

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, September 6, 2017, at 9:00 a.m. in the Board Hearing Room at the Teacher Administrative Center, 3215 Cuming Street, Omaha, Nebraska.

Pursuant to Section 84-1411 of the Nebraska Statutes, notice of this meeting was given by announcement by the President of the Board at the Board of Trustees' meeting held on August 1, 2017.

Present at roll call: Erikson – Evans - Havlovic – Jones – Purdy – Rea - Ripa – 7 present.

Staff Present: Cecelia M. Carter, Executive Director, James Ellis, Retirement Benefits Manager, and Kelly Sheard, Department Secretary. Others Present: Robert Bothe, Esq., McGrath North and Connie Knoche, OPS/Chief Financial Officer.

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President Erikson announced that, pursuant to Section 84-1411 of the Nebraska Statutes, the next regular meeting of the Board of Trustees will be October 4, 2017, at 9:00 a.m., at the Teacher Administrative Center, Board Hearing Room, 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.

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Mr. Rea moved that the OSERS Board of Trustees go into Closed Session. The motion was seconded by Mr. Havlovic and adopted by the following roll call vote: Aye: Erikson – Evans - Havlovic – Jones – Purdy – Rea - Ripa - 7. President Erikson reminded the public the Board went into Closed Session at 9:01 a.m. for the protection of public interest and for the prevention of needless injury to the reputation of individuals to discuss with Cecelia Carter, Executive Director and James Ellis, and OSERS' Legal Counsel, Robert Bothe, McGrath North legal and financial matters on the Retirement System.

Present at roll call: Erikson – Evans - Havlovic – Jones – Purdy – Rea - Ripa – 7 present.

President Erikson reconvened the meeting at 10:21 a.m.

Present at roll call: Erikson –Evans - Havlovic – Jones – Purdy – Rea - Ripa – 7 present.

- **Gross Annuitant Pension & Retirement Staff Payroll**
 - Ratify September Pension Payments (paid 09.01.2017) = \$9,759,491.70 [4,689 payees]
 - Ratify September Staff Payroll (paid 09.05.2017) = \$33,066.90

- **New Retirements**
 - Approve September New Retirement Annuitants (first check October 3, 2017) [11 count]

EMPLOYEE NUMBER	NAME	EMP TYPE	AGE	RET MONTH	RET YRS	AVERAGE SALARY	OPT	CHOSEN BENEFIT OMAHA	STATE	RET TYPE
	Deanna Adams	T		9	16.0					1
	Cariel Churchill	Nutri		9	8.7					1
	Elizabeth Figueroa	T		9	26.0					2
	Judith Hermanek	Para		9	6.3					1
	Katharyn King	T		9	13.5					2
	David Plendl	T		9	27.0					2
	Cara Riggs	Other		9	30.0					2
	Elwyn Wallace	Trans		9	7.0					1
	Steven Ward	T		9	27.0					2
	George White	Secu		9	20.5					1
	Ruth Wornor	Para		9	17.0					1
Addition to Retiree Payroll – Effective Date September 1, 2017								\$18,476.36	\$304.18	
Average			63		18			\$1,679.67	\$43.45	
Median			65		17			\$933.50	\$39.61	

Explanation of OPTIONS:

“A” = 5 year certain; “B” = 10 year certain; “C” = 50% J&S; “D” = 75% J&S; “E” = 100% J&S; “F” = Pop-up

Explanation of RET TYPE: “1” = normal retirement; “2” = early retirement; “3” = disability retirement

- **Deaths**

- Approve Termination of Annuitants' Payments Due to Death
(last check was September 3, 2017) [12 count]

