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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

June 21, 2021

9:30 A.M.

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:30 a.m., Monday, June 21, 2021, in the 1526 Building, Fourth Floor, Conference Room 4D, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, June 11, 2021. Public notice of this meeting was published in the Lincoln Journal-Star and Omaha World-Herald on Monday, June 14, 2021. J. Elliott chaired the meeting and T. Cummings recorded the minutes.

MEMBERS PRESENT:

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

NONMEMBERS PRESENT:

RANDY GERKE Director	TYLER CUMMINGS Retirement Plan Manager
ORRON HILL Legal Counsel/Deputy Director	KATE ALLEN Legislative Retirement Committee
TIM BAKER (Virtual) Internal Auditor	ERIC ASBOE Nebraska Supreme Court
TERESA ZULAUF Controller	CLAIRE OGLESBY State Budget Office
JACK HARDY Information Technology Manager	BRENT BANISTER Cavanaugh Macdonald
MELISSA NUSS Retirement Plan Manager	PAT BECKHAM (Virtual) Cavanaugh Macdonald
JOHNETTA LANG Date Services Manager	JOSH RUHNKE Ameritas
HEATHER CRITCHFIELD-SMITH Education Services Manager	DAVID FOWLER (Virtual) Empower

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, on the Attorney General's website, 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 June 21, 2021, Board Meeting to order at 9:30 a.m. Present at meeting: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, T. Zimmerman, and M. Walden-Newman.

Agenda Item 4 – Approval of Minutes: P. Lancaster moved for approval of the minutes of the May 17, 2021, Board Meeting. Motion was seconded by K. Ackerman. Members voted as follows: For: J. Elliott, K. Ackerman, P. Lancaster, A. Simpson, and T. Zimmerman. Abstain: M. Jahnke and J. Schulz. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May Retirement Report: K. Ackerman moved to approve the Budget Status Report and the May 2021 Retirement Report. Motion was seconded by P. Lancaster. Members voted as follows: For: J. Elliott, K. Ackerman, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Abstain: M. Jahnke. 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 – Cash Balance Dividend: J. Elliott provided a summary of the previous discussion during the May 17, 2021, regarding dividends.

P. Beckham reiterated the two policies, statutory and PERB policy, for granting dividends. She stated the dividend and the annual interest credit cannot exceed the assumed rate of return unless there is majority approval of the full PERB. The maximum dividend that can be granted is 5.5% for the State Cash Balance (CB) plan and 2.82% for the County CB plan.

There was some discussion among the PERB about a 5.25% dividend for qualifying State CB members and a 2.5% dividend for qualifying County CB members.

O. Hill restated the PERB policy regarding the granting of dividends.

A. Simpson made a motion that the PERB approve a State CB dividend of 5.25% and County CB dividend of 2.5%, for members with an account balance as of December 31, 2020. Motion was seconded by P. Lancaster. J. Elliott repeated the motion for the recorded. For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 8 – Empower Annual Report: David Fowler, Empower, presented the Empower Annual Report which covered the 2020 calendar year. He stated the total plan assets as of December 31, 2020, was \$33,426,518 with 418 total participants.

He provided a summary of the investment balance for each investment fund. He also discussed the dollar amounts of withdrawals during 2020.

The most common inquiry from participants are regarding their account balance. He stated most transactions are transfers from one investment fund to another investment fund.

D. Fowler stated Empower will help with the transition from the old website to the new website and there will be two-factor authentication when participants login to the website.

He stated he has been working with M. Walden-Newman about changing the investment funds currently offered to participants. D. Fowler stated any new investment funds would not be offered until the migration of the website.

M. Walden-Newman mentioned the Nebraska Investment Council (NIC) does have authority to implement new investment funds in the DCP. There has been some delay in offering new investment fund options due to COVID-19 and legal questions regarding authority of who can make such changes.

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

Agenda Item 9 – Internal Auditor Report: T. Baker gave the Internal Audit Report.

There were nine School audits issued and three audits were ready to review. He stated ten audits were being worked by the Internal Auditing staff while five more audits were initiated. He stated he and his staff do follow-ups with the schools after audits are completed. For the past quarter, nine follow-ups were completed, and nine more follow-ups are in progress.

