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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JUNE 18, 2018

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, June 18, 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, June 8, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 11, 2018. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT:

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

MEMBERS ABSENT:

DENIS BLANK
ELAINE STUHR

NONMEMBERS PRESENT:

RANDY GERKE Director	CHIEF JUSTICE MICHAEL HEAVICAN Nebraska Supreme Court
ORRON HILL Legal Counsel/ Deputy Director	JOHNETTA LANG Data Services Specialist
JOHN WINKELMAN Education Services Manager	ANGIE DASHER Data Services Staff Assistant
JACK HARDY Information Technology Manager	KATE ALLEN Retirement Committee Legal Counsel
DIANE HOLTORF Internal Auditor	NANCY REIMER Ameritas
PATTY PIERSON Retirement Plan Manager	NEIL SULLIVAN State Budget Office
MELISSA NUSS Retirement Plan Manager	ERIC ASBOE Nebraska Supreme Court
TERESA ZULAUF Controller	

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 18, 2018, Board Meeting to order at 9:32 a.m. Present at roll call: J. Elliott, D. Leonard, K. Ackerman, J. Derr, P. Lancaster, J. Schulz, and M. Walden-Newman. Absent: D. Blank and E. Stuhr.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the May 21, 2018, Board Meeting. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May 2018 Retirement Report:

J. Schulz requested discussion of the budget, as June is the final month of the 2017-2018 fiscal year. R. Gerke reported approximately 75% of the budget has been utilized and stated the percentage will increase before fiscal year end. He acknowledged planning for retirements and the Legislative request approval to cover vacation and sick leave payouts assisted in controlling budget spending. He reported this is a biennial budget year, and funds not utilized will carry over to the next fiscal year, while Personal Service Limitation (PSL) will carry over as operational funds. J. Schulz commended R. Gerke in judiciously handling budget matters.

J. Schulz moved to approve the Budget Status Report and the May 2018 Retirement Report. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

Agenda items 6 and 7 were taken out of order.

Agenda Item 7 – Internal Auditor Report: D. Holtorf reported NPERS internal auditors have completed six School Employer audits and have four in the review process. She has reviewed the School audit schedule and updated the tracking spreadsheet, reviewed System and Organizational Controls (SOC 1) for Ameritas, State Street Bank, and Mass Mutual, and researched their related subservice organizations. She worked with Auditor of Public Accounts staff to review process memos and follow up with issues noted in the audit of the State and County plans, as well as the Deferred Compensation Plan (DCP).

D. Holtorf announced she is heading the Governor's Excellence in Leadership Awards selection process for the Nebraska Public Employees Retirement Systems (NPERS).

D. Holtorf stated she is working with J. Winkelman on the School audit newsletter.

D. Holtorf will be administering a digital audit survey for schools audited over the last year. She would like to implement an entrance and exit conference with the reporting agents before commencing an audit, and stated the importance of conducting the exit conference to communicate findings and provide reporting agents an engaging avenue for improvements.

D. Holtorf will be conducting NPERS staff training in July regarding the School audit program, to reinforce practices and make efficiency adjustments.

J. Elliott suggested School employees may not be receiving School retirement newsletters, and requested D. Holtorf utilize the survey to seek feedback as to whether employees are being provided with the School newsletter in a timely matter.

D. Holtorf stated reporting agents know what schools will be audited. She hopes to improve reporting errors through additional education during the entrance and exit sessions. J. Schulz asked if statistical information is being gathered to show employer reporting improvements are being attained. He stated error elimination should be considered a vital goal for reporting agents. D. Holtorf confirmed she intended to gather relevant statistical data to track error improvement.

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

The Board returned to public comments under Agenda Item 6 for comments from Chief Justice Mike Heavican.

Agenda Item 6 – Public Comments or Correspondence from Citizens:

Chief Justice Mike Heavican was introduced by Judge J. Derr. J. Derr commented the Chief Justice was invited as part of the Board outreach initiative. J. Derr stated the Judges Retirement plan encourages judge applicants, and believes it is one of the best funded pensions in the United States.

Chief Justice Heavican stated attracting strong individuals to judgeships is assisted by the Nebraska Judges Retirement plan. He acknowledged the plan is doing well due to financial support from State tax payers and Nebraska judges. The Supreme Court is grateful to the PERB for the work they do to support the plan. There are not many funding mechanisms remaining to judges for a retirement guarantee.

The Chief Justice commented current judges are pleased with the current retirement system. J. Derr asked the Chief Justice to comment on educational efforts to judges regarding the retirement plan, and if there were additional steps the Board could take to support those efforts. The Chief Justice stated he was not aware of any deficiencies regarding education, but he suggested digital communication avenues are crucial. J. Derr stated J. Winkelman presented at one of the most well-attended judges conferences and received tremendous feedback.

