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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

March 19, 2018

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:34 a.m., Monday, March 19, 2018, at the Ameritas Life Insurance Corp., 5900 "O" Street, New Third Conference Room, Lincoln, Nebraska.

The Board members were notified of this meeting by the Agenda posted on the PERB SharePoint website on Friday, March 9, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, March 12, 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
PAM LANCASTER
JIM SCHULZ
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT:

JUDGE J DERR
ELAINE STUHR

NONMEMBERS PRESENT:

RANDY GERKE Director	JOHN ANTONICH Nebraska Association of Public Employees
ORRON HILL Deputy Director and Legal Counsel	NANCY REIMER Ameritas
PATTY PIERSON Retirement Plan Manager	SCOTT HOLECHEK Ameritas
JACK HARDY IT Manager	MARY KLUG Ameritas
TERESA ZULAUF Controller	NEIL BATEMAN Retired Educator
DIANE HOLTORF Internal Auditor	MELISSA NUSS Administrative Assistant

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 March 19, 2018, Board Meeting to order at 9:34 a.m. Present at roll call: J. Elliott, D. Leonard, K. Ackerman, J. Schulz, and M. Walden-Newman. Absent: D. Blank, J. Derr, and E. Stuhr.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the February 26, 2018, Board Meeting. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, D. Leonard, P. Lancaster (approval to form, not substance), and J. Schulz. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & February 2018 Retirement Report: J. Schulz moved to approve the Budget Status Report and the February 2018 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, 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 – Nebraska Association of Public Employees Outreach: J. Elliott introduced John Antonich, Executive Director of the Nebraska Association of Public Employees (NAPE) and American Federation of State, County and Municipal Employees (AFSCME), and thanked him for taking part in the PERB Outreach.

J. Antonich gave a brief personal background, which led him to start his tenure with NAPE/AFSCME in July of 2017. He commented that NAPE only represents State employees. He remarked, comparatively, that the Nebraska retirement systems appear to be doing well. He commented on the importance of bringing rank and file Union representatives to speak when he attends meetings at the Legislature. He asked the PERB to keep up the good work.

J. Elliott thanked J. Antonich for attending the meeting to provide a leadership introduction between the PERB and NAPE. R. Gerke stated he looks forward to working with J. Antonich in the future.

Agenda Item 8 – Ameritas Annual Report: Nancy Reimer, presented a copy of the Ameritas Annual Plan Review for December 31, 2017, to the PERB. The report will be available on the NPERS website. She introduced M. Klug, as the day-to-day contact for NPERS, as well as the monthly reporting for the plans; and Scott Holechek, the 2nd Vice President of Client Relationship Services.

N. Reimer reviewed the report, which included an overview of contributions, distributions, and year-end balances for NPERS' State, County, DCP, and DROP retirement plans. The report

also includes member information such as average account balances, average member's years of service in each plan; along with historical returns and annuity statistics.

The PERB discussed forfeitures and low-balance account strategies.

N. Reimer highlighted Ameritas' accomplishments of 2017; including, monthly meetings with NPERS, providing information to the actuary, assisting with NPERS' annual Public Audit, and the allocation of the Cash Balance dividend to State and County Cash Balance members.

The PERB discussed State Patrol Drop member participation numbers.

The PERB discussed Cash Balance (CB) single lump sum withdrawals, hybrid investment strategy regarding withdrawals, annuities, roll overs, and the Deferred Compensation Plan.

D. Blank joined the meeting at 10:11 a.m.

M. Walden-Newman requested O. Hill to provide legal research on why the Cash Balance accounts must be withdrawn at one time.

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

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

J. Schulz led discussion regarding the resignation of E. Stuhr. O. Hill stated that resigned PERB members are considered to be sitting PERB members, until such a time as they are replaced, per statutory requirement.

Agenda Item 9 – Internal Auditor Quarterly Report: Diane Holtorf, Internal Auditor, presented a written report compiling results from the internal audits of School and County employers.

D. Holtorf stated School audits are the main focus, but as the new Internal Auditor, she is continuing to become familiar with rule application, school audit schedule, past testing, and increasing audit scope.

She reported 22 School Employer Audits were completed. Challenges with eligibility issues are consistent, but often occur under unique circumstances. She stated the next report will feature School summary error rate details.

D. Holtorf reported 26 County audits were completed as of December 31, 2107. Summaries of results are provided in the report, along with error rate details for each county.

PERB discussion of School and County error follow up with reporting agents, electronic submission, and how employers may be encouraged to submit electronically. P. Lancaster commented that error rates tend to be self-correcting and representatives strive to not have errors in reporting. J. Elliott stated reporting agents can experience deeply complex issues regarding reporting. K. Ackerman commented that Schools treat the audit process as an educational opportunity. PERB discussion regarding the person-to-person educational benefits provided to reporting agents by NPERS staff.

PERB discussion regarding ACH and electronic data transfer.

R. Gerke reported he is meeting once a week with D. Holtorf to review internal auditing processes. They have discussed (APA) audits and reporting improvements.

D. Holtorf requested a meeting with the Audit Committee at the next PERB meeting on April 16, 2018.

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

Agenda Item 10 – Legal/Legislative Update: O. Hill presented the Legal and Legislative review, stating there has not been significant movement in bills of interest to the PERB.

O. Hill reviewed LB 1005, and stated AM 2204 is available for review. He stated AM 2204 amends LB 698, LB 699, LB 700, and parts of LB 548, into LB 1005, commonly referred to as the Omnibus bill. O. Hill reported Cavanaugh Macdonald provided a letter detailing the actuarial study regarding LB 1005. A suspension of rules was secured to bring the bill forward during the short Legislative session. The bill is scheduled to be heard during a late Legislative session on Tuesday, March 20, 2018.

