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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

November 16, 2020

9:30 A.M.

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:34 a.m., Monday, November 16, 2020, in the 1526 Building, Lower Level, Development Center, 1526 "K" Street, Lincoln, Nebraska, and held via WebEx services for viewing only.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, November 6, 2020. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, November 9, 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
ALLEN SIMPSON
MIKE JAHNKE
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT:

NONMEMBERS PRESENT:

RANDY GERKE

Director

ORRON HILL

Legal Counsel/Deputy Director

TERESA ZULAUF

Controller

TIM BAKER

Internal Auditor

JACK HARDY

Information Technology Manager

VICKI HUBER

Personnel Officer

MELISSA NUSS

Retirement Plan Manager

TYLER CUMMINGS

Retirement Plan Manager

JOHNETTA LANG

Data Services Manager

HEATHER CRITCHFIELD-SMITH

Education Services Manager

DEAN GRESS

Senior IT Applications Developer

KATE ALLEN

Retirement Committee Legal Counsel

CECELIA CARTER

Omaha School Employees' Retirement System

NANCY REIMER

Ameritas

JOSH RUHNKE

Ameritas

PAT BECKHAM

Cavanaugh Macdonald

BRENT BANISTER
Cavanaugh Macdonald
NEIL SULLIVAN
State Budget Office
BILL BIVEN
Legislative Fiscal Office
ERIC ASBOE
Nebraska Supreme Court

JASON HAYES
Nebraska State Education Association
AL KOONTZ
Nebraska State Education Association
MIKE DULANEY
Nebraska Council of School Administrators
BOB WICKERSHAM
Public Attendee
DON WESELY
Public Attendee

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 front table, and 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 November 16, 2020, Board Meeting to order at 9:34 a.m. Present at roll call: 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: A. Simpson moved for approval of the minutes of the October 19, 2020, Board Meeting. Motion was seconded by M. Jahnke. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Abstain: J. Elliott. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & October Retirement Report: K. Ackerman moved to approve the Budget Status Report and the October 2020 Retirement Report. 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 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 – July 1, 2020 Actuarial Valuation Results for School, Judges, and State Patrol: P. Beckham and B. Banister, from Cavanaugh Macdonald, presented the July 1, 2020 actuarial valuation results for the School, Judges, and State Patrol plans. P. Beckham reported the return on actuarial assets was around 6.4% which resulted in an actuarial loss. She stated there were liability gains for all three plans as actual cost-of-living adjustments (COLA) were lower than assumed.

P. Beckham reported there was a shortfall in court fees possibly due to the COVID-19 pandemic. She presented several graphs detailing the number of retirees and active members for the School, Judges, and State Patrol.

P. Beckham presented the unfunded actuarial accrued liability (UAAL) for the School, Judges, and State Patrol plans. She then reported the funded ratio for the three plans. The funded ratio for the School, Judges, and State Patrol plans are 91.65%, 97.34%, and 88.13%, respectively. P. Beckham also provided the change in actuarial required contribution rate for the three plans.

P. Beckham reported the additional state contributions for the School, Judges, and State Patrol plans. The additional state contributions are \$1,428,000, and \$4,100,000 for the Judges and State Patrol plans, respectively. There will not be any required additional state contributions for the School plan.

B. Banister discussed risks factors that may affect the future financial condition of the plans such as investment risk, longevity risk, size of active membership, growth in covered payroll, and plan maturity. He moved on to discuss the asset volatility ratio for each of the three plans and presented a graph of the historical asset volatility ratio for each plan since the year 2000.

B. Banister provided a graph for the Judges and State Patrol plan regarding potential investment risk and how it impacts additional state contributions. He then discussed the minimum return needed to avoid additional state contributions for the School plan.

J. Schulz moved to approve the July 1, 2020 Actuarial Valuation Results for the School, Judges, and State Patrol. Motion was seconded by K. Ackerman. 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 8 – Follow Up Information on Experience Study Recommendations:

P. Beckham and B. Banister, from Cavanaugh Macdonald, presented the Follow Up Information on Experience Study Recommendations. B. Banister discussed the amortization of UAAL for the School, Judges, State Patrol, State, and County plans.

B. Banister and P. Beckham discussed a proposed updated actuarial standard in which 30-year layered bases would not be considered a reasonable period. Cavanaugh Macdonald recommended the PERB ask for legislation to grant the PERB authority to determine the amortization policy and they recommended a 25-year amortization schedule. B. Banister stated this new standard would most likely take effect in January 2022.

B. Banister presented a summary of the recommended economic and demographic assumptions.

O. Hill discussed the equal retirement benefit fund (ERBF) for the County plan along with changing state statute to align with the updated actuarial standard mentioned above.

