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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**October 15, 2018**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 9:34 a.m., Monday, October 15, 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, October 5, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 8, 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

ORRON HILL

Legal Counsel/ Deputy Director

JOHN WINKELMAN

Education Services Manager

JACK HARDY

Information Technology Manager

DIANE HOLTORF

Internal Auditor

MELISSA NUSS

Retirement Plan Manager

DEAN GRESS

Senior IT Applications Developer

ALLEN SIMPSON

Appointed Member: pending confirmation

JOHNETTA LANG

Data Services Specialist

KERRY FINA

Educational Services Training Specialist

KEVIN FISHER

Data Services Specialist

KATE ALLEN

Retirement Committee Legal Counsel

NANCY REIMER

Ameritas

JOLYNN WINKLER

Nebraska Investment Council

ERIC ASBOE  
Nebraska Supreme Court

NEIL SULLIVAN  
State Budget Office

**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 October 15, 2018, Board Meeting to order at 9:34 a.m. Present at roll call: D. Blank, J. Elliott, D. Leonard, K. Ackerman, J. Derr, P. Lancaster, J. Schulz, and M. Walden-Newman. Absent: E. Stuhr.

**Agenda Item 4 – Approval of Minutes:** J. Schulz moved for approval of the minutes of the September 17, 2018, Board Meeting. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and J. Schulz. Abstain: D. Blank. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & September 2018 Retirement Report:** K. Ackerman moved to approve the Budget Status Report and the September 2018 Retirement 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 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 – Employee Recognition/Leadership in Excellence:** The State of Nebraska annually honors employees exhibiting exceptional leadership and service with the Excellence in Leadership Awards. R. Gerke offered an overview of the award process involved in the nomination and selection of the award winners. He stated NPERS' staff nominated 16 employees, which was the largest number in recent memory. Two individuals are selected by an employee committee, who are then recognized by the Governor.

R. Gerke announced Devon Schumacher, Retirement Specialist, and Melissa Nuss, Retirement Plan Manager, as this year's honorees for the Excellence in Leadership Award. R. Gerke provided a summary of staff comments regarding the honorees. J. Elliott presented both honorees with framed certificate awards.

**Agenda Item 8 – Information System Report:** J. Hardy reported a project to implement an improved image viewer has been completed. The new viewer will improve functionality, provide additional stability, and support and simplify ongoing maintenance.

He reported implementation of a new tier in the Cash Balance plan is ongoing to reflect LB 415. This is the second tier in the Cash Balance plan, and it creates a number of new requirements.



He stated a revision of NPERS' disaster recovery plan is in progress. A draft is currently being reviewed by managers.

He commented that enhancements and improvements to death processes is continuing.

J. Hardy reported there is an ongoing improvement project of the refund interface with Ameritas, which creates automated processes for sending paperless refunds to Ameritas.

He stated IT will be working with the FuzioN project team to analyze and define requirements to existing interfaces for migration to the new enterprise resource planning (ERP) system, which will replace the current Enterprise One (E-1) for financial, payroll, and HR functions.

J. Hardy reported that Windows 10 deployment is underway, and as of October 10, 2018, 70% of the agency workstations have been upgraded.

He stated production investigation requests (PIRs) are listed in the written report.

R. Gerke recognized J. Hardy for his leadership in guiding several agency-wide projects

D. Leonard moved to approve the Information System Report. 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.

**Agenda Item 9 – Legal/Legislative Update:** O. Hill presented an article provided by K. Allen, which reviews the effects of privatization on public pension funds from the Lexington Herald-Leader, October 10, 2018. The article focused on challenges facing Kentucky pension funds and unfunded liabilities. O. Hill provided a review of how Nebraska's public pension funds are significantly different in regard to proper funding. The PERB discussed employer business decisions, employer responsibilities and requirements, and Legislative Retirement Committee authorizations.