There were no County audits issued during the past quarter. There were four audits initiated with one follow-up audit completed.

He reported the transition from MassMutual to Empower has gone smoothly.

He mentioned the State Auditors are currently auditing the State and County plans. He also stated Legislative Bill (LB) 147 provides for an additional Auditor I for NPERs. He also made sure the access to Empower and Ameritas was up to date. He has also been working on the summer Internal Audit newsletter.

He stated he has provided guidance to staff concerning eligibility and compensation issues regarding COVID-19 compensation, tracking extra duties, schools using incorrect methods in determining hours worked, and tracking hours of part-time employees.

He reported his team presented at the Nebraska Association of School Business Officials (NASBO) conference on April 21, 2021.

For the nine School audits, there were 483 contributing members, 87 members were tested, and 117 non-contributing members were tested. All nine of the audits had findings. Some of the findings included employers not tracking extra duty hours, wage contribution errors, incorrect employee demographic information, and errors in reporting hours worked.

He discussed a polling question he asked during the NASBO conference regarding how employers calculate eligibility for part-time employees. 62% of the respondents answered the question incorrectly.

He demonstrated a new calculation tool that has now been provided to employers for determining eligibility for employees. T. Baker stated one of the purposes of the tool is to keep it as a part of the employee's record. K. Ackerman stated she would like to see this tool used in training sessions offered for school employers.

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

The PERB took a break from 11:00 a.m. to 11:13 a.m.

Agenda Item 10 – Investment Officer's Update: M. Walden-Newman provided the Investment Officer's Update.

He reported the one-year return as of March 31, 2021, for the Defined Benefit plans was 37.0% and for the Cash Balance plan it was 36.6%.

He briefly updated the PERB on investments of the Omaha School Employees Retirement System (OSERS). Since the PERB and NPERS will take over administration of OSERS in 2024, he felt the PERB should be briefed on the NIC's investment goals of the OSERS investments. The NIC had a goal to lower the percentage of the OSERS investments in illiquid assets to 20% after five years of management. The NIC was able to satisfy this goal in the first quarter of 2021.

He reported the total fees for all the investments in the defined benefit and cash balance plans is 31 basis points.

T. Zimmerman moved to approve the Investment Officer's Update. Motion was seconded by M. Jahnke. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 11 – Legal/Legislative Update: O. Hill provided the Legal/Legislative Update.

LB 368 and 369 provide additional powers and enforcement tools to the Auditor of Public Accounts (APA).

LB 532 changes provisions relating to property under the Uniform Disposition of Property Act and School Employees Retirement Act.

LB 83 changes the rules of the Open Meetings Act to provide for virtual conferencing.

LB 65 changes the contractual conflict of interest provisions under the Nebraska Political Accountability and Disclosure Act.

LB 379 provides, changes, and eliminates provisions relating to appropriations.

LB 380 appropriates funds for the Nebraska State Government including NPERS.

LB 386 changes judges' salaries which will have an impact on the funding of the Judges Retirement Plan.

LB 666 provides for payment of claims against the state.

LB 17 changes the actuarial valuation and amortization provisions for certain state retirement systems.

LB 64 changes provisions relating to the taxation of Social Security benefits.

LB 209 provides for Roth DCP options for certain political subdivisions but exempts the PERB and NPERS administered DCP.

LB 256 changes provisions relating to lump-sum settlement approval and the filing of releases under the Nebraska Workers' Compensation Act.

LB 255 adopts the In the Line of Duty Compensation Act.

LB 139 adopts the COVID-19 Liability Protection Act.

LB 387 changes provisions relating to the taxation of military retirement benefits.

LB 428 changes education standards for juveniles at youth rehabilitation and treatment centers which would impact some employees for the centers and the retirement plan in which they are enrolled.

LB 147 provides for the transfer of management of OSERS to NPERS.

He stated at the July retreat meeting the PERB is required to review the PERB policies.

He mentioned NPERS was able to publish a frequently asked questions (FAQ) guide discussing the changes in LB 147 regarding substitute or voluntary service for School plan members. This document was distributed to all the employer reporting agents, the Nebraska Council of School Administrators (NCSA), the Nebraska State Education Association (NSEA), and TeamMates Mentoring.

