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**PUBLIC EMPLOYEES RETIREMENT BOARD
REGULAR MEETING AND EDUCATION CONFERENCE**

July 20, 2015

8:45 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:50 a.m., Monday, July 20, 2015, in the Oaks Room, Quarry Oaks, Ashland, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Tuesday, July 14, 2015. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, July 13, 2015. D. Blank chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT: DENIS BLANK, CHAIR
ELAINE STUHR
JANIS ELLIOTT
RON ECKLUND
DENNIS LEONARD
KELLI ACKERMAN
JUDGE J. DERR
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: RICHARD WASSINGER, VICE-CHAIR

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	KATE ALLEN Retirement Committee Legal Counsel
RANDY GERKE Deputy Director	PAT BECKHAM Cavanaugh Macdonald Consulting
ORRON HILL Legal Counsel	DANA BILYEU NASRA
MIDEN EBERT Retirement Plan Supervisor	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	MATT SCHAEFER STAN, Lobbyist
GERRY OLIGMUELLER AS – State Budget Administrator	BILL MUELLER District Court Judges Association, Lobbyist
SENATOR AL DAVIS Legislative Retirement Committee	MIKE MARVIN NAPE/AFSCME
SENATOR MARK KOLTERMAN Legislative Retirement Committee	MIKE DELANEY NCSA

LARRY DIX
NACO
LARRY SCHERER
Nebraska State Education Association
ERIC ASBOE
Nebraska Supreme Court

STEVE EBERT
Nationwide Financial
DEAN GRESS
IT Senior Application Developer
VICKI HUBER
Administrative Assistant

Agenda Item 1: D. Blank 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: D. Blank called the July 20, 2015, Board Meeting to order at 8:50 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, J. Derr, and M. Walden-Newman. Absent: R. Wassinger.

Agenda Item 4 – Chairman’s Comments and Introductions: D. Blank welcomed everyone and recognized Senator Kolterman, Kate Allen, legal counsel for the Legislative Retirement Committee, and Gerry Oligmueller, Budget Administrator, who were in attendance.

Agenda Item 6 – Approval of Budget Status Report and June 2015 Retirement Report: R. Ecklund moved to approve the Budget Status Report and the June 2015 Retirement Report. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 7– Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 8 – An Overview of Public Retirement Systems and Trends: P. Chambers introduced Dana Bilyeu, Executive Director of the National Association of State Retirement Administrators (NASRA) and gave a brief background of D. Bilyeu’s work with NASRA, the Public Employees Retirement System of Nevada, and the Federal Retirement Thrift Investment Board.

D. Bilyeu’s presentation began by comparing public and private pension plans. Distinguishing elements of public pension plans include mandatory participation, employee-employer cost sharing, targeted income replacement, assets that are pooled and professionally invested, and a benefit that cannot be outlived. The US Census Bureau, Public Fund Survey reported public pensions in the U.S. include 14 million active participants, which is 13% of the nation’s workforce. The assets are approximately \$3.7 trillion. The aggregate funding level of public pensions is approximately 72%. In the private sector, 65% of full-time workers participate in an employer-sponsored retirement plan.

She stated NASRA has done a public funds survey annually since 2001. They gather information from 126 statewide and large local government plans with 85% of the assets and liabilities of the entire public pension community. This survey can be accessed by contacting Keith Brainard at NASRA.

She reviewed information from the public survey on funding levels, actuarial value of assets and liabilities, employment levels, wages and salaries, covered payroll, contribution rates, annual required contribution (ARC) experience, investment return assumptions, asset allocations, and investment returns. She pointed out that nearly every state has modified public pension benefits, raised employee contributions, or both, since 2009. States have lowered benefits, increased the use of hybrid retirement plans, and two states have new defined contribution plans.

D. Blank recognized Senator Davis, who joined the meeting.

The Board took a break at 10:14 a.m. and reconvened at 10:32 a.m.

Agenda Item 9 – Member Group Panel Discussion of NPERS' Retirement Plans:

P. Chambers introduced each panel member and the PERB member representing each of NPERS' plans. She recognized M. Ebert and J. Winkelman from NPERS, who work with the members on a daily basis.

