

The Board of Trustees of the Omaha School Employees' Retirement System held a meeting on Thursday, September 4, 2014, 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 of Trustees meeting held on Saturday, July 23, 2014.

Present at roll call: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Absent: – Fey – Scanlan – 2. Entered during meeting: Evans – 1. Staff Present: Executive Director Smith and Retirement Benefits Manager Ellis. Others Present: Terry Anderson and Ryan Anderson, Mariner Real Estate Management; and Kristin Finney-Cooke of New England Pension Consultants; Chris Proulx of Omaha Education Association; Justin Wayne, Board of Education President.

- 4605 -

President Knutson stated the first order of business would be the election of officers for the 2014-2015 school year. President Knutson announced that he would not continue to serve as President because of his planned departure as a Trustee within the fiscal year. Mr. Purdy moved Donald Erikson be elected President and Roger Rea be elected Vice President for the 2014-2015 school year. The motion was seconded by Mr. Young and adopted by the following roll call vote: Aye: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0. Mr. Knutson relinquished the chair to President Erikson.

- 4606 -

Mr. Rea moved the minutes of the July 23, 2014 meeting be approved. The motion was seconded by Mr. Knutson and adopted by the following roll call vote: Aye: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4607 -

Mr. Rea moved approval of the investments made during the months of July and August 2014. The motion was seconded by Mr. Purdy and adopted by the following roll call vote: Aye: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4608 -

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. Through July 31, 2014, the 12 month rolling return was 11.5% and August had been another good return month for investments. 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. The 12 month rate of return

through June 30, 2014 was 14.6%, thus the regular interest rate would be 5.1%. 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 5.1% and to set the buy-in interest rate at 8.0% for the 2014-2015 school year. The motion was seconded by Mr. Young and adopted by the following roll call vote: Aye: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4609 -

Mr. Smith discussed with the Trustees the letter that had been received from Cavanaugh Macdonald Consulting concerning the additional work required to prepare information for Governmental Accounting Standards Board Statement 67 (new for 2014) and the cost of preparing the actuarial valuations for 2015 thru 2017. Mr. Rea moved to accept the fees set out in the August 19, 2014 letter from Cavanaugh Macdonald, which are to prepare the GASB Statement 67 information for 2014 at a cost not to exceed \$18,000 and to prepare the September 1, 2015, 2016 and 2017 actuarial valuations at an annual cost of \$23,700. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4610 -

Mr. Smith discussed with the Trustees the changes to the Board of Trustees travel and expense reimbursement policy. Ms. Goding recommended changing the Meals section to reference the federally established per diem rate for Omaha, Nebraska, rather than specifying a dollar figure that would need to be changed in the future. Mr. Proulx provided input on elements of the travel policy. By consensus the Trustees approved of this change. Mr. Purdy moved to amend the policy to include within the Miscellaneous section approval for reimbursement of hotel internet connection fees of up to \$10 per day. The motion was seconded by Mr. Rea and adopted by the following roll call vote: Aye: Erikson – Knutson – Purdy – Rea – Ripa – Young – 6. Nay: Goding – 1. Ms. Goding moved approval of the travel and expense reimbursement policy, as amended. The motion was seconded by Mr. Knutson and adopted by the following roll call vote: Aye: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4611 -

Mr. Smith discussed with the Trustees the need to choose delegates to the business meeting held at the National Council on Teacher Retirement Convention. Mr. Knutson moved that Mr. Ripa and Mr. Purdy be delegates and that Mr. Young and Mr. Rea be alternates (first and second as listed) at the business meeting to be held during the convention. The motion was seconded by Mr. Young and adopted by the following roll call vote: Aye: Erikson – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4612 -

President Erikson stated that the time for future meetings had not yet been established. Mr. Wayne indicated that Board of Trustee meeting times had been a topic of discussion at the

September 3rd Board of Education meeting. He indicated that in order for additional members of the Board of Education to participate, the Trustee meetings would need to begin in the late afternoon or evening. The Board of Trustees concurred that more regular participation by a greater number of Board of Education Trustees was an important component of effective governance. The Trustees discussed with Mr. Wayne a number of options that had been tried and what options might be successful. Mr. Rea moved to establish 4:00 p.m. as the starting time for regular Board of Trustee meetings (unless the length of the agenda or other unusual circumstances required a change). The motion was seconded by Ms. Goding and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Knutson – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4613 -

Mr. Evans entered the meeting during the discussion of the previous item.

- 4614 -

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, October 1, 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.

- 4615 -

Terry Anderson and Ryan Anderson of Mariner Real Estate Management discussed with the Trustees OSERS investment in Mariner Real Estate Partners III. They also provided information on the recently initiated Mariner Real Estate Partners IV and invited the Trustees to commit funds to the new fund.

- 4616 -

Kristin Finney-Cooke of NEPC discussed with the Trustees the report on the performance of the investment managers through June 30, 2014. She provided a special presentation on the importance of strong risk adjusted returns, rather than taking outsized risk to obtain short term returns that disappear with market volatility. She showed how OSERS risk adjusted returns ranked in the top one-third of its peers over the long term and ranked in the top 19%, 3%, 7% and 1% of its peers over the past 10, 5, 3 and 1 years. She acknowledged that other plans might have higher short term returns, but these were obtained by taking on the risk of losing a large portion of those returns as market volatility causes swings in investment values.

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The Trustees discussed the merits of committing funds to the Mariner Real Estate Partners IV fund. Mr. Smith discussed the asset allocation plan and how a commitment would be implemented. He also indicated that he had discussed fee reductions with Mariner because of our early participation with the firm and the institutional size of our investment. Mr. Smith felt confident that a reduction in fees could be successfully negotiated. Mr. Rea moved to make a \$60 million investment in the Mariner Real Estate Partners IV fund, subject to negotiating satisfactory investment terms. The motion was seconded by Mr. Evans and adopted by the following roll call vote: Aye: Erikson – Evans – Goding – Purdy – Rea – Ripa – Young – 7. Nay: – 0.

- 4618 -

Mr. Knutson left the meeting during the discussion of the previous item.

- 4619 -

President Erikson adjourned the meeting at 12:15 p.m.