

The Board of Trustees of the Omaha School Employees' Retirement System held a meeting on Wednesday, November 5, 2014, at 4:00 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, October 1, 2014.

Present at roll call: Erikson – Fey – Purdy – Rea – Ripa – Young – 6. Entered during meeting: Evans – Goding – Snow – 3. Absent: – Knutson – 1. Staff Present: Executive Director Smith, Retirement Benefits Manager Ellis, and School District legal counsel Megan Neiles-Brasch. Others Present: Ron Sellers, Cliff Cole and Don Trotter of Atlantic Asset Management; Doug Campbell and Greg Murphy of Fountain Capital Management; and Shaun Ahmad and Fahd Basir of 25 Capital Residential Mortgage Opportunity Fund.

- 4627 -

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, December 3, 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.

- 4628 -

Mr. Rea moved the minutes of the October 1, 2014 meeting be approved. The motion was seconded by Ms. Fey and adopted by the following roll call vote: Aye: Erikson – Fey – Purdy – Rea – Ripa – Young – 6. Nay: 0.

- 4629 -

Ms. Goding entered the meeting at this time.

- 4630 -

Mr. Purdy moved approval of the investment purchases made during the month of October 2014. The motion was seconded by Mr. Rea and adopted by the following roll call vote: Aye: Erikson – Fey – Goding – Purdy – Rea – Ripa – Young – 7. Nay: 0.

- 4631 -

Mr. Rea, chair of the ad hoc committee appointed to develop a process for the selection of Business Member Board of Trustee members, reported the committee had met Monday,

November 3, 2014 and had developed a process as contained in the document provided to each Trustee at today's meeting. The Trustees discussed the process and made recommendations for changes in the document presented. Mr. Rea moved to approve and recommend to the Board of Education the amended Application Process for selection of Business Trustees. The motion was seconded by Mr. Young and adopted by the following roll call vote: Aye: Erikson – Evans – Fey – Goding – Purdy – Rea – Ripa – Snow – Young – 9. Nay: 0.

- 4632 -

Mr. Evans and Mr. Snow entered the meeting during the previous item.

- 4633 -

School District legal counsel Megan Neiles-Brasch presented the Board of Trustees with Board of Education Policy No. 8231 A. – Expenses Incurred at Educational Workshops, Conferences, Training Programs, Hearing, Meetings, or Official Functions. She informed the Trustees that in accordance with Nebraska statute 79-981, the Board of Education has the authority to establish rules and regulations for the administration of the retirement system. She indicated that the Board of Education has determined that the Board of Trustees will cease use of their previously adopted policy governing business trip expense reimbursement and will begin complying with the Board of Education policy. The Trustees discussed the changes the Board of Education policy will require.

- 4634 -

Ms. Neiles-Brasch discussed the 2006 change in Nebraska law that required unused, accumulated vacation pay to be converted to a cash payment to the employee. The past practice of the Retirement System was to not treat a lump-sum payment of accumulated vacation or sick leave as salary or wages. Thus, these payments did not have retirement system contributions removed and were not included in the final average salary. This practice was questioned by Ms. Neiles-Brasch and was referred to Baird, Holm law firm for an opinion. The attorneys at Baird, Holm have now indicated that lump-sum payments of unused, accumulated benefit days should have been subject to retirement system contributions and should have been included in the calculation of final average salary. For the significant majority of members who received these payments over the past 8 years, this would not have changed their retirement benefits. However, for those employees who retired in the final month or two of the fiscal year and whose lump-sum payment was received within that same fiscal year, the lump-sum payment would have increased their final average salary. The exact number of employees affected and the dollar impact is being computed by retirement system staff. To stop the inclusion of these lump-sum payments in compensation it will be necessary to amend Nebraska statute 79-978 to clearly define what payments are to be included in the calculation of final average salary. Ms. Neiles-Brasch distributed proposed language that would define compensation so as to eliminate this issue. Mr. Rea moved to approve and recommend to the Board of Education the proposed language to amend 79-978. The motion was seconded by Mr. Young and adopted by the following roll call vote: Aye: Erikson – Evans – Fey – Goding – Purdy – Rea – Ripa – Snow – Young – 9. Nay: 0.

- 4635 -

Ron Sellers and Cliff Cole of Atlantic Asset Management discussed with the Trustees the performance of the domestic corporate fixed income portfolio and the cash management portfolio their firm manages for the Retirement System.

- 4636 -

Ms. Fey left the meeting during the previous item.

- 4637 -

Doug Campbell and Greg Murphy of Fountain Capital Management discussed with the Trustees the performance of the domestic high-yield fixed income portfolio their firm manages for the Retirement System.

Ron Sellers and Don Trotter of Atlantic Asset Management discussed with the Trustees the performance of the Global Yield Opportunity Fund their firm manages for the Retirement System.

- 4638 -

Mr. Evans left the meeting at this time.

- 4639 -

Shaun Ahmad and Fahd Basir of 25 Capital Residential Mortgage Opportunity Fund discussed with the Trustees the performance of distressed residential mortgage fund their firm manages for the Retirement System. They also shared with the Trustees that a Residential Mortgage Opportunity Fund II would be available for investing in during 2015.

- 4640 -

President Erikson adjourned the meeting at 7:25 p.m.