



1526 K Street, Suite 400  
P.O. Box 94816  
Lincoln, NE 68509-4816  
Phone 402-471-2053  
Toll Free 800-245-5712  
Fax 402-471-9493  
[npers.ne.gov](http://npers.ne.gov)

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

July 18, 2016

8:45 A.M.

The Annual Board Meeting and Retreat of the Public Employees Retirement Board convened at 8:49 a.m., Monday, July 18, 2016, in the Steinhart AB Room, at the Lied Lodge and Conference Center, Nebraska City, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Tuesday, July 12, 2016. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, July 11, 2016. R. Ecklund chaired the meeting and V. Huber recorded the minutes.

**MEMBERS PRESENT:**

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

**NONMEMBERS PRESENT:**

PHYLLIS CHAMBERS  
Director

RANDY GERKE  
Deputy Director

ORRON HILL  
Legal Counsel

PATTY PIERSON  
Retirement Plan Supervisor

JOHN WINKELMAN  
Education Services Manager

DEAN GRESS  
IT Senior Application Developer

VICKI HUBER  
Administrative Assistant

SENATOR MARK KOLTERMAN  
Legislative Retirement Committee

KATE ALLEN  
Retirement Committee Legal Counsel

MIKE DULANEY  
Nebraska Council of School Administrators

JASON HAYES  
Nebraska State Education Association

CECELIA CARTER  
Omaha School Employees Retirement System

LEITH SNELL  
National Council on Teacher Retirement

BRENT BANISTER  
Cavanaugh Macdonald Consulting

**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 July 18, 2016, Board Meeting to order at 8:49 a.m. Present at roll call: E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, and P. Lancaster. Absent: D. Blank, J. Derr, and M. Walden-Newman.

J. Derr joined the meeting at 8:51 a.m.

**Agenda Item 5 – Approval of Minutes:** E. Stuhr moved for approval of the minutes of the June 20, 2016, Board Meeting. 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. Motion carried.

**Agenda Item 4 – Chairman’s Comments and Introductions:** R. Ecklund welcomed everyone. He recognized Senator Kolterman, chairman of the Legislative Retirement Committee, Kate Allen, legal counsel for the Retirement Committee, and Cecelia Carter, director of the Omaha School Employees Retirement System, who were in attendance.

**Agenda Item 6 – Approval of Budget Status Report and June 2016 Retirement Report:**

J. Elliott moved to approve the Budget Status Report and June 2016 Retirement Report. 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 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 – Federal Legislative and Regulatory Update:** P. Chambers introduced Leigh Snell, Federal Relations Director for the National Council of Teacher Retirement (NCTR) and gave a brief background of L. Snell’s work with the Federal Trade Commission, Federal Government, the California Public Employees’ Retirement System (CalPERS), and NCTR.

He stated NCTR represents 68 retirement systems in every state. He explained NCTR’s constitution states NCTR is “dedicated to safeguarding the integrity of public retirement systems to which teachers belong and promoting the right and benefits of all present and future members of the systems.” Its Federal Relations Program analyzes legislation, regulations, notices; drafts new laws, and amendments to current law; tracks budgetary impacts; composes drafts of regulatory comments; writes letters to Congress, and regulatory agencies; and drafts press releases and letters to the editor.

L. Snell reviewed Federal legislation discussed in the 114th Congress; including, the Public Employee Pension Transparency Act (PEPTA), the Secure Annuities for Employee (SAFE) Retirement Act, Puerto Rico Oversight, Management, and Economic Stability Act, (PROMESA), Mandatory Social Security, Windfall Elimination Provision/Government Pension Offset (WEP/GPO), and tax reform.

He reported regulatory issues being discussed at the Federal level pertain to normal retirement age, the definition of a governmental plan, and a heightened interest by market regulators.

