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**PUBLIC EMPLOYEES RETIREMENT BOARD
REGULAR MEETING AND EDUCATION CONFERENCE**

July 15, 2019

9:30 A.M.

The Annual Board Meeting and Retreat of the Public Employees Retirement Board convened at 9:34 a.m., Monday, July 15, 2019, in the Nebraska Abel Room, at the Peter Kiewit Lodge, Mahoney State Park, Ashland, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, July 5, 2019. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, July 8, 2019. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT:

JANIS ELLIOTT, CHAIR
KELLI ACKERMAN, VICE CHAIR
PAM LANCASTER
JIM SCHULZ
MIKE JAHNKE
ALLEN SIMPSON
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT:

JUDGE J. DERR

NONMEMBERS PRESENT:

RANDY GERKE
Director
ORRON HILL
Deputy Director and Legal Counsel
TERESA ZULAUF
Controller
JACK HARDY
IT Manager
DEAN GRESS
IT Senior Application Developer
MELISSA NUSS
Retirement Plan Manager
CHAD SCHLOTFELD
IT Infrastructure Support Analyst
KATHY TENOPIR
Legislative Fiscal Office
KATE ALLEN
Legislative Retirement Committee, Counsel

CHERYL WOLFE
Senior Policy Advisor to the Governor
NEIL SULLIVAN
State Budget Office, Analyst
CECILIA CARTER
Omaha School Employees Retirement
Systems, Director
PATRICE BECKHAM
Cavanaugh Macdonald Consulting
BRENT BANISTER
Cavanaugh Macdonald Consulting
RON WOERNER
RWX Security Solutions
JAKE FOILES
Federal Bureau of Investigations

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 July 15, 2019, Board Meeting to order at 9:34 a.m. Present at roll call: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and M. Walden-Newman. Absent: J. Derr

Agenda Item 4 – Chairperson’s Comments and Introductions: J. Elliott welcomed everyone and thanked the attendees for joining the PERB at Mahoney State Park. She thanked NPERS staff for their work on the retreat.

Agenda Item 5 – Approval of Minutes: P. Lancaster moved for approval of the minutes of the June 17, 2019, Board Meeting. M. Jahnke seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Agenda Item 6 – Approval of Budget Status Report and June 2019 Retirement Report: J. Schulz moved to approve the Budget Status Report and June 2019 Retirement Report. K. Ackerman seconded the motion. J. Schulz asked for comments on the budget report, as it was the end of the biennial budget. R. Gerke stated 100% of the year has elapsed, and after accounting for encumbrances and payables, NPERS is well under budget. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Agenda Item 7– Public Comments or Correspondence from Citizens: There were none.

Agenda Item 8 – Northeast Nebraska Public Health Department Request for participation State DCP 457 Plan: R. Gerke presented the Northeast Nebraska Public Health Department request for participation in the State DCP 457 Plan.

P. Lancaster moved to approve the Northeast Nebraska Public Health Department request for participation in the State DCP 457 Plan. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Excuse Board Member: P. Lancaster moved to excuse J. Derr. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Agenda Item 9 – Board Policy Review: O. Hill thanked the Regulation and Policy Review Committee; J. Derr – Chairperson, J. Schulz, and M. Jahnke, for their guidance and work on policy revisions. O. Hill stated policy revisions and changes follow Governor’s office guidance in regard to policies, rules and regulations, and statutes. He thanked the Legislature for granting authority to adjust “shall” to “may” language which has assisted in simplification of policies.

J. Schulz thanked O. Hill for the education provided to the Committee regarding differences between statutes, rules and regulations, and policies. O. Hill reviewed those differences. O. Hill stated rules and regulations will be presented for revisions and changes at another time.

O. Hill presented recommendations by the Committee on Board Policies 1-10, including adding unifying language, condensing policy language, striking policy language already included within statutory text, and inserting language from Rules and Regulations, which should only be provided within policy. O. Hill stated there will be active links within the policies which will take users to the statutes cited. Many of these revisions will allow for the eventual removal of rules and regulations, which repeat policy language. O. Hill stated he asked the Benefit's Department manager, P. Pierson and team leads for guidance related to plan timelines and benefit disbursement in relation to policy revisions.

O. Hill will work with the IT Department on additional PERB SharePoint additions to add active links and other materials for the Committee and PERB to utilize. J. Schulz asked to have PERB expense forms and per diem forms available on the PERB SharePoint site. M. Nuss stated she would work with IT to add those forms or links to the site.

O. Hill stated the Committee's recommendation is to remove Policy 12, Electronic Disbursement, and 13, the Cash Balance Benefit Election, as the policies are no longer pertinent to PERB policies.

Recommended course of action from O. Hill is for the PERB to review the Committee's recommendations, the Committee to consider any additional recommendations, and bring the changes up for motion at the August 19, 2019, PERB meeting. J. Schulz stated Committee Chairperson J. Derr suggested a Committee meeting before the August 19, 2019, PERB meeting to finalize policy recommendations for the PERB.

The Board took a break at 10:34 a.m. and reconvened at 11:00 a.m.

Agenda Item 10 – Actuarial Hot Topics: J. Elliott introduced Pat Beckham, Principal and Consulting Actuary with Cavanaugh Macdonald Consulting, LLC and Brent Banister, Chief Actuary for Cavanaugh Macdonald Consulting, LLC.

P. Beckham introduced the presentation's topics for the day, including: mortality, investment returns, and risk evaluations.

She defined mortality and how it is pertinent to pensions, death at the time of retirement, and pension cost increases due to longer life expectancies. She discussed significant historical improvements to life expectancy, future improvements to mortality and reasons for non-improvements. She reviewed key assumptions used in valuations, which includes mortality as one of the most significant assumptions.

