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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JUNE 15, 2020

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:37 a.m., Monday, June 15, 2020, held via Webex services.

The Board members were notified of this meeting by the Agenda posted on the PERB SharePoint website on Friday, June 5, 2020. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 8, 2020. 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	DEAN GRESS Senior IT Applications Developer
ORRON HILL Legal Counsel/ Deputy Director	JOHNETTA LANG Data Services Specialist
JOHN WINKELMAN Education Services Manager	SENATOR MARK KOLTERMAN Legislative Retirement Committee
JACK HARDY Information Technology Manager	KATE ALLEN Retirement Committee Legal Counsel
TIM BAKER Internal Auditor	NEIL SULLIVAN State Budget Office
TERESA ZULAUF Controller	ERIC ASBOE Nebraska Supreme Court
MELISSA NUSS Retirement Plan Manager	CECELIA CARTER Omaha School Employees' Retirement System
VICKI HUBER Personnel Officer	AKIO TAGAWA Linea Solutions
CHARLES WAITY IT Business Systems Analyst	RAYMOND MCINTOSH Linea Solutions

BRYCE HAWS
Linea Solutions
JASON HAYES
Nebraska State Education Association
NANCY REIMER
Ameritas

PAT BECKHAM
Cavanaugh Macdonald
BRENT BANNISTER
Cavanaugh Macdonald
MIKE CORNELIUS
Guest

Agenda Item 1: J. Elliott stated this meeting will follow the Nebraska Open Meetings Act. A copy of the Act is located at the NPERS office, and electronically, via a link on the final agenda posted on the NPERS website, and on the Attorney General's website.

Agenda Items 2 and 3 – Meeting Called to Order: J. Elliott called the June 15, 2020, Board Meeting to order at 9:37 a.m. Present at roll call: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and Michael Walden-Newman. Absent: None.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the May 18, 2020, Board Meeting. K. Ackerman seconded the motion. M. Nuss asked J. Elliott for an amendment to the minutes to allow for an adjustment, per email request, from E. Asboe, to remove "II" from his name in the minutes. J. Schulz and K. Ackerman agreed to the amendment of their motion, and second, of the minutes to accommodate the adjustment. Members voted as follows: K. Ackerman, J. Derr, J. Elliott, M. Jahnke, P. Lancaster, and J. Schulz. Abstain: A. Simpson. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May 2020 Retirement Report:

J. Schulz moved to approve the Budget Status Report and the May 2020 Retirement 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 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 – Cash Balance Dividend: J. Elliott requested the actuaries provide a summary, for the public and PERB members not in attendance at the May 15, 2020, PERB meeting, of the statutory requirements and thresholds in regard to granting a dividend for Cash Balance (CB) members. P. Beckham reviewed the statutory requirements, PERB policies, and thresholds for the PERB to grant a dividend. She restated the maximum amount the PERB could grant for the State CB dividend is 3.44%, and the maximum amount the PERB could grant for the County CB plan 3.42%.

O. Hill reviewed historical PERB policy language, confirming the PERB past practices support Legislative actions giving the PERB discretion to both grant dividends and ensure full funding for the plans.

P. Beckham and B. Bannister stated they believed a -40% market return would trigger a State contribution to be made for either the State or County plans, as they are very similar. O. Hill clarified that other aspects would be assessed to the County, such as contributions to shortfalls in the Equal Retirement Benefit Fund (ERBF). He also noted that none of the plans have ever required an Actuarially Required Contribution (ARC) to be made.

R. Gerke stated the auditors do not anticipate any material adjustments to the financial statements. He stated NPERS received a few calls regarding the dividend. He cited a member who had annuitized in 2020, anticipating a dividend award on their balance as of December 31, 2019, and expressed their concern that the PERB would table a dividend until 2021. R. Gerke reported a query of plan members showed almost 2,100 annuitants and refunded members, since January 1, 2020, who would not have future potential for a dividend.

M. Walden-Newman reported the plan ended 2019 with a 19% gain. The first quarter return of 2020 was down just over -14%. He stated the markets then appeared to be healing, through May, at -5%. However, June markets experienced another correction that saw most gains lost. He stated AON is projecting a possible loss for the 2020 year of -5%.

