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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**APRIL 18, 2016**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, April 18, 2016, in the 1526 Building, 4th Floor, Conference Room 4D, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Monday, April 11, 2016. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, April 11, 2016. R. Ecklund chaired the meeting and V. Huber recorded the minutes.

### **MEMBERS PRESENT:**

**RON ECKLUND, CHAIR**  
**JANIS ELLIOTT, VICE-CHAIR**  
**DENIS BLANK**  
**ELAINE STUHR**  
**DENNIS LEONARD**  
**KELLI ACKERMAN**  
**JUDGE J. DERR**  
**PAM LANCASTER**  
**MICHAEL WALDEN-NEWMAN, EX-OFFICIO**

### **NONMEMBERS PRESENT:**

**RICHARD WASSINGER**  
Outgoing PERB Member  
**PHYLLIS CHAMBERS**  
Director  
**RANDY GERKE**  
Deputy Director  
**ORRON HILL**  
Legal Counsel  
**PATTY PIERSON**  
Retirement Plan Supervisor  
**JACK HARDY**  
IT Manager  
**TERESA ZULAUF**  
Internal Auditor  
**VICKI HUBER**  
Administrative Assistant

**PAT BECKHAM**  
Cavanaugh Macdonald Consulting  
**BRENT BANISTER**  
Cavanaugh Macdonald Consulting  
**GARY BUSH**  
AS - State Budget Administrator's Office  
**KATE ALLEN**  
Retirement Committee Legal Counsel  
**NANCY REIMER**  
Ameritas  
**NEIL BATEMAN**  
Retired Teachers  
**ALAN WICKMAN**  
Plan Member

**Agenda Item 1:** R. Ecklund 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:** R. Ecklund called the April 18, 2016, Board Meeting to order at 9:33 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, J. Derr, P. Lancaster, and M. Walden-Newman. Absent: None.

**Agenda Item 4 – Approval of Minutes:** D. Leonard moved for approval of the minutes of the March 21, 2016, Board Meeting as corrected and for the correction to the February 22, 2016, Board meeting minutes. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Abstain: D. Blank. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & March 2016 Retirement Report:** D. Leonard moved to approve the Budget Status Report and the March 2016 Retirement Report. J. Elliott seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Abstain: D. Blank. 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 – Presentation to Richard Wassinger:** On behalf of the Board and NPERS, R. Ecklund presented R. Wassinger with a plaque and an honorary Admiralship to recognize his service to the PERB, NPERS, and its members for ten years. R. Ecklund thanked R. Wassinger for his commitment. R. Wassinger thanked everyone and stated it has been an honor and an enjoyable experience serving on the Board.

**Agenda Item 8 – State and County Actuarial Valuations and ERBF Reports:** B. Banister explained the history of the equal retirement benefit funds (ERBF).

He reviewed the valuations of the State and County ERBF as of January 1, 2016.

P. Beckham explained the Cash Balance (CB) benefit plan is a hybrid plan with characteristics of a defined benefit and defined contribution plan.

She reviewed the State and County actuarial valuations as of January 1, 2016. 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 2016.

P. Beckham stated Nebraska has a very strong funded ratio compared to other states.

She reported no additional state contribution is required for the State and County plans in 2016. As of January 1, 2016, the State and County funded ratios calculated on a **funding**

**basis** are 102.5% and 102.4% respectively. The funded ratios calculated on a **current value basis** are 99.6% for the State and 97.5% for the County.

B. Banister explained the criteria required for paying a dividend. Based on state law and Board policy, a dividend cannot be paid this year. The Board policy requires both the funded and the current value basis to be at 100%, after a dividend is granted.

The presentation included five year projections of expected State and County funding results with projected contributions rates.

In conclusion, P. Beckham stated the funding outlook is positive for both plans. The possibility of future dividends is heavily dependent on future investment experience.

Copies of the valuation reports are available from the retirement office.

**Agenda Item 9 – Mutual of Omaha-United of Omaha DCP Annuity Contract:** R. Gerke stated the annual annuity contract with Mutual of Omaha-United of Omaha expires June 30, 2016 He reported the annuity rate currently is 2.75% for the first 2 months and 2.25% thereafter. There are no changes to the terms of the contract.

He reported nine people annuitized last year. Less than 2% of DCP members annuitize.

D. Blank moved to renew the United of Omaha DCP Annuity contract for one year. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 10 – Information System (IT) Update:** J. Hardy reported 39 open PIRs (production investigation requests) as of March 31, 2016. He explained these are software change requests for the pension information system/NPRIS.

He reported his staff has been working on software changes to implement the changes provided in LB 468, which added a second tier to the Judges plan during the 2015 legislative session. The project was completed on February 29, 2016.

All NPERS data bases were upgraded to a new version of data base software. This project was completed on March 25, 2016.

The recent passing of LB 467 creates a second tier for State Patrol plan members hired on or after July 1, 2016. J. Hardy reported documenting project requirements is currently in progress. Programming will be starting soon. New Patrol members will be "sworn in" in August, making this a tight timeline.

In regards to the scanning project, he reported the scanning of over 850 School ledger books is underway. The Secretary of State (SOS) is scanning books and returning the image files to NPERS. As of April 15, 2016, 22% of the books had been scanned. He estimated the ledger books will be completed by the end of July 2016. Testing of the microfilm scanning is

underway. The SOS has purchased scanning equipment for the microfilm. NPERS has approximately 2,000 rolls of microfilm to be scanned. Rolls to be tested were given to the SOS last week. NPERS is currently preparing a request for proposals (RFP) to contract the digital conversion of approximately 7 million images now stored on microfiche.

