



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

APRIL 16, 2018

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:30 a.m., Monday, April 16, 2018, at 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, April 6, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 9, 2018. D. Leonard chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT:

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

MEMBERS ABSENT:

JANIS ELLIOTT, CHAIR
ELAINE STUHR

NONMEMBERS PRESENT:

RANDY GERKE Director	DIANE HOLTORF Internal Auditor
ORRON HILL Deputy Director and Legal Counsel	JOHN ANTONICH Nebraska Association of Public Employees
PATTY PIERSON Retirement Plan Manager	NANCY REIMER Ameritas
JACK HARDY IT Manager	KATE ALLEN Legislative Retirement Committee
TERESA ZULAUF Controller	DALE SHALLENBERGER DHHS Retired Member
MELISSA NUSS Administrative Assistant	RANDY PETERS Plan Member
JOHN WINKELMAN Education Manager	

Agenda Item 1: D. Leonard 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: D. Leonard called the April 16, 2018, Board Meeting to order at 9:30 a.m. Present at roll call: D. Leonard, D. Blank, K. Ackerman, P. Lancaster, J. Derr, J. Schulz, and M. Walden-Newman. Absent: J. Elliott and E. Stuhr.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the March 16, 2018, Board Meeting. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Abstain: J. Derr. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & March 2018 Retirement Report: J. Schulz moved to approve the Budget Status Report and the March 2018 Retirement Report. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Move to Excuse Members: D. Blank moved to excuse J. Elliott and E. Stuhr. P. Lancaster seconded the motion. Members voted as follows: Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, D. Leonard, P. Lancaster, and J. Schulz. 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 – Mutual of Omaha/United of Omaha Contract: T. Zulauf presented the annual renewal of the Mutual of Omaha/United of Omaha annuity contract for the Deferred Compensation Plan (DCP) contract which expires June 30, 2018. She stated 20 people took an annuity from the DCP in the last year. T. Zulauf stated there were no changes to the contract.

P. Lancaster moved to approve the Mutual of Omaha/United of Omaha DCP Contract. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Agenda Item 8 – State and County Actuarial Valuations and ERBF Reports: R. Gerke reported the actuarial reports usually presented in April, would be provided for the PERB in May. He commented that asset information pertaining to fees payable for alternative investments were not provided to Nebraska Public Employees Retirement Systems (NPERs) from the Nebraska Investment Counsel (NIC) pursuant to current calendar deadlines, and invited M. Walden-Newman to speak to the delay.

M. Walden-Newman reported the NIC provides foundational documents to several state agencies and auditors. Over the years, portfolio changes, alternative investments, and unique fund managers have added to the complexity of timely information dissemination to

meet agency deadlines. Historically, NPERS requires accrual amounts be provided to the actuaries for calculation of potential member dividends. The actuarial reports have been presented in April to the PERB, member dividends are considered, and then voted on by the PERB at the May meeting. M. Walden-Newman stated the deadline should be considered impossible to meet. He indicated plan accounting delays, involving alternative plan manager timelines and the addition of the Omaha Schools Retirement Systems (OSERS) to the NIC portfolio, adds to deadline challenges. M. Walden-Newman suggested multi-agency discussions regarding a solution, including moving statutory due dates. M. Walden-Newman stated that current due dates are not sustainable because the information required by state agencies is not available for the NIC in time to meet current deadlines.

R. Gerke confirmed that later timelines would not exempt retirees from receiving possible dividends. R. Gerke stated NPERS has received the information needed from the NIC, and the information was given to the actuaries immediately. R. Gerke has conferred with the actuaries about adjusting the valuation presentation dates, and stated that the actuaries indicated presenting their report in May, instead of April, would not only be acceptable, but preferable. R. Gerke also indicated that a dividend is anticipated.

R. Gerke reported that N. Reimer indicated Ameritas can still distribute the dividend to members in August following a 60-day time frame instead of a 90-day time frame. R. Gerke suggested the PERB could be presented with the actuarial valuation in May and vote on a dividend at that time, instead of receiving the valuation in April and voting for a dividend in May. R. Gerke confirmed he had consulted with Kate Allen, the Legal Counsel for the Legislative Retirement Committee, and she indicated there were no statutory considerations for a 60-day versus 90-day time frame.

