



1526 K Street, Suite 400  
P.O. Box 94816  
Lincoln, NE 68509-4816  
Phone 402-471-2053  
Toll Free 800-245-5712  
Fax 402-471-9493  
[npers.ne.gov](http://npers.ne.gov)

**PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

JUNE 20, 2016

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:03 a.m., Monday, June 20, 2016, in the 1526 Building, 4th Floor, Conference Room 4-D, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Tuesday, June 14, 2016. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, June 13, 2016. J. Elliott chaired the meeting and V. Huber recorded the minutes.

**MEMBERS PRESENT:**

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

**MEMBERS ABSENT:**

RON ECKLUND, CHAIR

**NONMEMBERS PRESENT:**

**PHYLLIS CHAMBERS**

Director

**RANDY GERKE**

Deputy Director

**ORRON HILL**

Legal Counsel

**PATTY PIERSON**

Retirement Plan Supervisor

**TERESA ZULAUF**

Internal Auditor

**JACK HARDY**

IT Manager

**VICKI HUBER**

Administrative Assistant

**GARY BUSH**

AS - State Budget Administrator's Office

**KATE ALLEN**

Retirement Committee Legal Counsel

**NANCY REIMER**

Ameritas

**KIRSTEN STEIERT**

MassMutual

**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 June 20, 2016, Board Meeting to order at 10:03 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, D. Leonard, K. Ackerman, J. Derr, P. Lancaster, and M. Walden-Newman. Absent: R. Ecklund.

**Agenda Item 4 – Approval of Minutes:** E. Stuhr moved for approval of the minutes of the May 16, 2016, Board Meeting. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Abstain: D. Blank. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & May 2016 Retirement Report:** D. Leonard moved to approve the Budget Status Report and the May 2016 Retirement Report. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Excuse Board Members:** D. Leonard moved to excuse R. Ecklund. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. 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 – MassMutual DCP Annual Report:** K. Steiert gave a history of the state deferred compensation plan (DCP) with Hartford and its transition to MassMutual.

She presented the Retirement Plan Review for January 1, 2015, to December 31, 2015. She reported assets over \$35 million. The review includes an overview of member data, technological services, participant allocations, investment options, and retiree assets. As of December 31, 2015, the plan had 637 participants.

She commented that participants can manage their plan accounts via their website or telephone. Both are available 24 hours a day.

The presentation included an Investment Review. This report included a Morningstar category analysis and performance for the various funds as of December 31, 2015, and performance as of March 31, 2016.

K. Steiert discussed the underperformance of some funds and stated the Board may want to look at revising investment options in the future.

M. Walden-Newman stated the Nebraska Investment Council (NIC) will be reviewing the DCP and DC options/portfolios in the fall of 2016. He stated any changes would not take place until spring 2017, since statutory changes may be required.

J. Elliott thanked K. Steiert for her report.

D. Leonard moved to approve the MassMutual DCP Annual Report. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 8 – Biennium Budget Process:** R. Gerke reported working on the biennium budget for 2017-2018 and 2018-2019. He explained the state has a base budget, with issues that provide additions and subtractions to the base. He explained the budget process and deadlines.

He stated the budget has a new section this year to determine if programs are evidence-based. It will be used to measure effectiveness.

The complete document is due September 15, 2016. The PERB Budget Committee will meet and the Board will need to approve the budget request prior to its submission.

He pointed out NPERS is a cash agency, meaning that operating expenses come from the plan and not the state's general funds.

R. Gerke reported 13 of NPERS' staff are age 55 or older. NPERS' budget needs to reflect the possibility of vacation payouts of up to \$174,000 if they should retire.

P. Chambers stated if the assumed rate is lowered; the funding needed in program 515 will potentially increase.

O. Hill stated Neb. Rev. Statute 84-1503 and Board Policy No. 1 deal with the duties of the PERB and specify that the PERB approve NPERS' budget and allocation of expenses.

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

**Agenda Item 9 – Internal Auditor Quarterly Report:** T. Zulauf provided the Board with a written report compiling results from the internal audits of School and County employers. She reported 33 School employer audits have been completed and 4 are pending. Three School employers had no issues. She reported 19 County internal audits have been completed and 10 are in process. Nine County employers had no issues.

