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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

JANUARY 25, 2016

9:00 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:04 a.m., Monday, January 25, 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, January 15, 2016. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, January 18, 2016. A notice changing the time of the meeting was published in the Lincoln Journal Star on Tuesday, January 19, 2016. R. Ecklund chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

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

NONMEMBERS PRESENT:

PHYLLIS CHAMBERS Director	JACK HARDY IT Manager
RANDY GERKE Deputy Director	TERESA ZULAUF Internal Auditor
ORRON HILL Legal Counsel	NANCY REIMER Ameritas
JOHN WINKELMAN Training Supervisor	NEIL BATEMAN Retired Teachers
MIDEN EBERT Retirement Plan Supervisor	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 January 25, 2016, Board Meeting to order at 9:04 a.m. Present at roll call: D. Blank, R. Wassinger, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, J. Derr, and M. Walden-Newman.

D. Blank congratulated K. Ackerman and presented her the certificate for attending the National Council on Teacher Retirement Trustee Workshop in July 2015. He encouraged the PERB to attend similar conferences and workshops.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the December 21, 2015, Board Meeting. J. Elliott seconded the motion. Discussion: D. Leonard noted a paragraph was duplicated in Agenda Item 6. The motion was amended to reflect the approval of the minutes, as corrected. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & December 2015 Retirement Report: R. Wassinger moved to approve the Budget Status Report and the December 2015 Retirement Report. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, 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 – Election of Officers: D. Blank opened nominations for the Board Secretary position. R. Wassinger nominated P. Chambers for Secretary. R. Wassinger moved that nominations cease and a unanimous ballot be cast for P. Chambers. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank opened nominations for Board Chair. R. Wassinger nominated R. Ecklund for Chair. R. Wassinger moved that nominations cease and a unanimous ballot be cast for R. Ecklund. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Abstain: R. Ecklund. Motion carried.

D. Blank opened nominations for Board Vice-Chair. R. Wassinger nominated J. Elliott for Vice-Chair. R. Wassinger moved that nominations cease and a unanimous ballot be cast for J. Elliott. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Abstain: J. Elliott. Motion carried.

D. Blank congratulated the new officers.

The Board took a break at 9:12 a.m. in order for the officers to change seats and reconvened at 9:14 am.

R. Ecklund chaired the rest of the meeting.

Agenda Item 8 – Information System (IT) Update: J. Hardy reported his staff is keeping up with the production investigation requests (PIRs). As of December 31, 2016, there were 46 open PIRs.

The passing of LB468 created a second tier for the Judges plan. The programming changes are being made and the implementation is scheduled for February 25, 2016.

J. Hardy reported staff is developing a request for proposal (RFP) to select a vendor to complete the scanning project. Historical documents currently stored on Microfilm, microfiche, and in ledger books will be converted to digital format and imported into OnBase.

He reported the IT audit work for the School, Judges, and Patrol has concluded. The IT team provided reports, data extracts, and policies and procedures to the State auditors.

J. Hardy reported there have been a few changes within the Office of the Chief Information Officer (OCIO). Ed Toner started as CIO in June and Darold Stahlnecker began as the new IT Operations Administrator in October. J. Hardy reports to D. Stahlnecker. Emphasis has been placed on improving services, security, standardization, and consolidation of infrastructure.

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

Agenda Item 9 – Internal Auditor Quarterly Report and Three-Year Audit Plan: T. Zulauf reported the search continues to fill the Internal Auditor position that performs the County internal audits.

She provided the Board with a written report of the County and School employers' internal audits, detailing the findings. She stated the County employers are doing well and have fewer errors. Her department has completed 11 County and 10 School employer internal audits as of December 31, 2015.

T. Zulauf explained one of the main issues with School reporting is the extra hours contract school employees work. It is difficult to know whether or not to count those hours.

