



1526 K Street, Suite 400  
P.O. Box 94816  
Lincoln, NE 68509-4816  
Phone 402-471-2053  
Toll Free 800-245-5712  
Fax 402-471-9493  
[npers.ne.gov](http://npers.ne.gov)

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

**January 25, 2021**

**9:30 A.M.**

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:33 a.m., Monday, January 25, 2021, via WebEx services.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, January 15, 2021. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, January 18, 2021. J. Elliott chaired the meeting and T. Cummings recorded the minutes.

### **MEMBERS PRESENT:**

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

### **NONMEMBERS PRESENT:**

RANDY GERKE Director	MELISSA MENDOZA Retirement Specialist II
ORRON HILL Legal Counsel/Deputy Director	MITCH SNYDER Retirement Specialist II
TERESA ZULAUF Controller	KATE ALLEN Retirement Committee Legal Counsel
TIM BAKER Internal Auditor	CECELIA CARTER Omaha School Employees' Retirement System
JACK HARDY Information Technology Manager	NANCY REIMER Ameritas
MELISSA NUSS Retirement Plan Manager	JOSH RUHNKE Ameritas
TYLER CUMMINGS Retirement Plan Manager	KRISTIN ULLMAN Ameritas
JOHNETTA LANG Data Services Manager	PAT BECKHAM Cavanaugh Macdonald
VICKI HUBER Personnel Officer	BRENT BANISTER Cavanaugh Macdonald
DEAN GRESS Senior IT Applications Developer	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

**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 January 25, 2021, Board Meeting to order at 9:33 a.m. Present at meeting: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and M. Walden-Newman. Absent: None.

**Agenda Item 4 – Election of Officers:** J. Elliott reviewed the election of officers' procedures. She opened nominations for Board Secretary. J. Schulz nominated R. Gerke for Board Secretary. P. Lancaster seconded the motion. K. Ackerman moved nominations cease and a unanimous ballot be cast for R. Gerke. P. Lancaster seconded the motion. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

R. Gerke opened nominations for Board Chair. K. Ackerman nominated J. Elliott for Board Chair. A. Simpson seconded the motion. P. Lancaster moved nominations cease and a unanimous ballot be cast for J. Elliott. K. Ackerman seconded the motion. Members voted as follows: For: K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Abstain: J. Elliott. Against: None. Motion carried.

J. Elliott opened nominations for Board Vice-Chair. P. Lancaster nominated K. Ackerman for Board Vice-Chair. A. Simpson seconded the motion. P. Lancaster moved nominations cease and a unanimous ballot be cast for K. Ackerman. A. Simpson seconded the motion. Members voted as follows: For: J. Elliott, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Abstain: K. Ackerman. Against: None. Motion carried.

**Agenda Item 5 – Approval of Minutes:** J. Schulz moved for approval of the minutes of the December 21, 2020, Board Meeting. Motion was seconded by M. Jahnke. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

**Agenda Item 6 – Approval of Budget Status Report & December Retirement Report:** K. Ackerman moved to approve the Budget Status Report and the December 2020 Retirement Report. Motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

**Agenda Item 7 – Public Comments or Correspondence from Citizens:** Don Dunlap submitted the below written statement for public comment. J. Elliott read the public comment to the PERB.

“1. I understand from what I have had to do in the past and currently to management my retirement accounts I need to complete certain forms. For example, to make a withdrawal for my RMD from my retirement accounts I would complete a form, mail or drop off the form at the Retirement Office. The Retirement Office would process the form and it could take days or weeks, depending on the workload, to complete the process at the Retirement Office. The form is then sent to Ameritas. Where again, I understand it could take several more days for Ameritas to process the form. Given that my plan is a Defined Contribution plan, timing of a transaction as described can be important. My suggestion would be to see if it would be possible to have, at Ameritas, a system where members could complete such a transaction on-line making it easier and more timely.

2. As noted above, my retirement accounts are in a defined contribution plan. As such it is something that I manage and is market driven. I currently have four investment accounts that make up my investment portfolio. Currently when I establish my RMD withdrawal from those accounts I understand the only option I have is a prorated withdrawal from all accounts. My suggestion would be that the member should have an option to take some or all of their RMD withdrawal from whichever account they choose. This would give the member more flexibility to manage their accounts.”

R. Gerke provided a response to the above public comment. He stated NPERS would need multi-factor authentication (MFA) in place in order to process distributions electronically. A request was made in the biennium budget request for MFA, but the request was cut from the Governor’s proposal. R. Gerke stated moving distributions to an electronic system would take a lot of planning and funding. He mentioned one reason NPERS uses paper forms is to ensure security of the distribution and to prevent fraud.

R. Gerke clarified for A. Simpson the funds for MFA would have to be found elsewhere in the budget.

R. Gerke addressed Mr. Dunlap’s second point and stated Mr. Dunlap is invested in four different investment funds and when he takes a distribution of his account, the money is withdrawn pro rata from each investment fund. R. Gerke stated this change would require planning and funding by NPERS.

