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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

November 19, 2018

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:31 a.m., Monday, November 19, 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, November 9, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, November 12, 2018. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT:

JANIS ELLIOTT, CHAIR
DENNIS LEONARD, VICE-CHAIR
KELLI ACKERMAN
DENIS BLANK
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/ Deputy Director	TERESA ZULAUF Controller
JOHN WINKELMAN Education Services Manager	KERRY FINA Educational Services Trainer
JACK HARDY Information Technology Manager	MITCH SNYDER Retirement Specialist
DIANE HOLTORF Internal Auditor	KATE ALLEN Retirement Committee Legal Counsel
PATTY PIERSON Retirement Plan Manager	NANCY REIMER Ameritas
MELISSA NUSS Retirement Plan Manager	PAT BECKHAM Cavanaugh Macdonald Consultants
DEAN GRESS Senior IT Applications Developer	BRENT BANNISTER Cavanaugh Macdonald Consultants

LUKE MULLIN
University of Nebraska-Lincoln
JASON HAYES
NE State Education Association
AL KOONTZ
NE State Education Association
ERIC ASBOE
Nebraska Supreme Court
NEIL SULLIVAN
State Budget Office

KATHY TENOPIR
Legislative Fiscal Office
PAT REDDISH
Public Attendee
BOB WICKERSHAM
Public Attendee
Don Wesley
County Judges

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 November 19, 2018, Board Meeting to order at 9:31 a.m. Present at roll call: D. Blank, J. Elliott, D. Leonard, K. Ackerman, P. Lancaster, J. Schulz, and M. Walden-Newman. Absent: E. Stuhr and J. Derr.

Agenda Item 4 – Approval of Minutes: D. Leonard moved for approval of the minutes of the October 15, 2018, Board Meeting. J. Schulz seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

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

Agenda Item 6 – Public Comments or Correspondence from Citizens: Pat Reddish provided public comment to the PERB, regarding spousal beneficiary considerations. She would like to ensure future spousal beneficiary designations are statutorily provided for. She submitted her letter of denial from NPERS of November 28, 2016, and the memo regarding the matter she provided to Senator Kate Bolz, of August 17, 2018. J. Elliott asked O. Hill and R. Gerke to address possible legislative actions which may be introduced regarding spousal beneficiary designations and lead a future conversation with the PERB regarding the matter. R. Gerke confirmed he would review any proposed legislation being introduced with O. Hill and report to the PERB.

J. Derr joined the meeting at 9:37 a.m.

Agenda Item 7 – Actuarial Reports and Projections for Schools, Judges, and State Patrol: P. Beckham and B. Bannister provided actuarial valuation results for the School, Judges, and Patrol Defined Benefit plans, as of July 1, 2018. The presentation included

projections of contribution rates over the next five years, projections of contribution rates and funded ratios for the next 30 years, and a discussion of the risk analysis regarding Actuarial Standards of Practice (ASOP) 51.

P. Beckham stated there were no changes to actuarial methods. Plan provisions did experience changes due to LB 415. All systems grant the PERB the authority to set actuarial assumptions for optional forms of payments for members hired after July 1, 2017. New hires after this date are effected, but there is virtually no cost for implementation. The School plan added a new tier, effective July 1, 2018. No members in this tier are included in this year's valuation, but the change is reflected in the projections.

The valuation reports state an actual fiscal year (FY) 2018 return of 8.6% on market value of assets produced an actuarial gain on actuarial, or smoothed, assets. Salary increases below assumed levels for all three plans created an actuarial gain on liabilities, and the overall favorable experience decreased the unfunded actuarial liability and increased the funded ratio for all three systems. As of July 1, 2018, the School plan funded ratio was 88.8%, the Judges plan funded ratio was 96.1%, and the Patrol plan funded ratio was 87%.

For each of the defined benefit plans, the report included: funded status, historical funded ratio, actuarial required contributions, projection of additional contributions and appropriations, and the projected funded ratio. The valuation reports may be viewed in their entirety at npers.ne.gov.

P. Beckham presented the Judges valuation results and provided member data, system assets, funded status, the historical funded ratio, changes in unfunded actuarial accrued liability (UAAL) from \$12 million from the previous valuation to less than \$8 million as of July 1, 2018, and reported an additional State contribution of \$442,599 is required for the Judges plan. She stated court fees would continue to be monitored. Fully funded status is projected for 2038.

P. Beckham addressed the State Patrol valuation and provided member data, system assets, funded status, the historical funded ratio, changes in UAAL from \$69.92 million from the previous valuation to \$62.50 million as of July 1, 2018, and reported an additional State contribution of \$3,983,698 million is required for the State Patrol plan. The State Patrol contribution shortfall is 13.37% of pay in the 2018 valuation, down from 15.15% in 2017.

B. Bannister reported on the School valuation and provided member data, system assets, funded status, historical funded ratio, and the UAAL from \$1,665.6 million from the previous valuation to \$1,455.6 million as of July 1, 2018. He noted the funded status is funding aggressively, and there is no additional State contribution required. If all assumptions are met, there is no projected funding during the next five years. Full funding is projected in 2028.

