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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

DECEMBER 16, 2019

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, December 16, 2019, 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, December 6, 2019. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 9, 2019. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT: JANIS ELLIOTT, CHAIR
 KELLI ACKERMAN, VICE-CHAIR
 JUDGE J DERR
 PAM LANCASTER
 JIM SCHULZ
 ALLEN SIMPSON
 MIKE JAHNKE
 MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: NONE

NONMEMBERS PRESENT:

RANDY GERKE Director	CHRISTI FORD Internal Auditor
ORRON HILL Legal Counsel	JENNA VANDEVENTER Internal Auditor
JACK HARDY Information Technology Manager	NANCY REIMER Ameritas
TIM BAKER Internal Auditor	NEIL SULLIVAN State Budget Office
TERESA ZULAUF Controller	BILL BIVEN Fiscal Budget Office
MELISSA NUSS Retirement Plan Manager	ERIC ASBOE Nebraska Supreme Court

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 December 16, 2019, Board Meeting to order at 9:33 a.m. Present at roll call: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and M. Walden-Newman. Absent: None.

Agenda Item 4 – Approval of Revised Minutes: P. Lancaster moved for approval of the revised minutes of the November 18, 2019, Board Meeting. M. Jahnke seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & November 2019 Retirement Report: J. Schulz moved to approve the Budget Status Report and the November 2019 Retirement Report. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. 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 – Internal Auditor Quarterly Report and Three-Year Audit Plan: T. Baker provided the Internal Auditor Quarterly Report and the Three-Year Audit plan. He thanked the PERB for the opportunity to report to them today for the first time, since occupying the position.

T. Baker commended the NPERS management team for their support. He thanked the internal auditing team, C. Ford and J. Vandeventer, for their assistance in acclimating him to the agency and internal auditing information.

He reported 13 School employer audits were completed, three are ready for review, and six are underway. He noted the Lincoln Public Schools audit was completed which added to the large number of contributing members noted in the report. He reported 11 County employer audits were completed, five are ready for review, and three are underway.

Additionally, he reported:

- He secured fraud speaker, John Mallery, for the monthly NPERS all staff meeting, on November 4, 2019.
- Attended a two-day Internal Controls training in Omaha, provided by the Nebraska Society of CPAs, featuring implementing and maintaining internal controls and risk and strategy of internal controls.
- Reestablished contacts with State Accounting Division of Nebraska Administrative Services.
- Executed the Memorandum of Understanding (MOU) with R. Gerke between Administrative Services (AS) and NPERS. The MOU discusses agency responsibilities and State accounting responsibilities. The MOU is updated annually, and is used by the State to ensure adequate internal controls exist within all agencies.

- He continues to monitor MassMutual. There is a new account manager at MassMutual, Robert Pazera.
- He renewed his two national committee appointments as a member of the Association of Government Accountants (AGA).

T. Baker provided additional information in regard to correcting errors.

- Stated employers have 20 days to correct errors and NPERS verifies corrections.
- The report provides a list of primary reasons for errors.
- Commented there are set criteria for auditing.

O. Hill stated efforts to resolve issues can continue, particularly in regard to employer education. If an issue would prove unresolvable, the issue would come before the PERB as an agenda item. O. Hill commented issues continue to be addressed until the finding is resolved.

T. Baker provided an overview of the Three-Year Audit plan, covering the period from January 2020-December 2022. He stated he would like to adjust weighting on several ratings.

K. Ackerman moved to approve the Internal Auditor Quarterly Report and the Three-Year Audit plan. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Agenda Item 8 – Education Services Report: J. Winkelman could not attend the PERB meeting. The Education Services report will be given at the January 2020 meeting.

Agenda Item 9 – Employee Spotlight: Featuring the Internal Auditor Team: As part of the monthly employee spotlight, which highlights various teams within the agency, T. Baker introduced the internal NPERS auditors, J. Vandeventer and C. Ford to the PERB.

The PERB took a break at 10:20 a.m. and returned at 10:37 a.m.

Agenda Item 10 – Investment Officer’s Update: M. Walden-Newman presented the Third Quarter 2019 Performance Review. As of September 30, 2019, the fiscal year-to-date performance of the defined benefit plans was +12.8%, and the calendar year-to-date performance for the cash balance plans was +12.7. Assets totaled over \$28.7 billion, which represents an increase of approximately \$450 million from the previous quarter.

He stated the NIC will do a blank sheet review of the fixed-income portfolio, which has already begun, to include consideration of changes to the mix, and by this time next year, there could be a new fixed-income lineup, to possibly include manager changes.

A. Simpson moved to approve the Investment Officer's Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

M. Walden-Newman announced Kathy Dawes, the Nebraska Investment Council's Office Manager and a 40-year State employee, will be retiring at the end of the year. The position will not be filled immediately.

