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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

MARCH 20, 2017

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:36 a.m., Monday, March 20, 2017, in the New Third Conference Room, Ameritas Life Insurance Corp., 5900 "O" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by the Agenda posted on the PERB SharePoint website on Wednesday, March 15, 2017. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, March 13, 2017. J. Elliott chaired the meeting and V. Huber recorded the minutes.

MEMBERS PRESENT:

JANIS ELLIOTT, CHAIR
DENNIS LEONARD, VICE-CHAIR
DENIS BLANK
ELAINE STUHR
KELLI ACKERMAN
JUDGE J. DERR
PAM LANCASTER
JIM SCHULZ
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

BEN MATTERN

Ameritas

NANCY REIMER

Ameritas

MARY KLUG

Ameritas

SCOTT HOLECHEK

Ameritas

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 March 20, 2017, Board Meeting to order at 9:36 a.m. Present at roll call: D. Blank, E. Stuhr, J. Elliott, D. Leonard, K. Ackerman, J. Derr, J. Schulz, and M. Walden-Newman. Absent: P. Lancaster.

Agenda Item 4 – Approval of Minutes: D. Leonard moved for approval of the minutes of the February 27, 2017, Board Meeting. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & February 2017 Retirement Report: E. Stuhr moved to approve the Budget Status Report and the February 2017 Retirement Report. D. Leonard seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, D. Leonard, and E. Stuhr. Against: None. Motion carried.

P. Lancaster joined the meeting at 9:38 a.m.

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 – Ameritas Annual Report: N. Reimer introduced Ben Mattern, Vice President of Business Services and Retirement Planning, Scott Holecheck, Director of Governmental and Client Relation Services; and Mary Klug, as the day-to-day contact for NPERS. M. Klug also provides reporting for accounting and assists the auditors.

A copy of the Ameritas Annual Plan Review for December 31, 2016, was provided to the Board. The report will be available on the NPERS website.

N. Reimer reviewed the report, which included an overview of contributions, distributions, and year-end balances for NPERS' State, County, DCP, and DROP retirement plans. The report also includes member information such as average account balances, average member's years of service in each plan; along with historical returns and annuity statistics.

She highlighted Ameritas' accomplishments for 2016, including monthly meetings with NPERS; providing information to the actuary; assisting with NPERS' annual Public Audit; developing notification emails to County employers regarding payroll contributions; and renewing NPERS' contract.

P. Chambers pointed out that a number of participants in DROP have decided to rollover into NPERS' DCP.

The Board discussed the cost of offering monthly annuity payments as low as \$7 per month. P. Chambers commented that we discourage this practice, but allow it.

D. Leonard commented on how it is hard to beat the performance and low fees.

K. Ackerman moved to approve the Ameritas Annual Report. E. Stuhr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

Agenda Item 8 – 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 15 School employer audits have been completed and 18 are in process. She stated the County internal auditor is currently assisting with School audits and T. Zulauf expects to have 40 School internal audits completed by the end of the fiscal year. She reported, so far no Schools had issues with gross wages. Ninety-one (91) School employees had an issue with hours reported to NPERS. She explained the majority of the issues were from one school. The school requested to meet with NPERS to discuss ways to alleviate the problem. T. Zulauf commented that NPERS wants to make sure employees are getting credit for their service.

J. Schulz brought up electronic filing of employer reports. R. Gerke reported about four schools still file paper reports and several more still pay their contributions by check. Currently no fees are charged for filing by paper. T. Zulauf explained State law only provides that NPERS can charge a fee for not reporting on time. She reported, currently NPERS is not seeing an issue with late reporting.

The Board discussed the possibility of getting all schools to report electronically.

K. Ackerman emphasized that education is the key and suggested revamping the yearly employer workshops and additional webinars. She also recommended reaching out to school superintendents to encourage moving to electronic filing.

T. Zulauf reported 26 County internal audits are to be completed in 2017. Two internal audits are completed and one is in process. She explained the County progress will be slow as the County internal auditor assists with School audits. T. Zulauf reported one County, Cheyenne County, had no issues.

She commented that there has been much improvement with the County internal audits.

D. Leonard moved to approve the Internal Auditor Quarterly Report. D. Blank seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

The Board took a break at 10:19 a.m. and reconvened at 10:34 a.m.

Agenda Item 9 – Legal/Legislative Update: O. Hill provided an update on current legislation pertaining to retirement.

LB415 and LB30 were made priority bills by the Retirement Committee.

LB30 provides for a cash balance benefit plan for cities of the metropolitan and primary classes for certain police officers and firefighters. He will be watching for amendments to this bill.

LB415 is currently being amended. It defines retirement incentive and includes the 3-year waiting period if the retiree received an incentive. It does exclude payouts of unused sick and vacation leave. Members retiring from NPERS' School plan or the Omaha School Employee Retirement System (OSERS) must have a 180-day separation of service prior to beginning employment in either of the systems. The requirements for reporting, for members and employers, remains. A major change included in the possible amendment is the possible change to the "Rule of 85"; changing retirement eligibility to the minimum age of 60 with 25 years of service, instead of the current minimum age of 55 with 30 years of service.

LB532, which deals with military service credit, was amended. The proposed amendment replaces all the language in the original bill. The bill proposes the State will pay both the employee and employer contributions for the military service. The bill grants the PERB the authority to promulgate rules and regulations for administering the provisions of the bill.

O. Hill will provide the Board with the changes, in writing, after NPERS' staff has reviewed the changes.

LB630 would adopt the Independent Public Schools Act. P. Chambers reported attending the Legislative hearing. At the PERB's direction, she provided a written testimony to the Education Committee and followed up with an email to Senator Groene. The testimony expressed the PERB's opposition to allow independent charter school employees into the NPERS plan. The Board discussed costs, training, and possible liability. J. Elliott commented on how the organization and staffing hours are different with charter schools.

