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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

November 18, 2019

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:34 a.m., Monday, November 18, 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, November 8, 2019. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, November 11, 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

NONMEMBERS PRESENT:

RANDY GERKE Director	HEATHER CRITCHFELD-SMITH Educational Services Trainer
ORRON HILL Legal Counsel/ Deputy Director	KATE ALLEN Retirement Committee Legal Counsel
JOHN WINKELMAN Education Services Manager	NANCY REIMER Ameritas
JACK HARDY Information Technology Manager	PAT BECKHAM Cavanaugh Macdonald Consultants
TIM BAKER Internal Auditor	BRENT BANISTER Cavanaugh Macdonald Consultants
PATTY PIERSON Retirement Plan Manager	CECILIA CARTER Omaha School Employees Retirement System
MELISSA NUSS Retirement Plan Manager	JASON HAYES Nebraska State Education Association
DEAN GRESS Senior IT Applications Developer	AL KOONTZ Nebraska State Education Association
TERESA ZULAUF Controller	ERIC ASBOE Nebraska Supreme Court

NEIL SULLIVAN
State Budget Office
KATHY TENOPIR
Legislative Fiscal Office
BILL BIVEN
Legislative Fiscal Office

DON WESELY
O'Hara Lindsay Government Relations
NEIL BATEMAN
Retired School Member

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 November 18, 2019, Board Meeting to order at 9:34 a.m. Present at roll call: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, J. Schulz, A. Simpson, M. Jahnke, and M. Walden-Newman. Absent: None

Agenda Item 4 – Approval of Minutes: K. Ackerman moved for approval of the minutes of the October 21, 2019, Board Meeting. 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 5 – Approval of Budget Status Report & October 2019 Retirement Report: M. Jahnke moved to approve the Budget Status Report and the October 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: No comments.

Agenda Item 7 – Actuarial Reports and Projections for Schools, Judges, and State Patrol: P. Beckham and B. Banister provided actuarial valuation results for the School, Judges, and State Patrol Defined Benefit plans, as of July 1, 2019. The presentation included projections of contribution rates over the next five years, projections of contribution rates and funded ratios over the next 30 years, and a discussion of the risk analysis in regard to the Actuarial Standards of Practice (ASOP) 51.

B. Banister provided instruction as to the purpose of an actuarial evaluation. He reported there are no changes to assumptions or methods and no changes to plan provisions. There was an actual Fiscal Year (FY) return of 6.7% on market value of assets. An overall favorable experience improved funded ratios.

B. Banister presented the Judges Valuation results and provided member data, system assets, funded status, the historical funded ratio, and changes in unfunded actuarial accrued liability (UAAL). The actual market return and actuarial return were identical at 6.7%. The funded status, as of July 1, 2019, is 98.1%; up from 96.1%, as of July 1, 2018. The UAAL decreased from \$7.62 million to \$3.81 million. The additionally required State contribution is \$349,000, down from \$443,000 last year (amounts are rounded).

B. Banister addressed the State Patrol Valuation and provided member data, system assets, funded status, the historical funded ratio, and changes in unfunded actuarial accrued liability (UAAL). The actual market return was 6.2% versus the actuarial return of 6.7%. The funded status, as of July 1, 2019, is 87.3%; up from 87.0%, as of July 1, 2018. The UAAL increased from \$62.50 million to \$62.86 million. The statutory and additionally required State contribution is \$9.0 million, up from \$8.8 million last year (amounts are rounded).

P. Beckham presented the School Valuation and provided member data, system assets, funded status, the historical funded ratio, and changes in unfunded actuarial accrued liability (UAAL). The actual market return was 6.7% versus the actuarial return of 6.8%. The funded status, as of July 1, 2019, is 90.3%; up from 88.8%, as of July 1, 2018. The UAAL decreased from \$1,455.6 million to \$1,305.2 million. There is no additionally required State contribution.

P. Beckham reported on assessment and disclosure of risk guidance under ASOP 51, including a discussion of asset volatility ratios and investment risk, which featured an example of alternate investment returns for all three plans.

J. Schulz moved to approve the Valuation Reports for Schools, Judges, and State Patrol Plans. 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.

The PERB took a break from 10:53 a.m. to 11:09 a.m.

Agenda Item 8 – Information System Update: J. Hardy provided the update.

