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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

DECEMBER 17, 2018

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, December 17, 2018, 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, December 7, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 10, 2018. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT:

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

MEMBERS ABSENT: ELAINE STUHR

NONMEMBERS PRESENT:

RANDY GERKE Director	ALLEN SIMPSON Appointed Member, pending confirmation
ORRON HILL Legal Counsel	NATALIA KRAVIEC Educational Services Artist
DIANE HOLTORF Internal Auditor	JACK HARDY IT Manager
PATTY PIERSON Retirement Plan Manager	JOHN WINKELMAN Education Manager
JACK HARDY IT Manager	DEAN GRESS Senior IT Applications Developer
TERESA ZULAUF Controller	NANCY REIMER Ameritas
MELISSA NUSS Retirement Plan Manager	KATE ALLEN Retirement Committee Legal Counsel
KERRY FINA Education Services Trainer	ERIC ASBOE Nebraska Supreme Court

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 December 17, 2018, Board Meeting to order at 9:32 a.m. Present at roll call: D. Blank, J. Elliott, D. Leonard, K. Ackerman, J. Derr, J. Schulz, P. Lancaster, and M. Walden-Newman. Absent: E. Stuhr.

Agenda Item 4 – Approval of Minutes: K. Ackerman moved for approval of the minutes of the November 19, 2018, Board Meeting. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & November 2018 Retirement Report: D. Blank moved to approve the Budget Status Report and the November 2018 Retirement Report. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, 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 – Internal Auditor Quarterly Report and Three-Year Audit Plan: D. Holtorf provided the Internal Auditor Quarterly Report and the Three-Year Audit Plan. She stated internal audit processes have not undergone significant changes, but may adjust due to 2019 findings.

D. Holtorf stated the three-year plan will include additional monitoring of MassMutual. J. Elliott and P. Lancaster commented on the importance of recognition for School audits without errors. D. Holtorf stated she would address letters to the Board of Education, County Boards, and include recognition in the School newsletter for Schools without audit error findings. J. Schulz recommended tracking corrective response times of employers who experienced errors. D. Holtorf stated corrective letters suggest a 20-day correction timeframe. She said additional considerations regarding repeat or high-risk offenders would be reviewed in 2019. R. Gerke and D. Holtorf stated internal auditing staff will be cross-training in 2019, to support timely completion of audits and auditing processes.

D. Leonard commended D. Holtorf on the quality of the reports she has provided the PERB.

J. Schulz moved to approve the Internal Auditor Quarterly Report and the Three-Year Audit Plan. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, J. Schulz. Against: None. Motion carried.

Agenda Item 8 – Education Services Report: J. Winkelman introduced Kerry Fina, the new educational trainer.

J. Winkelman reported all plan handbooks were updated in 2018.

He stated seminar attendance was well-attended during 2018, and State and County member attendance increased. The attendance at under 50 workshops continue to be sparsely populated. He stated employer seminars were held with 225 reporting agents, and announced the NPERS' website features a new video of the School reporting seminar. He reported the State Patrol Retirement 101 seminar was more in depth, and Education Services produced a new State Patrol Retirement video now on NPERS' website. He confirmed video hits on the website are tracked. He stated that reporting agents are being tracked as to who is attending the educational seminars.

He reported primary distribution of the handbooks are digital. Physical handbooks are mainly utilized at the retirement seminars for members.

R. Gerke asked J. Winkelman to comment on State and County seminars and the voluntary Deferred Compensation Plan (DCP) being utilized to defer sick and vacation leave. R. Gerke stated the month of December a high volume of retirees, and there have been instances of employees missing the required DCP enrollment dates. J. Winkelman said deadlines for reception of DCP forms are a focus at seminars.

D. Blank commented that J. Winkelman and Education Services are highly appreciated by attendees.

D. Blank moved to approve the Education Services report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Agenda Item 9 – Legal/Legislative Update: O. Hill thanked K. Allen, and the office of Revisor of Statutes, for their work on proposed legislation.

O. Hill stated a Legislative tracker is currently available for the PERB under the Legislative Committee tab on the PERB SharePoint site.

O. Hill provided research to the Government Employer Review Committee, and has reviewed Attorney's General opinions to support Committee education.

D. Leonard and J. Elliott commended O. Hill on his research, and the Legislative tracker, in keeping the PERB well-informed.

