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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

AUGUST 15, 2016

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:00 a.m., Monday, August 15, 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 Friday, August 5, 2016. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 8, 2016. R. Ecklund chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

RON ECKLUND, CHAIR
JANIS ELLIOTT, VICE-CHAIR
ELAINE STUHR
DENNIS LEONARD
KELLI ACKERMAN
JUDGE J. DERR
PAM LANCASTER

MEMBERS ABSENT:

DENIS BLANK
MICHAEL WALDEN-NEWMAN EX-OFFICIO

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS

Director

RANDY GERKE

Deputy Director

ORRON HILL

Legal Counsel

PATTY PIERSON

Retirement Plan Supervisor

JACK HARDY

IT Manager

TERESA ZULAUF

Internal Auditor

DEAN GRESS

IT Senior Application Developer

VICKI HUBER

Administrative Assistant

SENATOR MARK KOLTERMAN

Legislative Retirement Committee

GARY BUSH

AS - State Budget Administrator's Office

KATE ALLEN

Retirement Committee Legal Counsel

NANCY REIMER

Ameritas

KATHY TENOPIR

Legislative Fiscal Office

ZACH WELLS

State Auditor's Office

PAT BECKHAM

Cavanaugh Macdonald Consulting

BRENT BANISTER

Cavanaugh Macdonald Consulting

JASON HAYES
Nebraska State Education Association
BOB WICKERSHAM
Public

ERIC ASBOE
Nebraska Supreme Court

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 August 15, 2016, Board Meeting to order at 9:00 a.m. Present at roll call: E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, J. Derr, and P. Lancaster. Absent: D. Blank and M. Walden-Newman.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the July 18, 2016, Board Meeting and Education Conference. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & July 2016 Retirement Report: D. Leonard moved to approve the Budget Status Report and the July 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. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: Bob Wickersham was present. Mr. Wickersham commented on the process for implementing the actuary's recommendations regarding assumptions. He commented about the effective date of any changes.

Agenda Item 7– 2017-19 Biennial Budget: Prior to the meeting, R. Gerke provided the Board with a draft 2017-2019 Biennium Budget to review. He stated the draft is due September 15, 2016. He summarized each section of the budget, including the agency narrative, agency requests report, agency permanent salaries request report, narratives for all issues, agency modifications narratives, funds analysis reports, and program narrative reports.

R. Gerke explained each "issue" being requested to cover projected increases in expenses.

K. Ackerman thanked R. Gerke and his staff for their work on the draft budget.

D. Leonard moved to approve the draft 2017-2019 Biennium Budget request with minor changes, as presented. 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. Against: None.

Agenda Item 8 - Experience Study: B. Banister gave the background of assumptions and explained the purpose of an experience study is to provide a basis for analyzing existing assumptions and developing recommended changes for each assumption. The PERB is responsible for the selection of assumptions and can adopt all, none, or some of the actuary's recommendations. Experience studies are done periodically and compare actual experience during a certain period with expected results based on current economic and demographic assumptions. Economic assumptions include price inflation, wage inflation, cost-of-living adjustment (COLA), interest crediting rate, and payroll growth. Demographic assumptions include retirement rates, promotion/step pay increases, disability, turnover, and mortality. NPERS' last Experience Study covered 7/1/2006 to 6/30/2011 for the Defined Benefit plans and calendar years 2007 through 2011 for the Cash Balance plans.

B. Banister reviewed results of the economic experience. The actuaries made the following recommendations to the Board, regarding the economic assumptions:

- Inflation assumption rate – lower from 3.25% to 2.75%
- Investment Return – lower the DB plan from 8% to 7.5% and lower the State & County Cash Balance plan from 7.75% to 7.5%
- COLA assumption – School, Judges, & Patrol – 2.25% for Tier 1 and 1% for Tier 2 (current assumption for Tier 1 is 2.5% or 1%, based on an inflation assumption of 3.25%)
- General Wage Increase – reduce from 4.0% to 3.5%
- Salary Increase – reduce by .5% (change in inflation) for all plans

The Board took a break at 10:20 a.m. and reconvened at 10:37 a.m.

P. Beckham reviewed results of the demographic experience. She explained NPERS has been using a static mortality table. She reported mortality improvements have occurred since the last experience study and a new assumption is needed. Multiple changes impacted the mortality experience: the actual experience in mortality in the current period was lower than expected (less deaths than expected), analysis moved from headcount to "benefit based", and the allowance for mortality improvement. She discussed two approaches, using a static table or a generational table. The Board and the actuaries discussed the two alternative approaches. The actuaries will include their recommendation on the mortality assumption in their final report.

