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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

SEPTEMBER 19, 2016

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:33 a.m., Monday, September 19, 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 Monday, September 12, 2016. Public notice of this meeting was published in the Lincoln Journal Star on Tuesday, September 13, 2016, and the Omaha World Herald on Monday, September 12, 2016. R. Ecklund chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

RON ECKLUND, CHAIR
JANIS ELLIOTT, VICE-CHAIR
DENIS BLANK
ELAINE STUHR
DENNIS LEONARD
KELLI ACKERMAN
JUDGE J. DERR
PAM LANCASTER
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
VICKI HUBER
Administrative Assistant

PAT BECKHAM
Cavanaugh Macdonald Consulting
BRENT BANISTER
Cavanaugh Macdonald Consulting
GARY BUSH
AS - State Budget Administrator's Office
KATE ALLEN
Retirement Committee Legal Counsel
CHERYL WOLFF
Governor's Policy Research Office
NANCY REIMER
Ameritas
HERB SCHIMEK
Public

PHIL OLSEN
State Auditor's Office
ZACH WELLS
State Auditor's Office

JASON HAYES
Nebraska State Education Association

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 September 19, 2016, Board Meeting to order at 9:33 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, R. Ecklund, D. Leonard, K. Ackerman, J. Derr, P. Lancaster, and M. Walden-Newman. Absent: None.

Agenda Item 4 – Approval of Minutes: E. Stuhr moved for approval of the minutes of the August 15, 2016, Board Meeting. 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. Abstain: D. Blank. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & August 2016 Retirement Report: D. Leonard moved to approve the Budget Status Report and the August 2016 Retirement Report. K. Ackerman 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 6 – Public Comments or Correspondence from Citizens: Herb Schimek was present. Mr. Schimek thanked the Board for protecting the members' retirement and encouraged the Board to follow the advice of the actuaries. He delivered a written statement from Bob Wickersham to be entered into the meeting record. Copies of the statement were provided to the Board.

Agenda Item 7 – 2016 Experience Study: P. Beckham and B. Banister presented the final results of the 2016 Experience Study. P. Beckham reviewed the recommended assumption changes presented at the August PERB meeting.

The actuaries recommended the investment return assumption be the same for all plans, because the asset allocations are the same for all five plans.

As discussed at the August PERB meeting, the Board and the actuaries prefer to move to the "generational" mortality approach. P. Beckham stated the "generational" approach is a more direct reflection of expected mortality. This approach looks at the liability of benefits, rather than just the numbers or headcount. Changes in mortality in the future are expected to be less dramatic as trends unfold. Other retirement systems are also moving toward the "generational" approach. The final study showed proposed "generational" mortality tables.

Based on the study's results using the "generational" approach, the actuaries made the following recommendations to the Board, regarding the Healthy Retiree Mortality assumptions, A/E Ratio (weighted):

- Male – increase from 72% to 96%
- Female – increase from 76% to 98%

P. Beckham and B. Banister reviewed the actuarial cost impact changing assumptions would have on each of the five plans. The actuaries' estimated costs were based on the July 1, 2015, valuations for the defined benefit plans and the January 1, 2016, valuations for the cash balance plans.

The recommended changes to the investment assumptions and the mortality assumptions had the greatest impact on the projected actuarial cost. B. Banister stated the mortality does not affect the cash balance plans as much, because it is assumed that half of the funds are refunded or rolled over and not annuitized.

A copy of the actuaries' presentation; along with other meeting materials are available from the Retirement office.

R. Ecklund entered into the record, a letter from Governor Ricketts, dated September 15, 2016, regarding the 2016 Experience Study.

O. Hill reviewed the statutory duties of the PERB pertaining to recommendations in an experience study. Prior to the meeting, O. Hill also provided the Board with statutory references to "Actuarial Equivalency" or its variations, and "Assumed Rate."

The actuaries presented the 2016 Experience Study results at a public hearing of the Legislative Retirement Committee on September 16, 2016. R. Ecklund reviewed comments made at the Legislative Committee hearing.

D. Leonard moved to adopt all the recommendations of the actuaries, as presented in the 2016 Experience Study, including the "generational" approach to mortality; the new assumptions to be effective for the School, Judges, and Patrol plans on July 1, 2017, and the new assumptions for the State and County Cash Balance plans to be effective January 1, 2018. D. Blank seconded the motion. The Board discussed the motion. D. Blank withdrew his second to the motion. Motion failed, for lack of a second.

J. Derr moved that the Board table action on the recommendations of the actuaries, as presented in the 2016 Experience Study, until the October PERB meeting. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, R. Ecklund, J. Elliott, P. Lancaster, and E. Stuhr. Against: D. Leonard. Motion carried.

R. Ecklund thanked the actuaries for their work.

The Board took a break at 11:15 a.m. and reconvened at 11:28 a.m.

Agenda Item 8 – Information System (IT) Update: J. Hardy stated the change in assumptions would have minimal impact on the IT department; but, there will be a considerable amount of coordination required with the Benefits department. He stated the processes of purchase of service and repayment of refunds will be impacted.

J. Hardy reported his staff is keeping up with the production investigation requests (PIRs) and there 46 open PIRs to date.

LB 467 was passed on April 18, 2016. The bill created a second tier for State Patrol members hired on or after July 1, 2016. J. Hardy reported Phase 2, the final stage of the project to implement the second tier, was completed on August 30th. The system is ready to process new Patrol members, who will start making retirement contributions the end of September. He complimented the IT team for a job well done, in a short amount of time. He recognized Viji Pushkaran and Melissa Kolm; the main programmers.