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

Agenda Item 10 – Investment Officer's Update: M. Walden-Newman presented the 3rd Quarter Performance Report. He spoke to the importance of understanding yearly gains and losses versus steady gains made over the last decade. The Cash Balance and Defined

Benefit performance for the third quarter was 3.4%. If re-balancing of the portfolio is required, it will be considered after the 4th quarter returns are examined.

M. Walden-Newman provided information on real estate investments and private equity in the Nebraska Investment Council (NIC) portfolio. Supportive analysis of the real estate investment strategy is available on the NIC website.

J. Schulz asked for data regarding comparison information. M. Walden-Newman discussed the information, provided in the *Are Alternatives Worth It* document he provided to the PERB.

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

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

Agenda Item 11 – Director's Report: R. Gerke presented the Director's report to the PERB.

R. Gerke reported meeting with Governor Ricketts on November 19, 2019, to present the School, Judges, and State Patrol Valuation Reports with J. Elliott, P. Beckham, and P. Bannister.

He stated P. Beckham presented the valuation reports at the Legislative Retirement Committee hearing on December 3, 2019. During a following hearing, R. Gerke stated the Superintendent of Omaha Public Schools (OPS) stated there was interest in NPERS assuming administration of the Omaha School Employees' Retirement Systems (OSERS). He stated there is proposed legislation regarding NPERS conducting a study to assume administration of OSERS. R. Gerke commented O. Hill will provide updates to the PERB regarding the legislation. R. Gerke also has received comments that an independent entity should be contracted to conduct a feasibility study regarding NPERS' administration of OSERS. He stated there would be a fiscal note for the study, and the funding for a study would be provided by OPS, not NPERS or the general fund. Completion of a study would not be required until 2020, and no current deadline for an administrative transfer is in place.

J. Elliott stated a PERB retreat to provide education of the OSERS plan would be beneficial.

K. Allen made comment that a double-billing situation may occur if an outside entity were contracted to conduct a feasibility study. She commented the NPERS staff is uniquely qualified to know what is needed for the administration of OSERS. She stated the proposed study legislation includes timelines and statutory changes, and expressly does not assume liability; only the administration of OSERS.

D. Blank expressed concern regarding taking on OSERS liability. O. Hill clarified the proposed legislation concerns administrative control transfer.

R. Gerke reported the Actuarial Request for Proposal (RFP), RFP Number 5989 Z1, is now available to the public, and a link is included on the PERB SharePoint site. He provided an RFP timeline.

R. Gerke reported the State FuzioN project was terminated by the State.

R. Gerke reported a new State-wide phone system contract has been confirmed by the OCIO.

He stated NPERS is fully-staffed for FTE positions, as the Call Center has hired two additional customer service representatives. He mentioned the SOS temporary position will open in January 2019.

He reported NPERS' agency meetings have featured IT trainings and ergonomic information, while a Social Security presentation will be featured by Educational Services in 2019.

He stated the School, Judges, and State Patrol audits are nearing completion, to be finalized in January of 2019.

R. Gerke reported NPERS continues to focus with Ameritas on Cash Balance tier record-keeping, alternate vesting date clarification, beneficiary listings on statements, and opt-out options for members regarding beneficiary listings.

O. Hill commented on member group outreach, continuing under R. Gerke's direction, with his presentation to the Nebraska Council of School Administrators (NCSA) with Senator Kolterman. He stated research and discussion continues regarding substitutes and bona fide separation of service issues.

K. Ackerman 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, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Agenda Item 12 – Board Committee Reports: J. Schulz stated he would prefer committees meet before January's PERB meeting. J. Elliott reported there were no requests for changes or additions to committees, so they will stand as currently designated.

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

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting will be Monday, January 28, 2019.

Agenda Items 15 and 16 – Executive Session: At 11:35 p.m., D. Blank moved the Board exit Regular Session and convene in Executive Session for the purpose of discussing

applications of plan members, personnel matters, and pending legal matters: Case Review Additional Information No. D-18-11; Prevention of Needless Injury to the Reputation of an Individual, Case Review No. D-18-12; 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, Update on Pending Litigation; Protection of Public Interest. 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, and J. Schulz. Against: None. Motion carried.

At 12:53 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, and J. Schulz. Against: None. Motion carried.

D. Leonard moved for approval of Case Review No. D-18-11 and Case Review No. D-18-12. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

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

The meeting adjourned at 12:54 p.m.



Randy Gerke
Director