**Agenda Item 8 – Adoption of Actuarial Factors:** B. Banister and P. Beckham, Cavanaugh Macdonald, presented to the Board the proposed recommendations for the actuarial factors for the School, Judges, and Patrol members hired after June 30, 2017, and Cash Balance Tier 2 members who were hired after December 31, 2017.

B. Banister provided a brief overview of each plan and how the monthly benefit is determined. He also discussed how the actuarial factors affect the different options of the monthly benefits plan members can elect. He explained annuity factors are equal to the present value of \$1 per month payable in the future under the form of payment.

B. Banister provided a detailed explanation on optional form factors for a hypothetical School plan monthly benefit. He presented a table for the School Joint & Survivor 100% benefit option comparing the current factors and factors with the new assumptions.

B. Banister stated there are benefits to changing the actuarial factors. Changing the factors maintains consistency between funding assumptions and definition of actuarial equivalence, it should make future changes in factors smaller, it avoids the appearance of dated assumptions, and is consistent with prior Board action.

There are some drawbacks such as it would use NPERS staff resources with only a small impact on benefits, it could cause communication issues if benefit estimates may have been provided using the old basis, and there is potential for members to question the decision especially if the benefit decreases.

P. Lancaster inquired about the workload this change would cause for NPERS staff. R. Gerke stated the workload would be manageable because the annuity factors are input into the computer system. The only concern is if benefit estimates had been provided to members using the old factors.

J. Elliott asked if there was an optimal time in which a change would minimize communication issues. R. Gerke stated changes to the factors should be implemented at the beginning of the calendar year. J. Elliott stated new information regarding the change in actuarial factors could be provided with information about tax table changes which occur at the beginning of the calendar year.

B. Banister stated it is typical to see a January 1 or July 1 effective date for implementation of new actuarial factors. He also stated this change only affects members hired after June 30, 2017, which means most of these plan members are not yet eligible for a benefit. This would provide NPERS time to communicate and make these changes.

A. Simpson suggested the Board adopt a January 1, 2022, effective date for these changes. J. Schulz agreed with this suggestion as well. J. Schulz suggested communication of these changes be provided to members immediately.

M. Nuss stated once the changes are made by Information Technology (IT) the benefit estimates would be processed as normal.

J. Schulz moved to approve the actuarial recommendations and use the revised assumptions effective January 1, 2022 for the School, State Patrol, and Judges plans. Motion was seconded by A. Simpson. Member voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

J. Schulz asked if a member makes an annuity purchase, would the member be eligible for a dividend award on the outstanding account balance. R. Gerke stated they are not eligible for a dividend on the outstanding balance.

P. Beckham presented an example of a Cash Balance Tier 2 member purchasing an annuity and how the annuity factors affect the annual benefit. P. Beckham provided an overview about the replacement ratio for the School plan and the State Cash Balance plan.

J. Schulz inquired about the contribution rates for School, State, and County members. O. Hill and R. Gerke provided clarification on the employee and employer contribution rates for the School, State, and County plans. J. Schulz stated the replacement ratio differs between the School and State/County plans and are correlated to the contributions made to each plan.

J. Elliott made a statement that if the PERB didn't take action today, if they were to lower the actuarial factor to 6.5% down the road it would have a greater shock on the members in Cash Balance Tier 2.

P. Beckham stated changing the actuarial factors for the Cash Balance Tier 2 plan has several benefits. It maintains consistency between funding assumptions and the definition of actuarial equivalence, it would make future changes to benefits smaller, it would result in a higher funded ratio which increases the likelihood of dividends, and it is consistent with prior Board action.

P. Beckham stated the negative side of changing the actuarial factors is it results in a reduction of members' benefits, it reduces the incentive to elect a lifetime benefit, and Tier 1 members benefit more from the change because dividends are based on account balances.

J. Elliott asked if there is a preferable date for these changes. R. Gerke stated January 1, 2022, would be consistent with the other change in actuarial factors for the School, Judges, and Patrol plans.

M. Walden-Newman inquired about the calendar for the phase-in for the investment return. P. Beckham stated the phase-in for School, Judges, and Patrol plans will begin with the July 1, 2021 valuation and for Cash Balance plans it will be phased-in beginning with the January 1, 2021 valuation.

P. Beckham and R. Gerke clarified the commencement of the annuity benefit determines which factors will be used to calculate the benefit.

J. Schulz moved to adopt the actuarial factors and use the revised assumption with a phase-in period for the State and County Cash Balance Tier 2 plan effective January 1, 2022. The motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

The PERB took a break from 10:53 a.m. to 11:05 a.m.