EMPLOYEE				RET	DATE OF	BENEFIT	Survivor	Survivor's
NUMBER	NAME		AGE	YEAR	DEATH	OMAHA	Beneficiary	Benefit \$
	Janet	Hinrichs		1984	Jul-17			
	Effie	Moore		1997	May-17			
	Colleen	Webb		1986	Jun-17			
	Jeanne	Krelle		2003	Jul-17			
	LaConda	McKinney		2012	Jul-17			
	Genevieve	Cummings		1994	Jul-17			
	Estate of John E. Balsler			2015	May-17			
	Aida	Rush		2017	Jun-17			
	Eugene	Renchie		2015	Jul-17			
	Ruth	Handy		2014	Jul-17			
	Donald	Hunter		2014	Jul-17			
	Theresa	Hermida		2014	Jul-17			
	Tracy	Albanese		2014	Jul-17			
	Matthew	Hunter		2014	Jul-17			
	Karla	Frei		2014	Jul-17			
Terminated from Retiree Payroll – August 2017						\$85,274.30		
	Don	Benning					Marcidene Benning	
	Cynthia	Irby					Sarah Boaz	
Continued Retirement to Beneficiary – August 2017						\$7,995.08		\$6,752.04

- **Terminated Employees' Refunds**
Approve Refunds [53 count]

EMPLOYEE	NAME		Payment	
	First	Last	Type	Dollar
	Kelli	Barrientos	Rollover	
	Daniel	Blazek	Rollover	
	Ashley	Bodfield	Rollover	
	Lisa	Brannon	Rollover	
	Melissa	Brownlow	Direct	

	NAME		Payment	
	First	Last	Type	Dollar
	Anthony	Bultez	Direct	
	David	Burgan	Rollover	
	Diony	Carrillo	Direct	
	Octavia	Carter	Direct	
	Jasper	Clark	Direct	
	Sabina	Coffiel	Rollover	
	Jerry	Corner	Rollover	
	Anne	Dahl	Direct	
	Jacqueline	Gerken	Rollover	
	Natalie	Good	Direct	
	Tia	Goodwin	Direct	
	Olivia	Griffin	Direct	
	Brandy	Griffin Clements	Direct	
	Mary	Holmes	Direct	
	Hanna	Jording	Rollover	
	Lisa	Kammerer	Rollover	
	David	Kittle	Direct	
	Kristine	Koch	Direct	
	Avery	Langford	Direct	
	Ivona	Masic	Direct	
	Anne	Moody	Direct	
	TaLisa	Murphy	Rollover	
	Jackson	Murray	Direct	
	Jolynn	Oliver	Direct	
	Natalie	Ringen	Rollover	
	Masey	Ringlein	Rollover	
	John	Roan	Rollover	
	Stacey	Shivers	Direct	
	Judith	Sorensen	Direct	
	Cynthia	Starks	Direct	
	Kenneth	Staskiewicz	Rollover	
	David	Sumrell	Direct	
	Jacob	Svacina	Rollover	
	Dhan	Tamang	Direct	
	Aaron	Taylor	Direct	
	Laura	McKeever	Direct	
	Tina	Theis	Rollover	
	Maria	Ulrich	Direct	

	NAME		Payment	
	First	Last	Type	Dollar
	Nicole	Van Woensel	Rollover	
	Malee	Vang	Rollover	
	Michelle	Vulgamott	Rollover	
	Gwendolyn	Wallace	Rollover	
	LaShonda	Watson	Direct	
	Jason	Wendelin	Direct	
	Katherine	Cich	Rollover	
	Jean	Wilcox	Rollover	
	Robert	Woodworth	Rollover	
	Cynthia	Zermeno	Direct	
Terminated EE Refunds September 2017				\$ 794,012.36
Average				\$14,981.37
Median				\$12,771.94
Count				53

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

- **Accounts / Payables for September 2017**

- Legal Services –

- Period Ending July 31st

- McGrath North – General \$ 3,905.50
 - McGrath North – AGYOF \$ 1,933.50

\$5,839.00

- Consultant –

- Pension Benefit Information LLC \$ 918.00

\$918.00

Mr. Purdy moved and Mr. Jones seconded, the Board ratify the September 2017 pension payroll in the amount of approximately \$9.7 million, ratify the September staff payroll in the amount of approximately \$33,000.00, approve September 1, 2017 new retirements with a total of 11 retirees, ratify the terminations for September 2017 due to death as reported, approve September 2017 refunds to former employees in the amount of approximately \$794,000.00, and approve September 2017 Accounts Payables in the amount of approximately \$6,000.00.

