

The Board of Trustees of the Omaha School Employees' Retirement System held a meeting on Wednesday, March 4, 2015, at 4:10 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, February 4, 2015.

Present at roll call: Erikson – Evans – Goding – Jones – Purdy – Rea – Ripa – 7. Entered during meeting: Snow – Young – 2. Entered meeting via telephone: Fey – 1. Staff Present: Executive Director Smith and Retirement Benefits Manager Ellis. Others Present: Matt Kaplan and Josh Overbay of Almanac Realty Investors; Ron Sellers, Don Trotter and Cliff Cole of Atlantic Asset Management; Robert Kuhlman and Randy Stromley of Wells Fargo Bank; and Kristin Finney-Cooke of NEPC; and Megan Neiles-Brasch, legal counsel for Omaha Public Schools.

- 4673 -

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 4:00 p.m. on Wednesday, April 1, 2015, 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.

- 4674 -

Mr. Rea moved the minutes of the February 4, 2015 meeting be approved. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Jones – Purdy – Rea – Ripa – 7. Nay: 0.

- 4675 -

Mr. Purdy moved approval of the investments made during the month of February 2015. The motion was seconded by Mr. Rea and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Jones – Purdy – Rea – Ripa – 7. Nay: 0.

- 4676 -

Matthew Kaplan and Josh Overbay of Almanac Realty Investors reviewed the history of the firm, including the success of the various real estate funds the firm has managed. They reminded the Trustees of the results of the two funds in which OSERS had previously invested and presented their newest fund, Almanac Realty Securities VII. The Trustees discussed the current real estate allocation, the existing real estate investments and commitments and the amount of the investment that would be prudent for ARS VII. Mr. Rea moved approval of an investment of \$30 million in Almanac Realty Securities VII. The motion was seconded by Mr. Young and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Jones – Purdy – Rea – Ripa – Young – 8. Nay: 0.

- 4677 -

Mr. Young entered the meeting during the previous item.

- 4678 -

Ms. Goding left the meeting at this time.

- 4679 -

Mr. Smith informed the Trustees that Fountain Capital Management had announced they would be closing their firm during March, 2015. Mr. Smith indicated that after reviewing the existing commitments to high yield investments, the \$52 million currently managed by Fountain would be eventually transferred to Mariner Real Estate Partners IV as they make capital calls over the next two years. In the interim, he recommended that \$25 million be invested in the Global Yield Opportunity Fund and the remaining high yield portfolio be managed by Atlantic Asset Management until capital is called by Mariner during 2015. Don Trotter and Cliff Cole of Atlantic Asset Management discussed with the Trustees the capabilities present within Atlantic Asset Management for managing high yield fixed income securities. Mr. Rea moved approval of transferring \$25 million from Fountain Capital Management to the Global Yield Opportunity Fund and transferring the management of the remaining high yield portfolio to Atlantic Asset Management. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Evans – Jones – Purdy – Rea – Ripa – Young – 7. Nay: 0.

- 4680 -

Don Trotter and Ron Sellers of Atlantic Asset Management discussed with the Trustees the merger of Atlantic Asset Management and Hughes Capital Management. Current investment professionals will stay in place with the addition of some from Hughes and firm headquarters will continue to be located in Stamford, Connecticut. The resulting firm, still called Atlantic Asset Management will be the largest minority/woman owned fixed income investment firm in the United States. Mr. Purdy moved approval of continuing the existing investment advisory agreement with Atlantic Asset Management following the merger of Atlantic Asset Management and Hughes Capital Management. The motion was seconded by Mr. Rea and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Jones – Purdy – Rea – Ripa – Young – 8. Nay: 0.

- 4681 -

Ms. Goding entered the meeting during the previous item.

- 4682 -

Robert Kuhlman provided a report to the Trustees on the custodial services and the Class Action Claims services provided by Wells Fargo Bank. He discussed how the class action claim process is handled by Wells Fargo. From September 1, 2006 through December 31, 2014, Wells Fargo Bank has assisted OSERS in obtaining class action claim payments of approximately \$2.7 million.

- 4683 -

Mr. Snow entered the meeting at this time.

- 4684 -

Kristin Finney-Cooke of NEPC discussed with the Trustees the NEPC report on the performance of OSERS' investment managers through December 31, 2014. She indicated that over the 10 year time period, OSERS investment portfolio return was better than 94% of its peers. Ms. Finney-Cooke went on to show that OSERS risk adjusted returns were in the top quartile of its peers over the past 3, 5 and 10 year time periods. She acknowledged that the publicly traded equity returns had been unusually strong in recent years, but she commended OSERS for maintaining a diversified portfolio, which she stated, would be beneficial during the periods of market declines.

- 4685 -

Ms. Fey was connected to the meeting via telephone at this time.

- 4686 -

Mr. Smith reported that OSERS' actuary, Pat Beckham, will present the September 1, 2014 actuarial valuation to the Unicameral Retirement Systems Committee at a hearing at noon on Thursday, March 5th. Also at that hearing, LB447 and LB448 will be considered. LB447 would amend OSERS statutes to restructure the Board of Trustees and provide for direct election of member and annuitant Trustees; and would authorize the Board of Trustees to be responsible for the general administration of the Retirement System, including to employ and supervise retirement system staff, to contract for and approve the investment of Retirement System funds, and to contract for professional services, such as actuarial and legal. LB448 would amend OSERS statutes to merge OSERS with the Nebraska School Employees Retirement System. Mr. Rea asked Mr. Smith if he was prepared to provide neutral testimony at the hearing on LB447, as instructed by the Trustees at the February meeting. Mr. Smith indicated that Mr. Evans had visited with him and informed him that the Board of Education officers did not approve of him attending or testifying at the hearing and Mr. Evans had indicated that it would be in Mr. Smith's best interests if he did not testify. Therefore, Mr. Smith stated he would not be attending or testifying at the hearing. The Trustees then discussed why the Board of Education had the authority to overrule instructions of the Board of Trustees to staff of the retirement system. Megan Neiles-Brasch, legal counsel for the Omaha Public Schools, offered her opinion as to why the Board of Education had the authority to overrule instructions provided to OSERS' staff by the Board of Trustees.

- 4687 -

President Erikson adjourned the meeting at 7:10 p.m.