



1526 K Street, Suite 400
P.O. Box 94816
Lincoln, NE 68509-4816
Phone 402-471-2053
Toll Free 800-245-5712
Fax 402-471-9493
npers.ne.gov

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JUNE 19, 2017

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, June 19, 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, June 9, 2017. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 12, 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
JIM SCHULZ
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT:

PAM LANCASTER

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS
Director
RANDY GERKE
Deputy Director
ORRON HILL
Legal Counsel
PATTY PIERSON
Retirement Plan Supervisor
JACK HARDY
IT Manager
TERESA ZULAUF
Internal Auditor
VICKI HUBER
Personnel Officer

MELISSA NUSS
Administrative Assistant
KATE ALLEN
Retirement Committee Legal Counsel
CARL GOODWIN
MassMutual
JASON HAYES
Nebraska State Education Association
ERIC ASBOE
Nebraska Supreme Court
ZACH WELLS
Auditor of Public Accounts
NEIL BATEMAN
Retired Teacher

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 June 19, 2017, Board Meeting to order at 9:32 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, D. Leonard, K. Ackerman, J. Derr, J. Schulz, and M. Walden-Newman. Absent: P. Lancaster.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the May 15, 2017, Board Meeting. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, J. Schulz, and E. Stuhr. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May 2017 Retirement Report: K. Ackerman moved to approve the Budget Status Report and the May 2017 Retirement Report. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, 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 – MassMutual DCP Annual Report : C. Goodwin reported on the Deferred Compensation Plan (DCP) managed by MassMutual.

C. Goodwin presented the Strategic Plan Review and Action Plan for January 1, 2016, to December 31, 2016. He reported assets of \$33.4 million on December 31, 2016; a decrease of 5% from January 1, 2016. He stated the bulk of the decrease stems from participant withdrawals. The review includes an overview of member data, technological services, participant allocations, investment options, and retiree assets. As of December 31, 2016, the MassMutual DCP plan had 584 participants.

J. Elliott asked for clarification regarding the average number of investment options utilized by Plan participants, noting the number of 2.24 seemed higher than previous years.

C. Goodwin stated he would follow up in writing to the Board with the information requested.

C. Goodwin stated that online member participation is encouraged and he reviewed online statistics of members accessing the website.

C. Goodwin discussed two underperforming funds and suggested investment strategists from MassMutual could personally visit or conference call to review the funds.

There was Board discussion pertaining to the responsibility for fund review. J. Schulz asked about the process involved in managing underperforming funds. M. Walden-Newman stated that a review of the DCP plan has begun and confirmed for the Chairperson that legal responsibility lies with the Nebraska Investment Council (NIC) for fund selection. C. Goodwin stated he would follow up with M. Walden-Newman and the NIC regarding fund choices.

J. Schulz requested information reporting participant behaviors involving cash flow of net transfers in and out of funds. C. Goodwin offered to run a report supplying this information. Board discussion proceeded involving a brief history of the fund transition from MassMutual to the State DCP.

C. Goodwin stated he would follow up with the Board to provide additional information pertaining to 12b-1 fees.

C. Goodwin suggested a review of the Hartford Small Company fund and the Hartford Capital Appreciation fund performance. J. Elliott commented on the productive Board discussion of the MassMutual Plan and is looking forward to follow up information provided by C. Goodwin. J. Elliott suggested M. Walden-Newman as a source for further Board inquiry and education.

D. Leonard moved to approve the MassMutual DCP Annual Report. K. Ackerman moved to second. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, J. Schulz, and E. Stuhr. Against: None. Motion carried.

P. Chambers stated that T. Zulauf, P. Pierson, and Nebraska Public Employees Retirement Systems (NPERS) staff work with MassMutual to serve the DCP members.

Agenda Item 8 – Information System Update: J. Hardy reported there were 47 open production investigation requests (PIRS) as of May 31, 2017

J. Hardy updated the Board on the scanning project. He announced that as of June 12, 2017, the microfilm project noted a milestone of having 100% of the member document scanning complete. He stated the administrative documents are 50% complete, and the overall project is approximately 90% complete. He stated that the microfiche scanning project of inventorying, scanning, indexing and quality control (QC) with the Secretary of State project is currently in process.

