

The Board of Trustees of the Omaha School Employees' Retirement System held a meeting on Wednesday, February 5, 2014, at 5:30 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, January 8, 2014.

Present at roll call: Erikson – Evans – Fey – Goding – Knutson – Purdy – Rea – Ripa – Scanlan – Young – 10. Staff Present: Executive Director Smith and Retirement Benefits Manager Ellis. Others Present: Michael Shearer and John Lange of BTG Pactual Timberland Group; Ken Malvey & Terry Matlack of Tortoise Capital Advisors; Jonathan Angrist of Cognios Capital; and Emily Colella & Brian Scharf of Palmer Square Emerging Manager Fund.

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President Knutson stated that the March meeting was scheduled for Wednesday, March 5, 2014, but the time of the meeting yet needed to be established. Following discussion by the Trustees, consensus was reached that meetings would alternate each month between morning and evening. President Knutson announced that, pursuant to Section 84-1411 of the Nebraska Statutes, the next meeting of the Board of Trustees will be held at 9:00 a.m. on Wednesday, March 5, 2014, 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.

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Mr. Rea moved the minutes of the January 8, 2014 meeting be approved. The motion was seconded by Mr. Purdy and adopted by the following roll call vote: Aye: Erikson – Evans – Fey – Goding – Knutson – Purdy – Rea – Ripa – Scanlan – Young – 10 Nay: 0.

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Mr. Rea moved approval of the investments made during the month of January 2014. The motion was seconded by Mr. Erikson and adopted by the following roll call vote: Aye: Erikson – Evans – Fey – Goding – Knutson – Purdy – Rea – Ripa – Young – 9 Nay: 0. Abstain: Scanlan – 1.

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Mr. Smith discussed with the Trustees LB1041, which will have a public hearing before the Nebraska Retirement Systems Committee on Wednesday, February 12, 2014. He indicated the bill would add language to statute to clarify the fiduciary liability of members of the Board of Education and Board of Trustees; would require OSERS' members to have ten years of service

before permitting all-purpose service purchases; and would require that OSERS each year present the annual actuarial valuation to the Retirement Systems Committee in a public hearing. Gary Clatterbuck of Baird, Holm law firm will be testifying on behalf of the Board of Education at the Wednesday hearing. Mr. Evans and Ms. Goding informed the other Trustees that the Board of Education was seeking an amendment to the bill to change or eliminate the statutory requirement for OSERS to present the actuarial valuation results at a public hearing. The Board of Education did not oppose the presentation if OSERS and the Nebraska Public Employees Retirement System were both presenting at the same public hearing, but they did oppose OSERS being singled out in statute for individual presentation.

Mr. Smith discussed with the Trustees additions to Board of Education policy 4.26. New paragraph "f" clearly delineates when and under what conditions staff that either terminate or retire from Omaha Public Schools are permitted to return to work for OPS. Other than for substitute, temporary or voluntary service, the policy establishes a 180 day break. New paragraph "g" directs the Administrator of OSERS to report to the Superintendent as required by the Superintendent and specifies that the Superintendent will provide evaluation of the Administrator. Mr. Evans and Ms. Goding discussed the changes with the other Trustees.

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Mr. Smith discussed with the Trustees the OSERS Daily Fund Report and the manner in which each of the managers fits within the asset allocation previously adopted by the Board of Trustees. The healthcare long/short equity fund, the search for which will continue at the March meeting, will fit within the Alternative Investments, Long Short Strategies category.

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Michael Shearer and John Lange of BTG Pactual Timberland Group discussed with the Board the progress of Select Timberland Investment Fund I their firm manages for the retirement system.

Ken Malvey and Terry Matlack of Tortoise Capital Advisors discussed with the Board the performance of the publicly traded master limited partnership portfolio their firm manages for the retirement system.

Jonathan Angrist of Cognios Capital discussed with the Trustees the performance of the Cognios Pure Alpha Fund in which OSERS is invested. He explained that growth in the market neutral investment strategy was occurring in the recently created mutual fund offerings and separate account products, rather than in the comingled hedge fund. As a result, in the immediate future the stocks in the comingled fund would be sold and shares of the institutional mutual fund would be purchased so that the investment would continue to be managed on a market neutral basis, but via the mutual fund platform. This was being done to accelerate the growth of the mutual fund so as to create more return to OSERS from the profit sharing agreement OSERS has with Cognios. At the conclusion of these changes, OSERS profit sharing would include a portion of the management fees from all market neutral mutual funds, a portion of the carried interest on the Cognios Beta Neutral Large Cap Fund, and a portion of the fees from all separate accounts utilizing the same market neutral investment strategy.

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Mr. Scanlan left the meeting at this time.

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Emily Colella and Brian Scharf of Palmer Square Emerging Manager Fund discussed the performance of the Palmer Square Emerging Manager Fund I and Fund II. They noted that due to a lack of institutional interest in the Geneva Arbitrage Fund (and thus lack of growth in assets under management), effective March 31, 2014 the Palmer Square investment in the Arbitrage Fund would be redeemed and be redistributed among the three other managers in the Emerging Manager Fund.

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President Knutson adjourned the meeting at 8:55 p.m.