P. Lancaster asked R. Gerke how many times information provided in the actuarial reports changed from April to May. R. Gerke indicated there have not been any such changes in those valuations. R. Gerke commented that some former votes for dividends by the PERB had occurred during the same month valuations were presented.

M. Walden-Newman stated that part of deadline pressure solutions for the NIC staff includes providing their Annual Report in an exclusively digital format.

O. Hill posed the question that if NPERS requires additional contributions to the state and County plans from the general fund to support the plan in a sustained economic downturn, will later deadlines provide sufficient time to the Governor and Legislative Retirement Committee for review and action. R. Gerke stated that has never happened. He indicated that if the scenario occurred, funding would go through as a budget deficit request in the fall.

J. Schulz asked M. Walden-Newman to provide the former deadline calendar, along with the proposed calendar, and asked if the proposed calendar will be based on contractual obligations. M. Walden-Newman stated the calendar would be based on contractual obligations. M. Walden-Newman acknowledged N. Reimer and Ameritas for agreeing to be flexible in regard to dividend distribution timelines.

Agenda Item 9 – Saunders Medical Center: R. Gerke stated Saunders Medical Center (SMC) has notified NPERS they intend to discontinue County plan participation effective June 30, 2018. He presented a draft letter to SMC for the PERB's consideration that outlines NPERS requirements of SMC for the withdrawal. There will be a final contribution from SMC on July 6, 2018. NPERS requires SMC to provide the names, social security numbers, and addresses of employees affected by SMC's decision to end plan participation, and provide two non-contribution member forms at specific times. The first non-contributing member form will be required June 30, 2018, the discontinuance effective date. Members will not be able to access funds until they cease employment with SMC, or SMC is sold or leased to a private vender. When an employee is terminated, the second non-contributing member form will be required. Employees not vested on June 30, 2018, will lose their employer contributions. Saunders will avoid LB 1005 ramifications, as the bill is still under consideration by the legislature. R. Gerke stated there are 429 accounts through SMC in the County plan; approximately 230 are active, and approximately 100 members will not be vested on June 30, 2018.

K. Ackerman asked if the County plan will be subsidized for the loss of funding due to the SMC decision, and asked for the financial impact on the plan. R. Gerke stated the actuarial study reported the potential liability to the plan could be anywhere from \$4-\$10 million. O. Hill confirmed there is no legal recourse to hold SMC financially responsible for potential losses, as LB 1005 is still under legislative consideration. He stated the annuity rate is at 7.75 %, payouts could potentially exceed plan assets, and the actuarial study indicates liabilities could be \$4-10 million over time.

J. Schulz commented the Government Employer Review Committee, an ad hoc committee formed to consider employer matters, will continue to meet if further PERB decisions are necessary for continued handling of the SMC matter and any other potential employer issues.

R. Gerke stated that the response letter will be mailed on April 16, 2018.

Agenda Item 10 – Legal/Legislative Update: O. Hill reported there have been numerous changes to legislation under consideration.

O. Hill reported LB 1005 will come before the Legislature on Wednesday, April 18, 2018, for consideration.

O. Hill reviewed bills presented to or approved by the Governor: LB 682, LB 697, LB 738, LB 751, LB 944, and LB 950. Other bills are unlikely to be brought forward with the short timeline left in the session.

O. Hill will continue to follow the progress of the following bills: LR 368 is the standard resolution for the interim study on the retirement systems which occurs annually; LR 369 is an interim study, which does not generally apply to NPERS retirement systems regarding under-funded defined benefit plans; LR 373 is an interim study on public safety officers that could have an impact on the retirement systems and would require potential testimony; LR 396 is an interim study examining possible changes to the School Employees Retirement

Act and Class V School Employees Retirement Act, for which NPERS may want to provide testimony; and LR 434 is an interim study examining school structure and finance. LR 437 is an interim study on the standing committees of the Legislature.

J. Schulz reported on the Legislative Review Committee, and stated the online updates provided by O. Hill to the PERB are comprehensive and that no meetings of the committee were held.

