

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, November 1, 2017, 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 October 4, 2017.

Present at roll call: Erikson – Evans - Havlovic – Jones – Purdy – Rea - Ripa – 7 present.

Staff Present: Cecelia M. Carter, Executive Director, James Ellis, Retirement Benefits Manager, and Kelly Sheard, Department Secretary. Others Present: Robert Bothe, Esq., McGrath North (via telephone), Bridget Donovan, and Connie Knoche, OPS Chief Financial Officer.

- 5014 -

President Erikson announced that, pursuant to Section 84-1411 of the Nebraska Statutes, the next regular meeting of the Board of Trustees will be Wednesday, December 6, 2017, at 9:02 a.m., at the Teacher Administrative Center, Board Hearing Room, 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.

- 5015 -

Present at roll call: Erikson – Evans - Havlovic – Jones – Purdy – Rea - Ripa – 7 present.

Mr. Rea moved 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 – Evans - Havlovic – Jones – Purdy – Rea - Ripa - 7. 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 Cecelia Carter, Executive Director and James Ellis, and OSERS' Legal Counsel, Robert Bothe matters on the Retirement System concerning litigation and other members' financial matters.

- 5016 -

President Erikson reconvened the meeting at 10:11 a.m.

Mr. Evans stepped out of the room at 10:11 a.m.

Present at roll call: Erikson - Havlovic – Jones – Purdy – Rea - Ripa – 6 present. Evans – Absent.

- 5017 -

Mr. Rea made a motion to follow the recommendation of legal counsel regarding the Hartford litigation. Mr. Ripa seconded and the motion was adopted by the following roll call vote: Havlovic – Ripa – Jones – Rea – Purdy – Erikson – 6 present. Evans – Absent.

- Gross Annuitant Pension & Retirement Staff Payroll
 - November Pension Payments (paid 11.03.2017) = \$9,795,079.77 [4,697 payees]
 - November Staff Payroll (paid 11.05.2017) = \$33,688.97

- New Retirements
 - November New Retirement Annuitants (first check December 3, 2017) [5 count]

EMPLOYEE NUMBER	NAME	EMP TYPE	AGE	MONTH	YRS	AVERAGE SALARY	OPT	OMAHA	CHOSEN BENEFIT STATE	TYPE
	Matthew Holland	Other		11	18.3					
	Barbara Kinsella	Nurse		11	5.0					
	Raydene Moulton	Other		11	12.5					
	Joel Rastede	Other		11	26.5					
	Robert Roan	Trans		11	10.5					
Addition to Retiree Payroll – Effective Date November 1, 2017								\$6,023.12	\$175.00	
Average			67		15	\$50,649		\$1,205	\$44	
Median			67		13	\$53,235		\$1,157	\$40	

Explanation of OPTIONS:

“A” = 5 year certain; “B” = 10 year certain; “C” = 50% J&S; “D” = 75% J&S; “E” = 100% J&S; “F” = Pop-up

Explanation of RET TYPE:

“1” = normal retirement; “2” = early retirement; “3” = disability retirement

- Deaths

- Approve Termination of Annuitants' Payments Due to Death (last check was October 3, 2017) [10 count]

EMPLOYEE NUMBER	NAME		AGE	RET YEAR	DATE OF DEATH	BENEFIT OSERS	Survivor Beneficiary	Survivor's Benefit \$
	Gary	Heller		1993	Aug-17			
	Ester	Orr		1994	Sep-17			
	Ronald	Meyer		1998	Sep-17			
	Carol	Matthies		1986	Sep-17			
	James	Hinton		2005	Jul-16			
	Norman	Storm		1994	Sep-17			
	Hyla	Hill		2013	Sep-17			
Terminated from Retiree Payroll – November 2017						\$13,734.13		
	Elizabeth	Larson				891.89		721.89
Continued Retirement to Beneficiary – November 2017						\$891.89		\$721.89

- Terminated Employees' Refunds November Refunds [58 count]

