also intends to resolve issues that have

developed with employers paying for the purchase of air-time as a means to settle litigation or as providing a fringe benefit. The bill is also meant to ensure the plan complies with the Internal Revenue Code.

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

Agenda Item 10– Director’s Report: P. Chambers introduced James Schulz, who the Governor recently appointed to replace Ron Ecklund on the PERB, effective February 28, 2017. His confirmation hearing has not yet been scheduled.

She reported NPERS has been working on finishing its Annual Report to the Legislature. It is planned to be to the printer by March 1st.

P. Chambers reported the Nebraska Investment Council (NIC) met on February 22, 2017. The Governor has reappointed Dr. Richard DeFusco to the NIC. She reported as of December 31, 2016, the calendar year-to-date performance for the cash balance plans was +8.5% and the fiscal year-to-date for the defined benefit plans was +5.2%. M. Walden-Newman will give a full report at the March PERB meeting.

She reported the transition of the NIC handling the OSERS investments is going well. The NIC was prepared. She explained NPERS’ accounting department will make a monthly transfer to OSERS’ for their plan’s annuity payments.

P. Chambers shared a letter from the legal counsel of the Accountability and Disclosure Commission to D. Blank, received in 2004. The letter discusses the question whether PERB members voting on cash balance dividends could constitute a conflict of interest. The letter gives a staff opinion and states “the board members are generally exempt from filing the Potential Conflict of Interest Forms (C-s) when carrying out their statutory prescribed decisions.” It further explains the “board member’s actions have the potential to impact all members in the same way, and as a result, the impact to the individual board member is indistinguishable from the impact to the ‘public generally’ as a concept.”

P. Chambers reported Ameritas fees changed October 1, 2016. Members are now charged 50 cents per quarter to receive their statements in the mail or they can sign up to receive statements on line for free. The January report showed 2,821 members have signed up for electronic statements and 35,500 still receive them my mail.

P. Chambers announced Sheila Linder is retiring from NPERS. Her last day is March 23rd. Ms. Linder provided support to the PERB in the past. Approval for filling the position was received; however, NPERS has been asked to reclassify the position prior to its posting.

P. Chambers reported making arrangements for Diane Oakley to be the keynote speaker for the PERB Retreat in July. Ms. Oakley is the Executive Director of the National Institute on Retirement Security (NIRS). P. Chambers stated, NIRS is recognized for its retirement research.

P. Chambers stated the National Association of State Retirement Administrators (NASRA) has issued a new "Issue Brief" on investment return assumptions. She reported 7.5% assumed rate is now the national median. A copy of the "NASRA Issue Brief" was provided to the Board on their website.

She reported NPERS retirement seminars begin March 1, 2017. Twenty-eight seminars are scheduled for the School, Judges, and Patrol.

P. Chambers requested permission to attend the National Council on Teacher Retirement (NCTR) Annual System Directors' Meeting June 14-16, 2017, in St. Paul, Minnesota.

D. Leonard moved to approve the Director's request for travel to the NCTR Annual System Directors' Meeting, with up to \$3500 in expenses. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, and D. Leonard. Against: None. Motion carried.

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

Agenda Item 11 – Board Committee Reports: There were no reports. J. Elliott stated a new PERB Committee List will be sent out in March.

Agenda Item 14 – Board Education/Travel Requests: There were no requests. J. Elliott reported she will be traveling to New Orleans, Louisiana to attend the NCTR Executive Committee meeting in March. Her expenses are paid by NCTR.

Agenda Items 16 and 17 – Executive Session: At 11:09 a.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Case Review Nos. A-17-1 and D-17-1; personnel matters; 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, and D. Leonard. Against: None. Motion carried.

At 12:59 p.m., J. Derr moved that the Board exit Executive Session and reconvene in Regular Session. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, and D. Leonard. Against: None. Motion carried.

D. Blank moved that in Case Review No. A-17-1, the Board adopt the recommendation of NPERS, whereas the retirement effective date be August 1, 2016. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, and D. Leonard. Against: None. Motion carried.

D. Blank moved for approval of Case Review No. D-17-1. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, and D. Leonard. Against: None. Motion carried.

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

The meeting adjourned at 1:02 p.m.

A handwritten signature in cursive script that reads "Phyllis G. Chambers".

Phyllis G. Chambers
Director