

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Thursday, January 7, at 4:00 p.m. at 3215 Cuming Street, Omaha, Nebraska.

Pursuant to Section 84-1411 of the Nebraska Statutes, notice of this meeting was given on December 3, 2020.

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Mr. Bourne announced, pursuant to Section 84-1411 of the Nebraska Statutes, the next regular meeting of the Board of Trustees is scheduled for Thursday, February 4, 2021 at 4:00 p.m., at the Teachers Administrative Center, 3215 Cuming Street, 2nd floor, 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.

Mr. Bourne called the meeting to order at 4:01 p.m.

Present at roll call: Bourne – Havlovic – Herchenbach - Johnson – Logan – Rea – 6 present.
Absent: Placzek - 1.

Staff Present: Cecelia M. Carter, Executive Director; James Ellis, Retirement Specialist; Donald Deseck, Retirement Technician

Others Present: Robert J. Bothe, Esq. McGrath North; Michael Walden-Newman, NE State Investment Officer; and Max Kotary, AON Consulting

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Mr. Bourne next requested move approval of the minutes to the December 3, 2020 OSERS Board of Trustees meeting. Mr. Havlovic made a motion to approve the minutes to the December 3, 2020 OSERS Board of Trustees meeting. Mr. Herchenbach seconded the motion. Mr. Bourne asked for discussion. Ms. Carter indicated the minutes needed to be amended to reflect that Peter Langdon, Esq. was present at the December board meeting rather than Mr. Bothe as is presented. The motion as amended passed with the following roll call: Aye: Bourne – Havlovic – Herchenbach - Johnson – Logan – Rea – 6. Nay: - 0. Abstained: – 0.

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Ms. Carter presented the OSERS financial statements for the periods ending September and October 2020. For the month ending September 30, 2020 the trust fund had a valuation of

\$1.350 billion with cash on hand of \$12.477 million. For the month ending October 31, 2020 the trust fund had a valuation of \$1.323 billion with cash on hand of \$12.936 million.

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Mr. Bourne introduced Michael Walden-Newman, Nebraska State Investment Officer, and Max Kotary, Principal, AON Consulting to discuss the 3Q 2020 investment portfolio performance and AON's capital market assumptions.

Mr. Placzek joined the meeting at 4:07 p.m.

Mr. Walden-Newman opened the presentation with a summation of the transition of investment management that took place in 2017. OSERS portfolio is now four years with the Nebraska Investment Council (NIC). Next, Mr. Kotary introduced himself and explained he would give highlights of 3Q 2020 performance and spend more of his time on the capital market assumptions.

For the period ending September 30, 2020 the OSERS portfolio ended the quarter with a valuation of \$1,299,275,752. This represented a quarterly gain of 4.2% and a rolling 1-year gain of 4.2% and a rolling 3-year gain of 4.9%. The 1-year return under performed the policy index return of 7.8% by some 300 basis points, while the 3-year return under performed the policy index return of 7.3% by some 200 basis points.

Mr. Kotary also reviewed the transition of OSERS asset allocation from January 1, 2017 to the NIC adopted asset allocation. The illiquid assets transitioned in January 2017 now represent 22% of the overall OSERS portfolio. The full performance report can be found online at <https://osers.org/AboutOSERS/Investments.aspx>

Mr. Kotary also gave an overview of U.S. equity growth stocks versus value stocks and its impact on performance returns in 2020. However, Mr. Kotary ended the performance presentation with a high level overview of 4th Q 2020 returns with the following information: U.S. stocks were up 15%, non-U.S. stocks were up about 17.5%, and bonds made small gains as well and expect a reasonable positive gain for calendar year 2020 based on 4th quarter gains.

Mr. Kotary also updated the Board of Trustees on the transition of SPC Capital general partner to Hamilton Lane. The decision to replace the general partner was decided by the Nebraska Investment Council.

Mr. Kotary next began the presentation of the AON Consulting capital market assumptions. He explained the NIC looks forward each year at the capital market assumptions to determine any needed adjustment to the NIC portfolio's long term asset allocation.

The presentation included the 10-year geometric nominal assumption and the 30-year geometric nominal assumption with the standard deviation for each timeframe. Over the next 10 years, equities are expected to return roughly 6% with a standard deviation of approximately 12% and high-quality fixed income is expected to barely return 1%. Given inflation, one is losing money on high quality fixed income. However, the need for liquidity requires a portion of the portfolio to be in high quality fixed income. The 30-year expectations are slightly better.

