

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, November 2, 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 Vice-President of the Board at the Board of Trustees' meeting held on October 5, 2016.

Present at roll call: Erikson – Havlovic – Jones – Purdy – Ripa – 5. Absent: Evans – Rea.

Staff Present: Cecelia M. Carter, Executive Director, James Ellis, Retirement Benefits Manager, and Kelly Sheard, Department Secretary. Others Present: Robert Bothe, Esq. and Jason Benson Esq., McGrath North Mullin & Kratz, and Mark Kirschner, Esq., Goldin Associates.

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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, December 7, 2016, in the School 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 of Education meeting room on the north wall.

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Mr. Purdy moved that the OSERS Board of Trustees go into Closed Session. The motion was seconded by Mr. Ripa and adopted by the following roll call vote: Aye: Erikson – Havlovic – Jones – Purdy – Ripa. - 5. President Erikson reminded the public the Board went into Closed Session at 9:04 a.m. for the protection of public interest and for the prevention of needless injury to the reputation of individuals to discuss with Legal Counsel and Cecelia Carter, Executive Director and Mark Kirschner, Esq. Legal and Personnel Matters on the Retirement System.

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Mr. Rea entered the meeting during the closed session.

President Erikson reconvened the meeting at 11:25 a.m.

Present at roll call: Erikson – Havlovic – Jones – Purdy – Rea – Ripa – 6.

Mr. Ripa moved and Mr. Rea seconded, the Board ratify the November pension and staff payrolls, approve November new retirements, approve November pension refunds, and approve November accounts payables. The motion was adopted by the following roll call vote: Aye: Erikson – Havlovic – Jones – Purdy – Rea – Ripa– 6.

Gross Annuitant Pension & Retirement Staff Payroll

- Ratify November Pension Payments (paid 11.03.2016) = \$9,386,246.46
- Ratify November Staff Payroll (paid 11.05.2016) = \$ 28,162.05

New Retirements - Effective November 1, 2016

		EMP		RET	YRS	CHOSEN BENEFIT		
NAME		TYPE	AGE	MONTH	of SERV	OPT	OMAHA	STATE
Frederick	Clough	Other		11	12	A		
Rita	Crosland	T		11	7	A		
Marcy	Doran	Other		11	26.3	A		
Cynthia	Heidelberg	Other		11	34	B		
Dawn	Hughes	OP		11	13	D		
Cayetano	Ledesma	CMO		11	18.5	E		
Kathleen	Martin	Other		11	11	A		
Mary	Wiig	T		11	11	A		
Addition to Retiree Payroll - November 2016							\$11,652.00	\$375.00
Average			64		17		\$1,456.50	\$53.28
Median			64		12.5		\$1,144.67	\$40.60

Terminated Employees' Refunds – November 2016

NAME		Payment	
First	Last	Type	Dollar
Katherine	Adams	Rollover	
Ana	Banker	Direct	
Kayla	Barbour	Direct	
Colleen	Barrett	Direct	
Kimberly	Brandenburg	Direct	

NAME		Payment	
First	Last	Type	Dollar
Tyrone	Burke	Direct	
Joseph	Burns	Direct	
Joseph	Burns	Rollover	
Elizabeth	Cooley	Direct	
Karin	Darmody	Rollover	
Rachel	Durr	Direct	
Shayla	Edwards	Direct	
Jade	Eucker	Rollover	
Yesenia	Jurado	Direct	
Diane	Hanel	Direct	
Roxanne	Harris	Direct	
Adenna	Jampolsky	Direct	
Erik	Jensen	Rollover	
LaVonne	Lake	Direct	
Kamina	Lemons	Direct	
Courtney	Lieber	Direct	
Edward	Novak	Direct	
Lauri	Roberts	Rollover	
Tykesha	Robinson	Direct	
Tina	Scott	Direct	
Kelli	Staack	Rollover	
Earl	Stuart	Direct	
Leah	Stup	Direct	
Tiara	Thornton	Direct	
Ryan	Wiegert	Direct	
Hillari	Wood	Direct	
Micheal	Wright	Direct	
Terminated EE Refunds November 2016			\$399,216.84
Average			\$12,475.53
Median			\$9,988.38
Count			32

Accounts / Payables for November 2016

- Professionals/Consultants – \$0.00
- Investment Management – \$881,985.54
- Legal Services – \$32,231.03

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President Erikson continued the meeting with the next agenda item, October meeting minutes. Mr. Purdy moved to accept the minutes and Mr. Havlovic seconded. The motion was adopted by the following roll call: Aye: Ripa – Erikson – Havlovic – Jones – Purdy – Rea – 6.