L. Snell commented that despite the fact the 2008-09 market decline reduced public pension asset values by 25 percent, to \$2.1 trillion in March 2009, they were once again above their 2007

peak by 2013, and as of September 30, 2015, state and local retirement trusts held \$3.56 trillion, after paying out more than \$1 trillion in benefits. He suggested the recent blame put on public pensions appears to be a diversion from Social Security, national retirement crisis, and income inequality.

He pointed out what happens in federal government influences state legislation.

M. Walden Newman joined the meeting at 10:04 a.m.

The Board took a break at 10:15 a.m. and reconvened at 10:40 a.m.

**Agenda Item 9 – Working After Retirement and Experience Study Basics:** P. Chambers introduced Brent Banister, Chief Pension Actuary for Cavanaugh Macdonald Consulting, LLC. She commented on his expertise and extensive experience with NPERS, other statewide retirement systems, and municipal retirement systems.

#### WORKING AFTER RETIREMENT

The Board is concerned about the increasing numbers of plan participants who return to work after retirement in the Nebraska systems. The actuaries were asked to study the impact members returning to work may have on the unfunded liability of NPERS' plans.

B. Banister reviewed the results of the study completed by Cavanaugh Macdonald. He explained how working after retirement can affect the cost of pensions, workforce management, and the public perception of the plans. He stated actuarially the plan costs can increase. Re-employment usually has a higher normal cost, since there is an older entry age. Payroll for amortization is affected, since re-employment may not be as a member, reducing pay on which UAL is funded.

The study researched approximately 1000 records of NPERS participants who retired and returned to work for another NPERS plan during 2007 to 2015. He stated the cash balance and defined contribution plans are hard to track. His presentation included results of patterns of re-employment between the plans. His report concentrated on the experience of NPERS' defined benefit plans. In the School plan, the report provided information on the age at first retirement, length of break in service, service earned upon re-employment, and movement between NPERS and the Omaha School Employees Retirement System (OSERS). School plan members return to work more often than the other plans; however, the School plan is the largest system, with the most number of employers and variety of jobs. He reported the actuarial implications cannot be quantified, since it is not known what behavior would be if rules were different. He stated there would probably be some minor actuarial cost.

In the analysis of the Patrol plan, he commented that since Patrol members receive maximum benefit at 25 years and retire/DROP, the possibility of working after retirement is probably not encouraging earlier retirement. There is a potential IRS issue if a Patrol member returns to work for any state agency, unless there has been a bona fide separation of service, they would be returning to the same employer.

He reported there were no actuarial concerns for the Judges plan and the State and County cash balance (CB) plans.

He stated there are other issues to consider in regards to members returning to work, such as: administrative issues for NPERS and employers, workforce management issues, public policy issues, and the consequences of any changes that might be made. He commented that people find ways around the rules and new policies may create new issues that could have an actuarial impact.

B. Banister provided examples of how other states handle returning to work.

### EXPERIENCE STUDY BASICS

Cavanaugh Macdonald is preparing an Experience Study for NPERS. Experience studies are performed periodically; statutorily, every 4 years for NPERS. The studies monitor all actuarial assumptions and methods used in the valuation process. The last NPERS study covered 7/1/2006 to 6/30/2011 for the School, Judges, and Patrol (SJP) plans and calendar years 2007 through 2011 for the State and County CB plans. The study the actuaries are working on now covers 7/1/2011 to 6/30/2015 for SJP and 2012 to 2015 for the State and County CB plans.

B. Banister explained assumptions are important in assisting actuaries in answering questions regarding the amount, commencement, and duration of benefit payments in the future. Different assumptions create different valuation results and sometimes those differences are significant. He explained the purpose of an experience study is to provide the basis for developing recommended assumptions. Each assumption should be the "best estimate" and the actuary's role is to make recommendations to the PERB for each assumption. The Board can adopt all, none, or some of the actuary's recommendations.

He stated long term perspective projections on a closed group go out almost 100 years into the future, since members or their beneficiaries could have payouts that many years. They look at data from the past 100 years along with future data; keeping in mind there can be fundamental changes, such as world wars etc.