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

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

- He stated Juneteenth became a State holiday effective on June 18, 2021 and he thanked his staff for adapting to this change to get the PERB meeting ready.
- The State and County audit is still in progress and the findings should be finalized in August.
- Only sixteen schools are still sending checks for the contribution payments.
- Data Services has sent out the annual Patrol beneficiary supplemental form.
- The School in-person seminar season is over but there are a few webinars remaining.
- H. Critchfield-Smith and J. Calcara attended the Nebraska Association of County Officials (NACO) meeting on June 10, 2021.
- The employer reporting seminars will start in late July.
- There is a new video produced by Education Services about how to fill out the School refund form. The Direct Deposit and Withholding Certificate for Annuity payments form will be next.
- The calls received by Member Services has decreased over the past few months.
- He thanked O. Hill and Education Services for their work on the LB 147 FAQ.
- He met with OSERS Director, Cecilia Carter, after LB 147 was passed. OSERS has hired a firm to conduct their compliance audit by November 15, 2021. He and Cecilia Carter will meet every month to discuss the transition of OSERS to NPERS.
- 442 new members enrolled into the DCP during open enrollment and over 700 members changed their withholding amounts.
- Liz Pomajzl, Accountant I, retired after working for 35 years at NPERS. Sarah Wuestewald has filled the position. Tony Munson filled S. Wuestewald’s position which currently leaves an opening in the Accounting department.
- The SOS Receptionist position has been filled by Jane Warne.
- There is one Retirement Specialist I position open in Member Services. Carlin Ring moved from Member Services to a Retirement Specialist I position in Benefits.
- He attended a National Council on Teacher Retirement (NCTR) ransomware webinar.
- There will be a deficit request for an Information Technology (IT) Security Specialist.
- He is seeking a quote for cybersecurity insurance.
- He requested approval to attend a NCTR Director’s meeting on June 28 and 29, 2021.
- Omaha Public Schools (OPS) will vote on a resolution regarding LB 147.

P. Lancaster moved to approve the Director’s Report. Motion was seconded by K. Ackerman. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

P. Lancaster moved to approve the Director’s request to attend the NCTR Director’s meeting on June 28 and 29, 2021. Motion was seconded by T. Zimmerman. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 13 – Board Committee Reports: There were none.

Agenda Item 14 – Board Education/Travel Requests: P. Lancaster moved to approve J. Elliott's request to attend the NCTR Trustee Workshop meeting on July 26 through 28, 2021. Motion was seconded by M. Jahnke. Members voted as follows: For: K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Abstain: J. Elliott. Against: None. Motion carried.

Agenda Item 15 – Future Meetings/Agendas: The next PERB meeting is on Monday, July 19, 2021.

R. Gerke briefly discussed the speakers for the July 19, 2021, PERB meeting.

Agenda Items 16 and 17 – Executive Session: At 12:28 p.m., M. Jahnke moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing of applications of plan members, personnel matters, and pending legal matters: Case Review No. D-21-10; Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-21-11; Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-21-12; Prevention of Needless Injury to the Reputation of an Individual; Protection of Public Interest, Prevention of Needless Injury to the Reputation of an Individual; Update on Pending Legal Matters; Protection of Public Interest. Motion was seconded by P. Lancaster. J. Elliott repeated the motion for the record. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

At 2:07 p.m., P. Lancaster moved the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-21-11. P. Lancaster seconded the motion. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-21-10 and Case Review No. D-21-12 with the condition a follow-up evaluation be conducted by July 1, 2022. P. Lancaster seconded the motion. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

K. Ackerman moved for approval of a 5% increase in the Director's salary effective July 1, 2021. P. Lancaster seconded the motion. Members voted as follows: For: J. Elliott, K. Ackerman, M. Jahnke, P. Lancaster, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

Adjournment: P. Lancaster 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, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

The meeting adjourned at 2:12 p.m.

A handwritten signature in blue ink, appearing to read "Randy Gerke". The signature is stylized with a large initial "R" and a prominent "G".

Randy Gerke
Director