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

Agenda Item 11 – Investment Officer's Update: M. Walden-Newman provided the PERB with an abbreviated version of the Nebraska Investment Council's (NIC) Fourth Quarter 2017 Performance Review. The NIC will meet on March 22, 2018, with the full report.

M. Walden-Newman reported assets have crossed the \$27 billion threshold. As of December 31, 2017, the fiscal year-to-date performance from July 1, 2017, through December 31, 2017, for the defined benefit (DB) plans was +7.9% and the calendar year-to-date performance for the cash balance (CB) plans was +16.5%. He stated that Nebraska ranks high among its peers. He reported the plans have exceeded their long-term policy benchmark returns.

M. Walden-Newman reviewed the re-balancing policy.

M. Walden-Newman presented an Overview of Strategies for the DB and CB plans. The overview covers the six asset classes utilized within the Plans. It also describes the investment managers utilized by the NIC. The prior Overview of Strategies was completed three years ago, when M. Walden-Newman began his tenure as the State Investment Officer. The Overview of Strategies is available on the NIC website.

M. Walden-Newman provided a retirement adequacy article by Black Rock, and will continue to send educational materials for the PERBs consideration.

M. Walden-Newman stated he would be providing the PERB with an informational email regarding a question posed to him by J. Winkelman regarding statistics used to look at markets, and why returns are the same for individuals in high-risk and low-risk investments. M. Walden-Newman commended J. Winkelman for the question, and for J. Winkelman's ability to translate complex information for the benefit of plan members.

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

Agenda Item 12 – Director's Report: R. Gerke presented the Director's Report.

He provided a summary of NPERS 2018 Annual Report to the Legislature, which he will be presenting to the Legislative Retirement Committee on Friday, March 30, 2018. He stated the report has comprehensive information, and encouraged the PERB to utilize the report as a valuable reference. He commended the efforts of J. Winkelman and Natalia Kreviec in producing the report.

He highlighted several significant accomplishments appearing in the report. He stated that plan assets grew from \$13.1 billion to \$14.7 billion, membership rates grew to 130,950, and NPERS distributed \$785 million of benefits. The resulting data from the Experience Study completed by Cavanaugh Macdonald is now being used for valuations.

R. Gerke stated the 2018 Action Plan items in the report include; enhanced customer service, procedure standardization, centralized printing, continuing participation in the State fusion project, SMART Goals and evaluations implementation, cyber security enhancements, and will issue a Request for Proposal (RFP) for continued actuarial services. An additional action Plan item includes promoting agency outreach. To support that outreach, R. Gerke and O. Hill will be speaking at the National Council of School Administrators (NCSA) and the National Association of State Budget Offices (NASBO) conferences.

J. Schulz commented on the overall completion of the Action Plan from 2017's Annual Report saying it was a great accomplishment.

J. Elliott commended R. Gerke on his work thus far for NPERS and his accomplishments, as well as the smooth transition he has provided in NPERS' leadership.

M. Walden-Newman commended R. Gerke and the high level of credibility and value provided to the Shared Oversight Committee, his relationship building, and congratulated him on his seamless transition of leadership.

R. Gerke commented on the Operating Budget Summary compiled by T. Zulauf. NPERS budget for FY 2017-2018 represented expenses of approximately 4 Basis Points of our combined assets of \$14.7 billion.

R. Gerke noted J. Winkelman's statistics provided in the Annual Report regarding education services and the outreach provided through seminars, workshops, and training.

R. Gerke commended the Member Benefit Department's timely administering of benefit distribution even with budget restrictions restricting over time for staff members.

R. Gerke stated that J. Hardy and Chad Schlotfeld joined him in attending an educational webinar presentation from the National Council on Teacher Retirement (NCTR) featuring a discussion regarding cyber security with the Iowa Public Employees Retirement Systems (IPERS). R. Gerke suggested inviting the IPERS speakers to the PERB's retreat. R. Gerke noted NPERS IT budget is far less than IPERS, and commended NPERS IT staff for their efforts in safe-guarding member's interests.

R. Gerke attended an Independent Agency meeting featuring speaker Matt Singh, Director at the Center of Operational Excellence, who presented information on the Six Sigma Leadership training. M. Singh also discussed the Center's process improvement functions. R. Gerke will meet later in the week with Mr. Singh to discuss the Center's training options.

R. Gerke announced Judene Hurtle as the new SOS temporary associate.

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

Agenda Item 13 – Board Committee Reports: J. Schulz reported the Legislative Committee has provide opinions on several legislative items, and thanked O. Hill on his communication with the Committee during this Legislative session.

Agenda Item 14 – Board Education/Travel Requests: None.

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting will be Monday, April 16, 2018. J. Elliott will be attending the NCTR Executive Board Meeting in April and D. Leonard will be chairing the PERB meeting on April 16, 2018.

Agenda Items 16 – Executive Session: At 11:33 a.m., D. Blank moved that 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. D. Leonard seconded the motion. J. Elliott repeated

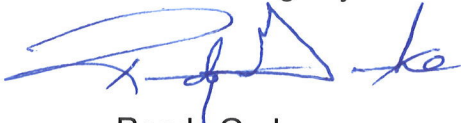
the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

At 12:58 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. Elliott, 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: D. Leonard moved that the meeting adjourn. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, D. Leonard, P. Lancaster, and J. Schulz. Against: None. Motion carried.

The meeting adjourned at 12:59 p.m.



Randy Gerke
Director