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Mr. Erikson asked for a motion to approve the Investments. Mr. Havlovic made a motion to approve the Investments and Mr. Rea seconded. Aye: Erikson – Havlovic – Jones – Purdy – Rea – Ripa – 6.

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Ms. Carter presented to the Board the draft “Board Election Policies” for discussion and comments with the Board. Ms. Carter reviewed certain aspects of the policy where she had questions looking for board consensus. One item of discussion concerns identifying eligible voters for each election category. This discussion was needed to ensure the board policy reflects that a retired member who has returned to active membership status could only vote in one election category and not vote as both an active member and a retired member. After running through various scenarios, the board concluded the policy should indicate a Member may only vote in the category they qualify as on the date data is extracted for that year’s election. This means a retired member who is retired (and receiving a benefit), however has returned to work, cannot vote in the retired trustee election in a year they are working in a full time position and actively contributing to OSERS.

Collectively, Mr. Ripa and Mr. Havlovic asked questions in order to reiterate and hypothesize various scenarios to ensure a Member of OSERS will only be permitted to vote in the election they identify with when Membership data is reviewed for the annual election.

There was discussion whether term limits should be incorporated into the policy; and after much discussion the Board concluded the election process will take care of board turnover and to instill term limits into the policy would not be necessary.

Ms. Carter then reviewed a policy concerning the ability for Retirement System staff to run for a board seat in an election. The board concluded they understood the need for the policy. The policy states if an employee of the Retirement System/department decided to run in an election, they would be put on administrative leave.

Ms. Carter and the Board then began reviewing the election process and calendar. The election process will permit online voting and voting by mail. If voting by mail, the Member will be informed the deadline to vote is the date the ballot must be RECEIVED, not POSTMARKED.

Mr. Ripa asked if the document that's being discussed could be put in Word Format. Ms. Carter indicated she will send the board the draft policy in WORD.

Mr. Evans entered the room at 11:34 a.m. and left at 11:44 a.m.

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The draft GASB 67 report was given to the Board members. Ms. Carter reviewed, there are 4,351 Retired Members or Beneficiaries; 984 Inactive Members Entitled To But Not Yet Receiving Benefits; 210 Inactive Nonvested Members Entitled to a Refund of Member Contributions and 7,393 Active Members. The Total Membership is 12,938.

Ms. Carter reminded the Board the OSERS Valuation will be done in January given OSERS will now be audited on a calendar year.

Mr. Ripa made a motion to accept the GASB 67 Report. Mr. Jones seconded. The motion was adopted by the following roll call: Aye: Havlovic – Jones – Purdy – Rea – Ripa – Erikson – 6.

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President Erikson continued the meeting with an action on the Government Relations Consultant. Ms. Carter indicated there have been discussions in the past about bringing on a consultant to help with our relations in Lincoln especially with the upcoming Legislative Session. Ms. Carter asked to appropriate an additional \$50,000 to the 2016/2017 budget to cover the costs of such a firm. She's had discussions with our legal counsel to help identify some firms in Lincoln that may be able to assist us. Legal counsel identified the firm of Peetz & Company. Ms. Carter met with members of the firm and reported she believes the person who would be our direct contact will work well with the Board. Ms. Carter asked the Board at this time they authorize she engages in negotiations with a contract with Peetz & Company and also have the representative come back to the December meeting.

Mr. Ripa moved that the Board authorizes the Executive Director to engage in contract negotiations for the Government Relations Consultant with Peetz and Company. Mr. Jones seconded the motion. Discussion continued amongst the board members. President Erikson stated he thought this position is something OSERS needs to have in advance of the legislative session now that OSERS can no longer use the OPS government relations vendor. Aye: Ripa – Erikson – Havlovic – Jones – Purdy – Ripa – Rea – 6.

In beginning the Executive Director report, Ms. Carter advised the Board on November 9, 2016 at 4:30, there will be another one-hour New Employee Workshop in the Board of Education board room. Ms. Carter explained the workshop is designed for new employees to the district to explain the nuances and benefits of the OSERS pension plan. Reminders have gone out to new employees who came to the district in the 2015-2016 and 2016-2017 school years. Mr. Havlovic asked how many attended the first workshop. Ms. Carter and Mr. Rea indicated 12-15. Human Resources is handling the invites for the workshops. The flier went to the District Communications website this week. There is a place where people have to register so they can keep track. Ms. Carter indicated by word of mouth is how this will get around. The people who attended was a good mix. It was 20-something year olds and people who were joining the district mid-career. Questions were different which also allowed the young person to hear questions from the mid-career persons. Mr. Purdy asked Ms. Carter if she planned on expanding the invitations to the people who have less than 5 years of service for a chance to participate in the buy-back. Ms. Carter said she would. Mr. Ripa indicated that a lot of people don't understand the Buy-In/Buy-Back and this would be good for them.