The Chief Justice stated the judges form a partnership between State government and local County governments. He mentioned the judge's summer tour across the State of Nebraska to local State Bar associations, County governments, and courthouses. They are striving to open the courts to greater media coverage for an inside look as to how the Nebraska court

system operates. He encourages the use of modern technology to bolster the public vision of the court system.

O. Hill commended Supreme Court staff, including Corey Steel and Eric Asboe.

J. Elliott stated it is beneficial to put a face with member organizations and the plans the systems serve, and thanked the Chief Justice for coming to speak with the PERB as part of its member group outreach initiative.

Agenda Item 8 – Basis Point Fees: T. Zulauf proposed lowering the basis point fees of the State Defined Contribution (DC) plan from 4.0 down to 2.0. The last revision was in 2016, when the basis point fees were increased from 1.5 to 4.0. R. Gerke commented the decrease will help in adjusting excess levels in the expense fund.

J. Elliott stated past basis point adjustment goals for the PERB were designed to set fees at a level which will serve the members for several years, before any additional adjustments would be necessary. R. Gerke stated a driving factor for basis point adjustment lies in asset increases and the outlook is approximately a year forward.

J. Schulz asked if there is a current policy as to an optimal expense fund amount, and suggested a median choice of 3.0 may be more beneficial. P. Lancaster concurred with J. Schulz in taking a moderate stance in lowering basis points.

T. Zulauf completed several projections using differing basis fee amounts. At 2.0, she stated it would be \$35,000 difference between 2.5 to 2.0. At the end of May 2018, \$177,000 is currently in the expense fund. The projection from June 2018 to May 2019, with a 2.0 basis point fee, would drop the expense fund down to \$112,000. A basis point fee of 2.5 would decrease the expense fund by only \$16,000.

D. Leonard moved to approve a decrease to the basis point fees for the State DC plan from 4.0 basis points to 2.0 basis points, effective June 25, 2018. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

T. Zulauf stated she examined the County DC and DCP basis point fee levels and they did not appear to warrant changing.

Agenda Item 9 – Biennial Budget Process: T. Zulauf reported development of the biennium budget for 2019-2020 and 2020-2021 is under way, and presented a budget worksheet for review. She explained the worksheet, indicating program budget bases for the NPERS budget, PERB budget, and plan funding budget.

T. Zulauf stated the complete budget request is due to the budget office by September 15, 2018, but NPERS will submit by September 5, 2018, to allow time to address any budget office requests or adjustments. R. Gerke stated the budget will be reviewed by the PERB Budget and Personnel Committee. The Budget and Personnel Committee members are

D. Blank; Chair, K. Ackerman, and J. Schulz. The proposed budget will be presented to the PERB at the August 20, 2018, for approval.

The Board took a break from 10:24 a.m. to 10:38 a.m.

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

Agenda Item 10 – Legal/Legislative Update: O. Hill reported discussions concerning potential legislation will begin with the PERB Legislative Committee, consisting of J. Schulz; Chair, D. Leonard, and K. Ackerman. O. Hill requested a meeting with the Legislative Committee after the PERB meeting.

O. Hill reported on potential federal legislation called the Public Employee Pension Transparency Act (PEPTA). Cavanaugh Macdonald actuaries mentioned PEPTA at a previous PERB meeting. PEPTA would require State and local pension plans to disclose any liabilities based on the US Treasury rates in a uniform and transparent manner, would require the federal Secretary of the Treasury to provide these disclosures to the public through a searchable website, and would eliminate the tax exempt bond authority of State and local governments that do not comply with the requirements. O. Hill stated that proposed legislation signifies the federal government would not provide a bailout to State and local governments.

O. Hill stated actuarial work would necessarily double to comply with the provisions of the proposed federal legislation. These requirements are not part of the current NPERS actuary contract. Effectively, two separate valuations would be necessary which may affect future budgetary considerations and potential addendums to current actuarial contracts. J. Elliott stated education of the public and new legislative representatives on these potential changes will be crucial.

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

Agenda Item 11 – Investment Officer's Update: M. Walden-Newman stated the calendar year-to-date performance for the Cash Balance (CB) plans was -0.5% as of March 31, 2018. The report stated fiscal year for the Defined Benefit (DB) plans through March 31, 2018, was - 0.5%. Plan performance was essentially flat during the first three months of 2018.

M. Walden-Newman stated the Nebraska Investment Council (NIC) retreat is July 19, 2018, at Quarry Oaks. M. Walden-Newman reported the featured speakers are the current global equity managers. Other topics include identifying opportunities, fiduciary responsibilities and trends, technology, endowments, and NIC self-evaluations.

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

Agenda Item 12 – Director's Report: R. Gerke reported the School benefits staff is working overtime to complete retirement application processing to meet statutory guidelines.

R. Gerke stated Ameritas is working with NPERS and J. Winkelman on enhancing vesting language on Ameritas account statements for member clarity. The new language will appear on the 2nd quarter statements issued in June.

