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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

February 26, 2018

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:34 a.m., Monday, February 26, 2018, 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, February 16, 2018. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, February 19, 2018. J. Elliott chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT:

JANIS ELLIOTT, CHAIR
 DENNIS LEONARD, VICE-CHAIR
 DENIS BLANK
 KELLI ACKERMAN
 JUDGE J DERR
 JIM SCHULZ
 MICHAEL WALDEN-NEWMAN, EX-OFFICIO

DRAFT

MEMBERS ABSENT:

ELAINE STUHR
 PAM LANCASTER

NONMEMBERS PRESENT:

RANDY GERKE
 Director
 ORRON HILL
 Legal Counsel
 PATTY PIERSON
 Retirement Plan Supervisor
 JACK HARDY
 IT Manager
 TERESA ZULAUF
 Controller
 MELISSA NUSS
 Administrative Assistant

LARRY DIX
 Nebraska Association of County Officials
 ZACH WELLS
 Nebraska Auditor of Public Accounts
 DIANE HOLTORF
 Internal Auditor
 JOHN WINKELMAN
 Education Manager
 NANCY REIMER
 Ameritas
 NEIL SULLLIVAN
 State Budget Office

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 February 26, 2018, Board Meeting to order at 9:34 a.m. Present at roll call: D. Blank, J. Elliott, D. Leonard, K. Ackerman, J. Derr, J. Schulz, and M. Walden-Newman. Absent: P. Lancaster and E. Stuhr.

Agenda Item 4 – Approval of Minutes: D. Blank moved for approval of the minutes of the January 22, 2018, Board Meeting. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Elliott, D. Leonard, and J. Schulz. Abstain: J. Derr. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & January 2018 Retirement Report: K. Ackerman moved to approve the Budget Status Report and the January 2018 Retirement Report. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, 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 – Nebraska Association of County Officials Outreach: J. Elliott introduced Larry Dix, Director of the Nebraska Association of County Officials (NACO), and thanked him for taking part in the PERB Outreach.

L. Dix, Executive Director of NACO since 2002, greeted the PERB, and acknowledged current PERB member P. Lancaster and former PERB member, Richard Wassinger as County official representatives. L. Dix provided an overview of NACO and its members. NACO is a Non-Profit (c)(4), in existence since the late 1800's, and consists of all 93 Nebraska Counties, with 91 counties participating in NPERS. L. Dix stated that NACO lobbies for county interests, and during a given legislative session is involved with approximately 35% of the measures under consideration. County governments have far-reaching interests and responsibilities, including topics such as elections, taxation, corrections, mental health, budget, and zoning. NACO provides outreach and educational services, an annual conference, and many workshops to support county functions.

NACO owns for-profit independent companies. Multi-County Information and Programming Services (MIPS), provides software, hardware, product support, networking, and consulting services to a majority of Nebraska counties. NACO owns the NACO Leasing Corporation, and a microfilm company which supports Nebraska counties who, under state statutes, must fulfill microfilm requirements. Another holding of NACO is the Nebraska Public Agency Investment Trust (NPAIT), a trust designed for Nebraska Public Agencies, which is a separate legal and administrative agency. L. Dix stated NACO has the NACO Group Health Insurance Program and the NACO Continuing Education Fund. L. Dix provided additional background and history of NACO services including staff size and funding sources.

L. Dix commented on the excellent relationship between NACO and NPERS. He encouraged continued support of educational services and legislative matters between the organizations. J. Winkelman stated NPERS Education representatives spoke at the County clerks meeting in 2017.

R. Gerke commented that he looks forward to continuing NPERS' relationship with NACO and L. Dix. J. Elliott thanked L. Dix for attending the meeting and the depth of information provided to the PERB.

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

Agenda Item 8 – School, Judges, and Patrol Audit Report: Zach Wells, Audit Manager at the Nebraska Auditor of Public Accounts, presented the Audit Report for the School, Judges, and State Patrol plans for fiscal year period July 1, 2016, through June 30, 2017.

Z. Wells thanked the NPERS staff for their cooperation during the audit.

He stated there was an unmodified opinion and no recommendations or comments on the report issued on February 14, 2018. The report found no deficiencies in internal control or instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Z. Wells commented this is the first audit report utilizing the new actuarial valuation assumptions.

J. Elliott commended the communication from the State Auditor's office with the PERB.

D. Blank moved to approve the School, Judges, and Patrol Audit Report. J. Schulz seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and J. Schulz. Against: None. Motion carried.

Agenda Item 9 – Information System Update: J. Hardy presented the technology update.

J. Hardy noted L. Dix's NACO discussion, and commented that NPERS does work with MIPS IT interface and acknowledged the ease of working with MIPS.

J. Hardy reported the scanning of microfilm and microfiche has been completed, and the total final project cost was \$168,000. The original estimate was \$1.2 million in 2014. J. Hardy offered an explanation of the difference between the estimate and the actual end cost. The per image cost by the original vender was higher than the Secretary of State (SOS), NPERS staff performed quality control and importation of documents, and the total number of documents scanned was lower than original estimates. J. Hardy commended Jodi Fagan and Anne Hille, in Data Services, for their work on the project, and Charles Waity as the project manager at NPERS. J. Hardy also commended the Secretary of State's office, and gave special recognition to Austin Rhodes, who acted as the project manager from the SOS Records Management Division.