Mr. Rea inquired how fast the NIC and AON can respond to recommended adjustments to the asset allocation. Mr. Kotary indicated it is the decision to adjust that generally takes longer given the in-depth analysis that goes into making the decision to make an adjustment. Mr. Walden-Newman further explained how the NIC reviews each asset class on a rolling five year schedule to ensure each year an asset class is thoroughly reviewed and changes in investment management implemented as needed.

Mr. Rea also inquired whether the NIC participates in class action lawsuits. Mr. Walden-Newman explained that yes the NIC does participate in class action lawsuits through the custodian (State Street Bank & Trust). In addition, any participation in class action lawsuits as a lead plaintiff is authorized through the Nebraska Attorney General's office.

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Mr. Bourne reminded the Board that at the last meeting the Board reviewed the proposed disability policy for OSERS. Ms. Carter updated the Board on the suggestions that were proposed after the December board meeting. Mr. Rea made a motion that the Board of Trustees adopt the Disability Policy as presented. Mr. Placzek seconded the motion. The motion passed with the following roll call: Aye: Bourne – Havlovic – Herchenbach – Johnson – Logan – Placzek – Rea – 7. Nay: - 0.

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Mr. Bourne asked Ms. Carter to review the renewal of the Election Service Company contract for the 2021 trustee election. Ms. Carter explained this is the same company used since trustee elections were enacted into the statutes in 2017. The proposed contract will only go into effect if there are two or more nominations for the 2021 trustee seat. The 2021 trustee seat up for election is the seat held by Mr. Delayne Havlovic (active certificated trustee). Ms. Johnson made a motion to authorize the Executive Director to engage the services of the Election Service Company only if there are two or more nominations for the 2021 trustee seat. Mr. Rea seconded the motion. The motion passed with the following roll call: Aye: Bourne – Havlovic – Herchenbach – Johnson – Logan – Placzek – Rea – 7. Nay: - 0.

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Mr. Peetz of Peetz & Company presented to the Board of Trustees a preview of the upcoming 2021 legislative session for the Nebraska Unicameral which began on Wednesday, January 6, 2021 and is scheduled to run through 90 working days, or June 9, 2021. Legislators have until January 20, 2021 to submit bills for this session. The Legislative Retirement Committee will be chaired by Senator Kolterman with Senator Lindstrom as vice-chair. Senators Clements, McDonnel, Slama, and Stinner make up the retirement committee. Mr. Peetz reviewed several bills that have an impact on OSERS, that being: LB 144, LB 145, LB 146, and LB 147. He referenced there may be another bill forthcoming that would impact OSERS. There was discussion regarding LB 145 and the desire for OSERS to have both a compliance audit and an audit conducted by the State Auditor which would result in two additional audits at a cost to the members of the plan. Mr. Peetz indicated that as of January 7th, Senator Kolterman did not have a copy of the fifth bill to be introduced but did know it's intent was to reconstitute the OSERS Board of Trustees back to pre-LB447(2016) where the OPS Board of Education oversaw the operations of OSERS.

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Ms. Carter gave the Executive Director's report which included the following information. The office continues to work on a split shift throughout the month of January due to COVID-19. Ms. Carter informed the Board of an OPS employee discovered in the OSERS office suite. The matter has been raised to the Director of Operations and additional entry locks are being installed. Finally, the staff have calculated over 100 retirement estimates since September 1, 2020 and approximately 25 requests since January 1, 2021.

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For the trustee report, Mr. Rea recognized the passing of Mr. Art Johnson. Mr. Johnson served as a business trustee on the OSERS Board of Trustees from 1970 until 2007 and during that time served as the Board's Vice-President from 1974-1978, then as President from 1978-2007.

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Ms. Placzek made a motion the OSERS' Board of Trustees go into closed session for the protection of public interest and for the prevention of needless injury to the reputation of individuals to discuss with legal counsel, and Cecelia Carter, litigation, and financial matters of retirees in the System. Mr. Herchenbach seconded the motion and the motion was adopted by the following roll call: Aye: Bourne – Havlovic – Herchenbach - Johnson – Logan – Placzek - Rea - 7. Nay: – 0.

Mr. Bourne reminded the public of the purpose of closed session.

The Board entered into closed session at 5:23 p.m.

The Board reconvened in open session at 5:33 p.m. Present at roll call were: Bourne – Havlovic – Herchenbach - Johnson – Logan - Placzek - Rea - 7.