P. Chambers explained the Secretary of State has authority over records management and determines who agencies will use for document scanning services. .

J. Elliott moved to approve the IT Update. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 11 – Legal/Legislative Update:** O. Hill provided an update on current legislation dealing with retirement.

He reported the following bills were approved by the Governor:

LB 447 – Changes to the Class V School Employees Retirement Act.

LB 790 – Alphabetizes defined terms under various retirement statutes.

LB 876 – Authorizes electronic voting devices for public bodies in public meetings.

LB 1016 – Redefines an agency under the Legislative Performance Audit Act.

The following bills are currently pending the Governor's signature:

LB 467 – Creates a second tier to the Patrol plan.

LB 803 – Changes court docket fees.

LB 830 – Changes provisions relating to unused vacation leave for state employees.

LB 867 – Changes provisions of the Administrative Procedure Act, pertaining to "guidance documents."

He stated the following legislative resolutions have been authorized

LR 483 – Interim study to examine the Public Employees Retirement Systems administered by the Public Employees Retirement Board.

LR 531 – Interim study to examine the extent that state funds are invested in fossil fuels and clean energy, and the feasibility of divestment consistent with the state's fiduciary responsibility.

LR 571 – Interim study to examine local political subdivision retirement plans for public employees.

O. Hill reported providing a presentation regarding returning to work after retirement at the Nebraska Council of School Administrators (NCSA) and Nebraska Association of School Business Officers (NASBO) Conference in Kearney, on April 14<sup>th</sup>. The session was well attended, with standing room only. K. Ackerman attended the session and stated O. Hill did an excellent job and has received a lot of positive comments from attendees.

E. Stuhr moved to approve the Legal/Legislative Update. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 12 – Investment Officer’s Update:** M. Walden-Newman stated he had nothing to report. Printed copies of the 2015 Nebraska Investment Council Annual Report were distributed to the PERB.

**Agenda Item 13 – Director’s Report:** P. Chambers reported P. Lancaster was confirmed by the Legislature on April 13, 2016.

P. Chambers introduced Patty Pierson, the new benefits manager, who started with NPERS on March 1, 2016.

P. Chambers thanked P. Beckham and B. Banister for their presentation and their work on the State and County Actuarial Valuation Reports. She stated B. Banister will provide results of the return to work study and preparations for the upcoming experience study at the PERB Retreat.

P. Chambers asked Board members on the PERB in 2007 to comment on the board’s decision to add the extra criteria for granting Cash Balance dividends. D. Blank stated the PERB was reviewing board policies at the time and wanted a system in place where they could be consistent in their decision making approach for granting dividends. D. Blank commented that the Board Dividend Policy has worked well. P. Chambers commented that NPERS’ Cash Balance plan is looked at as a model plan by other retirement systems in the nation.

P. Chambers stated the PERB Retreat will be held at the Lied Lodge and Conference Center in Nebraska City. Leigh Snell, attorney for the National Council on Teacher Retirement (NCTR) and Director of Federal Relations, will be the keynote speaker in the morning. He will provide the PERB with national news regarding pension laws. A session on employer reporting is planned for the afternoon.

P. Chambers stated MassMutual will provide their annual report at the June PERB meeting.

She stated divestment bills for social causes are commonly introduced in the legislature. She noted an article in the April 4<sup>th</sup> issue of “Pension and Investments,” which reported California Public Employee’s Retirement System (CalPERS) was meeting to discuss their prohibition against tobacco investments. The article reported that CalPERS had missed out on an estimated \$3 billion by divesting their tobacco holdings in 2001. This year, LB 1069 to divest

fossil fuels was introduced in Nebraska, but the bill was never advanced by the Retirement Systems Committee.

P Chambers commented on an article by Leigh Snell discussing federal legislation regarding defined benefit plans. K. Ackerman mentioned the PERB members can sign up for weekly "Tuesday emails" from Leigh Snell's NCTR Federal Blog through the NCTR website. She stated they were very informative.

K. Ackerman moved to approve the Director's report. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 14 – Board Committee Reports:** P. Chambers asked the Board to submit ideas for the retreat. She stated the keynote speaker will arrive on Sunday evening, July 17, 2016, and invited the Board to meet with the speaker that night.

M. Walden-Newman mentioned that the NIC Retreat is the Tuesday and Wednesday following the PERB Retreat.

**Agenda 15 – Board Education/Travel Requests:** There were no requests.

**Agenda Item 16 – Future Meetings/Agendas:** The next PERB meeting is Monday, May 16, 2016.

**Agenda Items 17 and 18 – Executive Session:** At 11:09 a.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 613510, 186742, and 413500; Appeal Nos. 2-2015 and 3-2015; personnel matters; and other legal matters. J. Elliott seconded the motion. R. Ecklund repeated the motion for the record. Members voted as follows: Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

At 12:29 p.m., J. Derr moved that the Board exit Executive Session and reconvene in Regular Session. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

J. Elliott moved for approval of the Disability Applications of Retirement Nos. 613510, 186742, and 413500. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

D. Blank moved to affirm the Hearing Officer's Recommended Order in Appeal No. 2-2015 and authorize the PERB Chairman to sign the Order. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

D. Blank moved to affirm the Hearing Officer's Recommended Order in Appeal No. 3-2015 and authorize the PERB Chairman to sign the Order. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Adjournment:** D. Blank moved that the meeting adjourn. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

The meeting adjourned at 12:33 p.m.



Phyllis G. Chambers  
Director