

The Board of Trustees of the Omaha School Employees' Retirement System held a meeting on Wednesday, September 2, 2015, 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 of the President of the Board at the Board of Trustees meeting held on Wednesday, August 5, 2015.

Present at roll call: Erikson – Evans – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 8. Absent: Fey – 1. Entered during meeting: Goding – 1. Staff Present: Executive Director Smith and Retirement Benefits Manager Ellis. Others Present: Gary Henson of Montage Investments; Kristin Finney-Cooke of NEPC; James Sakelaris and John Faust of JP Morgan Asset Management; and David Lawson of UBS Global Asset Management.

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President Erikson 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 meeting room on the north wall.

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President Erikson stated the first order of business would be the election of officers for the 2015-2016 school year. Mr. Purdy moved Donald Erikson be elected President and Roger Rea be elected Vice President for the 2015-2016 school year. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Evans – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 8. Nay: – 0.

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President Erikson indicated that a special meeting would need to be established for the Board of Trustees to discuss among themselves and with the numerous employee and retiree groups recommendations for changes in the governance of the Retirement System. The Trustees discussed the purpose of the special meeting. By consensus, Wednesday, September 23rd at 6:30 p.m. was selected for the date and time of the special meeting.

The Trustees discussed the agenda of and the starting time for the October Board of Trustees meeting. President Erikson announced that, pursuant to Section 84-1411 of the Nebraska Statutes, a special meeting of the Board of Trustees will be held at 6:30 p.m. on Wednesday, September 23, 2015, in the Board Hearing room of the Teacher Administrative Center, 3215 Cuming Street, Omaha, Nebraska and that the next regular meeting of the Board of Trustees will be held at 8:30 a.m. on Wednesday, October 7, 2015, in the Board Hearing room of the Teacher Administrative Center, 3215 Cuming Street, Omaha, Nebraska. The agendas for these meetings will be kept current and available for public inspection in the Retirement Office at the Teacher Administrative Center during regular working hours.

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Ms. Goding entered the meeting during the discussion of the previous item.

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Mr. Rea moved the minutes of the August 15, 2015 meeting be approved. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 9. Nay: – 0.

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Mr. Rea moved approval of the investment purchases made during the month of August 2015. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 9. Nay: – 0.

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Mr. Ellis stated that the Nebraska State Statutes require that both the rate of regular interest (used for crediting interest on member accounts) and the rate of buy-in interest (used for charging interest on service purchases) be set annually. The rate of regular interest cannot exceed the actual percentage of net earnings of the system during the last preceding fiscal year. Mr. Ellis reminded the Trustees that they had established a formula for the regular interest rate to be 35% of the rate of return earned on the investment portfolio for the preceding 12 month period ending on the most recent June 30th, with a floor of 0.0%. The 12 month rate of return through June 30, 2015 was -0.1%, thus using this policy the regular interest rate would be set at 0.0% for the 2015-2016 school year. He stated that the policy provided that the buy-in interest rate to be set at the actuarial assumed rate, which is 8.0%. Mr. Rea moved to set the regular interest rate at 0.0% and to set the buy-in interest rate at 8.0% for the 2015-2016 school year. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 9. Nay: – 0.

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President Erikson discussed with the Trustees the search process that was underway for selecting a new Executive Director for OSERS. Mr. Smith provided the Trustees with a draft job description for the Executive Director position, which had been created by Charles Wakefield. The Trustees discussed the process for making needed changes in the draft job description and requested that a Word version of the draft copy be emailed to each Trustee for their suggested changes. They asked that a single, marked up copy of the revised job description be provided with notations of who had made the recommended changes. President Erikson indicated that the job description could be a topic for discussion at the special meeting.

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Mr. Smith discussed with the Trustees participation in the upcoming National Council on Teacher Retirement Convention in La Jolla, California. He indicated the Trustees needed to choose two delegates and two alternates to the business meeting held at the NCTR Convention. Mr. Ripa moved that Mr. Rea and Mr. Havlovic be delegates and that Mr. Jones and Mr. Erikson be alternates (first and second as listed) at the business meeting to be held during the convention. The motion was seconded by Mr. Purdy and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 9. Nay: – 0.

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President Erikson noted that it was customary to introduce resolutions of appreciation at the NCTR business meeting for longer term Trustees and staff that had been active in NCTR. He presented a resolution of appreciation for John Young and a resolution of appreciation for Michael Smith and asked for a motion that they be submitted to the NCTR Convention for adoption. Mr. Rea moved that the resolutions of appreciation for John Young and Michael Smith be submitted to the 93rd Annual National Council on Teacher Retirement Convention for adoption. The motion was seconded by Mr. Havlovic and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 9. Nay: – 0.

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Gary Henson, President of Montage Investments discussed with the Trustees the history and performance of the Palmer Square Emerging Manager Funds and the two remaining investment managers within those funds. He noted that it was his firm's view that it was highly unlikely that either remaining manager would produce the business growth or the investment returns that warranted continued investment with them. He recommended that the investors (including OSERS) withdraw their money from the Funds and for the Funds to be discontinued. Kristin Finney-Cooke, on behalf of NEPC, indicated support for this action. Mr. Rea moved that the entire balance of the Omaha School Employees' Retirement System's Limited Partner's Capital Accounts in the Palmer Square Emerging Manager Fund and Palmer Square Emerging Manager Fund II be withdrawn. The motion was seconded by Ms. Goding and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 9. Nay: – 0.

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Kristin Finney-Cooke of NEPC discussed with the Trustees the NEPC presentation on Fixed Income investing. Kristin explained the three fixed income initiatives being recommended by NEPC: core fixed income; absolute return fixed income; and global multi-sector fixed income. She indicated that she fully expected all three types of fixed income investing would be portions of the asset allocation recommendation that would eventually emerge from the asset/liability study NEPC will produce for

OSERS during the first quarter of 2016. However, in order to proceed with the redeployment of the fixed income assets that will be necessary with the removal of assets from the Global Yield Opportunity Fund, the Palmer Square Emerging Managers Funds, and the Atlantic Asset Partners accounts, she was recommending the Trustees move ahead with these manager searches in the next two months. Mr. Purdy moved, effective October 31, 2015 or as soon thereafter as contracts with a replacement manager are completed, to terminate the Investment Management Agreement between Atlantic Asset Management, LLC and School Employees' Retirement System of Douglas County School District 0001 and to authorize NEPC to proceed with formal fixed income manager searches for a core fixed income manager, an absolute return fixed income manager, and a global multi-sector fixed income manager. The interview of recommended core fixed income managers to occur during the October Board of Trustees meeting and the interview of global multi-sector fixed income managers and absolute return fixed income managers to occur during the November Board of Trustees meeting. The motion was seconded by Mr. Rea and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – Snow – 9. Nay: – 0.

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James Sakelaris and John Faust of JP Morgan Asset Management reviewed the management of and performance of the Strategic Property Fund and the Special Situation Property Fund.

David Lawson of UBS Global Asset Management reviewed the management of and performance of UBS Trumbull Property Fund.

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Mr. Jones left the meeting during Mr. Lawson's presentation.

- 4752 -

Kristin Finney-Cooke of NEPC discussed with the Trustees the report on the performance of the investment managers through June 30, 2015. She noted the recent significant volatility in the investment markets and reminded the Trustees of the appropriateness of maintaining a well diversified investment portfolio, as OSERS has done. She acknowledged that during strong up markets, the diversified portfolio might lag, producing less funds gained. However during down markets the portfolio would be less likely to lose dollars and it was those dollars actually lost that were the most difficult to recapture.

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President Erikson adjourned the meeting at 12:32 p.m.