Agenda Item 11 – Legal/Legislative Update: O. Hill provided the Legal and Legislative update. He stated the Legislature begins its session January 8, 2020. He stated January 23rd will be the last day for bill introduction.

O. Hill reported the PERB and NPERS do not currently have legislation to introduce, and he has not heard of any bills, thus far, which may impact the retirement systems. The Omaha School Employees Retirement System (OSERS) LB 31 study will continue to proceed, as written. Additional bills which may affect the study will be monitored. O. Hill has monitored the Better Together coalition, and any potential legislation from the group, which could affect the LB 31 study. He noted hold-over bills: LB 683, which provide a one-time lump sum payment of certain retirees' benefits in the OSERS plan, and LB 706, which introduces a one-year freeze on COLA adjustments for OSERS retirees.

O. Hill thanked Chris Heinrich, Attorney for the NIC, and M. Walden-Newman for providing data in regard to MassMutual.

The United States Supreme Court refused to hear a Rhode Island case that may have farther reaching consequences, which addresses the right of a plan to change the contributions of active employees. Nebraska follows the California rule, which does not allow for changes to active employee benefits.

The United States Supreme Court has been looking at Employee Retirement Income Security Act (ERISA) governed plans. O. Hill continues to monitor these cases, although NPERS is not governed under the provisions of ERISA. He stated this is particularly pertinent to fiduciary duties and vendor liabilities.

O. Hill informed the PERB of what appears to be a coordinated cyber-attack on the New Orleans Retirement System plan. The response to the attack appears to be effective due to cyber-attack training.

O. Hill presented information regarding the January officer election for the PERB.

P. Lancaster moved to approve the Legal/Legislative Report. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

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

R. Gerke reported meeting with Governor Ricketts on November 18, 2019, for presentation of the School, Judges, and State Patrol Valuation Reports, with J. Elliott, P. Beckham, and B. Bannister. Other attendees included Neil Sullivan, State Budget Analyst, and other State Budget and Policy Review Office personnel.

He reported P. Beckham presented the valuation reports at the Legislative Retirement Committee hearing on December 17, 2019. He stated that questions regarding an experience study were addressed.

He further stated:

- The Legal Compliance Audit will be headed by O. Hill, who continues to gather material and data for Groom Law Group and Segal Consulting. Onsite interviews at NPERS will be conducted by the auditors during February. The audit will be completed by June 2020, so legislation may be presented if needed, although the audit is not due until December 2020.
- The contract is finalized with Linea to conduct the data and information part of the LB 31 OSERS study. Another round of questions is being compiled to present to Cecilia Carter, Director of OSERS. A draft and outline will be constructed after additional information is gathered.
- Chad Schlotfeld is the NPERS Security Officer. He presents risk proposals and solutions quarterly.
- Processors are working hard for State and County Required Minimum Distribution (RMD) payouts going out before the end of the year. Member RMDs are still being calculated for members this year, however, in 2020, members will be fully responsible for calculating their RMDs.
- N. Reimer, Ameritas Client Services Project Manager, will be working with JoLynn Winkler, NIC Senior Portfolio Manager, to implement investment changes for DC, DCP, and DROP plans going into effect on January 1, 2021.
- The school season is over for the Benefits department. J. Winkelman sent a second benefits letter on December 13, 2019, to members who may be unaware they are eligible for a benefit.
- The School, Judges, and Patrol audit will be concluding soon.
- Dennis Rohren, Accountant III, will be retiring at the end of December. Interviews will be held in December for the Accountant III position. The SOS temporary position for front desk reception has been filled, contingent on acceptance of the offer. Margaret Fintel will be accepting additional duties to provide maximum support to Call Center functions.
- The Call Center and Data Services managers have been completing employee performance evaluations for R. Gerke's review, utilizing a new evaluation format.

J. Schulz moved to approve the Director's Report. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. 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 will be Monday, January 27, 2020.

The PERB considered date changes to the April 20, 2020, and November 16, 2020, PERB meeting calendar. J. Elliott requested M. Nuss to secure the Developmental Center as a possible alternative for the April and November meetings and retain the currently approved meeting dates. J. Elliott stated the PERB would consider the PERB Calendar again at the next PERB meeting and adjust dates or venues, as necessary.

Agenda Items 16 and 17 – Executive Session: At 11:50 a.m., J. Derr 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-19-26; Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-19-27; 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 Litigation; Protection of Public Interest. M. Jahnke seconded the motion. J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

At 1:03 p.m., M. Jahnke moved that 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, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-19-26 and Case Review No. D-19-27. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

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

The meeting adjourned at 1:05 p.m.



Randy Gerke
Director