

The Board of Trustees of the Omaha School Employees' Retirement System held a Sustainability Study Workshop on Wednesday, February 27, 2019, at 4:00 p.m. at Teachers' Administrative Center, 3215 Cuming Street, Omaha, Nebraska.

Pursuant to Section 84-1411 of the Nebraska Statutes, notice of this meeting was given January 24, 2019.

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President Erikson announced, pursuant to Section 84-1411 of the Nebraska Statutes, the scheduled meeting of the Board of Trustees sustainability study workshop is scheduled for Wednesday, March 27, 2019 at 4:00 p.m., at the Teachers Administrative Center, 3215 Cuming Street, Omaha, Nebraska. The agenda will be kept current and available for public inspection in the Retirement Office at the Teacher Administrative Center during regular working hours. He further announced that pursuant to Section 84-1412 of the Nebraska Statutes, the public is hereby informed that a current copy of the Nebraska Open Meetings Act is posted in the Board of Education meeting room on the north wall.

The meeting was called to order at 4:00 p.m. Present at roll call: Erikson – Havlovic - Herchenback - Purdy - Rea – Ripa - 6 present. Absent at roll call: Logan - 1

Staff Present: Cecelia M. Carter, Executive Director

Others Present: Patrice Beckham, Cavanaugh Macdonald

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Mr. Erikson opened the meeting welcoming those in attendance then turned the meeting over to Ms. Carter.

Ms. Carter explained at this meeting the intent was to review the outcomes of developing an optional form of payout to retiring members and the fiscal impact of these options to the retirement system.

Ms. Beckham reviewed with the Board the concept of offering a “Deferred Retirement Option Plan” (DROP) and/or a “Partial Lump Sum Option” (PLSO).

(1) Deferred Retirement Option Plan (DROP) provision

- a. DROP Eligible Member: a member who has reached Normal Retirement Age (may retire and receive unreduced benefits)
- b. DROP Participation Period: 2, 3, or 4 years.
- c. Plan Eligibility Month: first full calendar month in which the participant is a DROP eligible member
- d. Participant Retirement Amount: monthly retirement amount the member would have received if he/she had retired on the date participation in the DROP commenced, based on earnings and years of service at that time.
- e. Applicable Percentage: percentage, not to exceed 100%, equal to 52% plus 2% for each month during the period between the DROP eligibility month and the month DROP participation commences.
- f. DROP Benefit: amount credited to the Participant's DROP account each month. This is the member's Applicable Percentage multiplied by the members' Participant Retirement Amount. No cost of living increases shall be granted while the member is in DROP.
- g. Premature termination of DROP (other than death or disability) results in 25% penalty on amount of DROP account.
- h. Upon termination of participation in DROP, a member shall begin receiving monthly retirement benefit equal to the member's Participant Retirement Amount. In addition, the member shall receive the monies credited to the member's DROP Account in a lump sum.

(2) Partial Lump Sum Option (PLSO) offered as an optional form of payment for certain retirees.

- a. Only available to members who work beyond their first unreduced retirement age (Normal Retirement Age or NRA)
- b. Members who work at least 12 months but less than 24 months beyond NRA may elect a lump sum of up to 12 times the benefit payable the first month of retirement.
- c. Members who work at least 24 months but less than 36 months beyond NRA may elect a lump sum of up to 24 times the benefit payable the first month of retirement.
- d. Members who work at least 36 months beyond NRA may elect a lump sum of up to 36 times the benefit payable the first month of retirement.
- e. The monthly retirement benefit payable to the member shall be reduced actuarially to reflect the PLSO payment. As with other actuarially equivalent optional forms of payment, the System is not expected to incur a cost if the member elects this optional form of payment.

The results of the cost study on the DROP, based on the January 1, 2018 Valuation report:

	January 1, 2018 Valuation	With DROP	Change
Present Value of Benefits	\$2,533.4M	\$2,525.4M	(\$8.0M)
Actuarial Accrued Liability	\$2,136.4M	\$2,124.6M	(\$11.7M)
Normal Cost Rate	13.00%	12.86%	(0.14%)
UAAL Contribution Rate	<u>14.05%</u>	<u>13.83%</u>	<u>(0.22%)</u>
Total Actuarial Contribution Rate	27.05%	26.69%	(0.36%)

Note: Numbers may not add due to rounding

The results of the cost study on the PLSO, based on the January 1, 2018 Valuation report:

	January 1, 2018 Valuation	With PLSO	Change
Present Value of Benefits	\$2,533.4M	\$2,519.2M	(\$14.2M)
Actuarial Accrued Liability	\$2,136.4M	\$2,116.4M	(\$20.0M)
Normal Cost Rate	13.00%	12.76%	(0.24%)
UAAL Contribution Rate	<u>14.05%</u>	<u>13.68%</u>	<u>(0.37%)</u>
Total Actuarial Contribution Rate	27.05%	26.44%	(0.61%)

Note: Numbers may not add due to rounding

Mr. Havlovic left the meeting at 5:00p.m.

Dr. Logan joined the meeting during the presentation.

Following Ms. Beckham's review of the cost study associated with offering these two retirement payment options, the Board began brainstorming with the audience on other ideas that may result in viable cost saving measures for the plan. A plethora of ideas were brought forth and documented for evaluation and study at future workshops.

There being no further business to come before the Board, the meeting adjourned at 5:45 p.m.

/s/

Cecelia M. Carter, Executive Director