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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

FEBRUARY 22, 2016

10:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 10:03 a.m., Monday, February 22, 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, February 12, 2016. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, February 15, 2016. J. Elliott and R. Ecklund chaired the meeting and V. Huber recorded the minutes.

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

MEMBERS ABSENT:                      ELAINE STUHR

### NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	TERESA ZULAUF Internal Auditor
RANDY GERKE Deputy Director	GARY BUSH AS - State Budget Administrator's Office
ORRON HILL Legal Counsel	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	PAT BECKHAM Cavanaugh Macdonald Consulting LLC
MIDEN EBERT Retirement Plan Supervisor	JIM ELLIS Omaha School Employees' Retirement System
JACK HARDY IT Manager	VICKI HUBER Administrative Assistant

**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 22, 2016, Board Meeting to order at 10:03 a.m. Present at roll call: D. Blank, R. Wassinger, J. Elliott, D. Leonard, K. Ackerman, J. Derr, and M. Walden-Newman. Absent: R. Ecklund and E. Stuhr.

J. Elliott introduced Jim Ellis, Retirement Benefits Manager, for Omaha School Employees' Retirement System (OSERS), who was in attendance; along with Pat Beckham from Cavanaugh Macdonald Consulting.

**Agenda Item 4 – Approval of Minutes:** D. Blank moved for approval of the minutes of the January 25, 2016, Board Meeting. R. Wassinger seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & January 2016 Retirement Report:** R. Wassinger moved to approve the Budget Status Report and the January 2016 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and R. Wassinger. 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 – Legal/Legislative Update:** O. Hill provided an update on recent legislative activity dealing with retirement.

LB447 – Proposes changes to the Class V School Employees Retirement Act. AM1979 was filed and placed on general file February 18, 2016. The amendment makes some technical changes in the wording of the original bill. It also incorporates LB922, regarding PERB term rotation and LB986, pertaining to PERB duties related to experience studies and annual reports.

LB467 – Proposes changes to the Patrol plan. AM1865 was filed, which proposes creating a 2<sup>nd</sup> tier in the Patrol plan beginning with participants entering the plan on and after July 1, 2016. Members and employer will pay a 17% contribution rate. The 2<sup>nd</sup> tier COLA would be modeled after the current Tier 2 Judges COLA; that is the lesser of 1% or the CPI change. A supplemental lump sum COLA, at the PERB's discretion, may be issued if it will not cause the plan to fall below fully funded status. Final average monthly compensation would be calculated over 60 months, with an 8% capping rule, like the School plan.

LB655 – The bill proposes to create a cash balance plan for firefighters in first class cities. NPERS would administer the plan and the cities would handle the plan's disability applications. P. Chambers and O. Hill met with Senator Davis to discuss NPERS' concerns with the bill as it was currently written. They anticipate an amendment will be filed addressing the concerns. A legislative hearing is scheduled for Thursday, February 25, 2016. P. Chambers explained the proposed firefighter cash balance plan is different than the County cash balance plan. She explained the current firefighters plan and how the new plan will be beneficial to its participants. She stated NPERS has submitted a fiscal note for the bill, which includes a request for three additional staff in order to administer the new plan. J. Elliott stated a substantial amount of planning and development will be involved if this bill is passed and suggested testimony be provided explaining the PERB's concerns on the costs and the fact that disabilities would not be

reviewed the same as other plans administered by NPERS. The bill adds another board member.

D. Leonard moved to testify in opposition of LB655. There was no second. Motion failed.

D. Blank moved to testify neutrally on LB655 and to provide an explanation of the PERB's concerns regarding administrative costs, differences in the cash balance plans, disability provisions, and the addition of a Board member. R. Wassinger seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, and R. Wassinger. Against: D. Leonard. Motion carried.

LB830 – Dealing with changes relating to vacation leave for state employees was placed on general file February 18, 2016.

LB1069 – Legislation pertaining to the investment of fossil fuels was postponed indefinitely.

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

**Agenda Item 8 – Investment Officer's Update:** M. Walden-Newman reported the calendar year-to-date performance for the Cash Balance (CB) plans was -3.1% as of January 31, 2016. The fiscal year-to-date performance of the defined benefit (DB) plans was -4.5%.