The motion was adopted by the following roll call vote: Aye: Erikson –Evans - Havlovic – Jones – Purdy – Rea - Ripa – 7.

Mr. Purdy moved and Mr. Ripa seconded, the approval of the Executive Director's appraisal. Aye: Erikson -Evans - Havlovic - Jones - Purdy - Rea - Ripa - 7. President Erikson stated Mr. Purdy and Mr. Havlovic will discuss the appraisal information with Ms. Carter in the afternoon of September 6, 2017.

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President Erikson introduced Mr. Robert Bothe, Esq. of McGrath North to discuss the Peetz & Company 2018 contract with OSERS. Mr. Bothe reminded the Board there are two legislative studies from the Retirement Committee on retirement issues that went through the legislative session last year. Those studies and retirement committee meetings are going to take place in late November or early December.

Mr. Bothe continued with last year Peetz and Company was retained by OSERS as their Government Relations vendor. The normal contract for Peetz and Company is 2 years. Since it was OSERS' first time with retaining a Government Relations vendor, Peetz and Company agreed to a one-year contract and it is coming up for renewal for the 2018 session. The contract for next session would be \$48,000.00 and any additional expenses, in conformity with the same terms as the previous contract. Mr. Evans inquired as to what the total amount was for this last year including expenses, if any. Ms. Carter answered it was \$48,000.00 with no additional expenses. She explained to the Board the contract is on a calendar year and the payment schedule is quarterly (January, April, July, and October).

Mr. Rea moved to renew the contract for one year and Mr. Ripa seconded.

The Board entered into discussion initiated by Mr. Rea on the value of having Peetz & Company as the retirement system's government relations vendor. Mr. Rea raised the question, is there more value to be gotten by another firm. Mr. Bothe reminded the Board that under Nebraska Revised Statutes, specifically section 79-982.01, the OSERS Board is restricted from seeking enhancements to the plan benefits through the legislative process.

Mr. Erikson stated he felt that Jack Peetz was very open with the Board of Trustees in keeping them updated on any changes with the legislature. Ms. Carter indicated Peetz & Company has been very helpful in preparing for testimonies, and maybe not advocating on issues, but definitely discussing questions and opinions with legislators concerning open bills that were in the legislature last year.

Mr. Rea defended his questioning of whether there is more value to be gained through the services of another firm. Mr. Rea explained he doesn't expect the lobbyist to testify at hearings, etc. but does expect that when a bill is introduced that changes retirement benefits, the lobbyist should be calling for an actuarial study.

There was further discussion as to whether the Nebraska State Education Association should lead those types of discussions with the legislatures. Further, whether Peetz & Company should coordinate more with NSEA. President Erikson suggested we work with Mr. Peetz to let him know what kind of information we need.

Mr. Evans indicated he was going to vote no on renewing the contract because he believed the system did not receive value from having a government relations vendor and further that the expenses of OSERS is being reviewed.

Mr. Ripa asked Ms. Carter if she was satisfied with Peetz and Company. Ms. Carter indicated she is satisfied with the service of Peetz & Company at \$48,000.00 but if the Board wants to re-negotiate the terms, she was certainly willing to revisit with Peetz & Company.

Mr. Havlovic stated his biggest reason for supporting Peetz and Company is the relationships in the legislature that we already have. Mr. Erikson feels their service has been invaluable. He thinks it would not be wise to get rid of a government relations vendor. He would like to see Peetz and Company stay on as our government relations vendor. We could make some changes as far as instructing him what the Board would like to see him do in the legislature sessions.

Ms. Carter re-read the motion to renew the contract for one year with Peetz and Company at the current rate of \$48,000 per annum. Aye: Jones – Ripa – Havlovic – Purdy – Erikson – Rea – 6
Nay: Evans -1.

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Ms. Carter continued the meeting with the OPS funding options. By letter dated July 11, 2017, Senator Kolterman asked the OSERS' actuary to view funding options at the request of OPS giving a prescribed set of revenue options. It took the actuary approximately 4 weeks to do the analysis and just before Labor Day weekend, she issued a report. OSERS issued to report to Senator Kolterman, as it was the Retirement Committee who requested the report.