O. Hill discussed TeamMates and member involvement regarding pension funding. He highlighted examples of volunteer and paid member involvement and the possible effects on contributions, service credit, and perceptions of involvement. The PERB discussed members providing volunteerism after retirement, distinctions the IRS recognizes between paid service, retirement, and volunteerism, abuses of volunteer service, and the clarity the IRS requires regarding in-service distributions. O. Hill stated volunteerism for TeamMates, and other entities, continues to be explored to address benefit issues. J. Elliott stated, as a representative of National Council on Teacher Retirement (NCTR), that volunteerism and its possible repercussions on benefits is an issue experienced on a national scale.

The PERB took a break from 10:49 a.m. to 11:00 a.m.

J. Schulz, Chair of the PERB Legislative Committee, stated a meeting was held October 15, 2018, prior to the PERB meeting to discuss investment structure topics. M. Walden-Newman was in attendance at the committee meeting, and he introduced J. Winkler, Senior Portfolio Manager of the Nebraska Investment Council (NIC), who was also in attendance. M.

Walden-Newman stated the investment list placed in statute was put into place prior to the creation of the NIC. The list appears only in the Defined Benefit (DB) plan within statute. He stated an Overview of Strategies of the Defined Contribution (DC) and Deferred Compensation Plan (DCP) is currently available on the NIC website. He suggested any process to make adjustments to statutes would take at least 18 months for implementation. O. Hill stated the DCP document will need to be modified as it incorporates the current investment list in statute, should the statutory changes occur. He commented that a two-year evaluation of the DCP document is scheduled in December, and revising the investment language could be addressed during the review. J. Winkler stated the proposed changes to statute follow best practices industry-wide.

O. Hill reported on topics being discussed within the Legislative School Work Group. He reviewed data aggregated from a survey completed by school employers regarding substitute needs. O. Hill stated the Legislative School working group will meet again on October 16, 2018.

O. Hill reported that de minimus accounts, or small account balances, are currently being reviewed by the PERB Policy Review Committee. He provided a summary of de minimus accounts, which address inactive account summaries for State, County, and School plans, the amount of time for fees to consume small accounts in State and County plans, de minimus account questions, the Ameritas process regarding de minimus accounts, and provided statutory and regulatory notes on de minimus accounts.

J. Schulz recommended the PERB stay the topic of de minimus accounts. R. Gerke thanked O. Hill for his summary. J. Derr, Chair of the PERB Policy Review Committee, stated O. Hill should meet with the Committee to continue its review of de minimus account considerations. D. Leonard asked if the committee would review what the savings on both the front and back end may be in regard to taking action on de minimus accounts.

O. Hill stated he will begin continuing education classes starting October 16-19, 2018, in La Vista.

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.

**Agenda Item 10 – Director’s Report:** R. Gerke thanked the PERB for encouraging and approving his attendance at the National Council on Teacher Retirement’s (NCTR) Annual Conference held in Washington, D.C., October 13-15, 2018. He stated NCTR provided many educational sessions, including topics featuring neuro-marketing, Millennials, and investment strategy discussions.

He reported that cyber-security and cyber-insurance was one of the most interesting session topics; noting it speaks directly to the actuarial request for proposal (RFP) currently underway and if it should include cyber-security insurance. He reported that data breaches are



ultimately the fiduciary responsibility of the PERB, and stated he will explore ways cyber-security insurance may help support that responsibility.

R. Gerke recognized the value of the networking component of the conference. He made several valuable connections. He would like to meet with Donna Mueller, Chief Executive Officer of the Iowa Public Employees Retirement System, and Christine Gierer, Executive Director of the Kansas City Public School Retirement System, and will request permission to meet at some juncture. He suggested taking J. Hardy, and other managers, as a part of his team, as IPERS has experienced recent cyber-security challenges.

R. Gerke reported on the MassMutual Deferred Compensation Plan (DCP) contract, and the PERB requested discovery conducted by himself and M. Walden-Newman. He stated MassMutual's communication with NPERS has not improved, nor has their response in regard to correcting audit points. R. Gerke contacted David Fowler at MassMutual and suggested a meeting via conference call to discuss these issues. R. Gerke stated D. Fowler sent a brief email indicating that, to leave the plan, NPERS must provide MassMutual 60 days' notice and the name of our new carrier.

R. Gerke noted there are unresolved questions MassMutual needs to address. R. Gerke stated he is cognizant of members currently in the MassMutual DCP and their involvement moving forward.