Ms. Placzek made a motion the Board ratify January pension payroll in the amount of \$11,314,892.63 to 5,086 payees; approve January staff payroll in the amount of \$31,836.55; approve 22 new retirements effective January 1, 2021 – first pension payment February 3, 2021; ratify the suspension of 20 retirements due to the death of the retiree for the month of January; approve the processing of 40 refunds to former OSERS members in the aggregate of \$598,655.03 in the month of January; approve accounts payables for January in the aggregate of \$22,301.00. Mr. Havlovic seconded the motion. The motion passed with the following roll call: Aye: Bourne – Havlovic – Herchenbach - Johnson – Logan – Placzek - Rea – 7. Nay: - 0.

Approve January New Retirement Annuitants (first check February 3, 2021) [22 count]

EMPLOYEE	NAME		EMP		RET	YRS	AVERAGE		CHOSEN BENEFIT	
NUMBER	First	Last	TYPE	AGE	MONTH	SERVICE	SALARY	OPT	OMAHA	STATE
	Vicki	Acamo	Nutri		1	27.9				
	Kimberley	Beebee	T		1	25.5				
	Susan	Brandt	OP		1	21.5				
	Christian	Bryan	T		1	13.8				
	John	Callender	Trans		1	7				
	Katherine	Fuller	T		1	20.1				
	Brenda	Holman	OP		1	26				
	<i>Magaret</i>	<i>Jones</i>	<i>Para</i>		<i>1</i>	<i>8.3</i>				
	Andrew	Malcolm	Trans		1	11.4				
	Bonnie	Mercer	T		1	20.5				
	Suanne	Moderow	Para		1	11.4				
	Sharon	Myers	T		1	21.5				
	Ronald	Patterson	Para		1	8.1				
	Laura	Pietsch	Other		1	10				
	Susanna	Povondra	Other		1	29.5				
	Ronald	Rawlings	Trans		1	16.9				
	<i>Kris</i>	<i>Schiermeyer</i>	<i>T</i>		<i>1</i>	<i>5</i>				

	Julie	Stange	T		1	15				
	Mary	Stinebaugh	Para		1	24.5				
	Sharon	Thompson	Para		1	15.2				
EMPLOYEE	NAME		EMP		RET	YRS	AVERAGE		CHOSEN	BENEFIT
NUMBER	First	Last	TYPE	AGE	MONTH	SERVICE	SALARY	OPT	OMAHA	STATE
	Janniver	Vala	T		1	7				
	Allyson	White	Para		1	15.3				
Count			22							
Average				65		16.4	\$41,830.84		\$1,098.13	\$49.33
Median				65		15.3	\$36,447.14		\$921.37	\$42.53
Addition to Pension Payroll -January 2021										\$25,194.78

Approve Terminations of Annuitants' Payments Due to Death – January 2021
[20 count]

EMPLOYEE			RET	DATE OF	OSERS	Survivor	Survivor's	Overpayment
NUMBER	NAME	AGE	YEAR	DEATH	BENEFIT	Beneficiary	Benefit \$	Benefit \$
	Carolyn Steed		2014	Nov-20				
	Sharon Rademacher		2006	Nov-20				
	Mary Ogden		1987	Nov-20				
	Jeanette Thornam		1985	Nov-20				
	Bernadine Stoltenberg		1987	Nov-20				
	John Garlock		2009	Nov-20				
	Violet Soule		2005	Nov-20				
	Faye Eichler		1990	Nov-20				
	Lucille Shirley		1995	Nov-20				
	Donna Hansen		1991	Nov-20				
	Margaret Allen		1998	Nov-20				
	Beverly Kouma		1994	Nov-20				
	William Dineen		2000	Nov-20				

	Francoise Babin		2004	Nov-20				
	Kenneth Spahr		2001	Nov-20				
	Orda Bradley		1989	Nov-20				
EMPLOYEE			RET	DATE OF	OSERS	Survivor	Survivor's	Overpayment
NUMBER	NAME	AGE	YEAR	DEATH	BENEFIT	Beneficiary	Benefit \$	Benefit \$
	Katie Dailey		1991	Nov-20				
Terminated from Retiree Payroll – January 2021					\$18,772.74			
Continued Benefit Under Joint Survivor - January 2021								
	Daniel Kinsella Sr		2017	Nov-20		Estate of		
	Joan Pearson		2018	Nov-20		James Pearson		
	Deanna Adams		2017	Oct-20		Mark Adams		
Elected Lump Sum Distribution - January 2021							\$205,717.19	
Average Age at Death		85						
Average Years Retired		20.1						

Entries in Bold indicate a lump sum payout of remaining retirement benefits.

