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PUBLIC EMPLOYEES' RETIREMENT BOARD MEETING

April 5, 2023

9:30 A.M.

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:30 a.m., Wednesday, April 5, 2023, at Ameritas Life Insurance Corp 5900 "O" Street, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Thursday, March 30, 2023. Public notice of this meeting was published in the Lincoln Journal-Star and Omaha World-Herald on Wednesday, March 22, 2023. K. Ackerman chaired the meeting and B. Dinges recorded the minutes.

MEMBERS PRESENT:

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

NONMEMBERS PRESENT:

RANDY GERKE Director	DEAN GRESS IT Senior Developer
ORRON HILL Legal Counsel	BRANDON RADKE IT Applications Developer
TERESA ZULAUF Controller	JAYDEEP DESHPANDE OSERS Transfer Project Manager
JACK HARDY Information Technology (IT) Manager	VANESSA HOHLEN Internal Auditor
MELISSA NUSS Retirement Plan Manager	JOSH RUHNKE Ameritas
TYLER CUMMINGS Retirement Plan Manager	BROOKE FINE Ameritas
BRENDA DINGES Retirement Plan Manager	EDDIE KRAMER Ameritas
	BILL LESTER President/CEO Ameritas

Agenda Item 1: K. Ackerman 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: K. Ackerman called the April 5, 2023, Board Meeting to order at 9:30 a.m. Present at meeting: K. Ackerman, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, M. Walden-Newman, J. Elliott, and T. Zimmerman.

Agenda Item 4 – Approval of Minutes: M. Jahnke moved for approval of the minutes of the February 27, 2023 Board Meeting. Motion was seconded by T. Zimmerman. Members voted as follows: For: K. Ackerman, G. Clausen, A. Simpson, J. Schulz, M. Jahnke, and T. Zimmerman. Against: None. Abstain: J. Elliott. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & February Retirement Report: J. Elliott moved for approval of the Budget Status Report and the February 2023 Retirement Report. Motion was seconded by M. Jahnke. Members voted as follows: For: K. Ackerman, G. Clausen, M. Jahnke, J. Schulz, A. Simpson, J. Elliott, and T. Zimmerman. Against: None. Motion carried.

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

Agenda Item 7 – Ameritas Annual Report: J. Ruhnke from Ameritas gave the Ameritas Annual Report.

J. Ruhnke introduced B. Lester President and CEO at Ameritas who thanked the PERB and NPERS for their business and is looking forward to a continuing business relationship in the future.

J. Ruhnke explained that he combined the State and County Defined Contribution and Cash Balance plans and the Deferred Compensation plan (DCP) to show the progression of the plans in the 2022 calendar year. There was a slight decrease in account balances due to market volatility and an increase in the refunds.

He mentioned average account balances and total members have increased over the last 5 years which has generated additional plan contributions.

There was approximately \$221,826,491 paid out of the plan to 2,559 members with most of those distributions being retirees.

There was a slight decrease in account balances for the County plans with average account balances remaining basically the same as the previous year. Refunds were up approximately \$4 million with a slight increase in member contributions. The Defined Contribution plan for the County also had a decrease due to the market.

The DCP had a decrease of 10% at the end of 2022 which would have been more had Empower accounts not transferred over. There has been a steady increase in DCP plan participation due to educating members of the advantages of the plan. There were 150 people who didn't have a balance in the current DCP plan and had funds transferred from the Empower plan. Refunds were up slightly from the previous year.

State and County Defined Contribution plans have been running parallel in gains and losses for the last few years.

Ameritas will continue their monthly meetings with NPERS, provide information to actuaries for annual reports and the State and County audits, and continue the rollout of Ameritas Account Armor Guarantee. The Armor Guarantee provides members who create accounts on the Ameritas website a guarantee their accounts will be made whole if there is fraudulent activity on their account.

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

Agenda Item 8 – Internal Auditor’s Report: V. Hohlen gave the Internal Auditor’s report

She stated internal narrow scope audits are being conducted to take smaller issues and solving them prior to the larger audits. There were eleven schools with audit issues, five audits initiated, eleven completed past audits verifying school corrections, and two Auditor of Public Account (APA) follow up audits completed.

She mentioned her team started testing of current termination of employment and the 8-day rule for subbing and/or volunteer service. She stated there have been no violations so far there have been no violations.

She stated all County audits had findings.