B. Banister reported the liability impact of the recommended changes in assumptions.
P. Beckham presented three different implementation options for the recommended changes. The implementation options included phasing inflation in over a one-year, two-year, or four-year period.

J. Schulz moved to approve the Follow-Up Information on Experience Study Recommendations. 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.

The PERB took a break from 11:28 a.m. to 11:43 a.m.

Agenda Item 9 – Legal/Legislative Update: O. Hill provided the Legal/Legislative update.

He reported two PERB members', Judge J. Derr and P. Lancaster, terms will be expiring on January 1, 2021. He also mentioned there is an open Public seat on the PERB with a term expiring on January 1, 2023.

O. Hill reported the Legal Audit Compliance report was completed and he provided brief testimony at the hearing.

O. Hill stated that at the Legislative Hearing on the Underfunded Plans report, Dr. Cheryl Logan, of Omaha Public Schools, will request a bill during the next legislative session in which NPERS will take over administration of the Omaha School Employee Retirement Systems (OSERS). O. Hill stated he has seen a draft and first revision of this bill. As currently drafted, transition of administration would not happen until September 1, 2023. He reported the currently drafted bill would provide an additional PERB member as an OSERS representative.

He reported the Rules and Regulations have been worked on by NPERS managers and their staff. He reported NPERS is still in the process of updating and revising Agency policies.

J. Derr moved to approve the Legal/Legislative 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 – Director's Report: R. Gerke provided the Director's Report.

- R. Gerke reported he will be presenting the actuarial report to the Governor later today at 2:00 p.m.
- The Department of Administrative Services (DAS) provided guidance for allowing staff to work from home (WFH). The guidance allows for up to fifty percent (50%) of staff to WFH and staff must be in the office for at least two days a week. NPERS added its own provisions to this policy as well. Nineteen (19) staff are eligible to WFH and NPERS has around twenty percent (20%) of its staff WFH.
- R. Gerke reported there was a positive COVID-19 case since the last PERB meeting.

- He stated the PERB meetings are tentatively scheduled to meet downstairs in the Development Center through at least February 2021. The PERB meeting for January and February is conditionally scheduled for the fourth Monday due to holidays.
- R. Gerke reported the investment fund changes notifications are going out this week from Ameritas. H. Critchfield-Smith has published a few videos on the NPERS website related to these changes.
- R. Gerke provided an update on Education Services. He stated NPERS has created a YouTube channel that currently has nine (9) videos. He also mentioned the 2020 Investment Report and a mobile phone user guide for Ameritas users is now on the NPERS website.
- He mentioned a letter was sent to over two hundred members this month stating they may have a potential benefit.
- Member Services conducted its first virtual office visit which went well. There are currently three more virtual office visits scheduled for the first week of December. R. Gerke reported in-person office visits along with walk-ins have remained steady.
- He stated Information Technology (IT) is still working on the NPERS website design.
- R. Gerke reported the state is moving away from Skype for instant messaging and will be using a WebEx instant messaging system.
- He stated the print to mailroom (PTM) numbers continue to rise and the online school non-contributing project is still moving forward.
- The School, Judges, and Patrol audit is still underway. The Benefits and Accounting departments have been helping provide information for this audit.
- The Legal Compliance Audit was conducted virtually on November 6, 2020.
- R. Gerke reported the Data Services Manager, Accounting I, Mail Room Clerk I, and Training Specialist positions have been filled. Currently there are openings for an Accounting Clerk II, Auditor I, and Data Services Lead.
- R. Gerke stated he will be on the National Council on Teacher Retirement (NCTR) Education Committee.

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 11 – Board Committee Reports: There were none.

Agenda Item 12 – Board Education/Travel Requests: There were none.

Agenda Item 13 – Future Meetings/Agendas: The next PERB meeting is on Monday, December 21, 2020.

Agenda Items 14 and 15 – Executive Session: At 12:05 p.m., M. Jahnke moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing Case Review No. D-20-13; Prevention of Needless Injury to the Reputation of an Individual.

Motion was seconded by J. Derr. J. Elliott repeated the motion for the record. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, and A. Simpson and J. Schulz. Against: None. Motion carried.

At 12:31 p.m., P. Lancaster moved the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by K. Ackerman. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, and A. Simpson. Abstain: J. Schulz. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-20-13. P. Lancaster seconded the motion. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, and A. Simpson. Abstain: J. Schulz. Against: None. Motion carried.

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

The meeting adjourned at 12:33 p.m.



Randy Gerke
Director