He distributed copies from Aon Hewitt's Fourth Quarter 2015 Performance Review. The report shows 1 year performance for the CB plans +1.2% and fiscal year to date for the DB plans - 1.5%.

M. Walden-Newman commented that even though it has been a rough time for the markets and the retirement plans; we have met and exceeded the expected performance for the plans over the 3 year and 5-year periods. He stated the entire performance report will be available on the Nebraska Investment Council (NIC) website following their meeting scheduled for February 25, 2016.

R. Wassinger moved to approve the Investment Officer's Update. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

**Agenda Item 9 – Director's Report:** P. Chambers reported J. Derr's appointment confirmation hearing was held that morning prior to the meeting. The confirmation hearing for Keith Olson's appointment to the NIC was also held that morning.

P. Chambers announced the Governor has appointed Pamela Lancaster as the County plan member on the PERB. Her confirmation hearing has not been scheduled. Ms. Lancaster has served as Hall County Supervisor for 20 years. Ms. Lancaster plans to attend the March PERB meeting.

P. Chambers reported the record keeping and consulting contract has been awarded to Ameritas. She stated the contract has been finalized and includes three, five year options for renewal. She thanked the review committee for their assistance in the selection process.

P. Chambers announced that the Board has been invited to hold their March meeting at Ameritas. Ameritas will present their annual report at that time.

She reported the School, Judges, and Patrol audit exit conference was held on February 16, 2016. One "comment" was discussed during the conference. Additional information was provided to the auditors and the issue may be resolved prior to the final report. The final report will be presented at a future PERB meeting.

She reported staff has been working on the Annual Report to the Legislature, which is due in March. The date has not been set for the presentation of the report.

The actuaries have been answering a lot of questions pertaining to legislation, in addition to preparing a "return to work" study. The study is scheduled to be completed next month.

P. Chambers reported NPERS is moving forward on the scanning project. J. Hardy has been working with the Secretary of State's office on this project. They have been doing a test run. If all goes well, they expect to finish scanning the ledger books in a matter months. The Secretary of State's office will be purchasing equipment to convert the microfilm to a digital format; however, a request for proposal (RFP) will have to be prepared for converting the records currently stored on microfiche.

P. Chambers reported the office has interviewed and hired a new Internal Auditor and Retirement Plan Manager. Both will start on March 1, 2016.

P. Chambers reminded the Board the deadline for submitting their annual Statement of Financial Interests is due April 1, 2016. Information on completing the form was provided to the Board.

D. Leonard commended NPERS staff on a successful audit.

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

**Agenda Item 10 – Board Committee Reports:** There were no reports.

**Agenda Item 11 – Board Education/Travel Requests:** J. Elliott requested permission to attend the National Council on Teacher Retirement (NCTR) Annual Trustee Workshop, July 24-27, 2016, in Berkeley, California, with up to \$3,500 in expenses.

J. Derr moved to approve J. Elliott's request for travel to the NCTR Annual Trustee Workshop July 24-27, 2016, with up to \$3,500 in expenses. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, D. Leonard, and R. Wassinger. Abstain: J. Elliott. Against: None. Motion carried.

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

**Agenda Item 12 – Future Meetings/Agendas:** The next PERB meeting is Monday, March 21, 2016. The meeting will be held at Ameritas, 5900 “O” Street.

**Agenda Items 13 and 14 – Executive Session:** At 10:55 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Prior Service Annuity Calculation of Retirement Nos. 604886 and 609467; Disability Applications for Retirement No. 605301; personnel matters; and other legal matters. K. Ackerman 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 R. Wassinger. Against: None. Motion carried.

R. Ecklund joined the meeting during Executive Session and chaired the rest of the meeting.

At 1:21 p.m., R. Wassinger moved that the Board exit Executive Session and reconvene in Regular Session. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved to deny eligibility for the prior service annuity for Retirement Nos. 6047886 and 609467. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and R. Wassinger. Against: Abstain: R. Ecklund. None: Motion carried.

R. Wassinger moved for approval of the Disability Application of Retirement No. 605301. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and R. Wassinger. Abstain: R. Ecklund. Against: None. Motion carried.

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

The meeting adjourned at 1:23 p.m.



Phyllis G. Chambers  
Director