S. Dunsmore completed her 6-month probation period and started auditing County plans. C. Snyder had her 1-year anniversary in March 2023.

The Auditors on her staff are now members of the Institute of Internal Auditors (IIA) and are following their standards. They have initiated internal reviews and audits and have started the process to go paperless by updating electronic workpapers.

She mentioned her team has started the 3-year plan to review internal agency roles and responsibilities to determine what each of them do and what their roles at NPERS are as well as if their processes are audited after completion.

Her team has started going over internal policies which are out of date and a committee has been created to review and update agency policies. In December 2022, V. Hohlen reviewed 4,187 deposits into 2,045 accounts for accuracy to test for internal fraud. There were zero findings.

Eight past School follow ups have been completed. She mentioned both School and County audits had findings and the auditors are in the process of testing current termination of employment. The audit feedback surveys were sent out and 4 of the 15 were returned with appreciation of the information provided.

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

The PERB took a break from 10:48 a.m. to 11:03 a.m.

Agenda Item 9 – Investment Officer’s Report: M. Walden-Newman gave the Investment Officer’s report

He stated as of December 31, 2022, all plans were down approximately 12%. The returns for the first six months of the Fiscal Year (FY) for the Defined Benefit plans were a positive 1.6%.

He went on to explain how the NPERS returns compared to peers, and NPERS returns were equal to their performance due to investing 57% in equity funds and 30% in bond funds.

The managers the Nebraska Investment Council hired added over 3% back to the return to increase the value of the funds.

The DCP Plan was down 18% and at retirement age the Lifepath Retirement fund is still invested 60/40 in stocks and bonds, respectively. Again, he stated both stocks and bonds were down.

Legislative Bill (LB) 743 an Environmental, Social and Governance (ESG) bill was introduced and would penalize investment decisions based on climate change and should be mandatory. If passed, the Investment Council could not use a manager who in any way implements ESG principles in any of their investment products and would eliminate most investment companies.

M. Walden-Newman presented a plaque to R. Gerke from the Nebraska Investment Council expressing their gratitude for his service and commitment from 2017-2023.

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

Agenda Item 10 – Legal/Legislative Update: O. Hill gave the Legal/Legislative Update.

He stated due to the ongoing filibuster there hasn’t been much movement in most of the proposed bills. LB103 is a technical compliance bill and was the 4th item on the agenda for that day. AM969 was introduced April 4, 2023 which includes revised recommendations to harmonize some of the language.

He mentioned the Secure Act 2.0 would eliminate the first of the month rule for the DCP, however, the plan document would need to be updated. NPERS is currently working on solutions internally regarding this matter.

A new Internal Revenue System regulation states that any catch-up provision in the plan starting January 1, 2024, for plan members with compensation greater than \$145,000, must be subject to Roth treatment. He mentioned there are two solutions: offer a Roth contribution option beginning as early as 2024 or remove the over age 50 catch up provision. He stated NPERS would need to hire a record keeper, submit a request for proposal (RFP), update the NPERS infrastructure, and update statute to allow for Roth contributions. It was suggested it might be possible to amend the Ameritas contract through the Department of Administrative Services.

He stated NPERS needs to determine how many people are using the over age 50 catch up provision. If NPERS cannot get everything set up by January 1, 2024, then NPERS should remove the over age 50 catch up provision until the statutes could be updated and the infrastructure is in place.

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

Agenda Item 11 – OSERS Transfer Project: J. Deshpande provided an update on the OSERS Transfer Project.

He mentioned the onsite workshop with Linea was successful. He stated the initial requirements gathering is underway. There are 65 total Solution Requirements in the RFP and 3 have been documented. There are 134 Implementation Service Requirements in the RFP with 0 documented.

A four-part sprint plan has been set up with Sprint 1 starting in April 2023 and covers general NPRIS application requirements and member related functionality. Sprint 2 will start in May 2023 and will focus on employer related functionality and benefit calculations. Sprint 3 will start in June 2023 and will tackle service credit purchase, accounting, and payment maintenance. Sprint 4 will cover service retirement, disability retirement, death benefits, qualified domestic relations orders, web portals, and actuarial extracts.

He stated all network, database, and virtual machine access tasks for Linea have been completed. There were 52 Office of the Chief Information Officer tickets raised and closed. He mentioned the code base access for Linea was completed mid-February 2023 and access to the database for Linea was completed by the end of March 2023 as scheduled.

