

The Board of Trustees of the Omaha School Employees' Retirement System held a meeting on Wednesday, December 2, 2015, at 3:30 p.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, November 4, 2015.

Present at roll call: Erikson – Goding – Havlovic – Jones – Rea – Ripa – 6. Entered during meeting: Evans – Fey – Purdy – 3. Absent: – Snow – 1. Staff Present: Executive Director Smith and Retirement Benefits Manager Ellis. Others Present: Megan Neiles-Brasch, Omaha Public Schools In-House Legal Counsel; Patrice Beckham of Cavanaugh Macdonald Consulting; and Kristin Finney-Cooke of NEPC.

- 4793 -

President Erikson announced that, pursuant to Section 84-1411 of the Nebraska Statutes, the next meeting of the Board of Trustees will be held at 3:30 p.m. on Wednesday, January 6, 2016, in the Board Hearing room of the Teacher 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 meeting room on the north wall.

- 4794 -

Mr. Rea moved the minutes of the November 4, 2015 meeting be approved. The motion was seconded by Mr. Jones and adopted by the following roll call vote: Aye: Erikson – Goding – Havlovic – Jones – Rea – Ripa – 6. Nay: 0.

- 4795 -

Mr. Rea moved approval of the investments made during the month of November 2015. The motion was seconded by Mr. Jones and adopted by the following roll call vote: Aye: Erikson – Goding – Havlovic – Jones – Rea – Ripa – 6. Nay: 0.

- 4796 -

President Erikson reported on the meeting that Mr. Evans, Ms. Fey, Ms. Goding, Mr. Rea and he held with a group of Senators, legislative staff and others concerning possible legislation

concerning OSERS. The consensus of the Trustees reporting on the meeting was that the Unicameral Retirement Committee intended to amend into a bill being held in Committee, LB447, the provisions of the previous session's bracketed bill, LB448. This would permit the key changes intended in LB448 to proceed on a faster schedule toward passage in this 60 day session than would occur either introducing a new bill or unbracketing LB448. The proposed language for this legislation will hopefully be available for discussion at the January Trustee meeting.

- 4797 -

President Erikson reported that Ms. Neiles-Brasch had determined that the Board of Trustees Courtesy Fund, because it was held within the School District accounting system, was considered public funds. As a result, the Fund was not available to pay the costs of the John Young appreciation dinner that had been held in September. He informed the Trustees that he has personally paid the cost of that dinner and asked that each Trustee and staff member in attendance reimburse him \$25 for the cost of their dinner. The Trustees discussed with Ms. Neiles-Brasch the alternatives for a Board of Trustees Courtesy Fund and her interpretation of the Miscellaneous Expenditures Act. Mr. Rea moved approval of the Resolution to establish a Board of Trustees Courtesy Fund (previously distributed to the Trustees) to be administered by the Omaha Schools Foundation. The motion was seconded by Mr. Havlovic. Ms. Goding moved to amend the Resolution to specifically note that contributions to the Courtesy Fund from investment managers, vendors, or others with a commercial relationship with the Retirement System would not be permitted. The amendment was seconded by Mr. Jones and the amendment was adopted by the following roll call vote: Aye: Erikson – Fey – Goding – Havlovic – Jones – Rea – 6. Nay: Ripa – 1. Pass: Purdy – 1. The motion, as amended, was adopted by the following roll call vote: Aye: Erikson – Fey – Goding – Havlovic – Jones – Rea – 6. Nay: Ripa – 1. Pass: Purdy – 1.

- 4798-

Ms. Fey and Mr. Purdy entered the meeting during the previous item.

- 4799 -

Mr. Evans entered the meeting at this time.

- 4800 -

The Trustees discussed what progress there had been in the search for a new Executive Director. The search firm was in the process of developing a list of candidates, but Mr. Evans did not know how far along that process had proceeded. The interview committee would be composed of Trustees, members of the Board of Education, members of the administration and the general public. Without knowing how far along the process of obtaining candidates was, there was no estimate made as to when the candidate interviews would begin or when the selected candidate would be hired. The Trustees expressed concern that the position needed to be filled as promptly as possible.

- 4801 -

Mr. Smith reported that legal counsel had determined the initial structure proposed by Fidelity Institutional Asset Management (an 81-100 group trust) to manage the global multi-sector fixed income strategy was not an option for OSERS. After further discussions with Fidelity, they offered the same investment strategy at the same fee using a limited partnership structure. Baird Holm has reviewed the contract documents and has successfully negotiated a side letter agreement to address the issue of in-kind distributions. Thus, the global multi-sector fixed income strategy may proceed with Fidelity using the limited partnership structure. The Trustees discussed the matter and by consensus reconfirmed their prior approval to contract with Pyramis Institutional Funds Manager, Inc. also known as FIAM Institutional Funds Manager, Inc. for management of a global multi-sector fixed income portfolio.

- 4802 -

Pat Beckham discussed with the Trustees the Sixty-Fourth Annual Actuarial Report of the Omaha School Employees' Retirement System as of September 1, 2015. The valuation showed that based on current actuarial assumptions the contributions from the member, school district, and State are more than sufficient to fund the benefits of the retirement system and amortize the unfunded actuarial accrued liability over the next 28 years. She noted that the investment return for fiscal year end 2015 on the market value of asset was -4.1%, but due to the asset smoothing method used in the actuarial valuation, the return on actuarial value of assets was 5.3%. This deferral of losses within the portfolio will require gains in future years to overcome. Mr. Purdy moved to receive the report. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Havlovic – Jones – Purdy – Rea – Ripa – 8. Nay: 0.

- 4803 -

Ms. Fey left the meeting during the previous item.

- 4804 -

Kristin Finney-Cooke of NEPC discussed with the Trustees the NEPC report on investment market conditions and the performance of the OSERS' investment managers through September 30, 2015. She noted that all equity indices had suffered 5% and greater losses during 2015, the reason NEPC has been recommending a diverse and balanced portfolio of investments. She noted the good long term performance of the OSERS' portfolio as well as the near term underperformance. This near term underperformance has been as a result of OSERS' asset diversification strategy and thus not participating as fully in the unexpected and unusually strong equity returns for the years of 2012 thru 2014. NEPC will be producing an asset/liability study during the first quarter of 2016 which can guide the Trustees' decisions on future asset diversification.

- 4805 -

Mr. Neiles-Brasch provided a presentation on and discussed with the Trustees the Nebraska Open Meetings Act.

- 4806 -

President Erikson adjourned the meeting at 7:00 p.m.