The basic underpinning of the request was what if the School District were to raise the employer contribution from 101% to 102% of employee contributions, put in an additional \$4 million annually each May and November, and increase that \$4 million by 3% each year, give us the \$12.7 million this year in 2017, what would that do for our funding status? The findings indicated, adding the additional \$2 million semiannually over the 30-year period really along with the other changes would only bring the funded ratio up to 57.8% and permits the unfunded actuarial liability to increase to \$2 billion assuming a 7.5% discount rate. However, our actuary did note that if we just left everything as is, but that means the School District is subject to the volatility of the ARC, that over 30 years, the unfunded liability would be erased by approximately \$275 million and OSERS would be 105.6% funded. That leaves the School District subject to the volatility of an ARC.

One of the questions that was asked was what dollar amount is necessary to provide the School District with a flat contribution dollar amount, for budgeting purposes. The report indicates, the number is \$10 million semiannually. The School District would need to retain the 9.78% employee contribution, 102% employer contribution, in addition begin with a \$10 million semiannual contribution that is assumed to increase by 3% every year.

Mr. Erikson asked Mr. Evans about the dedicated tax levy and if this \$20 million could be retrieved from this new source. Mr. Evans stated that maybe it could help with around \$5 to \$10 million. Ms. Carter stated this analysis would have to be re-evaluated in 10 years. The actuarial report has been shared with Senator Kolterman, the School District, and the Retirement Committee. Discussion continued at a high level regarding this matter.

- 5000 -

President Erikson continued with the next item on the agenda, approving the Minutes. Mr. Ripa moved and Mr. Purdy seconded the August 1, 2017 Meeting Minutes. There was discussion

amongst the board members questioning the draft copy of the minutes containing the dollar amounts of retirement benefits and refunds and other sensitive information. The motion was approved with the amendment to remove the dollar amounts and other sensitive information and adopted by the following roll call vote: Aye: Erikson – Havlovic – Evans – Jones – Purdy – Rea – Ripa – 7.

- 5001 -

Ms. Carter explained the interest that is applied monthly to employee contributions that come into the plan. Nebraska Revised Statutes defines “Regular interest” as: (a) on the total contributions of the member prior to the close of the last preceding fiscal year, (b) compounded annually, and (c)(i) beginning September 1, 2016, at a rate equal to the daily treasury yield curve for one-year treasury securities, as published by the Secretary of the Treasury of the United States, that applies on September 1 of each year and (ii) prior to September 1, 2016, at rates to be determined annually by the board, which shall have the sole, absolute, and final discretionary authority to make such determination, except that the rate for any given year in no event shall exceed the actual percentage of net earnings of the system during the last preceding fiscal year. As of September 1, 2017, the “Daily treasury yield curve rate” was 1.24% or 124 basis points. Ms. Carter stated she is still awaiting confirmation from AON, the investment consultant for the Nebraska Investment Council, to give us the return for the 12-month period ending August 31, 2017, it’s too soon. It will be no more than 124 basis points. If the return is less than 1.24%, we’ll have to look at that and if it’s over 1.24% we’ll use the treasury yield. Mr. Erikson asked when the numbers would be available. Ms. Carter answered it’s still too early. The way the motion was done last year was not to exceed the treasury yield rate. Mr. Rea made a motion not to exceed the treasury yield rate of 124 basis points for this year and Mr. Havlovic seconded and it was adopted by the following roll call vote: Erikson – Evans – Havlovic - Jones – Purdy – Ripa – Rea – 7.

- 5002 -

Ms. Carter continued every year the Board should set the Buy-In and Purchase Service Interest Rate. The Nebraska Revised Statutes defines “Interest” as...”for the purchase of service credit, the purchase of prior service credit, restored refunds, and delayed payments, the investment return assumption used in the most recent actuarial valuation.”

With the 2012-2016 Valuation Report dated January 1, 2017 the Board of Trustees of the retirement system accepted the recommendation of the actuary to lower the investment return assumption to 7.5%. Therefore, the Retirement Board of Trustees of the Retirement System for the Douglas County School District 0001 are requested to set the rate of interest for the 2017-2018 school as described in section 79-978(18) to 7.5%. After discussion amongst the board as to whether a motion was necessary, it was decided giving the language of section 79-978(18), beginning September 1, 2017, all new buy-backs, purchase of service credit, etc. will be at 7.5%.

