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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

MARCH 18, 2019

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, March 18, 2019, at the Ameritas Life Insurance Corp., 5900 "O" Street, New Third Conference Room, Lincoln, Nebraska.

The Board members were notified of this meeting by the Agenda posted on the PERB SharePoint website on Friday, March 8, 2019. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, March 11, 2019. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT:

- JANIS ELLIOTT, CHAIR
- KELLI ACKERMAN, VICE-CHAIR
- DENIS BLANK
- JUDGE J DERR
- PAM LANCASTER
- JIM SCHULZ
- MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: NONE

NONMEMBERS PRESENT:

RANDY GERKE Director	DIANE HOLTORF Internal Auditor
ORRON HILL Deputy Director and Legal Counsel	NANCY REIMER Ameritas
PATTY PIERSON Retirement Plan Manager	MARY KLUG Ameritas
JACK HARDY IT Manager	SCOTT HOLECHEK Ameritas
TERESA ZULAUF Controller	BEN MATTERN Ameritas
MELISSA NUSS Retirement Plan Manager	NEIL BATEMAN Retired Teacher
JOHNETTA LANG Data Services Specialist	

Agenda Item 1: J. Elliott stated the 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 March 18, 2019, Board Meeting to order at 9:32 a.m. Present at roll call: K. Ackerman, D. Blank, J. Elliott, J. Derr, P. Lancaster, J. Schulz, and M. Walden-Newman. Absent: None.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the February 28, 2019, Board Meeting. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & February 2019 Retirement Report: J. Schulz moved to approve the Budget Status Report and the February 2019 Retirement Report. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, 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 – Ameritas Annual Report: Nancy Reimer, presented the Ameritas Annual Plan Review, for year ending December 31, 2018. The report will be available on the NPERS website. She introduced Ameritas representatives M. Klug, as the day-to-day contact for NPERS, as well as for the monthly reporting for the plans; Scott Holechek, the 2nd Vice President of Client Relationship Services; and Ben Mattern, Vice President of Planning and Business Systems.

N. Reimer reviewed the report, which included an overview of contributions, distributions, and year-end balances for NPERS' State, County, DCP, and DROP retirement plans. The report includes member information such as average account balances, average member's years of service in each plan; along with historical returns and annuity statistics.

The PERB discussed qualified rollovers to NPERS DCP plan. The PERB suggested future newsletters could target enhanced information for members regarding qualified DCP rollover possibilities.

N. Reimer noted the new two-step verification process utilized by Ameritas and stated that Ameritas continues to consider additional security measures.

N. Reimer commented that Ameritas enjoys working with the PERB and NPERS staff, and J. Elliott commended the cooperative work of Ameritas and NPERS staff.

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

Agenda Item 8 – Internal Auditor Quarterly Report: D. Holtorf presented the Internal Auditor Quarterly Report compiling results from the audits of School and County employers. There were 18 County audits and 5 School audits completed, with 4 School audits pending.

She stated improvements are being implemented by NPERS to address audit concerns, regarding the DCP audit findings. She worked with R. Gerke to prepare a response letter, explaining corrective actions, which was submitted to the Auditor of Public Accounts on February 5, 2019.

D. Holtorf reported acknowledgement letters were sent to County Boards who experienced no audit findings.

Internal auditors are working on School audits, and addressing ineligible compensation issues which occurred after Schools changed their processes.

R. Gerke reported D. Holtorf will discuss service organization controls (SOC) and provide educational information for the PERB, regarding SOC reports at the PERB's June meeting.

D. Holtorf stated she would develop a more comprehensive spreadsheet to capture findings that could be utilized for proof of follow up regarding audit findings. She stated she continues to work with Education Services to enhance the information presented at employer workshops.

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

Agenda Item 9 – Legal/Legislative Update: O. Hill presented the Legal and Legislative Update, reviewing significant movement in bills of interest to the PERB.

O. Hill reviewed bills which have passed, including: LB32, LB33, LB52, and LB146. He gave updates on bills which have advanced, including: LB34, that came out of committee with AM591 and rolled in LB35, LB36, and LB591. He reported LB31 was placed on the general file with AM570.