The actuaries made the following recommendations to the Board, regarding the demographic assumptions, A/E Ratio (weighted):

- Healthy Retiree Mortality – Male-increase from 72% to 101%; Female-increase from 76% to 103%
- Schools Unreduced Retirement – increase from 94% to 102%
- Schools Termination of Employment – Male-increase from 62% to 83%; Female-increase from 68% to 76%
- Patrol Termination of Employment – increase from 95% to 102%

- Judges Unreduced Retirement – decrease from 116% to 101%
- State Cash Balance Unreduced Retirement – reduce from 113% to 106%
- State Cash Balance Termination of Employment – reduce from 123% to 102%
- County Cash Balance Termination of Employment – reduce from 132% to 99%

P. Beckham stated their presentation only included a review of assumptions that they recommend be changed.

The actuaries will present the final Experience Study at the September PERB meeting. Prior to the September meeting, the Board will receive the final Experience Study. Per statute, confidential copies of the Experience Study will be provided to the Governor and the Legislative Retirement Committee prior to the September meeting. Any action taken by the Board will occur after the final Experience Study has been received.

P. Chambers requested the Board contact her with any additional questions they may have for the actuaries prior to the September Board meeting.

Agenda Items 9 through 14 were discussed out of order below.

Agenda Items 15 and 16 – Executive Session: At 12:02 p.m., E. Stuhr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 098642, 090176, 176532, and 152004; personnel matters; and other legal matters. D. Leonard seconded the motion. R. Ecklund repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None.

At 1:15 p.m., E. Stuhr moved that the Board exit Executive Session and reconvene in Regular Session. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None.

D. Leonard moved for approval of the Disability Applications of Retirement Nos. 098642, 090176, and 152004. 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. Against: None.

D. Leonard moved to deny the Disability Application of Retirement No. 176532. 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. Against: None.

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

Agenda Item 9 – Legal/Legislative Update: O. Hill requested the PERB Regulation and Policy Review Committee meet immediately following the meeting to discuss proposed revisions to Chapter 14.

D. Leonard moved to approve the Legal/Legislative Update. 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. Against: None.

Agenda Item 10 – Investment Officer’s Update: There was no report.

Agenda Item 11 – Director’s Report: P. Chambers reported completing the Boards and Commissions online survey. She explained the Legislature requires all Boards and Commissions to complete the online survey every four years. The survey includes information about board membership, meetings, operations, purpose, and accomplishments.

She reported NPERS’ Data Services staff has completed entering all beneficiary information into the IT system. The beneficiary information can now be included on the State and County account statements. NPERS began including beneficiary information on School statements last year.

P. Chambers requested permission to attend the National Council on Teacher Retirement (NCTR) Annual Conference, October 8-12, 2016, in Providence, Rhode Island; with expenses up to \$3200.

D. Leonard moved to approve the Director’s travel to the NCTR Annual Conference, with expenses up to \$3600. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None.

D. Leonard moved to approve the Director's report. 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. Against: None.

Agenda Item 12 – Board Committee Reports: R. Ecklund reported the Budget Committee met after the Retreat in July.

P. Chambers reported there would be an entrance conference for the GASB audit the week of the PERB meeting. The PERB Audit Committee did not need to attend.

Agenda Item 13 – Board Education/Travel Requests: J. Elliot reported on the NCTR Trustee Workshop she attended July 24-27, 2016. She explained the Trustee Workshop is a training and update for trustees; different than the NCTR Annual Conference. She reviewed the sessions she attended. Workshop topics included: pension plan missions, environmental investments, cyber security, pension solvency, a Colorado PERA study on benefit plans, healthy workplace and how it changes demographics, and trends in digital education.

J. Elliott requested permission to attend the NCTR Annual Conference October 8-12, 2016, in Providence, Rhode Island; with up to \$3600 in expenses. She commented that she is interested in serving in on the NCTR Executive Committee.

R. Ecklund encouraged the Board to attend similar educational conferences and workshops.

E. Stuhr moved to approve J. Elliott's travel to the NCTR Annual Conference; with up to \$3600 in expenses. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting is Monday, September 19, 2016.

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

The meeting adjourned at 1:48 p.m.



Phyllis G. Chambers
Director