J. Hardy reported on the status of NPERS' document scanning project. The digital conversion of records contained in 843 bound School ledger books was completed on July 21, 2016. An estimated 4 million images stored on microfilm is currently in the process of being scanned by the Secretary of State (SOS). He explained quality control processes are being performed by the SOS and NPERS. The SOS has been helpful with issues of some documents not being readable. The preparation of a request for proposals (RFP) for the microfiche scanning is pending discussions with the SOS. The microfiche contain approximately 7 million images.

He reported that on August 8, 2016, a project to import annual statements for the School, Judges, and Patrol plans into OnBase was completed. The 2016 statements can now be viewed in NPRIS.

J. Hardy stated NPERS is working on a process improvement project to improve the efficiency of the refund processing workflow and reduce the amount of paper used in the process.

D. Leonard moved to approve the IT Update. P. Lancaster 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 9 – Internal Auditor Quarterly Report: T. Zulauf provided the Board with a written report compiling results from the internal audits of School and County employers. She reported 6 School employer audits have been completed and 6 are pending for FYE 6/30/16. She reported 31 County internal audits have been completed and 7 are in process. By the end of the year, over 40 County and Public Health Districts employer audits should be completed.

K. Ackerman moved to approve the Internal Auditor's Quarterly Report. J. Elliott 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 10 – Legal/Legislative Update: O. Hill reported having a conference call with the PERB Regulation and Policy Review Committee to discuss Chapter 14.

He stated he and P. Chambers have a meeting scheduled in the near future with Senator Kolterman, Mike Dulaney, and Jason Hayes to discuss School plan legislation.

They plan to meet with State Personnel in early October, regarding post retirement employment.

E. Stuhr moved to approve the Legal/Legislative Update. D. Blank 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 11 – Investment Officer's Update: M. Walden-Newman provided the Board with the Second Quarter 2016 Performance Review prepared by Aon Hewitt. He reviewed the report. As of June 30, 2016, the fiscal year-to-date performance for the defined benefit plans was +1.6% and the calendar year-to-date performance for the cash balance plans was +3.2%.

He explained the Nebraska Investment Council (NIC) is statutorily required to provide a report to the Omaha School Employees Retirement System (OSERS). He plans to present Aon Hewitt's quarterly reports to the PERB at the meeting following the NIC meeting in which the reports are received.

J. Elliott requested M. Walden Newman continue to provide a monthly report on current events in his office and the investment world.

M. Walden-Newman reported the NIC is currently working on revising their agency's website. His staff is currently reviewing the investment options for the Defined Contribution and Deferred Compensation plans.

M. Walden Newman explained how NPERS is charged fees for NIC services.

J. Elliott moved to approve the Investment Officer's Update. P. Lancaster 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 12 – Director's Report: P. Chambers reported Dana Dingledine, a member of the Data Services staff, passed away in August. D. Dingledine was a State employee for 27 years. He worked in the mail room at NPERS for 13 years. He was liked by everyone in the office and will be greatly missed.

P. Chambers reported having a conference call with Senator Kolterman and R. Ecklund, regarding the 2016 Experience Study. R. Ecklund commented on the discussion; stating it went well and he appreciated that the Retirement Committee is willing to work with the PERB.

P. Chambers reported NPERS is working on a joint letter with the Nebraska Association of County Officials (NACO). The letter will go to all county boards and clerks, requesting a report from MIPS (multi-county information and programming services) on a quarterly basis. The object of the report is to find employees that are employed in more than one county to assist the internal auditors in reviewing and identifying issues with plan eligibility.

P. Chambers reported the new contract with Ameritas is effective October 1, 2016. The contract includes a new fee structure for the State, County, Deferred Compensation Plan (DCP), and Deferred Retirement Option Plan (DROP) accounts. Members will be notified in the October newsletter and on their account statements. She mentioned one of the fees implemented is a new 50 cent quarterly charge for mailing their statement. Members are encouraged to go online and sign up for electronic statements.

NPERS met with representatives from the State Patrol on September 15th to discuss the processing of Patrol retirements. Colonel Rice proposed a letter be sent to Patrol members, encouraging them to be proactive; to use the retirement information NPERS' provides and to plan ahead for retirement. NPERS is working with Colonel Rice on preparing this letter.

P. Chambers reported the Benefits staff has finished most of the School retirements with a June 1 effected date and they were processed within the 90-day deadline. The bulk of the overtime work is completed for School retirement processing. Staff is still working overtime processing refunds and rollovers.

P. Chambers and O. Hill met with Senator Kolterman, Matt Miltenberger, and Cheryl Wolff to discuss upcoming legislation regarding military service credit for all the retirement plans.

D. Blank 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 13 – Board Committee Reports: There were no reports.

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

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is Monday, October 17, 2016.

Agenda Items 16 and 17 – Executive Session: At 12:32 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Disability Applications for Retirement Nos. 615690, 160289, and 135427; personnel matters; and other legal matters. E. Stuhr 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.

At 2:12 p.m., D. Blank 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, P. Lancaster, D. Leonard, and E. Stuhr.
Against: None. Motion carried.

E. Stuhr moved for approval of the Disability Applications of Retirement Nos. 615690, 160289, and 135427. 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.

Adjournment: D. Blank moved that the meeting adjourn. P. Lancaster 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 2:13 p.m.



Phyllis G. Chambers
Director