O. Hill stated upcoming hearings for LB31, LB683, and LB706 will be held March 19, 2019, starting at 5:00 p.m. R. Gerke will be providing neutral testimony on LB31. O. Hill may offer minimal neutral testimony on LB683 depending on potential place-holder status, but neutral concerns are prepared to provide. R. Gerke stated fiscal notes were submitted for both LB31 and LB683.

O. Hill will monitor the hearing for LB178 on March 25, 2019. He stated the hearing for LB363 would be held later that day.

O. Hill reported the California (CA) Supreme Court rendered an opinion regarding the purchase of air time. The CA Supreme Court ruled the option to purchase is not protected as a right, and if the Nebraska Legislature wanted to address air time, CA has now provided a precedent.

He thanked John Winkelman and the Education Services staff for providing assistance to the Department of Administration Services, regarding enhanced retirement discussions with employees.

O. Hill stated he would like to discuss immigration concerns at the upcoming National Association of State Budget Officers (NASBO) conference, as it has been an increasing concern regarding retirement.

He stated several complex qualified domestic relations orders (QDROs) took a significant amount of time to discuss with member and alternate payee legal counsels for drafting guidance and administration.

He commented a legal analysis was drafted for reporting agents concerning the State and County Plans, regarding questions pertinent to permanent and temporary employees, as well as the SOS program.

He continued work on NPERS' IT security policy draft review; worked on a survey related to the Teammates program, for review by Sarah Waldman, Teammates Program, and Mike Delaney, Nebraska Council of School Administrators; continued developing power of attorney (POA) classes with the Benefits Department; and will provide additional POA training for the Data Services Department.

O. Hill reported on a new litigation trend which exposes the use of exceptionally outdated mortality tables; however, it was noted NPERS has adopted mortality tables recently updated in legislation.

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

The PERB took a break from 10:42 a.m. to 11:02 a.m.

Agenda Item 10 – Investment Officer's Update: M. Walden-Newman presented the Nebraska Investment Council's (NIC) Fourth Quarter 2018 Performance Review. He discussed the downturn in December of 2018. As of December 31, 2018, aggregated assets totaled \$25,696,313,204, which represented a decrease of approximately \$1.8 billion from the end of the previous quarter

M. Walden-Newman commented on LB32, which changes the investment options for the Defined Contribution (DC) plan. The statutory changes will allow the NIC to update investment options for the DC plan, as well as the Deferred Compensation Plan (DCP). He noted people in any investment option which is removed, will be mapped over to new options.

The NIC will suggest a recommended mapping plan. He believes this will provide an opportunity for members to review their investments. Age-based options will be removed, to be replaced by life-cycle options. He stated there will be an agenda item at the NIC's retreat on July 11, 2019, which will provide a status report on developing the investment lineup for the DC and DCP plans. At the September, or no later than, the December NIC meeting, the NIC will have managers selected, so NPERS and Ameritas will have a full year to map members options. M. Walden-Newman thanked people for being open to this change, as well as N. Reimer, NPERS staff who will be implementing the changes, and R. Gerke for the support given throughout the change process. The NIC has created the first of several articles to be included in NPERS newsletters, discussing the legislative change to allocations.

M. Walden-Newman brought two materials for the PERB, including a Wall Street Journal article titled "Inside the Bull Market's Decade-Long Run", as well as Aon's 2018 Retirement Income Adequacy Study.

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

Agenda Item 11 – Johnson County Request for Participation State DCP 457 Plan:

R. Gerke stated Johnson County provided answers to NPERS questions, regarding participation and he recommends their acceptance into the plan.

D. Blank moved to approve Johnson County's participation in the State DCP 457 Plan.

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

Agenda Item 12 – Director's Report: R. Gerke announced Cavanaugh McDonald has been awarded the Actuarial RFP contract for three additional years.

R. Gerke stated that he testified before the Appropriations Committee on March 1, 2019, and answered questions regarding Omaha Public Schools Employee System (OSERS).