**Agenda Item 9 – Director's Report:** R. Gerke provided the Director's Report.

- R. Gerke reported both Auditor positions have been filled. Vanessa Hohlen started on January 19, 2021, and Jonathan Newcomb will start January 27, 2021.
- The Data Services Lead position is currently vacant but should be posted soon.

- 1099-Rs have been sent to the print shop and should be sent by mail this week.
- Virtual office visits have increased and a total of 37 have been scheduled.
- The audit for the School, Judges, and Patrol plans is complete and an exit interview was completed last week. The auditors will provide their audit report to the Agency next month.
- R. Gerke thanked Ameritas, M. Walden-Newman, and NPERS staff for successfully converting accounts to the new investment funds. He stated the transition to the new investment funds went smoothly and NPERS has not had any problems relating to this change.
- The Annual Report to the Legislature is currently in progress and is due by April.
- The NPERS YouTube channel had 896 views in the last month. H. Critchfield-Smith has posted new videos and is creating videos on how to complete NPERS forms. She will also create videos for different NPERS' processes for internal use by staff.
- Education Services will be conducting seminars beginning in March. Due to COVID-19, NPERS will offer webinars which will be conducted virtually via WebEx. NPERS will also offer a few webinars in the evening for the first time in order to allow members to attend during non-work hours. NPERS will still offer in-person seminars with limited capacity.
- R. Gerke stated Education Services is working on a new employee recognition program that would be awarded monthly.
- The legislative session has been busy and NPERS has spent much time following bills that have been introduced that would have an impact on the Agency.
- The Governor's budget was released last week and a few of NPERS' requests were cut from the proposed budget. The IT Study, multi-factor authentication (MFA), and the actuarial audit were the proposed items cut.
- On Wednesday, January 27, 2021, at noon, there is a hearing for the Experience Study and LB 17 at the Capitol.

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

**Agenda Item 10 – Board Committee Reports:** J. Schulz reported on the Legislative Committee.

J. Schulz provided a brief summary of how the Legislative session is operating this year due to the COVID-19 pandemic. He stated the Speaker wants to hold public hearings on the proposed bills before they are debated on the floor. He also reported in-person testimony is available, but the Legislature is encouraging the public to make comments online on the Legislative website.

J. Schulz provided a brief summary of the following Legislative Bills (LB):

- LB 17 would change the actuarial valuation and amortization provisions in the Defined Benefit plans from 30 to 25 years based upon the recommendation of the actuary. J. Schulz stated the PERB would provide testimony in support of this bill.
- LB 586 would require an annual report regarding police and firefighter retirement plans in certain cities. J. Schulz stated the PERB would follow this bill but would not provide testimony.
- LB 16 would provide for state contributions to the Judges plan and LB 24 would change the fee, remittance, and distribution provisions for the Judges plan. J. Schulz reported the PERB supports funding of the plans but recommends neutral testimony.
- Sen. Mark Kolterman introduced LB 144, LB 145, LB 146, and LB 147 which all deal with the transfer of administration of the Omaha School Employees' Retirement System (OSERS) to NPERS. J. Schulz stated the expectation is the four separate bills would eventually be consolidated into one bill. J. Schulz stated the PERB would take a neutral stance on these bills.
- O. Hill stated LB 582 reinstates the Omaha Public Schools (OPS) Board of Education as the party responsible for administration of OSERS rather than OSERS Board of Trustees. The OPS Board of Education would continue to exist under this bill after the transfer of administration of OSERS to NPERS. This would allow a body of the OSERS plan with institutional knowledge to exist in order to help with the transfer of administration. J. Schulz stated this bill was introduced by the entire Retirement Systems Committee rather than an individual senator.
- LB 184 would provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees. J. Schulz stated the PERB would most likely oppose this bill unless some of the issues and questions revolving around this bill could be addressed.
- LB 209 would change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies, and the Public Employees Retirement Board.
- LB 478 would adopt the Cities of the First Class Firefighters Cash Balance Retirement Act. This bill would create a new retirement plan for NPERS to administer. P. Lancaster asked for clarification on how the retirement plans for First Class Firefighters are currently administered. J. Schulz stated each city typically formulates its own plan which means the retirement plans differ from each other. O. Hill stated the First Class City Retirement Act provides for some structures on how the plans are setup and believes the retirement plans are supposed to be defined contribution plans.

The Legislative Committee moved to approve the Legislative Committee report. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, and A. Simpson. Against: None. Motion carried.

J. Elliott stated if a PERB member would like to change committees to let her know. There are openings in some committees now that J. Derr is no longer on the PERB.

R. Gerke stated he has not heard any information about the open seat for the Judges PERB seat nor has he heard anything about P. Lancaster's reappointment. There is still a Public PERB seat open as well.

**Agenda Item 11 – Board Education/Travel Requests:** There were none.

**Agenda Item 12 – Future Meetings/Agendas:** The next PERB meeting is on Monday, February 22, 2021.

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

The meeting adjourned at 11:45 a.m.



Randy Gerke  
Director