January Refunds [40 count]

ID	First Name	Middle	Last	End Balanc	Death Date	Term Date	Accrued Service	Dist Type
	Jon Nielle	N	Allen			11/10/2020	0.0	Direct
	Stacey	A	Shivers			9/4/2020	0.0	Direct
	Elizabeth	A	Sauer			10/11/2020	0.2	Direct
	Nicholas	R	Nielsen			11/24/2020	0.5	Direct
	Katie	L	Matthews			2/26/2020	0.5	Direct

	Jana	E	Shuey			7/31/2016	1.0	Rollover
	Kara	Isabelle	Toney			7/31/2020	1.0	Direct
ID	First Name	Middle	Last	End Balanc	Death Date	Term Date	Accrued Service	Dist Type
	Jewel	Lee	Schifferns			7/31/2020	1.0	Rollover
	James	L	Cannon			8/11/2020	1.0	Direct
	Delna		Alexis			10/16/2020	1.0	Direct
	Dawn	R	Koura			11/30/2020	1.2	Direct
	Shannon	M	Willard			11/16/2020	1.3	Direct
	Melissa	D	Gonzalez Munoz			10/20/2020	1.4	Direct
	Danielle		Chambers			10/16/2020	1.4	Rollover
	Scott	C	Mauro			3/12/2020	1.8	Direct
	Deborah	A	Bonner			10/8/2020	1.9	Direct
	Angelica	M	Vizcaya			10/21/2020	1.9	Direct
	Virginia	M	Lanphier			11/5/2020	2.1	Direct
	Tobie	L	McLaughlin			8/31/2018	2.3	Rollover
	Arnell	D	Russ-Thomas			9/16/2020	2.3	Direct
	Christina	M	Brumley			11/20/2020	2.4	Direct
	Domanisha	Lashae	Tolbert			10/16/2020	2.8	Direct
	Ashley	June	Wells			7/31/2020	3.0	Rollover
	Jessica	R	Glasser			7/31/2018	4.0	Direct
	Russell	C	Gutmann			7/31/2020	4.0	Rollover
	Mandy	J	Hoagland			11/23/2020	4.7	Direct
	Kiayi	L	Franklin			10/5/2020	7.1	Direct
	Rhonda	C	Peterson			10/2/2020	7.3	Direct
	Andrea	N	Lostaglia- Hoskovec			11/6/2020	7.5	Direct

	Judith	A	Tews			5/18/2003	8.0	Rollover
	Blair	E	Sommerfeld			7/31/2020	8.0	Direct
ID	First Name	Middle	Last	End Balanc	Death Date	Term Date	Accrued Service	Dist Type
	Emily	L	Kearney			7/31/2016	11.0	Direct
	Arlicia	D	Shaw			7/31/2020	11.0	Rollover
	Maria	D	Lopez			11/14/2018	11.5	Direct
	Anna	M	Pitt			12/22/2017	11.6	Direct
	Leslie		Rico		11/1/2020	11/1/2020	18.3	Death
	Walter		Rico		11/1/2020	11/1/2020	18.3	Death
	David		Rico, Jr.		11/1/2020	11/1/2020	18.3	Death
	Melissa	S	Peterson			7/31/2020	19.0	Rollover
	Leondra	M	Middleton			11/23/2020	20.6	Direct
COUNT							40	
TOTAL Refunds				\$598,655.03				
AVERAGE				\$14,966.38			5.6	
MEDIAN				\$5,381.23			2.4	

Bold entry indicates a distribution to a beneficiary due to the death of the active member.

Accounts / Payables for January 2021 = \$22,301.00

Legal Counsel

McGrath North (General) \$9,011.86 **\$9,011.86**

Consultant

Peetz & Company (1Q 2021) \$10,000.00 **\$10,000.00**

Miscellaneous

Nat'l Council Teachers Retirement \$2,040.00

Nat'l Institute on Retirement Security \$1,250.00 **\$3,290.00**

New Business

Mr. Bourne raised the question of both a Compliance Audit and the Audit by the State Auditor. He informed the Board that this would be an agenda item at the February meeting with more information of what is required.

With further discussion on the compliance audit and audit by the state auditor, Mr. Rea raised again his concern that the unfunded liability associated with the investment returns while managed by the Nebraska Investment Council should be a liability on the State of Nebraska and not the members of OSERS and/or the Omaha Public Schools. His thesis is that all other plans managed by the NIC have their unfunded liability covered by the State of Nebraska, so why not OSERS.

Mr. Rea also voiced his concern on the proposed bill which would vest oversight authority back to the OPS Board of Education given there has been no experience on pension plans by the current members of the Board of Education.

There being no further business to come before the Board, the meeting was adjourned at 5:44 p.m.

_____/s/_____
Cecelia M. Carter, Executive Director

Pending Board Approval