B. Bannister and P. Beckham presented risk considerations regarding ASOP 51, a new ASOP on assessment and disclosure risk, which applies to funding valuations, projections and pricing of proposed plan changes, that is effective for work products with measurement

dates on or after November 1, 2018. P. Beckham stated many of the risk assumptions were discussed at the July 2018, PERB Retreat. J. Elliott and P. Beckham spoke to the fact that the complex nature of the information provided in the valuation reports could possibly be misused or misunderstood if the information is not communicated effectively. P. Beckham asked if the PERB would consider completing a separate risk report during the July 2019 Retreat and move from completing an annual risk report to a bi-annual risk report.

J. Schulz moved to approve the Actuarial Valuation Reports for School, Judges, and State Patrol Plans. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

The PERB took a break from 10:59 a.m. to 11:16 a.m.

Agenda Item 8 – Legal/Legislative Update: O. Hill presented the legal and legislative report. He summarized current Requisitions (REQs). J. Elliott requested a summary of REQs from O. Hill be provided on the PERB SharePoint site.

O. Hill stated potential legislation may include School plan buy-back revisions to extend payment timelines, re-employment language revisions, and stated there has been no more discussion regarding the HELPS program, designed to pay health insurance from retirement benefits. He reported a de minimus discussion with the Legislative Review Committee will be rescheduled due to a cancellation.

O. Hill reported the School Plan Legislative Group met November 13, 2018, and the issue of substitutes and bona fide separation of service were discussed. K. Ackerman commented that Rex Schultze, an attorney and attendant of the School Plan Legislative Group, presented his proposal to address substitutes and bona fide separation of service at the National Association of State Budget Offices (NASBO) meeting. K. Ackerman stated she hoped discussions would continue regarding the matter. R. Gerke commented the issue would most likely be tabled until the Legal Compliance Audit is conducted.

O. Hill reported that the NPERS Call Center received several calls inquiring whether a new Cash Balance (CB) option window would be offered. He stated the Legislative Retirement Committee (LRC) was then contacted about the same issue. K. Allen discussed the history and reasoning behind the three CB option openings of the past. Analysis by the LRC concluded the CB plan and its members may be at risk if defined contribution members with large balances, and those close to retirement, now entered the CB plan.

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

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

Agenda Item 10 – Director’s Report: R. Gerke thanked T. Zulauf and Dennis Rohren for their work on reviewing the actuarial valuation reports. He stated that P. Beckham, B. Bannister, and J. Elliott would join him later in the afternoon to present the valuation reports to the Governor. He stated there was good news in that the 515 Program request will be down \$361,495.

He updated the PERB on the Actuarial Request for Proposal (RFP). NPERS will be answering questions regarding the Actuarial RFP from the Department of Administrative Services (DAS) Tuesday, November 20, 2018, and the RFP is moving ahead despite staffing changes at DAS. In December, R. Gerke would like to provide a link to the RFP for the PERB and also make it available for public viewing in December. He plans on the RFP being awarded in March or April. J. Elliott requested digital reviews of the RFP if possible. D. Blank asked if there were additional renewal periods, and R. Gerke stated due to statute there are not. O. Hill stated future statutes could be adjusted to lengthen renewal periods.

R. Gerke updated the PERB on personnel openings in the Call Center. Background checks are now more rigorous. The Call Center opening closes on November 27, 2018. He spoke to the importance of cross-training. The agency is actively pursuing cross-training to support the agency throughout its departments, with enhancements reflected in death processes, required minimum distributions, tax payments, and payroll functions.

He stated a change management session was conducted at the November agency meeting, and it was well-received by employees. An ergonomic training will be held at the December agency meeting.

R. Gerke stated beneficiaries will be appearing on State and County year-end statements. Work is also being done with Ameritas to craft changes to vesting credit language to address member confusion.

R. Gerke commented that Education Services is concluding State and County seminars, which have been well-attended. NPERS conducted seminars with the Nebraska Department of Transportation and Lincoln Public Schools that were extremely successful. J. Winkelman’s State Patrol video is now viewable on the NPERS’ website.

IT is currently working on Disaster Recovery, death processing letters and documents, and Windows 10 installation has been updated in the agency.

R. Gerke stated J. Elliott is requesting PERB members let her know if they have interest in assuming or continuing in PERB officer positions.

R. Gerke stated MassMutual had been responsive to requests from NPERS over the last month.

D. Leonard thanked R. Gerke for his work to improve succession planning and cross-training within the agency. P. Lancaster stated she is continually impressed with the high level of quality work and support of NPERS’ staff.

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

Agenda Item 11 – Board Committee Reports: There were no committee reports.

Agenda Item 12 – Board Education/Travel Requests: There were no travel requests.

Agenda Item 13 – Future Meetings/Agendas: J. Elliott commented that the PERB 2019 meeting calendar was made available to the PERB in the meeting materials, and stated a motion could be entertained to approve. J. Schulz moved to approve the proposed PERB 2019 meeting calendar. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

The next PERB meeting will be held on Monday, December 17, 2018.

Agenda Items 14 and 15 – Executive Session: At 12:08 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 No. D-18-10, Case Review No. D-18-11, and Case Review No. DCP-18-1; 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 Legal Matters; 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, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

At 1:52 p.m., P. Lancaster moved the Board exit Executive Session and reconvene in Regular Session. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Against: None. Motion carried.

D. Blank moved for denial of Case Review No. D-18-10. 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 to table the request of Case Review No. D-18-11, until additional information is provided by NPERS' designated medical professional. 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.

J. Derr moved for denial of Case Review No. DCP-18-1, on the basis it does not meet the unforeseeable emergency distribution definition. 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.

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

The meeting adjourned at 1:56 p.m.



Randy Gerke
Director