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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JANUARY 23, 2017

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:00 a.m., Monday, January 23, 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 Tuesday, January 17, 2017. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, January 16, 2017. J. Elliott chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

JANIS ELLIOTT, VICE-CHAIR
DENIS BLANK
ELAINE STUHR
DENNIS LEONARD
KELLI ACKERMAN
PAM LANCASTER
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT:

RON ECKLUND, CHAIR
JUDGE J. DERR

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
Administrative Assistant
NANCY REIMER
Ameritas
NEIL BATEMAN
Retired Teachers
JIM SCHULZ
Public

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 January 23, 2017, Board Meeting to order at 10:00 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, D. Leonard, K. Ackerman, P. Lancaster, and M. Walden-Newman. Absent: J. Derr and R. Ecklund.

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

Agenda Item 4 – Approval of Minutes: D. Leonard moved for approval of the minutes of the December 19, 2016, Board Meeting. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & December 2016 Retirement Report: D. Blank moved to approve the Budget Status Report and the December 2016 Retirement Report. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 6 was discussed out of order, after Agenda Item 7.

Agenda Item 7 – Election of Officers: P. Chambers, Board Secretary, opened nominations for the Board Chair. D. Leonard nominated J. Elliott for Chair. P. Lancaster seconded the motion. D. Blank moved that nominations cease and a unanimous ballot be cast for J. Elliott. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Abstain: J. Elliott. Motion carried.

J. Elliott opened nominations for the Board Vice-Chair. E. Stuhr nominated D. Leonard for Vice-Chair. D. Blank seconded the motion. D. Blank moved that nominations cease and a unanimous ballot be cast for D. Leonard. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, and E. Stuhr. Against: None. Abstain: D. Leonard. Motion carried.

J. Elliott opened nominations for Board Secretary. D. Leonard nominated P. Chambers for Board Secretary. K. Ackerman seconded the motion. D. Blank moved that nominations cease and a unanimous ballot be cast for P. Chambers. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, 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 8 – Retirement Seminars - Fee Increase: J. Winkelman provided the board with a cost comparison for NPERS seminars for 2012-2016. He proposed increasing all seminars to \$22. The board discussed cost comparison, additional costs for materials, food service, and whether the increase in cost would affect attendance at the seminars. It was noted that \$22 would not cover the costs.

K. Ackerman moved the NPERS Retirement Seminar registration fees be increased as follows: plan member and guest registration fees increased to \$25 per person and non-member registration fees increased to \$35 per person. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 9 – Accountability and Disclosure Forms: P. Chambers informed the board their Statement of Financial Interests is due March 1st, this year.

P. Chambers provide the board with a handout entitled “Synopsis of Conflicts of Interest Laws Applying to State Executive Branch Officials and Employees.” She reviewed Nebraska's laws pertaining to conflict of interest and penalties. She pointed out PERB members who represent a specific NPERS plan are allowed to vote on plan decisions.

Agenda Item 10 – Legal/Legislative Update: O. Hill deferred his report to the Board Committee reports.

Agenda Item 11 – Board Committee Reports: Members serving on the PERB Legislative Committee are K. Ackerman, D. Leonard, and E. Stuhr. E. Stuhr is Chair of the Committee. On behalf of the PERB Legislative Committee, E. Stuhr reported the PERB Legislative Committee met with P. Chambers and O. Hill, via conference call, on January 19, 2017. She asked O. Hill to review the Committees discussions on the bills. O. Hill provided the Board with a list of legislation introduced dealing with retirement, as of January 19, 2017. He provided a summary of the bills in which the PERB Legislative Committee recommends the Board testify at upcoming legislative hearings:

LB31 proposes to change the definition of service credit in the Nebraska School Employees Retirement System (School Plan) for employees hired on or after July 1, 2017, to limit the types of available leave that will be treated as creditable service for retirement purposes.