J. Elliott requested future internal auditor reports include information whether one person tested has several issues or the issues are spread out over several people.

D. Blank left the meeting at 11:15 a.m.

K. Ackerman moved to approve the Internal Auditor Quarterly Report. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

**Agenda Item 10 – Legal/Legislative Update:** O. Hill reported meeting with the PERB Legislative Committee prior to the Board meeting. They discussed potential legislation.

E. Stuhr stated the Committee plans to bring information on their discussions to the PERB at the Board retreat.

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

**Agenda Item 11– Investment Officer’s Update:** M. Walden-Newman reported the calendar year to date performance for the cash balance plans was +3.14% as of May 31, 2016. The fiscal year-to-date performance of the defined benefit plans was +1.56%.

He reported the NIC is working to develop a management research system, to track conversations with managers and investment research. The NIC works with over 60 managers.

M. Walden-Newman explained the NIC reflects managers’ fees by not only the bill from managers but also in alternatives; when managers take fees out before they bill and the fees are not shown as a separate item. In order to provide transparency of public funds, the NIC will ask the alternative managers to adjust their reporting and show the fees on their billing statements.

D. Blank returned to the meeting at 11:30 a.m.

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

**Agenda Item 12 – Director’s Report:** P. Chambers reported hosting a meeting on June 16, 2016, to discuss the process of transferring funds for the Omaha School Employees Retirement System (OSERS) benefits, which was a result of the passing of LB 447. Representatives from the following organizations attended the meeting: Omaha Public Schools, OSERS, NIC, State Accounting, State Auditor’s office, Legislative Retirement Committee, Legislative Fiscal Office, and NPERS. P. Chambers provided the Board with a diagram of the transfer process. Effective January 1, 2017, the NIC will begin managing the OSERS funds and the transfer from NPERS to OSERS will begin.

P. Chambers reported plans for the PERB Retreat are coming together. PERB members planning to meet with the keynote speaker on Sunday, July 17, 2016, should plan to be at the Lied Lodge around 6:30 p.m.

P. Chambers summarized her experience at the National Council of Teacher Retirement (NCTR) Annual System Directors’ Meeting in Columbus, Ohio. The meeting included topics on Cyber Security, Federal Retirement Legislation, Board Funding Policies, and Investment Fee Transparency. The Directors participated in a roundtable discussion consisting of a variety of topics including IT conversions, opening of satellite offices for investment purposes and for member services, disability retirements, working after retirement, health care benefits, changes in assumed rates, mortality assumptions and funded ratios. Ohio State Teachers Retirement System (STRS) hosted the meeting and a tour of their office complex. Ohio STRS has 484,000 members with assets of \$70 billion. STRS has 560 employees, which includes 120 investment staff and 124 information technology staff. The plan is 69% actuarially funded. They provide a health care plan to their members and paid out \$630 million in health care benefits last year. Ohio owns its own building which includes a parking garage, cafeteria, day care, and fitness center.

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

**Agenda Item 13 – Board Committee Reports:** J. Elliott reported members of the PERB Personnel Committee met that morning to discuss the Director's evaluation and salary.

**Agenda Item 14 – Board Education/Travel Requests:** There were no requests.

**Agenda Item 15 – Future Meetings/Agendas:** The next PERB meeting is the Annual PERB Retreat, Monday, July 18, 2016, at the Lied Lodge and Conference Center in Nebraska City, Nebraska.

**Agenda Items 16 and 17– Executive Session:** At 12:05 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Application for Retirement No. 114592; Personnel Matters - Director's Evaluation and Salary; and other legal matters. D. Leonard seconded the motion. J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

J. Elliott and M. Walden-Newman left the meeting during Executive Session. D. Blank chaired the remainder of the meeting.

At 1:30 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

D. Leonard moved for approval of the Disability Application of Retirement No. 114592. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

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

The meeting adjourned at 1:32 p.m.



Phyllis G. Chambers  
Director