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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

SEPTEMBER 18, 2017

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:35 a.m., Monday, September 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, September 8, 2017. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, September 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	Retirement Specialist
ORRON HILL Legal Counsel	ERIC ASBOE Nebraska Supreme Court
PATTY PIERSON Retirement Plan Supervisor	NANCY REIMER Ameritas
JACK HARDY IT Manager	KATE ALLEN Retirement Committee Legal Counsel
TERESA ZULAUF Internal Auditor	PAT BECKHAM Cavanaugh Macdonald Consulting
MELISSA NUSS Administrative Assistant	BRENT BANISTER Cavanaugh Macdonald Consulting
DEAN GRESS IT Applications Developer	ZACH WELLS Auditor of Public Accounts
JOHN WINKELMAN Public Information Officer	GARY BUSH Administrative Services, Budget
MARIA DAVIS	MITCH SNYDER Retirement Specialist

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 September 18, 2017, Board Meeting to order at 9:35 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. Absent: None.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the August 14, 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 & August 2017 Retirement Report: J. Schulz moved to approve the Budget Status Report and the August 2017 Retirement Report. 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 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 – State and County Audit Report: Z. Wells presented the State and County Employees Retirement Plans Audit Report for January 1, 2016 through December 31, 2016.

Z. Wells reported the State and County Audit received an unmodified opinion. There were no report comments this year. A change to footnote four was added to include additional information regarding how investments are valued. Z. Wells commended the NPERS staff as expeditious and helpful in the auditing process.

D. Leonard moved to approve the State and County Audit Report. K. Ackerman moved to second. 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: T. Zulauf provided the Board with a written report compiling results from the internal audits of School and County employers. She reported 37 School employer audits have been completed FYE 6/30/17. She reported eight County employer audits have been completed and five are in process. By the end of 2017, 22 County audits should be completed and four Public Health District/Hospital audits should be completed.

T. Zulauf reviewed the follow up process for schools with errors. She indicated demographic information reporting is improving.

T. Zulauf reported two thirds of schools are attending the school employer workshops. Representatives from 182 schools were present, while 84 schools did not have representation at the workshops. J. Elliott recommended sending a survey regarding school workshops absences. K. Ackerman suggested webinar options or to provide filmed workshops to boost attendance. J. Elliott suggested using school IDs to track attendance. Trend tracking was suggested from J. Schulz.

D. Blank moved to approve the Internal Auditor Quarterly 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 9 – Investment Officer’s Report: M. Walden-Newman presented the Second Quarter Performance Review for 2017.

As of June 30, 2017 the return for the Defined Benefit Plans was 13.7% and the Cash Balance Plan was 8%. M. Walden-Newman discussed asset allocations and a new policy approved by the Nebraska Investment Council (NIC), regarding rebalancing the portfolio. This is a new policy for the NIC the State Investment Officer introduced as part of his three-year plan. M. Walden-Newman commented on due diligence processes surrounding investment agility. He reported on returns by asset class, peer rankings, and fees.

M. Walden-Newman produced the 2017 Second Quarter Investment Review and gave an overview of the contents for PERB members.

E. Stuhr moved to approve the Investment Officer’s 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 10 – Budget Deficit Request Discussion: R. Gerke presented two items for discussion before making a request for spending authority, and a separate item for the PERB’s information.

R. Gerke referenced the Memorandum from State Budget Administrator, Gerry A. Oligmueller, regarding 2018 Mid-Biennium Budget Adjustments. R. Gerke requested permission to submit a Budget Deficit Request (BDR) to fulfill a payout of vacation and sick leave for a retired employee, totaling \$43,181.76. This request would be in addition to the Personal Service Line (PSL) budget. To remain within budget, NPERS has halted overtime and the Deputy Director position is not being filled at this time. New retirement processing timelines, Flex Time, Overtime, and PSL considerations were discussed. D. Leonard commended NPERS’ staff for their work during this high volume retirement period. The Accounting and Finance Manager position will be filled and the Position Description Questionnaire is currently being processed at the Department of Administrative Services. R. Gerke stated the deadline for the BDR is October 24, 2017.

R. Gerke requested permission to submit a BDR for a Benefit Adequacy Study (BAS). The previous study was completed in 2000. Cavanaugh Macdonald is contracted to complete a BAS for \$125,000. The Cash Balance plan was not in effect during the last BAS.

R. Gerke stated spending authority was previously given to complete the scanning project, however the project has come in far under budget. He clarified the scanning project should be able to continue without requesting additional spending authority. He commended J. Hardy, D. Cooper, and their departments for this well-managed project.

J. Schulz moved to approve the proposed Budget Deficit Requests. 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.

The Board took a break at 10:55 a.m. and reconvened at 11:06 a.m.

Agenda Item 11 – Director’s Report: R. Gerke presented the Director’s report.

R. Gerke discussed meetings he has attended as the new Director and individuals with which he has met during his two week tenure, including: the Governor, the NIC, member issue meetings, and a school Board Conference. He continues to function as the Accounting and Finance Manager, and the last two weeks has been extremely active.