P. Beckham stated that a State dividend grant of 3.44%, would eliminate the \$43 million unfunded actuarial accrued liability (UAAL) surplus.

J. Elliott provided a summary of dividend history. When fully funded, the PERB has issued a dividend. Since their inception in 2003, the CB plans have never been below 90% funded, even after the market experience of 2008. J. Schulz stated, since Cavanaugh Macdonald has been contracted, and it appears, historically, since 2003, the maximum amount has been granted, per formula.

O. Hill stated a motion could be made with both the State and County dividend together, or separate the motions per State and County, respectively.

P. Lancaster made a motion to approve a County dividend of 3.42%, retroactive to January 1, 2020. J. Schulz seconded the motion.

R. Gerke reported Ameritas would distribute any dividend granted to members by September 30, 2020, to appear on third quarter statements.

O. Hill noted that with the 3.42% motion for the County, a majority of the full PERB, not just those present, would be required to approve the motion. O. Hill clarified that any amount over a 2.5% dividend, would require a majority of the full PERB.

P. Lancaster stated her motion would not need to stand, but she was following the actuarial maximum amount calculated. She stated she was open to a friendly amendment.

J. Elliott stated, as a PERB member, and a fiduciary of the plan, she would be comfortable granting a 3% dividend. A. Simpson and J. Derr expressed agreement with that percentage.

O. Hill stated P. Lancaster could withdraw the earlier motion, or the PERB could resolve the current motion, by taking a vote on that motion for a clean record.

P. Lancaster withdrew her motion to approve a County dividend of 3.42%, retroactive to January 1, 2020. J. Schulz withdrew his second of the motion.

P. Lancaster made a new motion to approve a County dividend of 3%, retroactive to January 1, 2020. 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.

A. Simpson made a motion to approve a State dividend of 3%, retroactive to January 1, 2020. 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.

The PERB took a break from 10:33 a.m. to 10:45 a.m.

J. Elliott thanked P. Beckham and B. Bannister for joining the meeting. She recognized R. Gerke for providing pertinent information, O. Hill for his expertise in board policies, and M. Walden-Newman for his insight. She then thanked the PERB for their discussion, knowledge, information, and expertise. Finally, she acknowledged the public for joining the PERB during this important consideration.

Agenda Item 8 – OSERS Study: R. Gerke provided the PERB a draft of the OSERS Study. He stated there may be some changes to this draft of the study, including spelling corrections, and an addition in a sub-table, to be included. He stated LB 31 directed the PERB and NPERS to complete a study to examine NPERS needs in assuming administration of the Omaha School Employees' Retirement System (OSERS). R. Gerke introduced Akio Tagawa, Linea Solutions Principal, who will present the Linea Solutions portion of the report for the PERB, while he will present the NPERS portion of the report.

A. Tagawa stated Linea Solutions researched what it would take for the OSERS system to go live, under NPERS administration, from a technological point of view. Specifically, Linea evaluated plan and data similarities and differences, in order to provide an estimate of the impact of updating NPERS' data platform, NPRIS, to process the OSERS membership.

A. Tagawa gave a brief introduction to Linea Solutions, and he thanked the PERB for the opportunity to speak with them. He introduced Ray McIntosh, Principal Consultant and project manager, and Bryce Haws, Vice President of Strategic Relations and project account executive. A. Tagawa stated the NPRIS system is a Clarety-based system, currently supported by Perspecta. Clarety has gone through several ownership changes. NPERS maintains Clarety internally. There would be a considerable amount of customization required.

J. Schulz asked if Clarety is declining in support, and if it would be prudent to consider a new system. A. Tagawa said, Linea considered the same question, and stated there are alternatives. At the time of Clarety implementation, there were not an abundance of choices available, but now there are. A total replacement of Clarety would take longer and cost more money than reconfiguring it to accommodate OSERS. Linea believes reconfiguration now, is still the right path, even though in 5-10 years, another system could be considered.