She plans to continue going to County conferences and/or workshops to provide education to the reporting agents. She stated she has been working with John Winkelman, in Education Services, regarding the possibility of future webinars for employers.

T. Zulauf reported there are four schools still submitting their reports by paper and/or paying contributions by check. P. Chambers commented that the Board could make it a requirement that reports be submitted electronically. It was suggested NPERS contact those schools to find out their capability of converting to electronic payments and reports.

T. Zulauf provided an updated Three-Year Internal Audit plan. She reviewed the revisions made since last year.

E. Stuhr moved to approve the Internal Auditor Quarterly Report and the Three-Year Internal Audit Plan. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

Agenda Item 10 – Legal/Legislative Update: O. Hill provided the Board with a list of legislation introduced dealing with retirement, as of January 22, 2016. He provided summaries of bills as follows:

LB236 is a carryover bill from the last legislative session. If passed, would allow attachment, garnishment, or other legal or equitable process and claims of creditors against debtors who are (1) members of retirement plans, (2) are convicted of felonies or misdemeanors, and (3) are found liable for civil damages as a result of the conviction. An amendment may be introduced, which proposes to attach judgments to retirement assets after the participant has received payment.

LB447 is a carryover bill. It relates to the Omaha School Employees Retirement System (OSERS); changing the provisions relating to the Class V School Employees Retirement Act. NPERS would act as a pass-through for the OSERS assets invested by the Investment Council. It also proposes NPERS remove the retirement eligibility of persons age 65 or over with a half-year of service credit for vesting and remove the provision allowing NPERS members who receive disability retirement benefits to return to work for a school covered by the School plan.

LB467 is a carryover bill, which pertains to the State Patrol plan. Proposed AM1865 creates a second tier for employees hired after July 1, 2016. Employees would contribute 17% and the employer would contribute 17%. The 2nd Tier COLA will be modeled after the current Tier 2 Judges COLA. Retirement benefits would be calculated using a 5-year average compensation instead of the current 3-year. It also adds an 8% capping rule, similar to the School plan capping requirements. The amendment also proposes to remove the Deferred Retirement Option Plan (DROP) for Tier 2 employees and adds language clarifying military service credit. Employees hired after July 1, 2016, would be required to make up their employee retirement contributions to receive military service credit. O. Hill and the Board discussed capping and employees' use of holiday and compensatory time to raise salaries in their last 12 months of work.

LB922 would change the PERB appointment schedule.

LB986 proposes to require the PERB to conduct an experience study every four years or at the direction of the Retirement Committee. It would require the first draft and final report of experience studies and annual valuation reports be provided to the Committee and the Governor when received. The PERB discussed concerns with the possibility of the Retirement Committee requesting additional experience studies and what costs would be incurred by the system. P. Chambers stated the cost of the 2016 experience study will be

approximately \$48,000. K. Ackerman expressed concerns that the "first" draft of a study/report may contain errors that may be interpreted as fact.

LB1069 directs the Nebraska Investment Council (NIC) to remove fossil fuel investments.

The Board directed testimony as follows:

LB447 – Neutral testimony with comments provided in favor of eliminating returning to work while receiving disability payments and eliminating vesting at 65 years of age with one half year of service credit. Testimony would also include NPERS is willing to assume retirement processing for OSERS, as long as NPERS is paid for those duties.

LB467 – D. Leonard expressed his concerns and suggested more specific language is needed in regards to capping; to exclude specific promotions, back-pay, decompression etc. It was the consensus of the Board that a neutral testimony be provided. The PERB Legislative Committee planned to meet to discuss concerns with the language of this bill prior to the legislative hearing on February 4, 2016.

LB805 – No testimony needed.

LB922 – Testimony to be given in favor of the bill.

LB986 – Testify in a neutral position and raise concerns with the requirements of a draft copy and additional experience studies. If concerns are not addressed, testify in opposition.

LB1069 – Testimony in opposition of this bill.

LR389CA – No testimony needed.