The experience study analyzes economic and demographic assumptions, including inflation, investment return, retirement rates, pay increases, disability, turnover, and mortality; using historical information, capital market assumptions, forward looking modeling, trends, and, peer comparisons.

The actuaries are scheduled to present the final results of the Experience Study at the August PERB meeting.

The Board took a break for lunch at 12:06 p.m. and reconvened at 1:10 p.m.

D. Blank joined the meeting at 1:26 p.m.

**Agenda Item 10 – Employer Reporting Jeopardy:** J. Winkelman explained the primary reporting requirements for all employers in NPERS are enrollment/eligibility, compensation/salary, and termination. The defined benefit plans also report service credit. He explained the complexity of the reporting process of School employers. He pointed out the School plan has 266 employers/reporting agents, multiple reporting interface/software, and approximately 41,000 members with a wide variety of contracts. Because of this complexity, there is always going to be

issues or reporting errors. Reporting errors can lead to inaccurate benefits, benefits paid to ineligible members, make up contributions and/or refunds, non-compliance and audit issues with IRS, penalties, and fines.

In order to prevent errors, NPERS provides education and tools for employer reporting agents. This is done through annual employer workshops, webinars, newsletters, a Reporting Agent Manual, New Member Packets, and an online eligibility calculator.

The Board participated in an interactive quiz presented by O. Hill and J. Winkelman. The quiz gave the board members examples of School employer reporting issues and the opportunity to experience the decision-making process NPERS staff encounters in their daily work; using Nebraska statutes, regulations, and agency policy that govern the plan.

The Board took a break at 2:35 p.m. and reconvened at 2:49 p.m.

**Agenda Items 11 and 12 – Executive Session:** At 2:49 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Application for Retirement No. 128671; the Director's Evaluation and Salary; and other legal matters. K. Ackerman 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, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

M. Walden-Newman left the meeting during Executive Session.

At 3:54 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, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

D. Blank moved for approval of the Disability Application of Retirement No. 128671. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

J. Elliott moved that the Director's salary for FY 2016/2017 be set at \$132,500; effective July 1, 2016. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: J. Derr. Motion carried.

**Agenda Item 13 – Director's Report:** P. Chambers reported NPERS' IT department has completed the first phase of software changes needed to implement the addition of a second tier to the Patrol plan. Everything is ready for the new Patrol members who will be entering the plan in August.

P. Chambers announced there will be a .64% cost of living adjustment (COLA) for the defined benefit plans this year.

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

**Agenda Item 14 – Recap of Day's Topics and Retreat Evaluation:** P. Chambers distributed a retreat evaluation and asked the board members to complete it and return it to her or V. Huber. She thanked V. Huber for her assistance in planning the retreat. She thanked O. Hill, J. Winkelman, and D. Gress for their presentation and assistance with technical preparations for the meeting.

**Agenda Item 15 – Board Committees and Travel Requests:** R. Ecklund stated the new PERB Committee list should be sent out next week.

K. Ackerman requested permission to attend the NCTR Annual Conference October 8-12, 2016, in Providence, Rhode Island; with expenses up to \$3500.

E. Stuhr moved to approve K. Ackerman's request for travel to the NCTR Annual Conference, with expenses not to exceed \$3500. J. Elliott seconded the motion. Members voted as follows: For: D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Abstain: K. Ackerman. Against: None. Motion carried

**Agenda Item 16– Future Meetings/Agendas:** The next meeting will be held on Monday, August 15, 2016, in the 1526 Building, at 1526"K" Street, Lincoln, Nebraska.

R. Ecklund stated the PERB Budget Committee would meet immediately following the Retreat.

In regard to the success of the CB plans, D. Blank pointed out E. Stuhr was chair of the Legislative Retirement Committee when the CB plan was originated.

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

The meeting adjourned at 4:09 p.m.

Phyllis G. Chambers



Director