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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**September 16, 2019**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, September 16, 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, September 6, 2019. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, September 9, 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  
MIKE JAHNKE  
ALLEN SIMPSON  
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

### **NONMEMBERS PRESENT:**

RANDY GERKE Director	ZACH WELLS Auditor of Public accounts
ORRON HILL Legal Counsel/ Deputy Director	JEFF SCHREIER Auditor of Public Accounts
TIM BAKER Internal Auditor	ERIC ASBOE Nebraska Supreme Court
PATTY PIERSON Retirement Plan Manager	NEIL BATEMAN Retired Educator
MELISSA NUSS Retirement Plan Manager	DAVID FOWLER MassMutual
DEAN GRESS Senior IT Applications Developer	PAUL MARTIN MassMutual
TERESA ZULAUF Controller	NEIL SULLIVAN State Budget Office
KATE ALLEN Retirement Committee Legal Counsel	JOLYNN WINKLER Nebraska Investment Council
NANCY REIMER Ameritas	PAT BECKHAM Cavanaugh Macdonald

**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 September 16, 2019, Board Meeting to order at 9:33 a.m. Present at roll call: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, M. Jahnke, A. Simpson, J. Schulz, and M. Walden-Newman. Absent: None

**Agenda Item 4 – Approval of Minutes:** P. Lancaster moved for approval of the minutes of the August 19, 2019, Board Meeting. J. Schulz seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

P. Lancaster moved for approval of the minutes of the July 15, 2019, Board Meeting. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Elliott, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Abstain: J. Derr. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & August 2019 Retirement Report:** J. Schulz moved to approve the Budget Status Report and the August 2019 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, M. Jahnke, A. Simpson, 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 Audit Reports:** Zach Wells, was present, representing the State Auditor's Office. He introduced Jeff Schreier, State Auditor's Office, who reported finishing the State and County audit for the period of January 1, 2018, through December 31, 2018. J. Schreier stated NPERS received an unmodified opinion on the financial statements, and stated there was one recommendation regarding notifying Ameritas in a timely manner regarding employees who terminated, took a full refund, and were re-employed, but not receiving potential interest. R. Gerke provided more detail on these retirees and stated the matter had been resolved. J. Schreier concluded his report, and Z. Wells thanked the employees and staff of NPERS.

R. Gerke noted Z. Wells will no longer be auditing NPERS, and he thanked Z. Wells for the positive working relationship he has helped nurture with NPERS and its staff over many years.

M. Jahnke moved to approve the State and County Audit Reports. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

**Agenda Item 8 – MassMutual DCP Annual Report 2018:** D. Fowler, MassMutual Client Engagement Manager, and Paul Martin, MassMutual Investment Consultant, introduced



themselves. D. Fowler presented the 2018 MassMutual Deferred Compensation Plan (DCP) Annual Report. Included in his presentation was information regarding the executive plan summary, total investment balance, cash flow analysis, balance by age, participant interactions, transactions, and cyber security steps instituted by MassMutual.

Upon request from the PERB, P. Martin and D. Fowler provided additional explanations of the purpose of particular fees in the plan.

P. Martin presented investment recommendations, investment style analysis, current investment options, and comparisons, and suggested adding investment options for mid value cap and small value cap funds. P. Martin also provided steps to implementing asset adjustments.

The PERB determined it has been a significant amount of time since MassMutual recommended changes.

R. Gerke reported participating in a meeting between himself, M. Walden-Newman, P. Martin and D. Fowler to review investment reports.

The Nebraska Investment Council (NIC) and Aon Hewitt (Aon) have not reviewed MassMutual's recommendations because there may be concern regarding the mechanics in reviewing MassMutual's recommendations, as one investment group would conduct an analysis of another investment group's recommendations and investigate options. M. Walden-Newman commented that the October PERB meeting could be used as a deadline for reporting back to the PERB of the mechanics of the analysis, but may not provide enough time for the PERB to properly review information for a decision at the October meeting.

J. Elliott stated the PERB would delay any decisions regarding MassMutual until further analysis is provided to the PERB.

