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## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**December 21, 2020**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:31 a.m., Monday, December 21, 2020, via WebEx services.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, December 11, 2020. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, December 14, 2020. J. Elliott chaired the meeting and T. Cummings recorded the minutes.

**MEMBERS PRESENT:**

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

**NONMEMBERS PRESENT:**

RANDY GERKE Director	KATE ALLEN Retirement Committee Legal Counsel
ORRON HILL Legal Counsel/Deputy Director	CECELIA CARTER Omaha School Employees' Retirement System
TERESA ZULAUF Controller	NANCY REIMER Ameritas
TIM BAKER Internal Auditor	JOSH RUHNKE Ameritas
JACK HARDY Information Technology Manager	KRISTIN ULLMAN Ameritas
MELISSA NUSS Retirement Plan Manager	PAT BECKHAM Cavanaugh Macdonald
TYLER CUMMINGS Retirement Plan Manager	BRENT BANISTER Cavanaugh Macdonald
DEAN GRESS Senior IT Applications Developer	NEIL SULLIVAN State Budget Office
CHARLES WAITY Business Analyst	BILL BIVEN Legislative Fiscal Office

ERIC ASBOE  
Nebraska Supreme Court

BOB WICKERSHAM  
Public Attendee

**Agenda Item 1:** J. Elliott stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is provided 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:** J. Elliott called the December 21, 2020, Board Meeting to order at 9:31 a.m. Present at meeting: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, J. Schulz, and Michael Walden-Newman. Absent: None.

**Agenda Item 4 – Approval of Minutes:** T. Cummings stated that “4<sup>th</sup> Floor” in the first paragraph of the November 16, 2020, minutes should be removed. There was no objection. J. Schulz moved for approval of the minutes of the November 16, 2020, Board Meeting with the above change. Motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, A. Simpson, and J. Schulz. No vote due to technical difficulties: P. Lancaster and M. Jahnke. Against: None. Motion carried.

**Agenda Item 5 – Approval of Budget Status Report & November Retirement Report:** K. Ackerman moved to approve the Budget Status Report and the November 2020 Retirement Report. Motion was seconded by J. Derr. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, A. Simpson, and J. Schulz. Against: None. No vote due to technical difficulties: P. Lancaster and M. Jahnke. Motion carried.

P. Lancaster and M. Jahnke had technical difficulties and joined the meeting at 9:38 a.m.

**Agenda Item 6 – Public Comments or Correspondence from Citizens:** B. Wickersham addressed some of the findings of the Experience Study. He stated that the economic and demographic changes were reasonable findings. He stated the inflation assumptions seems to be higher than other forecasts. He stated the PERB is a fiduciary board and the funding of the plans should be its main concern.

He also commented on the court fees that help fund the Judges plan. He believes an explicit contribution should be implemented. He believes an employer contribution could mirror the funding received from court costs.

**Agenda Item 7 – Experience Study Report and Final Discussion:** B. Banister and P. Beckham, Cavanaugh Macdonald, presented the final Experience Study Report. B. Banister stated the School, State Patrol, and Judges currently have a layered amortization with payments as a level percent of payroll over closed 30-year periods. He also stated the State and County plans currently have a layered amortization with payments as a level dollar amount over closed 25-year periods. He mentioned industry trends have reflected shorter amortization periods. Cavanaugh Macdonald recommends changing the statutes to reflect closed 25-year amortization periods for the School, State Patrol, and Judges plans.

Payments would continue to be calculated as level percent of payroll. He presented the cost impact of changing to a 25-year amortization for the School, State Patrol, and Judges plans.

P. Beckham provided an example of the calculation of optional forms of payment for a School plan member and another example for a Cash Balance (CB) Tier 1 member.

P. Beckham provided an overview of the key provisions related to optional forms of payment in LB 415 that was passed in 2017.

She stated that the actuarial factors are dependent on the interest rate (investment return) and the mortality assumptions.

P. Beckham provided a graph of the potential benefit implications on benefits for CB Tier 1 and Tier 2 members if the actuarial factors were to be changed to reflect the investment return and mortality assumptions recommended in the Experience Study report and adopted by the Board for funding the Plans.

M. Walden-Newman asked if there is a specific funded status that would have the actuaries recommend a lower annuity interest rate for Tier 1 member. P. Beckham explained there is no particular funded ratio that would automatically trigger a recommendation from the actuaries to lower the annuity interest rate, but a number of factors should be considered when the PERB decides the interest rate for the CB Tier 1 members including the future projected funded status of the plans.

