

The Board of Trustees of the Omaha School Employees' Retirement System held an Annual Retreat on Wednesday, June 1, 2016, 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 by the President of the Board at the Board of Trustees meeting held on May 4, 2016.

Present at roll call: Erikson – Evans – Goding - Havlovic – Jones – Purdy - Rea – Ripa – 8.  
Absent: Fey –Snow – 2. Staff Present: Cecelia M. Carter, Executive Director, James Ellis, Retirement Benefits Manager, Kelly Sheard, Department Secretary. Others Present: Kristin Finney-Cooke, NEPC; Kelly Means, OPS IT Department; Connie Knoche, Chief Financial Officer, OPS; Michael Walden-Newman, Nebraska Investment Council; Robert Bothe, Esq. and Peter Langdon, Esq., McGrath North.

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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 9:00 a.m. on Wednesday, August 3, 2016, in the School Board 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 of Education meeting room on the north wall.

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Ms. Kelly Means, OPS IT Department gave a training/demonstration on the new Surface Pro for the Board of Trustees' members.

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Ms. Goding entered the room at 10:03.

Ms. Kristin Finney-Cooke of NEPC was introduced to explain the Fund Manager Performance Report for the period ending March 31, 2016 and Evaluation of OSERS' Asset Allocation. Expected return target of 8% exceeds current asset return assumption of 7.7% over the long-term (30 years). Last year was a bit difficult for the fund in general, and some managers are being watched. In conclusion, the Plan is well funded relative to many other public pension funds, but is projected to have a declining funded status unless it experiences an increase to its returns. This report is based on forward-looking assumptions, which are subject to change.

Ms. Finney-Cooke also reported on the 4<sup>th</sup> quarter 2015 Private Equity portfolio allocation return and the 4<sup>th</sup> quarter 2015 Real Estate portfolio allocation return. As of December 31, 2015, OSERS had net commitments totaling \$316 million. As of December 31, 2015, OSERS had commitments totaling \$286.34 million to private markets Real Estate funds.

Mr. Rea suggested that we look at the underperforming fund managers and mentioned that he likes some of the places Ms. Finney-Cooke suggested to place the money. He also said he would like to see some "Mix C Plus". The Board of Trustees need to keep in mind how much money is needed on a monthly basis. Ms. Finney-Cooke will bring back an implementation plan to the August Board of Trustees' meeting.

Lunch break at 11:45 A.M.

At 12:58 Mr. Erikson called the meeting to order. Mr. Rea moved the Minutes of the May 4, 2016 meeting be approved. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson - Goding - Jones - Purdy - Rea - Ripa - 6. Nay: 0.

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Mr. Rea moved the Minutes of the May 16, 2016 Closed Session Meeting be approved with one Amendment. The motion was seconded by Mr. Purdy. Mr. Rea stated that according to Board File 4876, it indicates that Mr. Havlovic moved to come out of closed session. Typically, in closed session, a motion cannot be made. The Minutes should be changed to reflect the regular meeting was resumed at that time. Mr. Rea also noticed that Marian Fey's name is not capitalized in Board File 4877. The motion with both amendments was adopted by the following roll call vote: Aye: Erikson – Goding – Jones – Purdy – Rea – Ripa – 6. Nay: 0.

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President Erikson moved that Ms. Carter explain the Consent Agenda Report. Ms. Carter advised the Board there were five May 1, 2016 retirements. Unfortunately, there was a death of an active person and the spouse is eligible to take a retirement benefit. This is adding \$6,319.00 to the pension payroll. The average for the month of May was \$1,263.00 and the median was \$793.00. Ms. Carter asked the Board to ratify the May pension payroll of \$9,052,260.00 and Staff Payroll of \$26,731.00. Mr. Rea moved approval of the Consent Agenda Report. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson - Goding – Havlovic – Jones – Purdy – Rea – Ripa – 7. Nay: 0.

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Mr. Havlovic entered the meeting at 1:05 p.m. during the previous item.

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There was discussion about the Investments being approved. The Investment Report was not available at this time and will be held over until the August meeting. Ms. Goding expressed concern that the Investment Report would not be ready for the June 6, 2016 Board of Education meeting. Ms. Carter asked Jim Ellis to download a copy of the May Investment Report. Mr. Purdy moved approval of the Investments made during the month of April 2016. The Investments will be held over until later in the meeting today.

President Erikson introduced our new attorneys from McGrath/North, Robert J. Bothe, Esq. and Peter C. Langdon, Esq. They were asked to provide a fiduciary review to the Trustees. As the role changes with the movement of the management of the investments to the State Investment Council, the Board of Trustees will retain administrative fiduciary duties. LB447 was very clear with the fiduciary responsibilities. Ms. Carter asked if there should be a job description for the election of the new Board of Trustees. Mr. Langdon stated it would be a good idea. Ms. Goding noted to speak with Matt Ray and he can give the job description for the "business person" on the Retirement Board of Trustees. This job description, however, would need to be edited for OSERS' procedures. Mr. Langdon noted he understood there is fiduciary liability insurance in place. Ms. Carter stated that it is a \$10 million each claim per year, \$100,000 deductible per claim for fiduciary breach. Since the investments are going to the State, the investment risk of OSERS will be lower. Ms. Carter stated she is aware and is investigating whether OSERS could be eligible for a partial refund.