He reported the new State FuzioN system will begin implementation in October 2017. More information regarding NPERS transition to FuzioN will be provided in the future.

R. Gerke requested the PERB contact him with any questions or concerns.

J. Elliott reported she and R. Gerke met with the Governor on August 28, 2017. J. Elliott presented a letter from Governor Ricketts appointing R. Gerke to the Directorship. She stated a press release would be approved by the PERB and distributed.

P. Lancaster moved to approve the Director’s 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 12 – Actuarial Reports: P. Beckham presented the proposed Board Funding Policy (BFP) and B. Banister presented the actuarial equivalent basis recommendations.

P. Beckham reported on changes made to the BFP draft since the PERB’s August meeting. A BAS has been added in this draft. D. Blank suggested the previous BAS in 2000 was highly informational.

D. Leonard moved to adopt the proposed Board Funding Policy with scrivener adjustments to reflect all references to the “PERB” be changed to the “Board” for internal consistency, recommended by O. Hill, and to strike the word “audited” from the second hollow bullet on page nine, recommended by R. Gerke. 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.

B. Banister presented the following recommendations from Cavanaugh Macdonald for the actuarial equivalence basis for optional form factors:

- For current State and County Cash Balance plan members hired before January 1, 2018, the 7.75% interest rate assumption shall be retained, with the clear understanding that an adjustment to the interest rate for this group in the future may be considered.
- For all future members: The interest rate assumption of 7.50% should be utilized for the actuarial equivalent basis. This is the same as the investment return assumption of 7.50%, with the July 1, 2017, and January 1, 2018 valuations.
- For the State and County Cash Balance Plans, the COLA option selected by the member should be directly reflected in the actuarial equivalence, since it is a fixed COLA, not subject to any other considerations. For the other three plans, the statutory provision will be used, with no assumed additional COLA.
- The following mortality assumptions:
 - Schools: Valuation mortality table, projected to 2035 using NPERS mortality projection, with a 30% male/70% female blend.
 - Judges: Valuation mortality table, projected to 2035 using NPERS mortality projection, with a 75% male/25% female blend.
 - Patrol (if needed): Valuation mortality table, projected to 2035 using NPERS mortality projection, with a 100% male/0% female blend.
 - State: Valuation mortality table, projected to 2035 using NPERS mortality projection, with a 55% male/45% female blend.
 - County: Valuation mortality table, projected to 2035 using NPERS mortality projection, with a 55% male/45% female blend.

J. Schulz moved to approve the actuarial factor recommendations. 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. Elliott reported the Budget Committee met Monday, September 18, 2017 with R. Gerke and suggestions discussed at the meeting were presented by R. Gerke to the Board during the budget deficit request discussion.

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

J. Schulz reported on the National Council on Teacher Retirement (NCTR) Trustee Workshop he attended in July with J. Elliott. He reported on positive comments that reflected on NPERS and the PERB. J. Schulz recommended the workshop as highly beneficial. There was a presentation on hiring executive directors, and J. Schulz offered that the process undertaken by the PERB during its recent search was in line with the presentation's recommendations and processes. Cyber security was another leading topic at the workshop.

J. Elliott presented on her findings at the NCTR Trustee Workshop, stating that attending with a fellow PERB member was beneficial. She reported on a workshop topic regarding the impacts of charter schools on retirement plans. J. Schulz recommended using NCTR for additional information regarding the impact of charter schools. J. Elliott suggested the National Institute on Retirement Security (NIRS) as an additional resource to the PERB for charter school studies. J. Elliott commented on a workshop item regarding board diversity and recommended this for future PERB discussion.

E. Stuhr moved to approve the NCTR Trustee Workshop Reports from J. Schulz and J. Elliott. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, D. Leonard, P. Lancaster, and E. Stuhr. Against: None. Abstain: J. Elliott and J. Schulz. Motion carried.

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting will be held on Monday, October 16, 2017.

J. Elliott notified the PERB that D. Leonard will be chairing the October meeting and M. Walden-Newman commented he would be absent from the October meeting.

O. Hill notified the PERB that the LR91 and LR92 Interim Study hearings are scheduled for December 1, 2017.

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 applications of plan members, legal matters, and personnel matters: Update on Pending Litigation; Protection of Public Interest, Case Review No. D-17-10; Prevention of Needless Injury to the Reputation of an Individual, Case Review No. D-17-11; 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. 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, D. Leonard, P. Lancaster, J. Schulz, and E. Stuhr. Against: None. Motion carried.

At 1:58 p.m., D. Blank moved that the Board exit Executive Session and reconvene in Regular Session. 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.

D. Blank moved for approval of Case Review No. D-17-10 and Case Review No. D-17-11. 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.

Adjournment: K. Ackerman moved that the meeting adjourn. 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.

The meeting adjourned at 2:02 p.m.

A handwritten signature in blue ink, appearing to read "Randy Gerke". The signature is stylized with a large initial "R" and "G".

Randy Gerke
Director