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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

September 17, 2018

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, September 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, September 7, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, September 10, 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:

ELAINE STUHR
DENIS BLANK

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

PATTY PIERSON

Retirement Plan Manager

MELISSA NUSS

Retirement Plan Manager

ALLEN SIMPSON

Appointed Member: pending confirmation

DEAN GRESS

Senior IT Applications Developer

JOHNETTA LANG

Data Services Specialist

KATE ALLEN

Retirement Committee Legal Counsel

NANCY REIMER

Ameritas

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 September 17, 2018, Board Meeting to order at 9:33 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: P. Lancaster moved for approval of the minutes of the August 20, 2018, Board Meeting. J. Schulz 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.

Excuse Member: D. Leonard moved to excuse D. Blank and E. Stuhr. 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 5 – Approval of Budget Status Report & August 2018 Retirement Report:

J. Schulz moved to approve the Budget Status Report and the August 2018 Retirement 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.

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 – Investment Officer Report: M. Walden-Newman spoke to the PERB regarding the 2008 market crisis. He provided the PERB with the August 20, 2018, issue of Pensions and Investments, which features a look back at the crisis, and discussed the long-term investment structure and discipline set by the Nebraska Investment Council (NIC).

M. Walden-Newman presented the 2018 Second Quarter Investment Report. Aggregated assets increased approximately \$0.2 billion. The review contained information regarding returns, actual allocations versus long-term allocations, peer comparisons, passive and active managers, manager performance, Omaha Schools Employee Retirement System (OSERS) transaction activity, and associated fees, which remain competitive for the Defined Benefit and Cash Balance Plans.

He stated NIC policy revisions are almost entirely complete.

J. Schulz moved to approve the Investment Officer Report. 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.

M. Walden-Newman stated the NIC would not be holding a joint meeting with the PERB in November. The NIC will meet in mid-December which will allow the Third Quarter Investment Report to be presented to the Council in a timely manner. He stated if there will be a future

joint meeting between the PERB and the NIC, he would like to develop a different agenda, perhaps with an educational focus. J. Elliott stated member groups may miss the informational opportunity of a joint meeting. Members of the PERB expressed concern about eliminating the joint meeting. M. Walden-Newman commented that OSERS, NIC, and the PERB held annual retreats during the same week in 2018. It was suggested a joint retreat between these entities may provide expanded educational opportunities. Further consideration will be given to the matter.

Agenda Item 8 – Internal Auditor Report: D. Holtorf provided a written report compiling results from the internal audits of School and County employers. She reported the School employer audits for fiscal year end (FYE) June 30, 2018, are final, with details provided in the report for the 33 School audits completed. There were 7 School employer audits completed for FYE June 30, 2019, and 10 audits are pending. There were 2 County employer audits completed for 2018, and 10 audits pending. The report provides a summary of School audit exceptions for 2018 and fiscal year 2019.

D. Holtorf stated internal auditors will be examining wage reporting by employees acting as referees, utilizing 1099s versus employer payroll. This becomes an issue regarding compensation and service credit for contributing members. The PERB discussed the responsibility of schools to determine how compensation is being reported as required by the IRS, consistency in reporting, and guidance provisions.

D. Holtorf provided an update on solutions to State Auditor findings. D. Holtorf stated she is pursuing contact with David Fowler of MassMutual to find resolutions, regarding the Deferred Compensation Plan. She stated NPERs is completing updates to MassMutual member information, particularly members of required minimum distribution age.

She commented that Ameritas reported the last three payrolls from the Department of Administration Services (DAS) has balanced. This addresses the State Auditor's concern regarding discrepancies between DAS and NPERs records, and she will continue to monitor.

D. Holtorf reported a request to conduct an audit was sent to Lincoln Public Schools (LPS). She is waiting for a response, and would like to discuss a potential audit with Jill Pauley, Director of Accounting at LPS.

P. Lancaster moved to approve the Internal Auditor Report. 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.

Added Agenda Item – Legal Update: O. Hill requested a meeting with the Legislative Committee after the PERB meeting to provide draft legislation for their review.