As part of LB447, OSERS will have 2 audits with Seim Johnson. One will be August 31, 2016 and the other will be December 31, 2016. After these audits are completed, OSERS will then be audited on a calendar year basis.

Mr. Bothe advised he has spent significant time on one investment issue in particular. He and Michael Walden-Newman have been discussing this issue because of timelines that are drawing near. He also advised he will be going to Lincoln to meet with Michael Walden-Newman and his lawyers.

Mr. Langdon advised the Board he and Mr. Bothe read LB447 and identified the specific duties that the Board of Trustees are responsible for. They addressed the more common policies and procedures that other retirement systems have maintained and adopted. Some of the priorities would be to review or establish policies for the election of trustees, procedure for approving applications for benefits; Ms. Carter advised the Board of Trustees will become responsible for approving monthly retirements. Mr. Rea stated that the State System has a similar type of procedure. If an application is received after the Board has met and cannot be approved until the following month, the retirees are paid retroactively. Need to make sure any policies we develop doesn't cost anyone money by coming in at the last minute. It simply will be delayed and get caught up in arrears. Mr. Langdon stated they see retroactive pension payments in other systems but it should not be so retroactive because of the responsibility of interest payments on prior due payments. He commented this would be a good practical solution. Ms. Goding stated if we were to do this, make sure that the Retirement staff would not have extra work created for them in having to go back and calculate arrears payments. She also suggested members should know

by March 1<sup>st</sup> if they were going to retire. She offered to the Board of Trustees to use the Board of Education in helping with any matters regarding these policies. Ms. Goding also suggested Board of Trustees should have legal counsel for any Board hearings. Mr. Langdon and Mr. Bothe explained the other responsibilities the Board of Trustees will be overtaking. In conclusion, Ms. Carter advised the Board there will be an updated policies and procedures book available in the fall.

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Mr. Havlovic moved approval of the May Investments. The motion was seconded by Mr. Rea and adopted by the following roll call vote: Aye: Erikson - Goding – Havlovic – Jones – Purdy – Rea – Ripa – 7. Nay: 0.

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Ms. Carter provided the schedule for the Board of Trustees' meetings for the 2016-2017 school year. She also indicated due to discussions earlier today, the Wednesday, August 3, 2016 Board of Trustees' Meeting has been moved to Tuesday, August 2, 2016. All meetings are scheduled to be at 9:00 a.m. Mr. Rea moved approval of the meeting schedule. The motion was seconded by Mr. Purdy. Mr. Purdy commented in the past a letter needed to go to Human Resources allowing himself, Mr. Havlovic, and Mr. Ripa to miss work duties to attend these meetings and, thereby providing a substitute teacher for himself. Ms. Goding indicated the OEA has an agreement with the School District and suggested to check the OEA agreement. Mr. Rea advised in the past, the Retirement System would need to initiate a request. Ms. Carter will find out to whom to send this request. The motion was adopted by the following roll call vote: Aye: Erikson - Goding – Havlovic – Jones – Purdy – Rea – Ripa – 7. Nay: 0.

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Mr. Rea questioned since there is not a July meeting, is there any way to have an electronic meeting to approve investments. Ms. Goding stated with open meetings there can be no electronic meetings under the Open Meetings Act. Ms. Goding expressed gratitude to the Board of Trustees for letting her serve on the Board. Mr. Rea commented in response to Ms. Goding his gratitude as well for her service on the Board. Other Board members continued to express their gratitude to Ms. Goding for her service to OSERS.

Mr. Purdy expressed concern about additional costs for the System. He assumes that the Retirement Office needs to add personnel. Ms. Carter indicated the Board of Trustees will be very mindful of costs. Any major expenses will come to the Board first such as the election process and figure out what service we want to use. Mr. Rea inquired as to a newsletter being mailed and if there would be a newsletter moving forward. Ms. Carter answered she couldn't promise a monthly or quarterly newsletter because of the multitude of issues going on right now. Mr. Rea indicated there should be better communication with the retirees. Mr. Erikson expressed concern the members don't know what OSERS is given the reaction to the LB447 video released in May.

Superintendent Mark Evans entered the meeting during the previous discussion.

Ms. Carter said she is planning to communicate with members and new hires by using a variety of means of communication that would help members understand the Retirement System. Mr. Rea mentioned that in the past new hire teachers had a 1 hour segment in their orientation that explained the Retirement System. Mr. Evans indicated this needs to happen again and Ms. Carter is already working with Charles Wakefield, Chief Human Resources Officer, to have New Hire orientation meetings to explain the Retirement System.

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Meeting adjourned at 2:30 p.m.