O. Hill reported on the Cash Balance (CB) plan single sum distribution question, requested during the March meeting of the PERB by M. Walden-Newman. He reviewed several factors applicable to the matter, including: IRS tax code, Nebraska statutes, single sum distribution guidelines, and how they relate to the CB plan. O. Hill stated statutory language reflects IRS mandates, which treat the CB plan as a Defined Benefit plan.

P. Lancaster stated that DCP options are reviewed in State and County handbooks. She would like to see additional information, provided at retirement seminars or in newsletters, regarding retirement and DCP information. She recommended clerks' meetings as a venue where continued awareness efforts could be provided to members, and in particular, County plan members. P. Lancaster suggested the National Association of Counties (NACO) wants to work with NPERS staff to provide enhanced education for County members. D. Blank acknowledged J. Winkelman's most recent newsletter that featured DCP information. J. Schulz suggested Ameritas statements could feature an educational message block, and R. Gerke stated they would explore that possibility.

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

Agenda Item 11 – Director's Report: R. Gerke reported, during his Annual Report to the Legislature, Senator Kolterman stated his appreciation for the work R. Gerke and O. Hill undertook with the Retirement Committee. R. Gerke mentioned Senator Kate Bolz specifically complimented NPERS staff on providing outstanding customer service.

R. Gerke reported he and O. Hill spoke at the Nebraska Association of School Business Officials (NASBO). R. Gerke spoke to the assembly on the Early Retirement and Inducement forms relating to LB 415, and O. Hill presented on LB 1005.

R. Gerke stated NPERS has re-organized, and the Call Center and Reception personnel are now managed by Melissa Nuss. A new phone system will be implemented under the guidance of R. Gerke, M. Nuss, and Dennis Cooper.

R. Gerke asked the PERB if their tablets' functionality was optimal, as end of fiscal year budget considerations were being taken into account. PERB members indicated that tablets were in optimal working order.

R. Gerke reported N. Reimer provided a demonstration of Ameritas' online DCP enrollment solution for their employees. The solution is user friendly and appears to be an engaging

interface. R. Gerke would like to consider a similar solution from Ameritas for retirement members. He has invited N. Reimer to provide a demonstration to the NPERS managers.

Auditors are conducting the State and County audit. T. Zulauf will be coordinating the process. D. Holtorf is providing support.

J. Winkelman and education staff are working on the Annual Investment Report and the State and County newsletter. Approximately half of the school seminars have been conducted, with nearly 500 people in attendance. K. Ackerman commended J. Winkelman on the effectiveness school members have expressed to her after taking the retirement seminar.

R. Gerke reported, following a risk assessment suggestion, NPERS has implemented a new door security procedure which requires individuals to show a photo ID.

R. Gerke commented that in an effort to reduce warrants and associated costs, pre-notes are no longer an NPERS requirement. He thanked P. Pierson, J. Hardy, and T. Zulauf for their expeditious work on the project.

R. Gerke stated Iowa Public Employees Retirement Systems (IPERS) personnel declined an invitation to attend the annual PERB retreat in July to provide information on IPERS recent fraud experience. K. Ackerman asked if there were other resources capable of providing similar information to the PERB. J. Schulz suggested the monthly meeting of agency directors might be able to provide resource recommendations. R. Gerke referred to the PERB retreat policy. O. Hill reviewed Board Policy #10 and the provisions of PERB retreats.

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

Agenda Item 12 – Board Committee Reports: Committee Chair D. Leonard thanked D. Holtorf for additional information regarding school audits she provided to the Audit Committee.

Agenda Item 13 – Board Education/Travel Requests: There were no requests.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting will be Monday, May 21, 2018.

Agenda Items 15 – Executive Session: At 11:12 a.m., D. Blank moved the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members and legal matters: Personnel Matters; Protection of Public Interest, Prevention of Needless Injury to the Reputation of an Individual; Update on Pending Litigation; Protection of Public Interest. J. Schulz seconded the motion. D. Leonard repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

At 1:27 p.m., D. Blank moved that the Board exit Executive Session and reconvene in Regular Session. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Agenda Item 17 – Board action on Executive Session Topics: No action was taken.

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

The meeting adjourned at 1:28 p.m.

A handwritten signature in black ink, appearing to read "Randy Gerke", written in a cursive style.

Randy Gerke
Director