Mike Dulaney, Executive Director of the Nebraska Council of School Administrators (NCSA) represented School superintendents and business managers. He stated every School administrator in Nebraska is a member of NCSA. The association has 1400 active members. He stated the organization works closely with the Nebraska State Education Association (NSEA) and the Legislature year round. He commented that LB 553 was very positive legislation, introducing the second tier benefit structure for School plan members. He recognized Senator Davis for his work in supporting LB 553.

Larry Dix, Executive Director of the Nebraska Association of County Officials (NACO) gave a brief background of the organization, which began in 1894. It incorporated in the 1960s where all county officials are members. NACO has a 20-member board. He stated NACO has interaction with NPERS throughout the year. He expressed their appreciation of NPERS staff meeting with NACO on occasion. He commented on how the officials take advantage of NPERS' Call Center, online estimator, and newsletters. He mentioned how County members (other than the officials) would like to see more face to face contact from NPERS; but, resources are limited for travel to the 91 counties that participate in the plan. Recently Sarpy County was getting close to the maximum population threshold and legislation was passed to increase the population maximum for counties to be able to participate in NPERS.

Mike Marvin, Executive Director of the Nebraska Association of Public Employees (NAPE), stated the organization was founded in 1970s. He commented on how the Cash Balance plan seems to be working well for State employees. They appreciate the opportunity to attend two retirement seminars with pay. The only complaint expressed by members of NAPE is how long it takes to get their first retirement check. He expressed a need to find a

way to encourage participation in deferred compensation plans and teach members to plan for retirement. He reported NAPE has put together a committee to discuss ideas for State plan improvements and a committee to study possible legislative changes.

Matt Schaefer is a lobbyist representing the State Troopers Association of Nebraska (STAN). He stated the organization appreciates the stewardship of the PERB and the expertise of O. Hill and P. Chambers. He stated the Patrol plan is the second smallest of all NPERS' plans and has the lowest retirement age. They spent a lot of time working with NPERS and the Legislative Retirement Committee on LB 467, to change new hire employee contribution rates, COLA cap, and final compensation. He expressed concern that Nebraska has the highest contribution rate among comparable state and local law enforcement. They believe retirement makes a difference in recruiting and the financial numbers are not leading new applicants to Nebraska's State Patrol.

Bill Mueller is a lobbyist representing the District Court Judges Association. He stated the Association started in 1955. Its members have nothing but good things to say about NPERS staff. He complimented NPERS for attending all legislative hearings pertaining to retirement. He complimented K. Allen and the Legislative Retirement Committee, on their work with legislation. He stated retirement is critical to retaining current judges and encouraging lawyers to become judges and the defined benefit plan motivates them. He explained there is no employer match in the Judges retirement plan and additional funding comes from a portion of court fees. Recently the problem is that the number of court cases is decreasing. A lot of cases are going into diversion instead; causing less court fees. Annually they look at the funding of the plan. He explained the passing of LB 468 this year, created a second tier of benefits for new judges and increased the portion of court fees to be transferred for funding. He stated LR 252 will look at court costs and diversion.

Larry Scherer, Director of Research for the NSEA, stated there are three things important to members of the NSEA: salary, health insurance, and retirement. The defined benefit plan is a "big deal" to them. Generally, if state contribution rates go up, salaries will not go up. He thanked the PERB and NPERS for its work on recent legislation. NSEA wants to look at contribution rates in the future; specifically, when the School plan reaches 100% funding. He reported its membership is complimentary of the staff at NPERS. He stated J. Elliott is good at advising the NSEA.

The PERB, panel, and senators present discussed the possibility of adding additional tax-deferred retirement opportunities under the administration of the PERB and NPERS.

D. Blank thanked the panel for their time and stated he hoped to have similar panel discussions in the future.

The Board took a break for lunch at 11:41 a.m. and reconvened at 12:59 p.m.

Agenda Item 10 – Board Funding Policy and Mortality Assumptions: P. Beckham reviewed the basic retirement funding equation and stated many systems are creating formal, written funding policies, due to Government Finance Officers Association (GFOA)

recommendation and disclosures in Government Accounting Standards Board (GASB) 67 and 68 reports. GFOA Best Practice recommends that defined benefit programs formally adopt a funding policy that provides reasonable assurance that the cost of benefits will be funded in an equitable and sustainable manner. She reviewed components of a written funding policy, guidance from the GFOA and the Conference of Consulting Actuaries – Public Pension Community (CCA-PPC), policy objectives, actuarial cost method, asset smoothing method, funding the unfunded actuarial liability (UAL), and components of an amortization policy.