- Software development is nearly complete for an online project for submitting non-contributing member forms online. The forms will be submitted by employer reporting agents and human resources contacts through the NPERS self-service website. The forms will have error guards for data errors. The goal is to complete development and testing in December and deploy the project for a pilot group of school districts in January or February.
- Linea Solutions was selected as the consulting company to develop work plans and estimate costs for implementing information technology solutions as required by LB 31. The contract is being finalized and Linea is planning the next steps in the project.
- The Deferred Compensation Plan (DCP) self-service online enrollment through Workday project continues with the Department of Administrative Services. This would be available for State employees only.
- Improvements to the print-to-mailroom functions have enabled IT staff to add new letters to the function, which reduces the need for desktop printers and increases the volume of letters being processed by the mailroom.
- The report contains production investigation request (PIR) descriptions and counts.

P. Lancaster moved to approve the Information System Update. 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.

Agenda Item 9 – Legal/Legislative Update: O. Hill presented the legislative report.

- Deferred Compensation Plan document revisions have begun in accordance to the PERB's direction. O. Hill requested the Policy Review Committee meet to consider revisions.
- The Legal Compliance Audit contract is being finalized.
- The Linea contract, to assist with the LB 31 Omaha School Employees Retirement System (OSERS) study is being finalized.
- NPERS has no proposed legislation for the next session.

K. Ackerman moved to approve the Legal/Legislative Update. 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 10 – Director's Report: R. Gerke stated K. Tenopir will be retiring shortly, after forty years of service. R. Gerke thanked her for her service at the Legislative Fiscal Office and her work with NPERS. He introduced her replacement, Bill Biven.

R. Gerke reported on the following:

- The School, Judges, and State Patrol (SJP) valuations will be presented to Governor Ricketts later in the day. The biennium budget request will be adjusted with an \$130,932 increase.
- The SJP valuation reports will be presented in a hearing to the Legislative Retirement Committee on November 19, 2019.
- R. Gerke stated the vendor selection for the OSERS data study is complete. After receiving three vendor proposals, Linea Solutions was awarded the bid.
- An informational visit and meeting was held with OSERS office, in Omaha, on November 15, 2019, to gather additional information for the LB 51 OSERS study. He stated there are many differences between the OSERS school plan and the NPERS School plan, and provided several examples.
- The benefits overview included; School retirement season is concluded and recalculations for final School benefits is under way. Member death processing is on track and refunds are timely.
- R. Gerke attended a State Retirement seminar. He reported J. Winkelman is conducting Retirement 101 seminars for Schools, State Patrol, and the Judges. K. Allen commented she continues to hear extremely positive feedback from individuals who attended his seminars and commended his work.
- The print-to-mailroom project continues, and the Call Center is continuing to find additional ways to utilize the process.
- M. Nuss is transitioning and updating the current investment election form process to be completed through a workflow with audit.
- Vicki Huber, HR Personnel Representative, is encouraging NPERS performance evaluations utilizing a new online evaluation.
- The School, Judges, and State Patrol audit continues.

- T. Baker will present the Internal Auditor report in December.

A. Simpson moved to approve the Director's Report. J. Schulz 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 11 – Board Committee Reports: There were no committee reports.

Agenda Item 12 – Board Education/Travel Requests: There were no travel requests.

Agenda Item 13 – Future Meetings/Agendas: The next PERB meeting will be held on Monday, December 16, 2019.

The 2020 PERB meeting calendar was made available to the PERB in the meeting materials.

K. Ackerman moved to approve the 2020 PERB Meeting Calendar. 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 Items 14 and 15 – Executive Session: At 11:48 a.m., M. Jahnke 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-19-22, Case Review No. D-19-23, Case Review No. D-19-24, and Case Review No. D-19-25; 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. Derr 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 1:44 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. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

M. Jahnke moved to deny approval of Case Review No. D-19-22. 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.

M. Jahnke moved for approval of Case Review No. D-19-23, Case Review No. D-19-24, and Case Review No. D-19-25. 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.

Adjournment: J. Derr moved the meeting adjourn. 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.

The meeting adjourned at 1:47 p.m.

A handwritten signature in blue ink, appearing to read "Randy Gerke". The signature is stylized with a large initial "R" and a long horizontal stroke.

Randy Gerke
Director