EMPLOYEE NUMBER	NAME		Payment		-
	First	Last	Type	Dollar	Yrs of Svc
	Keyana	Mason	Direct		0.1
	John	Simet	Direct		0.1
	Nicole	White	Direct		0.1
	David	Pfeiffer	Rollover		0.4
	Cora	Dennes	Direct		0.5
	John	Wagner	Direct		0.5
	Cynthia	Sanchez	Direct		0.6
	Tommi	Johnson	Direct		0.7
	Jocelyn	Rathbun	Rollover		0.8

EMPLOYEE	NAME		Payment		-
	NUMBER	First	Last	Type	
	Geralyn	Wilson	Direct		0.9
	Lindsay	Hosbach	Rollover		1
	Mayra	James	Direct		1
	Mikaela	Rodriguez	Direct		1
	Melody	Starkey	Direct		1
	Brandon	Wainwright	Direct		1
	Keenan	Williams	Direct		1
	Nakita	Williams	Direct		1
	Deirdra	Dixon	Direct		1.2
	Destiny	Murphy	Direct		1.2
	Emily	Rusiecki	Rollover		1.6
	Gretchen	Brouhard	Direct		2
	Jametria	Conner	Direct		2
	Elizabeth	Conrad	Direct		2
	Halee	Emerson	Rollover		2
	Martha	Gomez Angeles	Direct		2
	Marissa	Lewis	Direct		2
	Charles	Smith	Rollover		2
	Michelle	Huffman	Rollover		2.2
	Rogerrick	Hullaby	Direct		2.4
	Angela	Robinson	Direct		2.4
	Marietta	Ammons	Direct		2.8
	Lotplar	Laywah	Direct		2.8
	Andrew	Campbell	Direct		3

EMPLOYEE	NAME		Payment		-
	NUMBER	First	Last	Type	
	Patti	Glinsmann	Direct		3
	Dollie	Karolewski	Rollover		3
	Kimberly	Lassiter	Direct		3
	Paola	Neri	Direct		3
	Sophie	Newell	Rollover		3
	Amanda	Pounds	Direct		3.1
	Patrick	Sanders	Direct		3.6
	Kimberly	Brandt	Direct		3.7
	Teresa	Hamilton	Rollover		3.7
	Julie	Daigle	Direct		4
	Keithley	Faulkner	Direct		4
	Susan	Hinton	Rollover		4
	Blair	Petersen	Direct		4
	Mary	Ullery	Rollover		4
	Claudia	Wissink	Direct		4
	Anne	Peterson	Direct		4.3
	Shannon	Rice-Lutter	Direct		4.8
	Halston	Starks	Direct		4.9
	Whitney	Fagan	Rollover		7
	Audra	Anneberg	Direct		8
	Cheri	Keyes	Rollover		8
	Daniel	Hempel	Rollover		12
	Rhonda	Pederson	Rollover		12
	Kimberly	Williams	Rollover		12

EMPLOYEE	NAME		Payment		-
	First	Last	Type	Dollar	
NUMBER					Yrs of Svc
	Rebecca	Hodtwalker	Rollover		17
Terminated EE Refunds October 2017				\$602,189.73	
Average				\$ 10,382.58	3
Median				\$ 4,831.82	2
Count				58	

Bold entry indicates a distribution to a beneficiary due to the death of the active member.

Accounts / Payables for November 2017

- Legal Services –
 - Period Ending September 30th
 - McGrath North – General \$ 4,020.00
 - McGrath North – AGYOF \$ 1,920.00

\$5,940.00
- Consultant –
 - Seim Johnson (1st bill for 08/2017 audit) \$ 3,870.00

\$3,870.00
- Board Meeting / Workshops –
 - NCTR (5 Board & 1 Staff Registration for 10-2017) \$ 6,810.00

\$6,810.00

Mr. Rea moved and Mr. Purdy seconded, the Board ratify the November 2017 pension payroll, ratify the November staff payroll, approve November 1, 2017 new retirements, approve the terminations for November 2017 due to death as reported, approve November 2017 refunds to former employees, and approve November 2017 Accounts Payables. The motion was adopted by the following roll call vote: Aye: Erikson - Havlovic – Jones – Purdy – Rea - Ripa – 6 present. Evans – Absent.