Agenda Item 9 – Director's Report: R. Gerke reported the 2019-2021 Biennial Budget Request was submitted September 13, 2018. He updated the PERB on an additional request of \$54,340 to compensate for the OCIO estimate for OnBase image scanning. The estimate from the OCIO was received after the August PERB meeting. The PERB Budget and Personnel Committee was notified of the change. J. Schulz stated he would like to consider

and review the formula used for allocated expenses. R. Gerke stated the expenses to the OCIO are among the largest percentage of the budget. R. Gerke stated he and J. Hardy would investigate alternate image scanning and viewing options.

R. Gerke reported the Actuarial Services RFP is the next big project he will be working on with Teresa Zulauf, and a draft is almost complete.

R. Gerke stated the Benefits department was approved for overtime to support School retirement processing demands.

He commented on a new NPERS project group reviewing low account balance procedures.

R. Gerke stated Saunders Medical Center (SMC) has provided NPERS with requested information and documents for County Plan members. He stated NPERS' IT has provided alerts and notes in NPRIS to flag these accounts.

He announced Educational Services has hired new Training Specialist, Kerry Fina. Benefits also filled a Retirement Specialist position with a former employee of NPERS, Susan Bauer. There are two positions currently open which will be filled: a Staff Assistant I and Temporary SOS Staff Assistant I position.

R. Gerke reported a meeting was conducted with Senator Kolterman, Kate Allen, O. Hill, M. Walden-Newman, and JoLynn Winkler, NIC Senior Portfolio Manager. He stated M. Walden-Newman is proposing new statutory investment language that would affect the Defined Contribution, Deferred Contribution, and Deferred Retirement Option Plan (DROP) plans. Currently, statute lists required investments. In the future, the statute should be continuously updated to reflect the investment list with current best practices. Once an updated list is prepared, it will be presented to the PERB, NIC, and to the Legislative Retirement Committee. If approved by the Legislature, the changes would not become effective until January 2020.

The PERB took a break from 11:07 a.m. to 11:18 a.m.

R. Gerke mentioned a meeting is scheduled between himself, O. Hill, Senator Kolterman, and K. Allen, among others, to address School plan matters, on October 15, 2018.

R. Gerke stated he attended an informational leadership meeting, regarding the state-wide FuzioN project. Certain deadlines have been moved. He is concerned about the blackout period announced by the FuzioN team, possibly lasting ten days. The blackout is scheduled during member benefit payments at the end of March 2019. R. Gerke has been pursuing meetings with the FuzioN team to address this issue.

R. Gerke reported that a HELPS program may be introduced in the legislature for post-retirement health insurance payments, which would be administered by NPERS for the State Patrol Plan. He has spoken with administrators of other HELPS type programs, and received feedback, regarding the challenges, additional resources, legal compliance, and lack of administrative consistency experienced. R. Gerke will continue to update the PERB on this

matter. O. Hill stated that normal retirement age and DROP pose a challenge, regarding the program. K. Allen commented the definition of Public Safety Officer may apply to members in plans other than State Patrol, and thanked NPERS staff for the preliminary information compiled in regard to considering a program of this complexity.

R. Gerke encouraged the PERB to accept the invitation to the National Council on Teacher Retirement (NCTR) webinar, regarding the Trustee Delegation of Authority on September 19, 2018.

He reminded the PERB that both he and J. Elliott will be attending the NCTR Annual Conference in Washington, D.C., October 6-10, 2018.

J. Schulz inquired about D. Fowler and MassMutual's lack of responsiveness. R. Gerke stated MassMutual responded to NPERS requests for communication on September 14, 2018; the Friday before this meeting.

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 10 – Board Committee Reports: There were no reports.

Agenda Item 11 – Board Education/Travel Requests: There were no requests.

Agenda Item 12 – Future Meetings/Agendas: The next PERB meeting will be held on Monday, October 15, 2018.

Agenda Items 13 and 14 – Executive Session: At 11:42 p.m., D. Leonard 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-18-3; 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; 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 1:07 p.m., D. Leonard moved the Board exit Executive Session and reconvene in Regular Session. 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.

D. Leonard moved that R. Gerke, and if necessary, O. Hill, discuss with M. Walden-Newman and review the nature of the performance and responsiveness of MassMutual and return to the PERB with suggestions as to a continued relationship with MassMutual. 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.

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 1:09 p.m.



Randy Gerke
Director