The new position for the Retirement Technician has been finalized and will be posted later this week. The intent is to have someone on board, Human Resources thinks, the first of December, but with the Holidays, Ms. Carter stated she thinks it will be the first of January. Ms. Carter stated Human Resources will be encouraged to open outside as well and make sure it's a broad bandwidth of people who it's opened to. She will keep the Board abreast of how many candidates we get and the process.

Ms. Carter further explained the "How to Retire" package. She stated stemmed from a series of questions from employees. There have been occasions when someone waits to the last minute to retire and then realize they cannot afford to retire. Ms. Carter gave an example of a teacher calling the office and wanting to be told she could retire (although she was not eligible until next year) and not understanding if she left the school district now, she would be deferred vested, not retired.

Ms. Carter further explained the 8% cap on final average salary applies to everyone. Mr. Purdy asked if it affects many teachers. Ms. Carter stated it may if they are retiring soon. It is her understanding the retro pay has not been paid out to eligible teachers yet. Mr. Ellis indicated the teachers really haven't been affected as they typically work summer school every year and their raises haven't been substantial enough to push up against the 8% limit. With the new contract though, a lot of teachers didn't get pay raises the last two years and they get a big salary increase with the next increment. Those will be affected because that's over the 8%. Mr. Purdy asked if it's 8% any year? Mr. Ellis answered with saying it's the final 5 years of working. It's what's earned the year before. Someone that normally works overtime or summer school each year, they're normally not affected by the cap. Our majority of employees that are affected by it are

Transportation, Paraprofessionals, Cafeteria staff who end up getting 7 hours instead of their 6 hours or some other change of schedule. Transportation has been working a lot of overtime because they are short bus drivers. Mr. Havlovic stated it could impact a teacher moving into an administrative position their last 5 years.

Ms. Carter continued on with the Executive Director's Report. She sent out an e-mail to everybody with an investment commentary from NEPC. She doesn't want to inundate Board e-mails with these commentaries so she asked if anyone is interested in getting these. Mr. Jones indicated he'd like to receive them.

The 2016 Audit is underway. There are some outstanding items that Ms. Carter will be working on this week, but otherwise it is on track to close as planned.

Ms. Carter reported the transfer to the Nebraska Investment Council is on target. The custodian, Wells Fargo, has been notified of the termination of the custodial contract. There is still a question regarding OSERS access to the client service portal after January 1, 2016. Ms. Carter is discussing this with our Wells Fargo relationship manager. The investment consultant, NEPC has been notified of the termination of the investment consulting contract. NEPC has already commented and committed that although the contract will end December 31, 2016, they will be responsible to the Board for reporting the 4th quarter 2016 portfolio performance to the OSERS Board in early 2017. The Nebraska Investment Council uses AON-Hewitt as their investment consultant and NEPC will transfer the historical data over to AON-Hewitt in order to continue long-term performance analysis.

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For the Board of Trustees' report, Mr. Rea questioned the phone number in Ms. Carter's report is listed as a "402" number and he thought it should be a "531" number. She stated she will get that changed. Mr. Rea also indicated he had some ideas and suggestions for other categories in the Election Policy; such as a section addressing the appointment of the business-member trustees to the Board. Ms. Carter indicated she would appreciate his suggestions.

In conclusion, Mr. Jones stated he attended the 2016 Council of Actuaries meeting in Las Vegas, NV. He receives Lee Snell's FYI and it's very exceptional and there is always good news coming out of these meetings but he consolidates it putting in the context of future plans. There is a drift in the interest rates that are being applied by actuaries for these calculations. We're at 8 and the State's gone to 7.5 as Cecelia's pointed out. There was a rough show of hands at the conference of what rates are commonly being used now, it's 7.25 to 7.5. When the experience studies are completed, my expectations is we'll see liabilities measurements go up resulting in using a lower discount rate. There's a discussion undertow that calculations should be performed at a much lower interest rate sometimes called the market rate which would take it down to a treasury return of 4%. Actuaries, as a general rule, have been opposed to it because they feel it's not been a practical, useful concept. The read he got at the meeting is it's going to

happen. They're going to reflect much lower interest rates. It won't replace the funding analysis. Lee Snell does a good job of capturing this. Mr. Purdy asked if there would be a GASB 88-89 that will say now you have to report out based on the market value. Mr. Jones feels it will be several years away. The meeting had a very articulate spokesman from one of the large actuarial firms. He was a "soft touch" and a spokesman that will lead the way. That's Mr. Jones' speculation, maybe in 5 years, the numbers will be out there.

Meeting adjourned at 12:22 PM.

PENDING BOARD APPROVAL