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

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

- He mentioned he has not received an update on the proposed NPERS budget, however, the Appropriations Committee is meeting daily.
- School seminars are in process with a total of 864 seats offered for in person seminars and 746 of those seats have been filled.
- The State and County APA Audit has not started yet.
- OSERS is currently being audited by the APA.
- The annual IT APA audit is underway.
- NPERS has a 3-year contract with PBI Death Audit Services. He mentioned that PBI’s costs have increased significantly, and a new RFP will need to be submitted.
- IT is still tweaking the W-4P process in the NPERS system.
- The NPERS Security team meets quarterly to advance the agency’s IT security.
- R. Gerke and V. Hohlen will speak at Nebraska Association of School Business Officers meeting on April 20, 2023.
- A Policy Review Committee has been set up to review and update agency policies.
- NPERS has not filled any of the open positions. There were two individuals offered positions and later declined. The positions still available are an Office Specialist I, two OSERS Retirement Specialist I’s, a Retirement Specialist I in Member Services, an Auditor I, SOS Receptionist, an IT Developer, and Trainer with Education Services.
- There will be a Legislative Retirement Committee hearing on April 12, 2023 at 1:30 p.m., in which R. Gerke and M. Walden-Newman will give the annual reports for their agencies.

- He discussed the NPERS 2022 Annual Report and stated there were over 150,000 members in the NPERS plans. He stated assets were down to \$18.7 billion, 32,000 annuities were paid in 2022, and dividends totaling \$146 million dollars were paid to applicable State and County Cash Balance members. He mentioned NPERS received 43,000 calls and 2,300 walk-ins in 2022.
- The Benefits Department processed 90.56% of the School annuities within three months.
- H. Critchfield-Smith has added more videos to the website. He stated removing the age requirement for the seminars has been beneficial for members and the Education Services team. He also mentioned NPERS completed a redesign of its website.
- He stated NPERS operating budget for FY 2023-24 is \$7.135 million which includes OSERS transfer project expenses.

J. Elliott moved for approval of Director's Report. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, G. Clausen, M. Jahnke, J. Schulz, J. Elliott, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 13 – Board Committee Reports: A. Simpson provided an update on the search for the Director's position that was posted on January 26, 2023 and closed on February 28, 2023. The Committee was satisfied with the applicants that applied. He stated finalists will be selected and the PERB will hold public interviews at the April 17, 2023 PERB meeting.

T. Zimmerman discussed the July 2023 Board Retreat and suggested that it be postponed to the fall so the new Director can get settled. R. Gerke mentioned that he did line up some speakers for the retreat. O. Hill mentioned the PERB policy indicates that the retreat will be in July, however, the PERB could review the policies at the July meeting rather than doing the full retreat

Agenda Item 14 – Board Education/Travel Requests: J. Elliott requested \$4,500 to attend the NCTR Trustee Workshop July 15-20, 2023, in Williamsburg, Pennsylvania.

G. Clausen moved for approval of J. Elliott's travel request of \$4,500. Motion was seconded by T. Zimmerman. Members voted as follows: K. Ackerman, J. Schulz, G. Clausen, T. Zimmerman, A. Simpson, and M. Jahnke. Against: None. Abstain: J. Elliott. Motion carried.

Agenda Items 15 Future Meetings/Agendas: The next PERB meeting is on April 17, 2023.

Agenda Item 16 and 17 – Executive Session: At 12:36 p.m. M. Jahnke moved that the Board exit Regular Session and convene in the Executive Session for the purpose of discussing applications of plan members: Case Review No. D-23-2; Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-23-3; Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-23-4; 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. Update of Pending Legal Matters; Protection of Public Interest. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, G. Clausen, J. Elliott, M. Jahnke, 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 T. Zimmerman. Members voted as follows: For: K. Ackerman, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, T. Zimmerman, and J. Elliott. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-23-2 with a follow up review in 12 months. Motion was seconded by T. Zimmerman. Members voted as follows: For: K. Ackerman, G. Clausen, J. Elliott, M. Jahnke, J. Schulz, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

M. Jahnke moved for approval of Case Review No. D-23-3 and D-23-4. Motion was seconded by T. Zimmerman. Members voted as follows: For: K. Ackerman, G. Clausen, M. Jahnke, J. Schulz, J. Elliott, A. Simpson, and T. Zimmerman. Against: None. Motion carried.

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

The meeting adjourned at 2:31 p.m.



Randy Gerke
Director