P. Beckham reviewed NPERS' current funding policy which is addressed in PERB Policy Number 8 and Nebraska law. She stated no action is required; however, she recommends the Board consider whether to make any changes in the amortization policy and broaden the scope of the Board's current funding policy. She compared the current Board policy to the CCA's model practices.

P. Beckham has provided NPERS with examples of other state funding policies for reference. D. Bilyeu added that NASRA is starting to gather funding policy data.

P. Beckham stated they are preparing to do their first experience study for NPERS. This study will cover 7/1/2011 – 6/30/2015 for the defined benefit plans and calendar years 2012-15 for the Cash Balance plans. She explained an experience study uses all actuarial economic and demographic assumptions and compares actual experience in each year of the study to the expected base on the assumptions. It then evaluates whether to keep or change assumptions.

Her report included mortality data using a new mortality table and new projection scale released by the Society of Actuaries in October 2014. Actual mortality improvements from 2000 to 2014 were greater than anticipated by the previous table.

Agenda Item 11 – Board Fiduciary Duty: O. Hill reviewed the board's fiduciary responsibilities and ethics as governed by federal and state law. He described the characteristics of fiduciary responsibility as undivided loyalty, acting reasonably and prudently, avoiding conflicts of interest, and protecting/preserving plan assets. The Board's fiduciary duties should focus on business goals as well as ethics.

The Board took a break at 2:50 p.m. and reconvened at 3:01p.m.

Excuse Board Members: E. Stuhr moved to excuse R. Wassinger. J. Elliott seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Items 12 and 13 – Executive Session: At 3:03 p.m., R. Ecklund moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 159948 and 163937; personnel matters; and other legal matters. E. Stuhr seconded the motion. D. Blank repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, and E. Stuhr. Against: None. Motion carried.

At 3:50 p.m., D. Leonard moved that the Board exit Executive Session and reconvene in Regular Session. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, and E. Stuhr. Against: None. Motion carried.

R. Ecklund moved for approval of the Disability Applications of Retirement Nos. 159948 and 163937. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, and E. Stuhr. Against: None. Motion carried.

M. Walden-Newman left the meeting at 3:53 p.m.

Agenda Item 14 – Director's Report: P. Chambers reported on June 26, 2015, the Supreme Court ruled that same-sex marriage was legal in all 50 states. The only impact to NPERS will be allowing same-sex couples to select 75% and 100% joint and survivor benefit options. Prior to this, state law only allowed the 50% J & S option for non-spousal beneficiaries. NPERS will begin processing benefit options going forward for all members with valid marriage licenses. All of our language in the plan booklets, forms and benefit estimators is gender neutral. We checked with the actuaries and there is no impact to our factors.

She reported there will not be a cost-of-living adjustment (COLA) this year for the defined benefit plans. There was a decrease in the Consumer Price Index (CPI-W). COLA letters will not be sent. Notifications will be placed in the newsletters and on the NPERS website.

P. Chambers reported the State auditors have finished the State and County audit. The audit exit conference will be scheduled sometime next week.

Next month the Board will review committees.

Next week, P. Chambers and O. Hill plan to meet with K. Allen to discuss future legislation.

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

Agenda Item 15 – Recap of Day's Topics and Retreat Evaluation: P. Chambers distributed a retreat evaluation and D. Blank asked the Board members to complete it and return it to her or V. Huber.

Agenda Item 16 – Board Committees and Travel Requests: There were none.

Agenda Item 17– Future Meetings/Agendas: The next regular PERB meeting will be held on Monday, August 17, 2015, in the 1526 Building, at 1526"K" Street, Lincoln, Nebraska.

Adjournment: R. Ecklund 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, D. Leonard, and E. Stuhr. Against: None. Motion carried.

The meeting adjourned at 3:59 p.m.

A handwritten signature in cursive script that reads "Phyllis G. Chambers".

Phyllis G. Chambers
Director