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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**October 21, 2019**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, October 21, 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, October 11, 2019. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 14, 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  
ORRON HILL  
Legal Counsel/ Deputy Director  
JOHN WINKELMAN  
Education Services Manager  
JACK HARDY  
Information Technology Manager  
TIM BAKER  
Internal Auditor  
PATTY PIERSON  
Retirement Plan Manager  
MELISSA NUSS  
Retirement Plan Manager  
DEAN GRESS  
Senior IT Applications Developer

TERESA ZULAUF  
Controller  
JOHNETTA LANG  
Data Services Lead  
CHAD SCHLOTFELD  
IT Infrastructure Support Analyst Lead  
SARAH WUESTEWALD  
Accounting Clerk  
VICKI HUBER  
Personnel Officer  
CECILIA CARTER  
Omaha School Employee's Retirement System  
KATE ALLEN  
Retirement Committee Legal Counsel  
NANCY REIMER  
Ameritas

**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 October 21, 2019, Board Meeting to order at 9:33 a.m. Present at roll call: 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 Minutes:** P. Lancaster moved for approval of the minutes of the September 16, 2019, Board Meeting. 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.

**Agenda Item 5 – Approval of Budget Status Report & September 2019 Retirement Report:** K. Ackerman moved to approve the Budget Status Report and the September 2019 Retirement 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 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 – Employee Recognition/Leadership in Excellence:** R. Gerke stated there were 13 NPERS employees who received recognition for their years of service to the State of Nebraska, totaling over 190 years of combined service, during Employee Recognition Month. The State of Nebraska also honors employees exhibiting exceptional leadership and service with the Excellence in Leadership Awards. R. Gerke offered an overview of the award process involved in the nomination and selection of the award winners.

He stated NPERS staff nominated 10 employees this year. Two individuals were then selected from that field by an employee committee, and the winners will be recognized by the Governor. R. Gerke announced Sarah Wuestewald, Accounting Clerk, and Chad Schlotfeld, IT Infrastructure Support Analyst, as this year's honorees for the Excellence in Leadership Award. R. Gerke provided a summary of staff comments regarding the honorees. J. Elliott presented both honorees with framed certificate awards.

**Agenda Item 8 – Nebraska Investment Council Update on MassMutual Considerations:** M. Walden-Newman reported there was no additional information to report at this time. R. Gerke stated additional information will be provided when available.

**Agenda Item 9 – Legal Compliance Audit:** O. Hill recommended the PERB accept the Groom Law Group and Segal Consulting proposal to conduct the Legal Compliance Audit. They were selected from four vendors from whom NPERS requested proposals. If the PERB approves the recommendation, he asked the PERB give authority to R. Gerke and himself to proceed with finalization of the contract. O. Hill reviewed the timeline for completion of the Audit, stating it would commence in November of 2019, draft reports submitted in March or

April of 2020, and a final report submitted for approval by the PERB in June of 2020, with the final report presented to the Legislature by June 30, 2020.

J. Schulz moved to accept the cost proposal submitted by Groom Law Group and Segal Consulting and give authority to R. Gerke and O. Hill to take all steps necessary to draft, have signed, sign, and implement the contract based on the proposal. 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 10 – Legal/Legislative Update:** O. Hill stated the School Legislative working group will meet again October 24, 2019. Invited school groups include Nebraska Council of School Administrators (NCSA), Nebraska State Education Association, school board representatives, KSB School Law, and others. The agenda's first topic is substitute matters, including: full-time to substitute transitions, return to work, and bona fide separations of service. The second topic on the agenda is tracking and reporting extra duty hours to NPERS for exempt employees under the Fair Labor Standards Act. O. Hill commended T. Zulauf and the accounting team for creating form updates utilized by School plan reporting agents. K. Ackerman asked O. Hill to add LB415, involving military pay, and LB1005, regarding staff reductions, to the agenda of the meeting. The PERB discussed various School entities being properly educated on the impact and potential liabilities of these laws, the intricacies of substitute service, and how these matters impact School Plan funding.

O. Hill stated regulations are being updated per approved PERB Policy revisions.

O. Hill would like to begin work on a draft of revisions to the Deferred Compensation Plan (DCP) plan document for the PERB's review. He stated the document was last updated in 2016. Revisions to the DCP plan document would include regulations taking effect in 2020, such as mandates regarding unforeseeable and emergency hardship withdrawals, and broader Safe Harbor immediate need categories, such as home purchases, educational withdrawals, and potential income losses due to disaster.