A. Tagawa reported project completion is estimated to be 35 months, with 12 months for the requirement and procurement phase, 11 months for OSERS integration in NPRIS, and then an additional 12 months stabilization through a full business cycle.

The expected budget for NPERS is in the range of \$3.5 to \$4.2 million. This includes, data conversion, project management, business process consulting, quality assurance and testing, training and readiness, and configuration and modification of the NPRIS system. The cost is associated with time and effort, and the sweeping effect the conversion will have on almost all aspects of the agency and departments.

R. McIntosh said a security assessment was not requested as a part of their assessment, but rather what changes were needed.

A. Tagawa stated multiple outside entities may need to be hired to assist in the OSERS implementation, as in-house staff have general agency activities and maintenance to accomplish. The degree of outsourcing may be predicated on number of in-house staff and expertise of staff. This does not reflect a downsizing of in-house staff, but additional outside resources to accomplish the OSERS implementation.

A. Tagawa stated procurement should span six different areas, including software development with Clarety, project management, business process consulting, data conversion, staff and stakeholder training, and readiness planning.

R. Gerke thanked NPERS management staff and actuaries, as well as C. Carter, in the development of the report. The executive summary offers estimated operational costs for the first two years, following a transfer of administration from OSERS to NPERS. Estimated additional spending authority needed is \$899,000 for the first year, and \$835,000 for the second year. Estimates are based on certain assumptions and the facts as they are now, but costs may fluctuate if unforeseen circumstances arise.

Project assumptions include OSERS remaining a separate plan and not merged with any other NPERS administered plan. The State of Nebraska, NPERS, or the PERB would not assume any liability of the unfunded liability of OSERS. Whenever possible, administration would mirror other NPERS plans, all administrative functions would be performed at the current NPERS offices, NPRIS would be retained and modified to accommodate the administration of OSERS, and the PERB would have oversight of the OSERS plan.

R. Gerke reviewed additional staffing needs for each department in the agency. Additional services needed include; scanning services for source documents, member retirement appointments, educational services, IT maintenance, accounting functions, and external

auditing needs. He mentioned additional costs would go to expanded space requirements for additional staff. Please view the full report for details on the Nebraska Legislature's website, in Reports, under "Retirement Plans, Administrator of."

R. Gerke stated numerous actuarial costs and considerations must be addressed, and are outlined in the report.

The PERB program 42 budget would have increased costs associated with an additional OSERS member, which will also require a statute change.

K. Ackerman, the OSERS Review Committee Chair, thanked the NPERS staff for their work on the study. She noted that budgeted amounts listed in the report need to fully encompass all of NPERS' needs for the administration of OSERS. The OSERS Committee members also include J. Schulz and M. Jahnke.

The LB 31 OSERS Study is due to the Legislature by June 30, 2020.

R. Gerke asked for the LB 31 report to be approved, as a draft, with the understanding that minor typographical changes, and a cost addition to an existing table, will be included in the final report.

P. Lancaster is impressed with the specificity of the report, but shares K. Ackerman's concern regarding low estimated costs.

K. Ackerman moved to approve the draft of the OSERS Study. 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 9 – Legal/Legislative Update: O. Hill stated the Legislative session reconvenes on July 20, 2020. He reviewed several bills being monitored, and will provide an updated report for July's meeting.

M. Jahnke moved to approve the Legal/Legislative Update. 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 – Director's Report: R. Gerke reported there are 17 staff still in-office, but this is anticipated to change at the end of June.

- Walk-ins are averaging approximately 5 per day. There are few office visits in June, with more anticipated in July.
- Changes are being made in anticipation of the safe return to the office by staff.
- Protests have occurred outside NPERS' building and the building has been boarded up.
- The next NPERS agency meeting, on June 16, 2020, will be held via Webex, featuring a secure teleworking topic.