B. Banister stated the Society of Actuaries released new tables in early 2019, called Pub-2010, which has a larger data set than that used for private plans. He stated it is significant that factors like job categories are being considered for the first time in mortality differences. He stated a table for NPERS is already being utilized with adjustments for NPERS' actual experience. B. Banister reported the Pub-2010 mortality tables will be considered in the 2020 Experience Study.

P. Beckham stated there is an understanding that investments are volatile, and calendar year 2018, saw negative returns for most systems. She stated, that actuarially, negative returns are not expected. She discussed how to address return volatility.

J. Elliott commended the liquidity study presented at the Nebraska Investment Council's (NIC) retreat, and it was noted the study is available to review on the NIC's website.

P. Beckham commented on Actuarial Standards of Practice 51 (ASOP 51) which focuses on Assessment and Disclosure of Risk, and reviewed relevant risks. She stated each plan's risk profile is unique, and reported investment risk is, generally, the greatest risk. The actuaries reviewed testing methods and measurements used in ASOP 51.

The Board took a break to gather lunch at 12:13 p.m. and reconvened at 12:47 p.m.

Agenda Item 11 – Cyber Threats, Investigations, and Security: Agenda Item 11, took place during a working lunch for the PERB and public attendees. J. Elliott introduced Special Agent Jake Foiles, Federal Bureau of Investigations (FBI) Cyber Crimes unit.

Agent Foiles described the FBI's top 3 priorities in the Cyber Crime unit. He stated cyber-attacks are global and described attack routes used. There are FBI legal offices in more than 180 countries. He discussed cybersecurity roles and responsibilities in fighting cybercrime across multiple governmental entities. Different cyber-threats include hacktivism, crime, insider, espionage, terrorism, and warfare. He provided statistics such as: total complaints, total losses, and the total economic cost of cybercrime. He stated that IC3.gov is a website which individuals may report cyber fraud.

Agent Foiles reported that Business Email Compromise (BEC) is becoming far more wide-spread and effective, and is a scam which compromises or spoofs legitimate business emails. He stated multi-factor authentication, education and training employees, implementing policies and procedures for verifying significant transactions/changes, and adding banners/warnings to external messages are valuable safeguards in fighting BEC.

He noted that credential stuffing is another cybercrime in which large data breaches occur, when one breach of a password could lead to a connected breach of your account at another website.

He described a distributed denial of service (DDOS) occurs when an attacker sends bogus emails to a single website which crashes it. Internet of things (IoT), means many different devices are now internet connected. These devices, a refrigerator for instance, could be used to create DDOS attacks, and this type of attack will grow in the future as more devices are connected to the internet.

He stated that awareness of current threats, a healthy online skepticism, using multi-factor authentication, and use of a password database tool are key to cybersecurity.

Agenda Item 12 – Keeping Your Savings Safe: J. Elliott introduced Ron Woerner, President and Chief Trusted Advisor at RWX Security Solutions, who presented a discussion of risk management.

R. Woerner stated regulation, revenue, and reputation are three things that must be considered when a security breach occurs. He identified threat actors as external, internal, partner, and multiple parties. Protection, detection, and response are three items to consider in risk management, and it takes three high-level things required to commit fraud: access, intent, and

knowledge. He suggests individuals, including employees: stop, think, and connect; if you see something, say something; lock down your login; be prepared for when, not if; trust, but verify; keep a clean and updated machine; encrypt, and know where your data is.

Agenda Item 13 – Executive Session: At 2:56 p.m., M. Jahnke moved the Board exit Regular Session and convene in Executive Session for the purpose of discussing Case Review No. D-19-14; prevention of needless injury to the reputation of an individual, Case Review No. D-19-15; prevention of needless injury to the reputation of an individual, Case Review No. E-19-2; 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 of Pending Legal Matters; Protection of Public Interest. P. Lancaster seconded the motion. J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

At 5:02 p.m., P. Lancaster moved the Board exit Executive Session and reconvene in Regular Session. M. Jahnke seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Agenda Item 14 – Board Action on Executive Session Topics: M. Jahnke moved for approval of Case Review No. D-19-14, D-19-15, and E-19-2. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

K. Ackerman moved for approval of a 4.6% increase in the Director's salary, effective July 1, 2019. K. Ackerman commented the compensation is well-earned, and the PERB is very pleased with the Director's work over the past year. J. Schulz seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

Agenda Item 15 – Recap of Day's Topics and Retreat Evaluation: J. Elliott asked the PERB to return their evaluations to M. Nuss.

Agenda Item 16 – Director's Report: R. Gerke presented the Director's Report. He stated July is a very active time at NPERS. He reported the Consumer Price Index (CPI), used to determine cost of living adjustments (COLAs), was released in July at 1.44%. The Treasury Yield Curve, used to determine the DB plan interest rate, was released in July at 1.94%, while last year was 2.4%.

He stated the fiscal year has concluded and the Accounting Department is very busy. He mentioned two accounting employees, Caleb Taylor and Sarah Wuestewald are conducting employer workshops. Heather Critchfield-Smith began presenting workshops for Education Services.

R. Gerke reported Diane Holtorf, Internal Auditor, resigned in June to work for the University of Nebraska, in a non-supervisory position. The Budget and Personnel Committee; P. Lancaster – Chairperson, K. Ackerman, and A. Simpson, will be attending Internal Auditor interviews for three candidates. There were 14 applications referred from the Department of Administration for the position.


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

Agenda Item 17 – Board Committees and Travel Requests: There were none.

Agenda Item 18 – Future Meetings/Agendas: The next meeting will be held on Monday, August 19, 2019, in the 1526 Building, at 1526"K" Street, Room 4D, Lincoln, Nebraska.

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

The meeting adjourned at 5:10 p.m.



Randy Gerke
Director