E. Stuhr pointed out LB532 could very well be rolled into one of the priority bills.

There were no updates on LB548, which would merge OSERS and NPERS' School Plan. It is still in Committee.

O. Hill reported all Committee hearings were now complete.

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

Agenda Item 10 – Investment Officer's Update: M. Walden-Newman provided the Board with a copy of the Nebraska Investment Council's (NIC) "Executive Summary." He stated the NIC will continue to print a full Annual Report this year; however, in the future they will only print the shorter version, which he referred to as the "Executive Summary." The Executive Summary will be available on the NIC website and the longer version will be submitted to the Legislature. He stated he will be presenting the report to the Legislative Retirement Committee on Friday, March 31, 2017.

M. Walden- Newman provided the Board with copies of Aon Hewitt's Fourth Quarter 2016 Performance Review. As of December 31, 2016, the fiscal year-to-date performance for the defined benefit (DB) plans was +5.2% and the calendar year-to-date performance for the cash balance (CB) plans was +8.5%. He reported that for the most part, the plans have met or exceeded their long-term policy benchmark returns. He reported Nebraska ranks high amongst its peers.

Reporting of OSERS' assets and performance will be separate from NPERS' reporting.

He reported no investment managers were recommended for dismissal; however, several are on the NIC's watch list. M. Walden-Newman explained the NIC looks at manager performance over a long term; however, if something major happens with the manager's structure, the NIC may take action sooner.

M. Walden-Newman stated fees remain extremely competitive for both the DB and the CB plans. Total fees, as of December 31, 2016, were 32 basis points. The report included a list of manager fees.

He stated his staff has been reviewing the equity portfolio since August 2016; in international and domestic equity. They will have briefings with the Council on whether the Council wants to continue with the structure of the portfolio in the future.

He reported the NIC has postponed their May meeting and will meet on Tuesday, June 13, 2017, instead. The NIC's annual retreat is schedule for July 27, 2017.

J. Derr left the meeting at 11:55 a.m.

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

J. Derr rejoined the meeting at 11:57.

Agenda Item 11 – Director's Report: P. Chambers thanked the Ameritas staff for their work with NPERS and hosting the meeting. She expressed her appreciation for the communication and effort made to ensure everything runs smoothly.

P. Chambers welcomed Jim Schulz to the PERB. She reported his confirmation hearing was held that morning, prior to the Board meeting. The Legislature will vote on his appointment at a later date; to be announced.

P. Chambers stated she will present NPERS' Annual Report to the Legislative Retirement Committee on Friday, March 31, 2017. Copies of the report were provided to the PERB.

She announced NPERS has hired V. Huber to replace Sheila Linder as Personnel Officer. P. Chambers stated she has requested the Governor's approval to post V. Huber's vacant position.

P. Chambers reported NPERS has been having difficulty receiving fees from State Street. Consequently, NPERS' financial reports and reports to the actuaries are being delayed. She explained this will delay the preparation of the State and County actuarial valuation reports.

P. Chambers reported attending a hearing on the case of Sarah Kelley. Ms. Kelley was convicted of Theft by Deception, for stealing almost \$40,000 in NPERS retirement benefits of her deceased father-in-law, Thomas P. White. Ms. Kelley's sentencing is April 19, 2017. P. Chambers thanked the State Patrol for its investigation of the matter.

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

Agenda Items 12, 13, and 14 were discussed out of agenda order, after Executive Session.

Agenda Items 16 and 17 – Executive Session: At 12:13 p.m., D. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Case Review No. D-17-2; personnel matters; and other legal matters. E. Stuhr seconded the motion. J. Elliott repeated the motion for the record. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

At 1:52 p.m., D. Blank moved that the Board exit Executive Session and reconvene in Regular Session. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

D. Blank moved for approval of Case Review No. D-17-2. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, P. Lancaster, D. Leonard, and E. Stuhr. Abstain: J. Elliott. Against: None. Motion carried.

J. Elliott announced P. Chambers gave notice of her retirement from NPERS to the PERB, effective August 31, 2017.

The Board congratulated P. Chambers on her service with the PERB.

Agenda Item 12 – Board Committee Reports: D. Blank stated he would contact the PERB Personnel Committee to discuss the search for a new Director.

Agenda Item 13 – Board Education/Travel Requests: J. Elliott updated the Board on her recent meeting as a member of the Executive Committee of the National Council on Teacher Retirement (NCTR). She requested permission to attend the NCTR Annual Trustee Workshop July 23-26, 2017, in Cambridge, Massachusetts, with expenses up to \$4,500. She stated NCTR would pay for some of her expenses; however, at the time of her request, she did not know how much NCTR would be covering.

D. Blank moved to approve J. Elliott's request for travel to attend the NCTR Annual Trustee Workshop, July 23-26, 2017, with up to \$4,500 in expenses. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, P. Lancaster, D. Leonard, and E. Stuhr. Abstain: Against: None. Motion carried.

Agenda Item 14 – Future Meetings/Agendas: The April PERB meeting was previously scheduled for Monday, April 17, 2017.

E. Stuhr moved to change the April meeting to Monday, April 24, 2017. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, D. Blank, J. Derr, J. Elliott, P. Lancaster, D. Leonard, and E. Stuhr. Against: None. Motion carried.

M. Walden-Newman encouraged the Board to attend future conferences given by Aon Hewitt. He will notify the Board of future opportunities.

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

The meeting adjourned at 2:03 p.m.



Phyllis G. Chambers
Director