**Agenda Item 9 – Investment Officer's Report:** M. Walden-Newman presented the 2019 Second Quarter Investment Report, and stated he is providing the performance report for the PERB meeting today, but has not formerly reviewed the performance report with the NIC's consultant. As of June 30, 2019, aggregated assets increased approximately \$1.0 billion from the end of the previous quarter. The review contained information regarding returns, actual allocations versus policy allocations, asset allocations and performance, peer comparisons, Omaha School Employees' Retirement System (OSERS) assets, and associated fees, which remain competitive for the Defined Benefit and Cash Balance Plans. The full report is available on the NIC's website.

He stated the managers for the Defined Contribution and DCP Plan investment changes will be presented at the NIC meeting on September 19, 2019, and the project will then be open to NPERS and Ameritas to complete mapping.

Capital Market Assumptions report Aon's asset class return, volatility, and correlation assumptions, which are long-term, have global geographic coverage, and are updated quarterly. He stated NPERS, the NIC, and auditors all utilize data from the June 30 report.

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

**Agenda Item 10 – Employer Withdrawal Methodology Discussion:** P. Beckham, of Cavanaugh Macdonald Consultants, joined O. Hill for the discussion. O. Hill reviewed the matter. In 2018, LB1005 was signed into law, and addresses situations in which an entity currently participating in either the School or County Retirement Plan is determined, in whole, or in part, to no longer qualify for participation in the plan and the resulting actuarial liability borne by the employer. He commented that State statutes support a very specific process for notification of NPERS of the withdrawal. The matter at hand involves how to put the new statutes into effect as employers do not follow the legal guidelines, and resulting policy decisions.

P. Beckham provided a brief review of actuarial issues of an employer withdrawal, and provided recommendations which Cavanaugh Macdonald believes will help protect NPERS, its employers, and members, without being unreasonable to an employer who is withdrawing, to whatever extent, from the plan.

J. Elliott asked the Regulation and Policy Review Committee, J. Derr – Chair, J. Schulz, and M. Jahnke, to take up the matter for review and report back to the PERB.

**Agenda Item 11 – Director's Report:** R. Gerke presented the Director's Report.

- Z. Wells will no longer audit NPERS. Chris Kucera will be the lead Auditor. The School, Judges, Patrol audit entrance was held after the last board meeting, and is scheduled to begin in October.
- The NPERS Disaster Recovery drill was held on August 22, 2019, which included a calling tree for employees and the PERB. R. Gerke stated it went very well.
- The OSERS study continues with managers reviewing information provided, thus far, by OSERS. There are additional questions and originally requested materials still outstanding, including IT information, which has not been provided.
- An original vender being considered for IT assistance with the OSERS study said they cannot assist in the matter. J. Hardy has sent solicitations to new vendors.
- New Death audit providers/vendors are being considered, as more timely and comprehensive audits may be available that will optimize NPERS death processing.
- Education Services (ES) is currently conducting State and County member seminars.
- IT and ES continue work on the DCP open enrollment project, which may also enable year round enrollment.
- IT has developed a Call Center member contact log, the Chrome operating system is operational, and electronic non-contributing forms are under development.
- IT is focusing on cost-saving measures for images due to new OnBase image fees.



- RMD process changes are still moving forward.
- Staffing: hiring for the mailroom is complete. The temporary SOS position for the reception area is still open.
- An annual single-page snapshot of NPERS data is complete and was presented to the PERB.

M. Jahnke thanked Education Services for adding an additional Retirement 101 for the State Patrol members in November, which was almost immediately filled, with a wait list added. Feedback from State Patrol seminars includes requests for seminars for younger State Patrol members.

K. Allen stated Senator Kolterman requested a Retirement 101 seminar for their staff, and commended J. Winkelman for his positive response.

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, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

**Agenda Item 12 – Board Committee Reports:** There were no reports.

**Agenda Item 13 – Board Education/Travel Requests:** There were no requests.

**Agenda Item 14 – Future Meetings/Agendas:** The next PERB meeting will be held on Monday, October 21, 2019.

**Agenda Items 15 and 16 – Executive Session:** At 12:09 p.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-19-18; 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. Schulz seconded the motion. J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

At 1:45 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, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion

M. Jahnke moved for approval of Case Review No. D-19-18. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

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

The meeting adjourned at 1:47 p.m.



Randy Gerke  
Director