He reported the State and County, GASB 68, and DCP audits are currently being conducted. He stated review meetings will be scheduled with the PERB Audit Committee before the PERB meeting on August 20, 2018. Audit Committee members are D. Leonard; Chair, D. Blank, and P. Lancaster. Audit findings will be presented at the August meeting. MassMutual is also planning on presenting to the PERB during the August meeting.

R. Gerke stated member death processes are being updated to utilize technology to enhance efficiency and speed in the process. He mentioned managers J. Hardy, P. Pierson, and M. Nuss are working toward those improvements.

He reported School retirement seminars being conducted by J. Winkelman and the Educational Services staff, and seats have been added to accommodate member interest. School employer workshops will begin in July, with members of Educational Services and Accounting staff conducting. He encourages the PERB to invite members to participate in NPERS educational offerings.

He commented DB statement letters have been improved by J. Winkelman to enhance readability and will be distributed in August.

R. Gerke reported, correspondence received May 24, 2018, from Saunders Medical Center (SMC) stated they had differing thoughts for completion of non-contribution forms they must provide NPERS, and vesting contribution requirement misconceptions, regarding their withdrawal from the County Plan. He stated NPERS responded to SMC's concerns, via letter on June 1, 2018. He stated NPERS has prepared for proper processing of SMC employee's accounts due to the withdrawal.

He reviewed the state-wide 2018 Excellence in Leadership awards which D. Holtorf is heading for the agency. NPERS is currently accepting nominations for two awards to be granted. The honorees are usually recognized by the PERB in October.

He stated T. Zulauf filled two vacant positions in accounting; Accountant I and Accounting Clerk II.

R. Gerke presented with O. Hill at the Lied Lodge for the Nebraska Association of School Personnel Administrators (NASPA) representatives, a personnel and human resources school group. The outreach was very positively received.

R. Gerke commented on a meeting he and O. Hill held with Mike Dulaney, Director of the Nebraska Council of School Administrators (NCSA) and Amy Poggenklass, Finance and Membership Director of NCSA. One topic of discussion was members who may be unaware they are eligible for a retirement benefit and NPERS' desire to notify these individuals. M. Dulaney and A. Poggenklass stated NCSA would like to assist in this outreach effort. R. Gerke said he is pleased with the relationship between the two organizations.

He stated meetings regarding a variety of topics will continue with Senator Kolterman, Legislative Retirement Committee Chairperson, and Kate Allen, Legal Counsel of the Legislative Retirement Committee. Meetings will include a joint meeting with Chief Justice Heavican regarding judicial retirement matters.

R. Gerke reported speaking with Maureen Westgard, the new Director of the National Council on Teacher Retirement (NCTR), and she encouraged him to attend their Annual Conference held October 7-9, 2018, in Washington, D.C. He stated there is currently a travel ban for State employees. J. Elliott commented on M. Westgard and her inclusive focus for NCTR moving forward. R. Gerke mentioned NCTR offers webinars, free to members, and those he has attended provided beneficial information. R. Gerke will send an invitation to PERB members to attend future webinars.

P. Lancaster commended R. Gerke on the many improvements he has already accomplished as NPERS Director.

R. Gerke introduced Johnetta Lang, NPERS Data Services Specialist, who will be attending PERB meetings as part of communication outreach development within the agency.

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

Agenda Item 13 – Board Committee Reports: There were no reports.

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

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is the Annual Retreat to be held on Monday, July 16, 2018, in Lincoln. R. Gerke stated the retreat will feature a policy review led by O. Hill; speaker Frank Daley, Executive Director of the Nebraska Accountability and Disclosure Commission, will discuss fiduciary concerns; and Cavanaugh Macdonald will speak about PEPTA and current opinions of the Actuarial Standards Board regarding the legislation. R. Gerke stated the PERB will visit NPERS' disaster recovery site and there will be a review of the PERB self-assessment. P. Lancaster stated she will not be in attendance at the retreat due to a conflict with the National Association of Counties Annual Conference.

Agenda Items 16 and 17 – Executive Session: At 11:40 a.m., D. Leonard moved 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-18-2; Prevention of

Needless Injury to the Reputation of an Individual, Case Review No. D-18-3; 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; and Update on Pending Legal Matters; Protection of Public Interest. J. Schulz seconded the motion.

J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

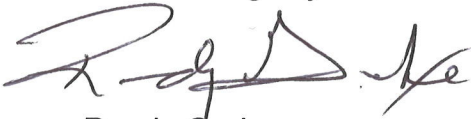
At 12:42 p.m., P. Lancaster moved the Board exit Executive Session and reconvene in Regular Session. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

D. Leonard moved for approval of Case Review No. D-18-2. J. Schulz seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

D. Leonard moved to return Case Review No. D-18-3 for further clarification from the examining physician and designate Legal Counsel to prepare the request document. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

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

The meeting adjourned at 12:44 p.m.



Randy Gerke
Director