



1526 K Street, Suite 400
P.O. Box 94816
Lincoln, NE 68509-4816
Phone 402-471-2053
Toll Free 800-245-5712
Fax 402-471-9493
npers.ne.gov

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

May 20, 2019

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:32 a.m., Monday, May 20, 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, May 10, 2019. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, May 13, 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
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

NONMEMBERS PRESENT:

RANDY GERKE Director	Appointed Member, pending confirmation
ORRON HILL Legal Counsel/ Deputy Director	MIKE JAHNKE Appointed Member, pending confirmation
JOHN WINKELMAN Education Services Manager	JOHNETTA LANG Data Services Specialist
JACK HARDY Information Technology Manager	KERRY FINA Education Services Trainer
DIANE HOLTORF Internal Auditor	PAT BECKHAM Cavanaugh Macdonald Consultants
PATTY PIERSON Retirement Plan Manager	BRENT BANISTER Cavanaugh Macdonald Consultants
MELISSA NUSS Retirement Plan Manager	KATE ALLEN Retirement Committee Legal Counsel
DEAN GRESS Senior IT Applications Developer	NANCY REIMER Ameritas
TERESA ZULAUF Controller	NEIL BATEMAN Plan Participant
ALLEN SIMPSON	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 May 20, 2019, Board Meeting to order at 9:32 a.m. Present at roll call: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, and J. Schulz. Absent: None.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the April 15, 2019, Board Meeting. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, P. Lancaster, and J. Schulz. Against: None. Abstain: J. Derr. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & April 2019 Retirement Report: J. Schulz moved to approve the Budget Status Report and the April 2019 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, 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 – State and County Actuarial Valuations and ERBF Reports: P. Beckham thanked the PERB for awarding the Actuarial RFP to Cavanaugh Macdonald for an additional 3 years.

B. Bannister stated an actuarial evaluation is a snapshot picture of the particular system as of a single date, and key results provide an evaluation of funding progress and sufficiency of statutory contributions. There have been no changes in plan provisions, actuarial methods, or actuarial assumptions from last year's evaluation.

He provided a brief history of the Equal Retirement Benefit Funds (ERBF), which includes members who participated in the State or County plans prior to January 1, 1984.

He reviewed the valuations of the State and County ERBF as of January 1, 2019. He reported there are a total of 616 members in the State Plan, down from 745 members from January 1, 2018, and those numbers continue to decline. He noted the projected benefit is down, due to market decline. He reported there are 167 members in the County Plan, down from 199 members from January 1, 2018. He stated no Counties have an unfunded liability. He noted the current assumption is that 25% of members' account balances will annuitize in the State and County Plans.

B. Bannister presented the State and County actuarial valuations as of January 1, 2019. The report included membership statistics, system assets, funded ratios, the history of contribution rates, interest credits and dividends, and investment returns for the State and County plans from 2003 through 2019. The market value of assets is down -4.2% from the December 31, 2017, valuation in the State and County plans. There are no additional State or County contributions required.

M. Walden-Newman joined the meeting at 9:45 a.m.

P. Beckham explained the criteria required for paying a dividend. The statutory requirement states improvements cannot result in an actuarial contribution rate which exceeds 90% of the statutory contribution rate. This protects plan funding during economic downturns. The Board policy requires the funded ratio on both the funded and current value basis be at 100% after a dividend is granted.

She reviewed the history of State and County dividends awarded and the differences in the State and County dividends. P. Beckham stated both plans are 100% funded after smoothing, but when smoothing is not applied to the plans, though still well-funded, they are not over 100%.

P. Beckham stated the new Actuarial Standard of Practice (ASOP) 51 on Assessment Disclosure of Risk applies to funding valuations, projections, and pricing of proposed plan changes. ASOP 51 recommends actuarial calculation and disclosure of plan maturity measures.

P. Beckham noted risks which may affect the Plan's future financial condition are unique to each Plan. The Nebraska Cash Balance plans are relatively young. They were fully funded when created and actual contributions have exceeded the actuarial contributions in each subsequent year. Interest credits have been lower than the assumption for many years, which resulted in liability gains. Dividends are granted only when the Plan is well funded and they are limited. She stated the active to benefit recipient ratio in the State plan is higher than most public plans. She noted actuaries provide reasonable assumptions and there is a range of reasonability.

She stated they may present additional education on ASOP 51 at the PERB's retreat in July.

P. Beckham reported on five-year projections of expected State and County funding results with projected contribution amounts. She stated funding is expected to increase. The active member count in the Cash Balance plans is expected to grow in future years. Future dividends will be heavily dependent on future investment experience. She commented on the historically funded ratio, and that the funded ratio has been well-served by the creators.

Copies of the valuation reports are available from the Retirement Office or on NPERS' website.

J. Schulz moved to approve the State and County Actuarial Valuations and ERBF Reports. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, and J. Schulz. Against: None. Motion carried.

The board took a break at 10:41 a.m. and reconvened at 10:58 a.m.

Agenda Item 8 – Legal/Legislative Update: O. Hill reported the expected retirement legislation is now complete.

He provided non-retirement updates on LB186, the online notary bill, and LB294, the appropriations bill, stating they are on final reading, although LB294 has an amendment which has been introduced. He stated LB300, which includes an increase to judges' salaries, and LB309, that increases the number of Douglas County judges, are on final reading. He stated LB212, concerning teleconference changes to the Open Meetings Act, and LB217, prohibiting retaliation for discussing wages, have both passed.