J. Schulz moved to approve the actuarial recommendations and use the revised assumptions effective January 1, 2021 for the School, State Patrol, and Judges plans. The Board decided the Experience Study Report should be adopted before voting on the actuarial recommendations. Motion was withdrawn by J. Schulz.

J. Schulz moved to approve the Experience Study Report. Motion was seconded by J. Derr. For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, A. Simpson, and J. Schulz. Against: None. No vote due to technical difficulties: M. Jahnke. Motion carried.

J. Schulz commented on B. Wickersham's thoughts regarding the phase-in for inflation. J. Schulz stated he sees the PERB and the State as a partnership. He stated he agrees with the four-year phase-in for inflation.

R. Gerke discussed the potential timeline for any changes made to the actuarial factors and how it would impact NPERS staff. He suggested that if any changes were made that it be effective at least six months from today's meeting.

The Board discussed the different tiers and how the interest rate change would affect members in each tier. B. Banister mentioned changing the interest rate for CB Tier 2 members would not have an immediate impact on benefits, as this tier would not have any members with a substantial retirement account balance.

O. Hill stated the statutes give the PERB authority to review the interest rates each year.

P. Lancaster moved to retain the actuarial factors presently used for State and County Tier 1 plans. The motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, A. Simpson, J. Schulz, and M. Jahnke. Against: None. Motion carried.

P. Lancaster moved to adopt the new actuarial factors for State and County Tier 2 plans. P. Lancaster amended the motion to have an effective date of December 31, 2021. The Board decided more discussion was needed and to address this matter at the next meeting. Motion was withdrawn by P. Lancaster.

The PERB took a break from 11:27 a.m. to 11:40 a.m.

**Agenda Item 8 – Internal Auditor Quarterly Report and Three-Year Audit Plan:** T. Baker provided the Four Month Internal Audit Report which covered August 2020 through November 2020. There were eleven reports issued for the School Employer audits, all completed audits by staff have been reviewed, and there are currently seven audits that have been initiated or working by staff. There were seven reports issued for County Employer audits, all completed audits by staff have been reviewed, and there are two audits that have been initiated or working by staff.

T. Baker mentioned Empower will acquire all MassMutual plans and is currently pending regulatory approval. Empower is the second largest retirement plan provider in the United States. He stated that Empower will honor the existing MassMutual contracts and terms. The most obviously change that will be seen is branding.

T. Baker reported there is still an Auditor position open and that interviews and offers were given to two candidates. Both candidates declined our employment offer. He also informed the Board that Christine Ford's last day at NPERS is December 23, 2020, which will then leave two Auditor positions open.

T. Baker provided a brief summary of the system and organization controls (SOC) reports relating to MassMutual and State Street.

T. Baker reported State Accounting reviewed a sample of NPERS documents, which overall turned out favorable for NPERS.

T. Baker reported that he provided guidance to staff related to member compensation, benefits, and COVID-19 items.

In the eleven audit reports for School Employers, all eleven audits had findings. T. Baker stated 10 of 11 School employers had deficient internal control questionnaire responses. Other issues included compensation items, reporting hours, eligibility requirements, and demographic information.

For the seven County Employer audit reports, six of them had audit findings. The findings included demographic information that did not agree with NPERS records, deficient internal control questionnaire responses, and interlocal agreements that did not follow the contract terms.

T. Baker stated the search for finding an Auditor has been very difficult. He mentioned that candidates who possess the needed requirements to fill the position can find employment elsewhere with higher pay. Additional advertising efforts are under way to attract more candidates.

T. Baker presented the Three-Year Internal Audit Plan, which was prepared assuming both Auditor positions were filled. He provided a brief summary regarding Internal Audit's mission statement, audit organization, risk assessment, and the authority of Internal Audit.

T. Baker stated that the risk rating of twelve internal audit topics has been lowered, mostly due to the controls the agency has in place. He provided a brief overview of the Appendices listed in the report.

Addressing a Board question, T. Baker mentioned that he will follow-up with Schools who still pay with checks to help convert their payments to direct deposit.

