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PUBLIC EMPLOYEES' RETIREMENT BOARD MEETING

July 18, 2022

9:30 A.M.

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:31 a.m., Monday, July 18, 2022, in the First Nebraska Administrative Building, Fourth Floor, Lancaster Hearing Room, 1526 "K" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, July 8, 2022. Public notice of this meeting was published in the Lincoln Journal-Star and Omaha World-Herald on Monday, July 11, 2022. J. Elliott chaired the meeting and T. Cummings recorded the minutes.

MEMBERS PRESENT:

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

NONMEMBERS PRESENT:

RANDY GERKE Director	DEAN GRESS IT Senior Developer
VANESSA HOHLEN Internal Auditor	ANNA HAYDEN-ROY Marketing & Communications Specialist I
JACK HARDY Information Technology (IT) Manager	JAYDEEP DESHPANDE OSERS Transfer Project Manager
MELISSA NUSS Benefits Processing Manager	KATE ALLEN Legislative Retirement Committee
TYLER CUMMINGS Retirement Plan Manager	BRENT BANISTER Cavanaugh Macdonald
JOHNETTA LANG Data Services Manager	ERIC ASBOE Supreme Court
HEATHER CRITCHFIELD-SMITH Education Services Manager	RYAN WALTON State Budget Office
BRENDA DINGES Member Services Manager	JOSH RUHNKE Ameritas

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 July 18, 2022, Board Meeting to order at 9:31 a.m. Present at meeting: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, P. Lancaster, A. Simpson, J. Schulz, M. Walden-Newman, and T. Zimmerman.

Agenda Item 4 – Approval of Minutes: G. Clausen moved for approval of the minutes of the June 27, 2022, Board Meeting. Motion was seconded by M. Jahnke. Members voted as follows: For: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, P. Lancaster J. Schulz, A. Simpson and T. Zimmerman. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & June Retirement Report: J. Schulz asked for a more detailed explanation for the Budget Status Report for the next meeting.

P. Lancaster moved to approve the Budget Status Report and the June 2022 Retirement Report. Motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, P. Lancaster, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: There were none.

Agenda Item 7 – Omaha School Employees' Retirement System (OSERS) Transfer

Project: J. Deshpande provided an update on the OSERS Transfer Project. He stated OSERS will no longer allow post retirement payment plans for a purchase of service for any new retirees. He also discussed whether or not NPERS will implement a 95% preliminary calculation and when the monthly benefit payments will be made.

He stated the request for proposal (RFP) has been sent to the Office of the Chief Information Officer's (OCIO) team for review. The State Purchasing Bureau (SPB) requested an update to the RFP along with additional documents.

There was discussion about the processing timeline for the OSERS monthly benefit payments. R. Gerke stated some NPERS staff want payments to be made at the end of the month to coincide with the other defined benefit plans administered by NPERS. Other NPERS staff believe the payments should continue on the schedule currently used by OSERS. OSERS pays monthly benefits on the third day of each month. He stated there are some statutory requirements to make certain payments on the third day of the month.

J. Deshpande stated NPERS is waiting on review comments from the SPB and OCIO for the RFP. He also mentioned the OCIO is involved in the setup of the infrastructure for the vendor consultants.

R. Gerke stated he reached out to SPB to push them to move forward with their review.

R. Gerke met with the Department of Administrative Services about the space needs for the agency. The Lancaster Hearing Room will be used to add more space and cubicles to the agency. He stated construction on the new space will begin in a few months with completion planned for the end of the year.

He stated T. Cummings has been working at OSERS and has been learning their processes and procedures. R. Gerke mentioned T. Cummings will spend three days in OSERS this week and will continue to work at OSERS for the foreseeable future. The job posting for the Retirement Specialist II position for the OSERS plan is nearly complete and should be posted soon.

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

Agenda Item 8 – Director’s Report: R. Gerke gave the Director’s Report.

- He stated work on the next biennium budget has begun and some prices related to the OSERS transfer have changed due to inflation.
- The dividend is set to be credited to State and County Cash Balance accounts by July 29, 2022.
- The interest rate for the School, Judges, and State Patrol plans is 2.79% for the current fiscal year. The cost-of-living adjustments have been calculated and awarded as well and will add over \$1,570,227 to the monthly benefits paid to members.
- The annual statements for the School, Judges, and State Patrol plans will be sent in July.
- NPERs has conducted several employer reporting seminars this month.
- The State and County audit is still underway.
- The School, Judges, and State Patrol valuation hearing for the Legislative Retirement Committee was announced and is scheduled for November 22, 2022, at 9 a.m. The State auditors will also present the OSERS audit.
- The following positions are open: IT Developer, Retirement Specialist II in Member Services, two Auditors, and an Accountant I.