LB32 proposes to remove the PERB’s duty to provide tax advice in the State and County plans, and modifies when and how the County prior service annuity is paid.

LB79 proposes to adopt the Small Business Retirement Marketplace Act; creating additional retirement options for Nebraska’s small businesses.

LB94 proposes to increase the amount of funds offered by the State Investment Officer to financial institutions as deposits under the Nebraska Capital Expansion Act (Act).

M. Walden-Newman explained the Act uses state funds and not retirement assets.

LB110 would change duties and requirements relating to certain retirement plan reporting, currently collected by the PERB and the Auditor of Public Accounts. NPERS would continue

to collect reports on Defined Contribution and Defined Benefit plans until December 31, 2017, and then the Auditor would take over.

LB219 proposes to change the definition of "actuarial equivalency" in the State, County, Judges, School, and Patrol plans. It would also change how the annuity rate is determined by giving the PERB the authority to set the annuity rate after an actuarial experience study, benefit adequacy study, or plan valuation for the County and State plans.

LB278 would harmonize disability provisions between the County, State, and School plans, to clarify the standards and timelines to be applied when determining whether an individual is disabled for retirement purposes. It would also authorize a waiver of medical examination in State and County plans (already in the School Plan) when the member faces extraordinary circumstances, such as hospice placement or similar confinement for terminal illness or injury.

O. Hill stated there will likely be an amendment to LB278, correcting language in the School Plan regarding the PERB's authority to require a medical examination and eliminating the "age 55" language and substitute "is eligible to receive an unreduced retirement benefit."

LB412 directs the State Investment Officer to review the investment structure of the state and provide a report on investments in fossil fuels and clean energy and the volatility of investing in each.

LB413 proposes to provide members in the Judges and Patrol plans 120 days to file their retirement applications, rather than 90 days. This harmonizes with the School Plan. It also would "clean-up" language relating to cost-of-living "adjustments" and "payments."

LB414 would change how the Judges plan is funded. The bill eliminates the portion of court fees being paid to NPERS and instead directs an employer match to be paid by the state. The court fees would be directed to the general fund, which would then be appropriated to pay the employer match.

The Board discussed concerns that the bill is not clear as currently drafted. Questions were brought forward regarding a guarantee of funding and the timing of the state's payments.

LB415 proposes to change the definition of "termination" in the plans to reduce the likelihood that an individual can receive multiple retirements in the same plan, across NPERS' plans, or in the Omaha School Employees Retirement Systems (OSERS). The bill impacts the rules related to returning to work. It would require employers and employees to prepare a statement that there was no prearranged agreement to return to work; sets a new vesting requirement of 10 years for those returning to work after retirement; requires school employers to report to the Nebraska Department of Education (NDE) within 15 calendar days when a retiree returns to work, and NDE must forward that information to the PERB within 15 calendar days of receipt; and replaces restrictions on returning to work for those who receive an early retirement incentive.

The Board discussed concerns with the provision that would prohibit retirements across plans, the 10 year vesting requirement, and the reporting duties.

LB532 proposes to change how military service works in the County and State plans for military service on or after January 1, 2018. The bill would require employers to pay all employee and employer contributions; clarifies how military service credit is to be awarded in the School, Judges, and Patrol plans; clarifies the overarching rules and policies that must be followed; and grants the PERB authority to promulgate rules and regulations to carry out these provisions.

LB548 would merge OSERS and NPERS' School Plan effective July 1, 2020. The bill would (1) make all OSERS members School Plan members; (2) require that NPERS use the current OSERS benefit and contribution structures for all active, deferred, inactive, disabled, and retired members of the OSERS plan; (3) require the OSERS Board to provide info to NPERS "on or before July 1, 2020" regarding records, documents, data, and information systems, and the original copies of all records and documents; (4) make all assets, rights, liabilities, and obligations of OSERS obligations of the School Plan; (5) make the School Plan the successor in interest to all claims that may have been filed with/against OSERS, except breach of fiduciary or legal duties that may be laid against OSERS Board or the Omaha Public (OPS) School Board of Education; (6) require the School Plan to take contributions as outlined under the OSERS plan; (7) require the Retirement Systems Committee of the Legislature to contract with an actuary to provide an analysis that will identify the additional contribution to make each year for additional funding that would have been required under OSERS to achieve the same funding ratio as the School Plan; and (8) OPS new hires after June 30, 2020, would be members of the School Plan and not eligible to participate in OSERS.

