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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

AUGUST 17, 2020

9:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 9:38 a.m., Monday, August 17, 2020, in the 1526 Building, 4th Floor, Conference Room 4D, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by the Agenda posted on the PERB SharePoint website on Friday, August 7, 2020. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 10, 2020.

K. Ackerman chaired the meeting and M. Nuss recorded the minutes.

MEMBERS PRESENT: KELLI ACKERMAN, VICE-CHAIR
 JUDGE J. DERR
 PAM LANCASTER
 JIM SCHULZ
 ALLEN SIMPSON
 MIKE JAHNKE
 MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: JANIS ELLIOTT, CHAIR

NONMEMBERS PRESENT:

RANDY GERKE Director	HEATHER CRITCHFELD-SMITH Education Services Trainer
ORRON HILL Legal Counsel/ Deputy Director	DEAN GRESS Senior IT Applications Developer
TERESA ZULAUF Controller	JOHNETTA LANG Data Services Lead
JACK HARDY Information Technology Manager	RACHEL WHITTNER State Auditor's Office
TIM BAKER Internal Auditor	NEIL SULLIVAN State Budget Office
MELISSA NUSS Retirement Plan Manager	KATE ALLEN Retirement Committee Legal Counsel
TYLER CUMMINGS Retirement Plan Manager	NANCY REIMER Ameritas
JOHN WINKELMAN Education Services Manager	BILL BIVEN Legislative Fiscal Office

NEIL BATEMAN
Retired Educator

Agenda Item 1: K. Ackerman stated this meeting will follow the Nebraska Open Meetings Act. A copy of the Act is located on the table by the door, and available electronically, via a link on the final agenda posted on the Nebraska Public Employees Retirement Systems' (NPERS) website, and on the Attorney General's website.

Agenda Items 2 and 3 – Meeting Called to Order: K. Ackerman called the August 17, 2020, Board Meeting to order at 9:38 a.m. Present at roll call: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, J. Schulz, and Michael Walden-Newman. Absent: J. Elliott.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the July 20, 2020, Board Meeting. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion Carried.

Agenda Item 5 – Approval of Budget Status Report & July 2020 Retirement Report: M. Jahnke moved to approve the Budget Status Report and the July 2020 Retirement Report. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. 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 – State and County Audit Reports: R. Wittler, Auditor-In-Charge, representing the State Auditor's Office, presented the Audit Reports. She reported the State and County audit for the period of January 1, 2019, through December 31, 2019, as well as, the GASB 68 School report for fiscal year end June 30, 2019, and the GASB 68 County Report, Cash Balance Benefit, for calendar year end December 31, 2019, are complete. She reported NPERS received unmodified opinions on all reports.

R. Wittler thanked everyone for what has been a unique year in completion of the audits.

M. Jahnke moved to approve the State and County Audit Report, and the GASB 68 School and County reports. A. Simpson moved to second the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 8 – Internal Auditor Quarterly Report: T. Baker provided the Internal Audit Activities Report for March through July of 2020.

He reported two significant events during this period. The first, was remote work preparedness due to Covid-19. The team began remote work March 20, 2020, and returned

to the office on July 13, 2020. He stated the remote work provided opportunities for improvements. The second event, involved his medical leave during a portion of that time.

He stated School employer audits included; 13 audit reports issued, two audits ready to review, and six audits initiated by staff. He reported 13 out of 13 schools had audit findings. Findings included; internal control questionnaire responses with 14 deficient topics, eligibility and reporting issues, ineligible compensation matters, and incongruent records.

He stated County audit reports included 14 audit reports issued, four audits ready to review, and five audits initiated by staff. He reported five counties had no issues. The top finding was deficient internal control questionnaire responses with 13 deficiencies.

Public Health District audits have not started for 2020.

Other activities during this time included, the State Auditor's exit meeting for the State and County Audit held on July 27, 2020, participation in the Legal Compliance Audit, the APA Audit of the State and County Plans, review of the Omaha School Employees Retirement System (OSERS) Study, attendance at seven webinars and a professional development conference training for 19 continuing professional education (CPE) hours, an audit findings conference call with Palmer School on May 12, 2020, and responding and providing guidance to staff concerning eligibility and compensation issues. He also reported on his election to the serve as Chair of the National Audit Committee, from July 2020 to June 2022.

T. Baker reported the top four reasons resulting in audit findings were limited employer retirement plan knowledge, employers with new or inexperienced reporting contacts, employers' lack of attention to details, and employer segregation of duties.