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

Agenda Item 9 – Actuarial Standard of Practice Number 4 (ASOP 4): B. Banister, Cavanaugh Macdonald, gave the ASOP 4 presentation. He provided a background on ASOPs and how they are used in the actuarial field. ASOP 4, which encompasses measuring pension obligations, was last revised in December 2013. The effective date for ASOP 4 will be February 15, 2023, and will be reflected in the July 1, 2023, School, State Patrol, and Judges valuation report.

He provided some changes impacting public plans such as disclosing of low-default risk obligation measure, disclosing of reasonable actuarially determined contribution, and assessing implications of contribution allocation procedure or funding policy

He discussed the low default risk obligation measure (LDROM). He stated there are several different actuarial cost methods that can be used but most retirement systems that use the Entry Age Normal will likely use the same cost method for the LDROM. He mentioned the discount rate reflects low default risk fixed income securities.

He stated LDROM is the ongoing funding liability if the plan invested in low default risk securities rather than a diversified portfolio. The difference in LDROM and Actuarial Accrued Liability measures the reduction in liability from investing in a diversified portfolio. There is concern this creates an opportunity for critics of defined benefit plans to say LDROM shows the “true cost” of the pension promise by no longer reflecting the future investment risk.

He provided a table showing the 2021 valuation date using the actuarial accrued liability versus the LDROM.

He discussed the actuarially determined contribution (ADC) and the requirements under ASOP 4. He provided the criteria for what is considered a reasonable ADC.

The PERB took a break from 10:52 a.m. to 11:05 a.m.

B. Banister discussed the amortization of unfunded actuarial accrued liability and NPERS' funding policy. He mentioned NPERS' funding policy does meet the new requirements in ASOP 4. He discussed considerations in selecting a contribution allocation procedure.

M. Walden-Newman suggested Cavanaugh Macdonald present to the PERB on the OSERS plan.

K. Allen stated Legislative Bill (LB) 147 in 2021 provided for a Legal Compliance Audit and Auditor of Public Accounts Audit for OSERS that had to be provided to NPERS.

G. Clausen stated he supported M. Walden-Newman's suggestion to have the OSERS actuaries present to the PERB.

R. Gerke stated he would reach out to P. Beckham to see if Cavanaugh Macdonald would present the OSERS Valuation Report to the PERB.

P. Lancaster moved to approve the ASOP 4 Presentation. Motion was seconded by M. Jahnke. Members voted as follows: For: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, P. Lancaster, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 10 – Internal Audit Deep Dive: V. Hohlen gave the Internal Audit Deep Dive presentation.

She stated J. Newcomb resigned effective July 5, 2022, which now leaves two Auditor positions open. There have been three applicants that have met the qualifications for the position.

She stated there are 373 total plan employers for the School and County plans. There has been an average of 57 audits completed per year over the past eleven years which equates to 5.53 years between each audit.

For the School plan, there are 266 School plan employers. The average number of audits per year over the past eleven years is 31. The average amount of days is 155 to complete the audit and there is an average of 143 days to complete the follow-up audit.

For the County plan, there are 91 County plan employers. There has been an average of 22 audits completed per year and the audits are on a 4-year rotation cycle. The average number of days to complete the County audits is 79 days and an average of 20 days to complete the follow-up audit.

She discussed the components of every audit that her team tests for the employers.

She discussed testing for LB 147 which deals with substitute and/or voluntary service within 180 days of a School member's termination.

There were 6 School audit reports issued for the past quarter. Some issues found in these audits include enrollment of employees, remittance of wage and contributions, internal controls, and compliance with LB 147.

She discussed a variety of projects her team is currently working.

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

Agenda Item 11 – Website Redesign Preview: H. Critchfield-Smith and A. Hayden-Roy provided a preview of the NPERS website redesign.

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

Agenda Items 12 and 13 – Executive Session: At 12:48 p.m., M. Jahnke moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members: Case Review No. D-22-10; 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. Motion was seconded by P. Lancaster. J. Elliott repeated the motion for the record. Members voted as follows: For: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, P. Lancaster, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

At 2:27 p.m., M. Jahnke 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, G. Clausen, M. Jahnke, P. Lancaster, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-22-10. Motion was seconded by T. Zimmerman. Members voted as follows: For: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, P. Lancaster, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

K. Ackerman moved to increase the Director's hourly pay rate to \$89.190 effective July 4, 2022. Motion was seconded J. Schulz. Members voted as follows: For: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, P. Lancaster, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 14 – Board Policies Review: R. Gerke gave the Board Policies Review. There are two changes to the policies. The first change adds an “s” to the word “System” in the first sentence in policy 8, section 1. The second change updates the revision and review dates for each section.

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

Agenda Item 15 – Board Committee Reports: There were none.

Agenda Item 16 – Board Education/Travel Requests: There were none.

Agenda Item 17 – Future Meetings/Agendas: The next PERB meeting is on August 15, 2022.

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

The meeting adjourned at 2:41 p.m.



Randy Gerke
Director