J. Elliott recognized Senator M. Kolterman. The Senator addressed the PERB, stating he appreciated all of the efforts that went into the PERB meeting today. He said the PERB's dividend discussion was very good, and thanked the PERB, R. Gerke, O. Hill, and the NPERS staff for doing such a good job in the administration of the Plans. He commended the spirit of cooperation exhibited in the OSERS Study completion and the tremendous amount of work development between R. Gerke, O. Hill, Cheryl Logan, and C. Carter. He commented the report the Legislature will receive, if the cost may be understated, will be given a hard look, as he understands that concern. He said the state will bear nothing out-of-pocket. He remarked, that if it is decided to take on a role of this magnitude, it will be an enormous undertaking, but believes a great team is in place with the PERB, R. Gerke, O. Hill, and the NPERS team. The Senator said, considering the challenges seen in the nation, we should be proud of where we are at as a state. The Legislature is watching, and they think we are doing a wonderful job.

J. Elliott thanked the Senator for his remarks, and recognized R. Gerke to continue the Director's report. R. Gerke thanked the Senator for his kind words.

- The Retirement Plan Manager for the Benefits department retired in March. Now is a better time to fill that position, and NPERS is in the process of receiving applications.
- The SOS front desk position is now vacated and needs to be filled.
- The OSERS Study is now largely done.
- R. Gerke and T. Zulauf will address the biennial budget.
- An actuarial audit needs to be completed this year.
- School retirement season is underway, and is going extremely well, with remote working in place.
- The ACH for the Court checks continues to develop.
- DCP open enrollment was a success, with over 600 new members enrolled. We need to implement online functions as opposed to paper.
- The print-to-mailroom project is up 65%. This means workload is shifted to the mailroom. Planning is underway for how to support the mailroom with the workload.
- The school non-contributing member form electronic function is now enabled. Current test groups are being expanded.
- The State and County audit is continuing and the PERB Audit Committee will be contacted with exit dates.
- R. Gerke presented to the PERB the Ameritas fund changes letter, being sent to members. He thanked M. Walden-Newman for his offer of assistance in this matter. R. Gerke is asking if the PERB had any comment on including their name on the letter. The letter discusses the mapping of the investment changes. No comment was given.

K. Ackerman thanked R. Gerke and J. Hardy for the automated non-contributing forms for schools. Ackerman likes the letter, and suggested adding a phone number for members with questions to contact.

A. Simpson moved to approve the Director's Report. 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 11 – Board Committee Reports: J. Derr, Chair of the Education Committee, stated there was no formal meeting of the committee, but with the totality of circumstances being experienced, he recommended a July retreat for the PERB not be held, and a regular meeting held in its place.

In regard to the July meeting, R. Gerke stated the Governor's Executive Order applying to the Open Meetings Act, is expiring. The July meeting, on July 20, 2020, is proposed to be held in the 1526 fourth floor hearing room. The hearing room layout has been designed for proper social distancing. NPERS will still offer Webex attendance for the public, which includes call-in features. The Legal Compliance Audit will be presented at the July PERB meeting. The presenters from Groom Law Group and Segal will be joining the meeting remotely.

R. Gerke stated minor PERB policy revisions may be addressed at the July PERB meeting.

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

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

J. Elliott reminded the PERB the National Council of Teacher Retirement (NCTR) Annual Trustee workshop will be online this year, and access is available to view the workshop for 30 days, for those who register to attend.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting on July 20, 2020, will be held at 1526 "K" Street, Fourth Floor, Conference Room 4-D. J. Derr commended the work of NPERS staff, R. Gerke, O. Hill, M. Walden-Newman, and the PERB during the last few months of challenges.

Agenda Items 15 and 16 – Executive Session: At 12:09 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-20-07; 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 1:10 p.m., P. Lancaster moved that the Board exit Executive Session and reconvene in Regular Session. 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.

J. Derr moved for approval of Case Review No. D-20-07. 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.

K. Ackerman moved for approval of a 3.3% increase in the Director's salary effective July 1, 2020. She stated the PERB reviewed R. Gerke's evaluation in executive session, and the PERB is very happy with his last year of leadership, how he has led the NPERS team through challenges, the management team he has surrounded himself, and the NPERS staff who are doing a great job. 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. 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.

The meeting adjourned at 1:15 p.m.



Randy Gerke
Director