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

Agenda Item 11 – Investment Officer's Update: M. Walden-Newman provided a handout summarizing 2015 in a review from Pension and Investments magazine.

He provided preliminary performance for the Cash Balance (CB) plans at just over 1% as of December 31, 2015, and fiscal year defined benefit (DB) plans preliminary performance at negative 1.5%. He commented that all managers are beating their benchmarks, even though the markets are down.

M. Walden-Newman announced Keith Olson has been appointed to replace John Maginn on the Council. At that time, K. Olson's confirmation hearing had not been scheduled.

The next NIC meeting is scheduled for Thursday, February 25, 2016, in Lincoln.

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

Agenda Item 12 – Director’s Report: P. Chambers announced J. Derr was reappointed to his position on the PERB. There is no news on the appointment of a new PERB member to represent the County plan. R. Wassinger’s term ended January 1, 2016, and he will continue to serve until a new appointment is confirmed.

P. Chambers reported 28,000 1099-Rs were mailed over a week ago. Approximately \$566 million in benefits were distributed in 2015. Federal withholding taxes paid were \$54 million and State withholding tax paid was \$17.5 million.

The State Material Division of Administrative Services received three proposals for the record keeping RFP. The RFP review committee has completed scoring the proposals. The review committee consisted of two PERB members and five NPERS staff members.

D. Blank and P. Chambers met with Senator Kolterman, Chairman of the Legislative Retirement Committee, this past month to discuss legislation, plans for working together, and open communication between the PERB and the Retirement Committee. She reported that Senator Kolterman stated he was not interested in changing the PERB’s duties as they relate to the investment return assumption.

P. Chambers reported the actuaries are preparing a “return to work” study. It is scheduled to be completed in mid-March. The cost of the study is \$17,000.

The State auditors have almost completed the School, Judges, and Patrol plan audit. The Board will be notified when the audit exit conference is scheduled.

Staff has started to work on NPERS’ Annual Report to the Legislature which is due to be presented to the Legislative Retirement Committee in March.

NPERS staff is working on the Cash Balance financial reports and the actuaries are working on the Cash Balance valuation reports.

P. Chambers reported NPERS has two job openings. Miden Ebert, Retirement Plan Supervisor, is retiring and the Internal Auditor position remains open.

P. Chambers reported that on January 12, 2016, Dana Bilyeu, Executive Director of the National Association of State Retirement Administrators (NASRA), presented a legislative briefing on Public Employee Retirement Systems and Trends, at the request of the Nebraska Retirement Systems Committee. D. Bilyeu provided a similar presentation at the PERB Retreat in July 2015.

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

M. Walden-Newman left the meeting at 10:57 a.m.

Agenda Item 13 – Board Committee Reports: There were no reports. R. Ecklund asked the Board members to let him know if they would like to be on a different committee.

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

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is Monday, February 22, 2016.

Agenda Items 16 and 17 – Executive Session: At 11:04 a.m., R. Wassinger moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing RFP 5142Z1; Disability Applications for Retirement Nos. 901082, 170325, and 113142; personnel matters; and other legal matters. D. Blank seconded the motion. R. Ecklund repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

At 11:44 a.m., D. Leonard moved that the Board exit Executive Session and reconvene in Regular Session. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

D. Blank moved that the PERB accept the evaluations of the RFP Review Committee for the Record Keeping and Consulting Services – RFP 5142Z1 and direct the Administrative Services, Material Division – State Purchasing Bureau to issue a letter of “intent to contract” to the bidder with the highest total score as submitted by the RFP Review Committee. The PERB further authorized the Director to sign the necessary documents to bind the contract. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

R. Wassinger moved for approval of the Disability Applications of Retirement Nos. 901082, 170325, and 113142. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, D. Leonard, E. Stuhr, and R. Wassinger. Against: None. Motion carried.

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

The meeting adjourned at 11:46 a.m.



Phyllis G. Chambers
Director