O. Hill reviewed the need to properly staff PERB committees with the recent PERB resignations and appointments. He suggested PERB members speak with J. Elliott regarding interest in committee placement. J. Elliott stated she would like to release an updated committee list at the June PERB meeting.

O. Hill stated he would like assistance from the Regulations and Policy Review Committee, J. Derr Chair, with P. Lancaster and J. Schulz, to review the policy revision process. He reported the Secretary of State has published a template for regulation appearance.

O. Hill reported on a change to an IRS revenue procedure, number 2019-20, which effects IRS determination letter procedures and parameters. He stated there is no need for the PERB to pursue action regarding this procedure, presently.

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

Agenda Item 9 – Director's Report: R. Gerke reported Denis Blank resigned from the PERB, effective May 1, 2019. He announced Allen Simpson and Major Mike Jahnke, have been appointed by the Governor to serve on the PERB as a State and State Patrol representative, respectively. He reported the Legislative Retirement Committee hearing regarding the confirmation for A. Simpson, M. Jahnke, and J. Elliott will be held on May 23, 2019, at 8:00 a.m. K. Allen commented the Legislature would likely hold a confirmation vote on May 30, 2019. R. Gerke noted the vacant Public member PERB position would, most likely, not be filled during this legislative session.

R. Gerke reported the State and County audit is being conducted.

He stated the budget bill is on final reading in the Legislature, and budgetary requests regarding retirement have not been subject to questions.

He reported year-end purchasing is under way with J. Lang heading those efforts. He reported the PERB will be receiving new tablets featuring optimal security updates.

He stated accounting is busy nearing fiscal year end.

R. Gerke reported that Education Services continues its scheduled school seminars, and is holding additional learning opportunities; J. Winkelman and K. Fina provided a workshop to the Human Resources Informational Group (HRIG, formerly IIF); they will hold school reporting workshops; and they conducted a Retirement 101 seminar with the Department of

Agriculture. R. Gerke initiated a form revision process that J. Winkelman and P. Pierson are undertaking to reflect greater user friendliness.

He stated IT is nearing implementation of additional print to mailroom functions which will streamline processes throughout the agency, and reported IT will be holding a disaster recovery tabletop exercise this month with managers.

R. Gerke reported he attended a productive meeting held with Jason Jackson, Director of the Department of Administrative Services, additional DAS personnel, J. Hardy, and J. Winkelman in regard to the Deferred Compensation Plan (DCP) open enrollment initiative. R. Gerke stated personnel from DAS attending the meeting were unfamiliar with the DCP Plan, and he mentioned that offering DCP enrollment during open enrollment may be very effective in education and plan participation.

He stated LB31, the study regarding NPERS administration of the Omaha School Employees Retirement System (OSERS), has passed. There will be a management meeting in regard to conducting the study. He commented D. Holtorf will work with Nebraska Investment Council's internal auditor, Joyce Schlautman, to review the NIC's transition process they experienced while undertaking fund administration of OSERS. He stated NPERS will meet with Senator Kolterman and K. Allen to ensure the PERB and NPERS are moving forward as designated by the provisions of LB31.

R. Gerke stated succession planning continues to develop. He thanked P. Pierson, and stated Benefits is providing additional succession training.

He commented that retirement numbers are approximately the same as last year at this time, with the majority being processed in June. The department is being allotted some over time to continue successful timeline adherence for completion of retirements, as spending authority allows.

He reported O. Hill has been working with the Benefits team to improve required minimum distribution (RMD) processes. They will be meeting with Ameritas to review their RMD processes and procedures.

R. Gerke mentioned professional development for managers and lead personnel continues with a Managing Multi-Generational Staff training provided by DAS, at no cost.

R. Gerke will be listening to the NCTR webinar regarding best practices for serving retiring members. He stated PERB members may sign up for the webinars.

He mentioned staffing in the Call Center should be finalized this week.

He reminded the PERB that he will be attending the National Council of Teacher Retirement (NCTR) Director's Meeting in Boise, ID, from June 12-14, 2019.

R. Gerke reported to the PERB he has significant use-or-lose leave amounts, and he proposed taking Friday's off in the summer to address the matter.

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

R. Gerke stated Mahoney State Park has been reserved for the PERB's retreat held July 15, 2019, in the Peter Kiewit Lodge.

M. Walden-Newman stated the Nebraska Investment Council's Annual Retreat held July 11, 2019, at Quarry Oaks. The subject areas will include four subject areas, including, infrastructure as a new asset class, investment of the State's checkbook and how it is managed, the cash flows of the pension plans, and discuss and plan the restructuring of the investment structures for the Defined Contribution Plan.

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 is Monday, June 17, 2019.

Agenda Items 13 and 14 – Executive Session: At 12:01 p.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-19-10; Prevention of Needless Injury to the Reputation of an Individual, Case Review No. D-19-11; Prevention of Needless Injury to the Reputation of an Individual, Case Review No. D-19-12; 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 Litigation; 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. Derr, J. Elliott, P. Lancaster, and J. Schulz. Against: None. Motion carried.

At 1:13 p.m., P. Lancaster moved that the Board exit Executive Session and reconvene in Regular Session. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, and J. Schulz. Against: None. Motion carried.

J. Derr moved to deny Case No. D-19-10. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

J. Derr moved to deny Case No. D-19-11. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

J. Derr moved for approval of Case Review No. D-19-12. 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.

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

The meeting adjourned at 1:15 p.m.



Randy Gerke
Director