- 5003 -

Ms. Carter reminded the Board the NCTR conference is October 6 through October 11, 2017. For the annual business meeting, delegates need to be voted upon. President Erikson indicated he would

like to be delegate #1 and Mr. Rea indicated he would like to be delegate #2. Mr. Purdy will be alternate #1 and Mr. Havlovic will be alternate #2. Mr. Purdy made a motion to approve the delegates and alternates and Mr. Rea seconded. The motion was adopted by the following roll call vote: Ripa - Evans - Rea - Havlovic - Jones - Purdy - Erikson - 7.

- 5004 -

Mr. Rea continued the meeting with discussion of the NCTR Constitution. The Constitution Committee has been meeting for about a year and they are trying get some consistency in the language from one section to the next and clean up the things that are no longer being done. There is nothing controversial about what's being proposed and they're trying to make it less cumbersome. Mr. Rea recommended support of the changes as proposed. This is a topic the delegates would need to vote on at the conference. Ms. Carter stated if there are any recommended changes, they cannot be submitted beforehand, they need to be submitted on the floor at the annual meeting. Mr. Rea moved the NCTR Constitution changes be supported and Mr. Ripa seconded. The motion was adopted by the following roll call vote: Jones - Purdy - Havlovic - Evans - Ripa - Erikson - Rea - 7.

Executive Director's Report

Ms. Carter informed the Board the next New Employee Retirement Workshop is September 13, 2017 at 4:30 p.m. She will work with Human Resources to send her a list who's coming so the Department Secretary can send out a reminder e-mail. There were 9 or 10 last month and only 2 showed up. We are getting the Retirement Workshops up and running and the first one will be October 18, 2017 in the late afternoon or early evening. She informed the Board there is an event scheduled by Cavanaugh MacDonald at the NCTR conference.

The 2018 legislative calendar was released and the 2018 short session will open up on January 3, 2018 and the last day is April 18, 2018 and it's a 60-day session. The only matter Ms. Carter, McGrath North and Peetz & Company will be working on is cleaning up some language. For instance, we need to change the definition of mortality table and update the permissions similar to NPERS.

Finally, Ms. Carter asked Jim Ellis to update the board on the early leave incentive. He didn't have any final numbers yet, however he explained members signed up for it's opportunity on September 1, 2017 at 7:00 a.m. They then calculate the Social Security statement and see what those people are eligible to receive and that could make a difference between 26 and 27 people. It's going to be between 25 and 28 people. There's a \$400,00 cap each year. Mr. Purdy stated around 54 people signed up last year and about half of them got to take advantage of the Early Leave Incentive. Ms. Carter stated that last year there were some individuals actually rescinded and that allowed the next people on the list to move up. Ms. Carter reminded the Board that Early Leave Incentive is administered by OPS Compensation and Benefits Department not the Retirement Office. Mr. Evans stated there is a legislative change on Early Leave Incentive being no longer allowing full amounts for all employee groups to be above 500. Mr. Purdy asked if this change was saying after 5 years it would be phased out and it would be a \$35,000.00 teacher maximum. Ms. Carter informed the Board the Retirement Office is working on graphs on our retiree demographics and will be shared with the Board. She said it's interesting what has been developed on our retirees; i.e. there's

definitely a “Baby Boomer” bubble that has occurred already and there will be more to occur. The females seem to live longer than the males according to the graphs.

Trustees’ Report

Mr. Rea informed the Board that he would be attending the National Council on Public Employees Retirement Systems Funding Conference next week. He indicated it should be an interesting forum. Mr. Rea intends to be a candidate for president-elect at NCTR. The Board wished him good luck.

Ms. Carter announced Mr. Randy Gerke is the Director of the Nebraska Public Employees’ Retirement System, pending confirmation(s) - now that Phyllis Chambers is officially retired.

New Business

There being none.

Meeting adjourned at 11:32 a.m.

PENDING BOARD ACTION