M. Walden-Newman stated Legislative representatives appreciate R. Gerke's leadership of NPERS, the communication he provides to a variety of stakeholders, and his engagement with the Legislature.

R. Gerke announced the hearing for LB31 will take place March 19, 2019, at 5:00 p.m.

He reported J. Hardy and M. Nuss continue to address security concerns and improvements. He stated new security processes, regarding enhanced security requirements implemented at Ameritas, have been developed for NPERS Call Center representatives.

R. Gerke reported the National President of the Association of Government Accountants (AGA) visited NPERS office and met with R. Gerke and D. Holtorf, which was an honor.

R. Gerke stated, in an effort to continue internal agency development and learning for management, T. Zulauf and M. Nuss have begun the State's year-long Leadership Certificate training program. He commented that J. Hardy has completed this certification program.

R. Gerke commented on the challenge of severe weather consequences across Nebraska and alerted the PERB as to how School members may be effected, by potentially delaying the effective date of retirements, if schools are forced to continue classes into June 2019.

R. Gerke presented the 2019 Annual Report to the Legislature (the "Report") for the PERB, and stated it would be presented to the Legislative Retirement Committee March 27, 2019. He stated accomplishments include the agency-wide implementation of Windows 10, the inclusion of beneficiaries on State and County member statements, and the agency implemented automated time entry. He stated O. Hill has developed a three-year PERB policy review schedule.

R. Gerke commented, action plan items for the future will likely always include a focus on customer service enhancements for members, reviews and updates to procedures, and identifying and enhancing cyber security solutions. He remarked additional action items include: an IRS Compliance Audit, implementation of a new state-wide phone system, and development of additional paperless solutions, along with additional digital solutions, a comprehensive new staff member training program, and conduct a strategic planning session with managers.

He stated the Report shows NPERS came in under budget again. He noted the data regarding under 90-day processing requirements for benefits, and stated there will be a focus on improvements to processing timelines.

Within the report, R. Gerke pointed to the significant amount of retiree benefit payments listed by county, and reported that in December alone, nearly \$60 million retiree dollars went back into the State of Nebraska economy.

J. Elliott commented on the NPERS staff's professionalism and the learning opportunities R. Gerke is making possible through his encouragement.

J. Derr 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, and J. Schulz. Against: None. Motion carried.

Agenda Item 13 – Board Committee Reports: There were no committee reports.

Agenda Item 14 – Board Education/Travel Requests: None. J. Elliott stated she will be attending the National Council on Teacher Retirement (NCTR) executive planning session in April, and she will report back to the PERB on the session.

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting will be Monday, April 15, 2019.

Agenda Items 16 and 17 – Executive Session: At 12:13 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members, personnel matters, and legal matters: Case Review No. A-18-1; Prevention of Needless Injury to the Reputation of an Individual, Case Review No. D-19-5; 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, and Update on Pending Legal Matters; Protection of Public Interest. K. Ackerman 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, and J. Schulz. Against: None. Motion carried.

D. Blank left the PERB meeting during Executive Session.

At 1:00 p.m., J. Derr 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, and J. Schulz. Against: None. Motion carried.

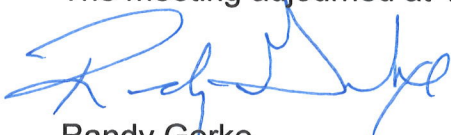
In regard to A-18-1, K. Ackerman moved to accept the hearing officer's recommended order, dated March 5, 2019, which denied the relief requested in the Petition and Notice of Appeal filed on December 18, 2018, and that the PERB's decision to deny Petitioner's application for disability benefits be affirmed in all aspects. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, and J. Schulz. Against: None. Motion carried.

D. Blank rejoined the PERB meeting at 1:02 p.m.

J. Schulz moved for approval of D-19-5. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, and J. Schulz. Against: None. Motion carried.

Adjournment: J. Derr 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, and J. Schulz. Against: None. Motion carried.

The meeting adjourned at 1:03 p.m.



Randy Gerke
Director