J. Derr moved to approve the Legal/Legislative Update. 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.

The PERB took a break from 10:22 a.m. to 10:40 a.m.

**Agenda Item 11 – Director's Report:** R. Gerke reported on the National Council on Teacher's Retirement (NCTR) Annual Conference held October 12-15, 2019, in Nashville, TN, which he, J. Elliott, and K. Ackerman attended. He said notable sessions included topics such as: change management (which indicated change rates will only be accelerating), cyber optics (which NPERS is actively addressing), the keynote address by Mac McAnally, legacy costs, assumption changes, plan status education, the economic effect of plans on State and County communities, a discussion of legislation affecting plans, and diversity and investing. One of his favorite sessions was on actuarial audits (he suggested that perhaps such audits could be done more often). He noted the Teacher of the Year speaker and story is always

impactful and memorable. Other notable session topics included aging populations, retirement education, and health benefits to retirees. He stated the educational aspect of the Annual Conference is enormous, but the most invaluable aspects of conferences such as this are the peer networking and vendor discovery which take place.

K. Ackerman thanked the PERB for approving her attendance, and gave additional information on her attendance and significant topics at the conference. She stated Nebraska should seek to have M. McAnally as a powerful featured speaker.

J. Elliott stated experiencing conferences as a team is beneficial. She expressed her gratitude to the Nebraska Investment Council, the NPERS staff, and the Nebraska Legislature, who strongly support the School plan and are integral to its success. She announced she was re-elected for another three years to the NCTR Executive Committee. She noted she served as the moderator for a conference panel discussing health care and return to work for retirees who are 65 years plus.

R. Gerke stated next year's NCTR Annual Conference will be held October 10-13, 2019, in La Jolla, CA. He encouraged PERB members to attend the conference.

P. Lancaster thanked R. Gerke for his encouragement to attend a webinar provided by NCTR at no cost, and she recommended other PERB members to utilize future seminars.

R. Gerke provided additional updates including:

- School, Judges, and Patrol audits began in October, and will conclude in early 2020.
- R. Gerke and T. Zulauf met Kathy Tenopir's replacement, Bill Bivins, who will be the new Legislative Program Analyst.
- Required Minimum Distribution process adjustments continue to be monitored.
- Agency cross-training includes key accounting and benefits positions.
- Evaluations of various vendors to provide death auditing continues. He stated a budget increase request from the Legislature may be needed, if an alternative vendor is chosen.
- The Omaha School Employee's Retirement System (OSERS) study continues searching for a vendor to assist with IT requirements, receiving information from OSERS to address additional study questions, and will include an OSERS site visit by NPERS staff in November.
- The September agency meeting on November 4, 2019, will feature John Mallery, computer forensics expert, who will present a fraud education presentation. T. Baker, Internal Auditor, was integral in securing the speaker. R. Gerke encouraged the PERB to attend.

J. Derr moved to approve the Director's Report. 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 12 – Board Committee Reports:** J. Derr reported the Policy and Review Committee met via teleconference in October. He stated the Committee reviewed a new draft policy to address employee and employer obligations regarding plan withdrawal. O. Hill thanked Cavanaugh MacDonald for their recommendations and review of possible changes to policy.

O. Hill presented a draft of Policy 12 – Assessing Employer Obligations for Withdrawing Employee Groups. He provided Committee recommendations, which utilize language and provisions recommended by the actuaries, including an annual review of the policy for the first three years following adoption and de minimus threshold options. An annual review will ensure application of the policy is consistent with the PERB's intent upon examination of the actual situations in which it is utilized.

R. Gerke discussed the value of stating a de minimus threshold as a percentage of employees, in place of a number, but suggested monitoring experience to determine possible de minimus threshold inclusion in the future.

J. Derr moved to approve the adoption of Policy 12 - Assessing Employer Obligations for Withdrawing Employee Groups. 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 13 – Board Education/Travel Requests:** There were none.

**Agenda Item 14 – Future Meetings/Agendas:** The next PERB meeting will be held on Monday, November 18, 2019.

**Agenda Items 15 and 16 – Executive Session:** At 11:51 a.m., J. Derr 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-19-19, Case Review No. D-19-20, and Case Review No. D-19-21; 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. 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 1:36 p.m., J. Derr 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-19-19, Case Review No. D-19-20, and Case Review No. D-19-21. 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.

**Adjournment:** J. Derr moved that the meeting adjourn. 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.

The meeting adjourned at 1:38 p.m.



Randy Gerke  
Director