M. Walden-Newman first thanked R. Gerke, O. Hill, and K. Allen for their input and assistance regarding statutes and the defined contribution (DC) plan.

M. Walden-Newman provided a map of the fund recommendations for assets if NPERS left the MassMutual DCP. He reminded the PERB that consideration of a MassMutual exit began in 2017, when a PERB question was raised regarding retention of MassMutual fund managers. M. Walden-Newman stated current plan members who currently receive a 4% automatic return at MassMutual may be entered into the Stable Value Fund if transitioned out of the MassMutual DCP.

J. Elliott asked if further information is needed before PERB action is taken. R. Gerke stated additional information and discovery are needed before he would ask for PERB action in the matter. R. Gerke stated he wants to continue to pursue meetings with MassMutual, and again acknowledged possible member input. O. Hill recommended adequate notice be provided to members to address the PERB regarding this issue. J. Schulz stated there are questions that must be answered before members are contacted. R. Gerke stated he would gather additional information to report to the PERB at the December meeting.

R. Gerke reported the actuarial RFP is under review by the Department of Administrative Services Material. He thanked O. Hill and J. Lang for their work on the RFP. He announced an evaluation of the RFP will take place in January. J. Schulz and J. Elliott have volunteered to sit on the review committee with several NPERS staff members.

He reported the State of Nebraska has accepted a new contract with Allo to provide phone services. NPERS and the Office of the Chief Information Officer (OCIO) will be the first agencies to receive the new system.

R. Gerke noted J. Winkleman is conducting State and County seminars, and introduced Kerry Fina as the new Education Trainer. R. Gerke also announced J. Winkleman conducted a State Patrol seminar September 26, 2018, in Grand Island, which came out of the PERB outreach. J. Winkleman noted an additional presentation will take place in the Spring.

He stated that the October agency meeting included Ryan Sothan, the Consumer Protection Division's Education and Outreach Coordinator, a guest of Diane Holtorf, who presented to NPERS' employees about fraud. R. Gerke commented that NPERS has had two fraud trainings for employees in 2018, and he will continue to provide regular fraud training for the agency.

R. Gerke reported the School, Judges, and Patrol audits will begin November 5, 2018.

D. Leonard moved to approve the Director, and his accompanying personnel, for transportation and meals to meet with Donna Mueller and Christine Gierer, respectively. P. Lancaster seconded the motion. Discussion included M. Walden-Newman stating he would like to have R. Gerke travel with NIC personnel to meet fund managers. The PERB stated M. Walden-Newman's requests would be considered as needed. 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. Leonard moved to approve the Director's Report. 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.

**Agenda Item 11 – Board Committee Reports:** J. Schulz reported the PERB Legislative Review Committee met October 15, 2018. Committee members are J. Schulz, Committee Chair, K. Ackerman, and D. Leonard.

**Agenda Item 12 – Board Education/Travel Requests:** J. Elliott reported on her attendance at the NCTR Annual Conference. She commented that the neuro-marketing speaker was extremely interesting. She noted the most recent NPERS' School newsletter appeared to be stimulating and utilized several neuro-marketing techniques discussed at the NCTR session. She commented that the Millennial topic was also very interesting, and stated she discussed Millennial engagement with R. Gerke. She stated the opportunity to gain knowledge from the conference's diverse attendance is invaluable. She brought the PERB an article from the conference regarding national discussions currently being held among public pensions.

K. Ackerman moved to approve J. Elliott's NCTR Annual Conference 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 13 – Future Meetings/Agendas:** The next PERB meeting will be held on Monday, November 19, 2018.

**Agenda Items 14 and 15 – Executive Session:** At 12:30 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-18-8 and Case Review No. D-18-9; 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 1:22 p.m., J. Derr moved that the Board exit Executive Session and reconvene in Regular Session. 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.

D. Leonard moved for approval of Case Review No. D-18-8 and Case Review No. D-18-9. 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.

**Adjournment:** D. Leonard moved that the meeting adjourn. 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 meeting adjourned at 1:24 p.m.



Randy Gerke  
Director