The Board discussed concerns with the timing and administrative costs involved with the merger and whether there would be guarantees OSERS' unfunded liability will be paid. The Board discussed its fiduciary responsibility in regards to the funded status of the current NPERS plans.

LB212 proposes to adopt the "In the Line of Duty Compensation Act." It was discussed that this bill is unclear in regards to the definition of "compensation" and whether retirement would be taken out of this lump sum payment to law enforcement officers or firefighters who are killed in the line of duty. O. Hill expressed concern whether or not the bill would include resource officers in the School Plan.

LB630 would adopt the Independent Public Schools Act. O. Hill explained, currently, the Class V School Employee Retirement Act (OSERS) applies to the independent school employees in Class V Schools and the School Employees Retirement Act applies in all other independent schools. The Board discussed potential concerns with the administration of these independent schools and whether they can even be considered public employees.

LB655 would authorize state employees to volunteer at public schools and certain non-profit organizations.

E. Stuhr moved that the Board testify in favor of LB31, LB32, LB110, LB219, LB278, and LB413. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

E. Stuhr moved that the Board testify in opposition of LB79, LB412, LB548, and LB630. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

E. Stuhr moved that the Board testify in a neutral position on LB414, LB415, LB532, LB212, and LB655. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

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

Agenda Items 12 through 15 were discussed out of agenda order after the Executive Session.

Agenda Items 16 and 17 – Executive Session: At 12:12 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing application of plan members, 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. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

At 12:50 p.m., D. Leonard moved that the Board exit Executive Session and reconvene in Regular Session. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

There was no Board action taken on Executive Session items.

Agenda Item 12 – Director’s Report: P. Chambers reported the State Auditors have completed the School, Judges, and Patrol audit. P. Chambers stated no audit points were reported. She expects the Auditors will present their report at a future PERB meeting.

P. Chambers reported that she sent a letter to the Appropriations Committee requesting a budget deficit of \$35,000 in Personal Services Limitations (PSL) for 2016-17. R. Gerke explained the Governor did not cut NPERS’ existing budget; however, he removed NPERS’ request for \$35,000 additional funds to pay out vacation and sick leave for staff that are expected to retire by the end of the current fiscal year.

P. Chambers reported there is no news on the Governor appointing a board member to replace R. Ecklund.

She stated Ameritas has invited the PERB to hold the March meeting at Ameritas. Ameritas will present their annual report for the State, County, and DCP plans.

P. Chamber reported planning has started for the PERB retreat. The Retreat is scheduled to be held Monday, July 17, 2017, at the Lied Lodge and Conference Center, in Nebraska City. Max Kotary, from Aon Hewitt, is scheduled to speak on investment topics and P. Chambers is working on the keynote speaker.

J. Elliott asked the Board to let her know if they want to serve on a different Board Committee in the next two weeks.

D. Blank left the meeting at 1:15 p.m.

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

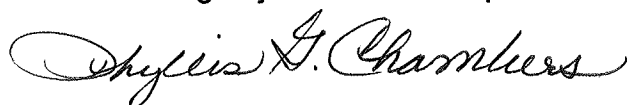
Agenda Item 14 – Board Education/Travel Requests: There were no requests.

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is Monday, February 27, 2017.

D. Blank returned to the meeting at 1:18 p.m.

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

The meeting adjourned at 1:18 p.m.



Phyllis G. Chambers
Director