OnBase Enterprise content management upgrade to version 16 was fully completed on June 9, 2017. WebSphere application server upgrade to version 9 is in process with a goal completion of September 30, 2017.

J. Hardy reported that LB415 and the adopted changes to actuarial assumptions will require a number of Nebraska Public Retirement Information System (NPRIS) changes. The provisions of LB415 are under current review to fully determine the required changes.

J. Hardy stated the on-line self-service benefit estimator is being improved to allow for additional user-friendly member engagement. J. Elliott commented that Plan members will appreciate the changes and thanked him for focusing on the improvement. He reported that employee PC upgrades are under way. A high speed document scanner used by the Data Services team is also being upgraded.

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

Agenda Item 9 – Internal Auditor Quarterly Report: T. Zulauf provided the Board with a report compiling results from the internal audits of County and School employers.

T. Zulauf reported the Internal Auditor department has completed 35 School employer audits for the fiscal year ending June 30, 2017, with 6 School audits still pending. There are 266 School employers who report to NPERS on a monthly basis. Since internal auditing began in 2011, there are 51 schools remaining to be audited with LPS among them. J. Schulz inquired about School employees not properly enrolled on time and actions that can be taken for enforcement. T. Zulauf reviewed the internal audit follow up procedure.

K. Ackerman acknowledged the effectiveness of the NPERS staff in educating reporting agents after the auditing process is complete. Board discussion followed pertaining to school representatives attending workshops. K. Ackerman inquired as to whether all schools send representatives to workshops. T. Zulauf stated not all schools send representatives, but the Employer Reporting Manual is sent to schools regardless if they attend workshops. She noted that new reporting agents often have higher workshop attendance rates. She mentioned Education Services is revising the Employer Reporting Manual. K. Ackerman commended T. Zulauf and NPERS' efforts to improve school reporting. P. Chambers requested T. Zulauf to provide a report for the Board of schools not sending representatives to workshops. Workshops will begin at the end of July.

County employer audits are underway and T. Zulauf stated the audits are going quickly. The County auditor has been completing school audits and is now focusing on County audits. There were 2 schools with no audit points: O'Neal & Randolph public schools.

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

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

The Board took a break at 10:37 a.m. and reconvened at 10:53 a.m.

Agenda Item 10 – Legal/Legislative Update: O. Hill stated the legislative session ended on May 23, 2017.

O. Hill reported that with the passage of LB415, several forms, as well as Rules and Regulations, will need to be updated. The updates and reviews are being addressed presently. He thanked the NPERS staff for their assistance during this legislative session.

O. Hill remarked to the Board that NPERS has been invited to present a topic at Administrator Days through the Nebraska Council School Administrators in July. He and P. Chambers are developing the presentation to continue educating superintendents from a legal perspective.

He stated that John Winkelman and Education Services are in the process of developing newsletters and other information highlighting changes due to the passage of LB415 and thanked Education Services for their work.

O. Hill remarked that NPERS Rules and Regulations will require updates due to LB415 provisions. He will be requesting meetings with the Regulation and Policy Review Committee for the upcoming review process. The Regulation and Policy Review Committee members are: J. Derr (Chairperson), E. Stuhr, and J. Schulz. Legislative Committee members are: E. Stuhr (Chairperson), D. Leonard, and K. Ackerman.

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

Agenda Item 11 – Investment Officer’s Update: M. Walden reported the calendar year-to-date performance for the Cash Balance plans was +4.6% as of March 31, 2017. The report stated the fiscal year for the Defined Benefit plans through March 31, 2017 was +10.0%.

M. Walden-Newman remarked that this is the first quarter Omaha School Employee Retirement System is officially a part of the NIC investment portfolio with nearly \$1.2 billion in assets, bringing the total number of assets managed by the NIC to over \$24 billion.

He reported the performance numbers are very positive for the first quarter of 2017. M. Walden-Newman stated portfolios are beating their policy benchmarks. He reported NIC carefully monitors where the portfolios actually are compared to their policy benchmarks. He reviewed and compared peer performance results which reflected favorably on NIC investments.