J. Schulz moved to approve the Internal Auditor Quarterly Report and Three-Year Audit Plan. Motion was seconded by J. Derr. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

**Agenda Item 9 – Investment Officer's Update:** M. Walden-Newman provided the Investment Officer's Update. He reported a 1.2 percent gain for the year-to-date (YTD) investment returns, through September 30, 2020, for the Defined Benefit plans. For the Fiscal YTD, the Defined Benefit plans have gained 5.4 percent. He also reported the Cash Balance YTD investment returns have also gained 1.2 percent.

M. Walden-Newman provided a few updates for the Nebraska Investment Council (NIC). He stated the membership of the NIC Board will remain the same. He discussed a fixed-income study the NIC has been conducting and he reported they have reached the midpoint of this research. The NIC hopes to implement findings from this research in the near future. He reported that the NIC will be reviewing its equity portfolio as they do every five years.

J. Derr moved to approve the Investment Officer's Update. Motion was seconded by P. Lancaster. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

**Agenda Item 10 – Legal/Legislative Update:** O. Hill stated he will defer his report to Agenda Item 13 as the Legislative Committee report coincides with the Legal/Legislative Update

**Agenda Item 11 – Director’s Report:** R. Gerke gave the Director’s Report.

- R. Gerke mentioned the School, State Patrol, and Judges audit should be finished in January 2021.
- R. Gerke stated the Investment Fund changes became available on December 4, 2020. He mentioned less than 300 people have transferred money into the new investment funds. He stated NPERS has received feedback and inquiries regarding these investment changes. He stated over a billion dollars will be moved and approximately thirty million dollars has been moved so far.
- M. Walden-Newman mentioned that he and another member of his staff have moved money into the new funds to test to see if the new funds were working. He also mentioned he has talked to six members regarding the investment changes. He thanked H. Critchfield-Smith and T. Cummings for helping educate NPERS members about the investment fund changes.
- Education Services has posted new videos on YouTube. R. Gerke stated the Investment Fund education video has the most views.
- He stated Education Services plans on conducting both virtual and in-person webinars in 2021.
- Member Services has conducted three virtual office visits with three more scheduled in January.
- R. Gerke reported an Accountant I position has been filled. There are two open Auditor positions. Also, the Data Services Lead is open, but a review of the duties is still underway.
- He mentioned the State has adopted a per diem rate for meal expenses for PERB travel.
- He mentioned NPERS received a favorable Internal Revenue Service (IRS) determination letter for the County plan.

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

**Agenda Item 12 – Recognition of Service:** J. Derr’s term on the PERB is expiring January 1, 2021 and he will not be renewing his term. J. Derr was appointed to the PERB in 2015. R. Gerke recognized and thanked J. Derr for his service and presented him an Admiralship and plaque. The Board also recognized and thanked J. Derr for his service to the PERB.

**Agenda Item 13 – Board Committee Reports:** J. Schulz provided the Legal Committee update. J. Schulz stated there were three potential legislative bills with specific subjects the committee reviewed. The three subjects the legislative bills covered are the Omaha School Employees’ Retirement System (OSERS) study, court fees for the Judges plan, and the amortization period. He stated the PERB has not provided a stance on any of the potential legislative bills.

J. Schulz stated the PERB does not propose legislative bills especially if it contains funding.

J. Schulz discussed the potential legislative bill involving the transition of administration of OSERS to NPERs. He stated one item about the bill stood out to him which was the effective date of transition. This date would be September 1, 2023. The second item of particular interest is the bill would add one member to the PERB who would have to be a participating member in the OSERS plan.

J. Derr moved to approve the Legislative Committee report. Motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, A. Simpson, and J. Schulz. Against: None. No vote due to technical difficulties: M. Jahnke. Motion carried

**Agenda Item 14 – Board Education/Travel Requests:** There were none.

**Agenda Item 16 – Future Meetings/Agendas:** The next PERB meeting is on Monday, January 25, 2021.

P. Lancaster moved to approve the 2021 PERB Meeting Calendar. Motion was seconded by J. Derr. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, A. Simpson, and J. Schulz. Against: None. No vote due to technical difficulties: M. Jahnke. Motion carried

**Adjournment:** J. Derr moved that the meeting adjourn. Motion was seconded by K. Ackerman. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, J. Schulz, and A. Simpson. Against: None. No vote due to technical difficulties: M. Jahnke. Motion carried.

The meeting adjourned at 1:17 p.m.



Randy Gerke  
Director