T. Baker stated there are significant efforts for accountability and to correct audit findings, which move employers toward a goal of fewer findings. He noted detailed findings are included in the back of the report.

K. Ackerman thanked T. Baker for his education to the schools, and P. Lancaster thanked him for assisting the counties.

P. Lancaster moved to approve the Internal Auditor Quarterly Report. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 9 – Biennial Budget: This agenda item moved to follow the Legislative and Legal update.

Agenda Item 10 – Board Policy Review: O. Hill stated there have been no additional recommendations for the Policy revisions.

J. Derr moved to approve the new Board Policies. M. Jahnke seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Excuse Board Member: P. Lancaster moved to excuse J. Elliott. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 11 – Legal/Legislative Update: O. Hill stated an unusual Legislation session, due to Covid-19, adjourned on August 13, 2020. Six Senators will not be back, including Senator Bolz and Senator Kolowski who were on the Legislative Retirement Committee. O. Hill provided a verbal update to the written report, stating LB1060 was vetoed by Governor Ricketts over the weekend.

He stated LB1054, which brings the retirement plans into alignment with the Setting Every Community Up for Retirement Enhancement (SECURE) Act has passed and was signed by the Governor.

O. Hill stated the PERB Legislative Committee may need to meet soon to discuss potential legislation for the 2021 session.

M. Nuss provided a hard copy of the Legal Compliance Audit response to the PERB and public members in attendance. The response will be made available to the public at a future time.

O. Hill would like time to discuss the audit response document now, and then receive feedback from the PERB at the September meeting. O. Hill discussed issue summaries, courses of action (COAs), considerations for each issue, and next steps. Sections in the report included:

Section 1: Issues Affecting All Plans

- a) Cash or deferred arrangement (CODA) issue on repayments for all plans.
- b) Earnings on repayment of overpayments.
- c) Return of contributions made by mistake.
- d) Reasonable allocation of expenses.
- e) Cybersecurity.
- f) Due diligence in searching for lost participants.
- g) Alternatives to State Unclaimed Property Fund.

Section 2: Issues Affecting the Defined Benefit Plans (Judges, Patrol, and School)

- a) Bona Fide Termination of employment.
- b) CODA issues for School Plan.

Section 3: Issues Affecting the Defined Contribution and Cash Balance Plans (State and County)

- a) Eligible Employers – the County Plan.
- b) Submission of the Cash Balance Plans for IRS Determination Letters before September 1, 2020.

Section 4: Issues Affecting the § 457(b) Deferred compensation Plan.

- a) Contributions to the DCP.
- b) Suspension of deferrals due to unforeseeable emergency distribution.

Appendix contained: Additional Issues:

- a) DCP online enrollment. Timing of election and what year deferral counts towards the § 457(b) limit.
- b) Certain school plan athletic officials.
- c) De facto cash or deferred arrangement and Deferred Retirement Option Plan (DROP).
- d) Rollovers into the Deferred Compensation Plan (DCP).

J. Schulz moved to approve the Legal/Legislative Update. J. Derr seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

The board took a break at 10:50 a.m. and reconvened at 11:05 a.m.

Agenda Item 9 – Biennial Budget: This agenda item was taken up out of order following the Legislative and Legal update. T. Zulauf provided the PERB and the public with a draft of the 2021-2023 Biennium Budget request to review. She made an update to the Biennial Budget worksheet during the meeting, which she provided to the PERB and public members in attendance. She stated she would make the corrected material available to the public.

She summarized the budget worksheet, and reviewed the beginning base budget, examined three priority requests with details, and two significant issues with details. There were additional questions regarding PSL amounts. K. Ackerman clarified this is a draft budget request to be approved.

R. Gerke stated budgets this year were asked to include narratives regarding Covid-19 agency considerations.

K. Ackerman thanked R. Gerke and T. Zulauf for their continued work on the budget.

A. Simpson moved to approve the draft 2021-2023 Biennium Budget request. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 12 – Director’s Report: R. Gerke gave the Director’s Report.

- Cost of living adjustment (COLA) letters and statements were sent to members, and information was provided to the actuaries for the Experience Study. R. Gerke thanked several people for their work in completing these tasks, including; Dean Gress and John Winkelman, Accounting, Benefits, Data Services, and the Call Center for taking member calls regarding COLA letters and statements.