M. Walden-Newman commented on the review of plans for the domestic and international equity portfolios. Discussions with the NIC include active international managers and related fees versus a passive strategy. Further NIC discussions are continuing in relation to overweight in the U.S. stock market and reviews of investment strategies. He went on to comment on determining what role currency plays in the structure of the portfolio going forward and that discussions will continue as to whether hedging will have a future role in the portfolio.

M. Walden-Newman noted the DC and DCP review will continue at the NIC retreat with State Street Bank presenting up-to-date options and structures for the DC and DCP plans.

M. Walden-Newman stated the removal of Ironbridge as an active global equity manager. He presented an OSERS transition update for the Board. He also reported on Aon Hewitt’s pending contract expiration and that the NIC issued RFP’s for consultants.

The NIC retreat will be held on Thursday, July 27, 2017, at Quarry Oaks in Ashland, Nebraska. P. Chambers commented on International and U.S. investing and mentioned this would be a part of the discussions presented at the NIC retreat. J. Elliott encouraged the Board to attend the NIC retreat.

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

Agenda Item 12 – Director's Report: P. Chambers stated that 607 members applied for retirement with a June 1, 2017 effective date. She noted that the passage of LB415 resulted in School members taking part in early retirement inducement.

P. Chambers reported that the PERB retreat will be Monday, July 17, 2017, in Nebraska City at the Lied Lodge and Conference Center. She stated that the Executive Director of the National Institute on Retirement Security (NIRS), will be the featured speaker. P. Chambers confirmed that Max Kotary, from Aon Hewitt, will be presenting on global and domestic markets, asset allocation, investment information, and the manager review process.

P. Chambers stated that she and Pat Beckham are currently working on changes to the Board funding policy, factoring in assumption changes from the recent experience study and LB415. P. Beckham will present the changes at the PERB retreat.

P. Chambers travelled to St. Paul, Minnesota for the National Council on Teacher Retirement Director's meeting. Approximately 25-30 Directors, attending from large to small systems, hold candid discussions of similar issues systems face. A common challenge facing attendees is the issue of members returning to work after retirement and not following a proper separation of service. Different plans offer different solutions to this problem. Additional topics discussed included: following IRS rules and the lack of definitions provided by the IRS, GASB 67-68, technology, and telecommuting. The Minnesota State Retirement System technology plan utilizes 2-factor verification, signed agreements, strict access, production requirements, and performance monitoring. This technology would require additional resources for NPERS to implement.

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

Agenda Item 13 – Board Committee Reports: D. Leonard stated the Director Search Committee met on June 8, 2017, regarding the Director search and will share information with the Board during Executive session.

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

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is the Annual PERB Retreat on Monday, July 17, 2017, at the Lied Lodge and Conference Center in

Nebraska City, Nebraska. The NIC retreat is Thursday, July 27, 2017, at Quarry Oaks in Ashland, Nebraska.

Agenda Items 16 and 17 – Executive Session: At 12:02 p.m., J. Derr 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-17-4; personnel matters; Director Search; and other legal matters. D. Blank 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, J. Schulz, and E. Stuhr. Against: None. Motion carried.

At 2:07 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, D. Leonard, J. Schulz, and E. Stuhr. Against: None. Motion carried.

Board Action on Executive Session Topics: J. Schulz moved for approval of Case Review No. D-17-4. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, J. Schulz, and E. Stuhr. Against: None. Motion carried.

Regular Session Items Prior to Adjournment: P. Chambers requested permission to attend the National Association of State Retirement Administrators (NASRA) Annual Conference August 5-9, 2017, in Baltimore, Maryland, with expenses up to \$3500.

E. Stuhr moved to approve P. Chambers request to attend the NASRA meeting August 5-9, 2017, in Baltimore, Maryland, with expenses up to \$3500. J. Schulz seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, J. Schulz, and E. Stuhr. Against: None. Motion carried.

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

The meeting adjourned at 2:11 p.m.



Phyllis G. Chambers
Director