J. Hardy stated system changes due to LB 415 are underway and staff have made substantial progress. The new tiers for School and Judges will be deployed within the week. The member tiers will be available on NPRIS. O. Hill commended J. Skov for her work regarding start date discrepancies provided by employers. The number of employer discrepancies is low.

J. Hardy reported on improvements to the NPRIS image viewer, which NPERS, the Office of the Chief Information Officer (OCIO), and Databank are currently evaluating.

J. Hardy announced an agency-wide printer consolidation project currently being implemented to reduce costs of agency printing.

K. Ackerman moved to approve the Information System Update. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and J. Schulz. Against: None. Motion carried.

Agenda Item 10 – Legal/Legislative Update: O. Hill provided the Legal and Legislative Update.

O. Hill stated that R. Gerke testified at the hearing for LB 548 on February 14, 2018, in opposition to Section 6 of AM 1529.

O. Hill reported he and R. Gerke were notified on February 22, 2018, of a proposed, but not yet introduced, amendment by former Senator Curt Bromm, lobbyist for Saunders Medical Center. The proposed amendment is on behalf of two County hospitals, Nemaha and Saunders County Medical Center, to exclude them from LB 1005. O. Hill stated concerns with the proposed amendment's constitutionality. Senator Kolterman asked for NPERS' concerns. J. Elliott asked O. Hill if an official response from the PERB was recommended at this time. O. Hill stated the NPERS' response would most likely be adequate until the amendment is actually introduced, but left it to the PERB's discretion in the matter.

O. Hill stated he would defer comment on LB 950, as R. Gerke will be addressing the issue in the Director's Report.

J. Schulz clarified Senator Lindstrom's statement during the hearing of LB 548; the Senator was willing to remove Section 6 of AM 1529. O. Hill confirmed Senator Lindstrom's statement as such.

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

Agenda Item 11 – Director's Report: R. Gerke introduced and welcomed Diane Holtorf as the new NPERS Internal Auditor.

R. Gerke stated the Appropriations Committee hearing on LB 950 is scheduled later in the day. The bill provides for payment of claims against the state. NPERS is claiming \$22,091.91 of uncollectable money due to NPERS.

R. Gerke reported a Budget and Personnel Committee meeting was held the morning of February 26, 2018, to discuss NPERS' succession planning and the role of Deputy Director. He announced O. Hill has agreed to serve as the Deputy Director of NPERS. He will retain all duties as the PERB Legal Counsel. The Budget and Personnel Committee members are D. Blank, as Chair, K. Ackerman, and J. Schulz.

R. Gerke announced that under his directive, and with support from J. Hardy, a cyber-risk assessment of NPERS was conducted by the OCIO. J. Hardy will present the findings during the PERB's Executive Session.

R. Gerke reported Dean Gress has sent approximately 17,000 letters to members regarding tax withholding rate changes. The new tax withholding rates have kept NPERS' personnel busy implementing the changes.

R. Gerke stated that he and other NPERS' staff continue to support direct deposit (DD) initiatives. Currently, NPERS requires all new retirees to utilize DD for benefit payments. The Department of Administrative Services (DAS) has recommended DD for payments over \$55,000. NPERS will move to have all refunds distributed by DD. DAS estimates a savings of \$.60 per warrant. NPERS will continue to work toward full DD functions.

R. Gerke mentioned O. Hill and V. Huber are conducting "sensing sessions" throughout NPERS. These sessions provide one-on-one interviews with staff to identify challenges and growth opportunities within NPERS' departments.

R. Gerke stated NPERS Annual Legislative Report for 2018 will be presented on March 23, 2018, at a Legislative Retirement Committee hearing. He acknowledged J. Winkelman and Natalia Kraviec on their time producing the report.

R. Gerke reported the spring School seminar season is set to commence. J. Winkelman and Cheryl Mueller have approximately 28 School seminars scheduled. Seminars begin in February and run through June.

R. Gerke introduced Agenda Item 12, a request by York County to participate in the Deferred Compensation Plan (DCP). There are currently 106 contributing members in York County who could potentially contribute to the plan.

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

Agenda Item 12 – York County Request for Participation State DCP 457 Plan: Nebraska law states the PERB must approve the entrance of an entity to the DCP Plan. Discussion regarding the education of County employees to encourage them to contribute to the DCP

Plan. Discussion of costs for a new County entering the DCP Plan and Ameritas' member fees. Discussion of whether a County should be charged a fee for joining the plan to cover entry costs. It was noted the DCP plan is attractive because of the plan's low cost fees.

D. Blank moved to approve the York County Request for Participation in the DCP.

D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and J. Schulz. Against: None. Motion carried.

Agenda Item 13 – Board Committee Reports: There were no reports.

Agenda Item 14 – Board Education/Travel Requests: J. Elliott will travel to the National Council on Teacher Retirement (NCTR) Conference in Tucson, AZ, October 6-10, 2018, at no cost to the PERB.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting will be Monday, March 19, 2018, at Ameritas.

Agenda Items 15 and 17 – Executive Session: At 10:39 a.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members and legal matters: Personnel Matters; Protection of Public Interest, Prevention of Needless Injury to the Reputation of an Individual; and Update on Pending Litigation; Protection of Public Interest. 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, D. Leonard, and J. Schulz. Against: None. Motion carried.

At 1:29 p.m., D. Blank moved that the Board exit Executive Session and reconvene in Regular Session. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and J. Schulz. Against: None. Motion carried.

Agenda Item 16 – Board action on Executive Session Topics: No actions taken.

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

The meeting adjourned at 1:30 p.m.



Randy Gerke
Director