Dividends were credited to accounts on July 31, 2020. There were approximately 1,400 members who annuitized or refunded since the beginning of the year, and those dividends continue to be paid out to members. The goal is to have all dividends paid by third quarter statement distribution.

School retirement season is under way. Some overtime is being approved to accommodate retirement numbers. This year's numbers are very close to last years, for June 1, however, the September 1, 2020, retirement effective dates have more than doubled from last year. Covid-19 considerations seem to be the underlying reason for increases in retirements.

The School Employer Reporting and State and County seminar videos are nearly ready for the NPERS website. Subjects include information regarding the State Health Insurance Assistance Program (SHIP), Social Security, NPERS plans, and the financial planning sections of the seminar videos.

M. Walden-Newman asked if there is an effect on the School pension plan funding, if there is a significant surge in retirements, as contributing members are replaced by new, younger, and perhaps, lower wage earners. He asked if the actuaries could perform a rough analysis of the phenomenon, so the PERB may have a sense of the effect. R. Gerke stated the actuaries would be at the September meeting and this subject could be discussed.

The website redesign project planning will continue with Nebraska Interactive, as it is determined which segments of the redesign will be under which entity.

J. Hardy held on online training for each department in our agency.

The online non-contributing member form project continues, with 60 schools utilizing the function and over 600 forms received, relieving scanning workloads for the agency.

Walk-in members average about six per day, which is holding steady.

Scheduled office visits are averaging about one a day, down from July, but the decrease may simply be due to the time of year.

R. Gerke reported his time focused greatly on producing the draft Biennium Budget request narrative.

Personnel changes occurring the past month include: hiring four Retirement Specialist Is, a Staff Assistant I, and a temporary Front Desk position. R. Gerke introduced Tyler Cummings, as the new Call Center Manager and the new assistant to the PERB. All the positions, except for the Front Desk position, were filled with NPERS employees; promoting upward mobility and opportunity for agency personnel.

Additional openings include: an Office Clerk III Mailroom position, Data Services Manager, Retirement Specialist I in the Call Center, Internal Auditor, and a Staff Assistant I in Data Services. R. Gerke meets with all interviewees before approval.

Both he and M. Walden-Newman will participate in a National Council on Teacher Retirement (NCTR) get-to-know-you event, for retirement directors and chief investment officers, in which they will both appear as panelists.

Cavanaugh Macdonald actuaries will attend the September PERB meeting, to begin Experience Study discussions. They will also be attending the PERB for consecutive meetings due to continued Experience Study matters and valuations.

October is employee recognition month.

In regard to Covid-19, R. Gerke stated there is apprehension among the staff, people are wearing masks and remaining in their cubicles, as much as possible, during communication.

K. Ackerman commended the staff at NPERS for their continued service to members, even while working remotely.

P. Lancaster moved to approve the Director's Report. M. Jahnke seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 13 – Board Education/Travel Requests: There were no travel requests.

A. Simpson provided his report on the virtual Annual NCTR Conference for trustees. Four PERB members were in attendance: A. Simpson, J. Schulz, J. Elliott, and K. Ackerman. A. Simpson identified several highlighted topics, including: remote working topics, real estate value with remote working, Chief Financial Officer in California, CARES Act distributions, member death reports, special interest and social statement investing, and speakers who recommended people expect the unexpected, not rely blindly on any one approach, and establish a culture of challenge.

K. Ackerman, J. Schulz, and J. Elliott, will present their NCTR report at the September meeting.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting is Monday, September 21, 2020, in the 1526 Building, in Hearing Room 4-D.

Agenda Items 15 and 16 – Executive Session: At 11:51 a.m., M. Jahnke moved the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members and legal matters: Case Review No. D-20-09; Prevention of Needless Injury to the Reputation of an Individual, Case Review No. D-20-10; Prevention of Needless Injury to the Reputation of an Individual, Personnel Matters; Protection of Public Interest, Prevention of Needless Injury to the Reputation of an Individual, and Update on Pending Legal Matters; Protection of Public Interest. P. Lancaster seconded the motion. K. Ackerman repeated the motion for the record. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

At 12:30 p.m., P. Lancaster moved the Board exit Executive Session and reconvene in Regular Session. M. Jahnke seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

P. Lancaster moved for approval of Case Review No. D-20-09 and Case Review No. D-20-10. A. Simpson seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Adjournment: J. Derr moved the meeting adjourn. P. Lancaster seconded the motion. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

The meeting adjourned at 12:32 p.m.



Randy Gerke
Director