Mr. Rea moved and Mr. Havlovic seconded the OSERS executive director pursue reclamation of the overpayments due to the death of annuitant, Employee ID #034394 and cease pension payments immediately. Aye: Erikson – Havlovic – Jones – Purdy – Rea - Ripa – 6. Evans – Absent.

President Erikson continued with the next item on the agenda, approving the October Minutes. Mr. Purdy moved and Mr. Jones seconded the October 4, 2017 Meeting Minutes. Mr. Erikson indicated a correction be made on Page 7, third paragraph, "OSER" should be "OSERS". The motion was approved as amended and adopted by the following roll call vote: Aye: Erikson – Havlovic – Jones – Purdy – Rea – Ripa – 6. Evans – Absent.

Mr. Evans returned to the meeting at 10:17 a.m.

The next item on the agenda to be discussed was OSERS' Financial Statements as prepared by OPS Accounting for August 31, 2017 and September 30, 2017. Ms. Carter explained that beginning with the Statement of Fiduciary Net Position, it shows at the end of August, OSERS is reflecting assets of \$1.234 billion.

Ms. Carter reviewed the August set of Financial Statements as prepared by OPS accounting department. OSERS net realized gains of \$25.4 million, and employee contributions of \$3 million, and employer contributions of \$15 million representing \$3 million from the school district statutory contribution, plus the \$12.7 million contributed by the school district towards the annual Actuarial Required Contribution. This is pursuant to the Nebraska Revised Statutes §79-9, 113. Expenses for the month of August were \$9.7 million to annuitants, \$43,000 for professional fees, and \$200,000 the school district charged OSERS at the end of year for indirect cost. This resulted in net operating income of \$34.4 million for the month of August.

The total cash balance for August was \$22.9 million at the end of the fiscal year. Mr. Purdy asked why October 31, 2016 was only \$6 million instead of approximately \$9 million as in other months and Ms. Carter explained the auditor is looking into this matter. Mr. Erikson inquired as to when the \$12 million was paid by the school district and Ms. Carter explained it was booked as an August 31 entry, but paid in September. Ms. Carter reminded the Board the fiscal year-end is August 31.

For September the balance sheet reflects OSERS had assets totaling \$1.229 billion. Ms. Carter reviewed the September Financial Statements as prepared by OPS accounting department. OSERS operating income for the month reflected a deficit of \$4.5 million. However, Ms. Carter informed the Board the September financial statements do not reflect the investment gain/losses as the reporting from the custodian is not available timely for OPS accounting to produce these statements.

Therefore, the October financial statements will reflect investment gain/losses for September and so forth. Ms. Carter also explained to the Board she has talked with the State Investment Officer regarding the timing of these reports from State Street.

Ms. Carter then moved onto walking the board through the OSERS budget through September 30, 2017. Ms. Carter noted September is the first month of the fiscal year and therefore only reflects one month of expenses.

The Board took a 5-minute break. Mr. Evans informed the Board he needed to leave for a meeting at 11:00.

Mr. Erikson called the meeting back to order.

Mr. Erikson informed the Board there have been discussions in the past reviewing options for funding to address the unfunded liability. One of the ideas that has come out of these discussions is to look at doing some kind of commissioning of a third party study. The thought would be hiring a group to come in and perform a study and have them come back to us with any potential recommendations. Mr. Erikson continued to explain using a third party to analyze the OSERS demographics and make recommendations to the board of trustees and board of education on options to alleviate future unfunded liabilities.

Mr. Jones expressed it was his opinion that Cavanaugh Macdonald could do this work rather than contracting a new company. Mr. Havlovic asked what an appropriate timeframe for this study to be done would be, because if a Request for Information is issued, it could take about 3 months. Mr. Jones asked Ms. Carter whether Pat Beckham of Cavanaugh Macdonald had been consulted on whether she could perform such an analysis for OSERS.

Mr. Evans expressed he sees the Nebraska legislative body as the body with the authority to give OPS as the plan sponsor new options to give OPS new revenues. Mr. Evans further disclosed, the school district is planning to convene a community advisory group next year representing a broad base of community groups, together with representatives of the collective bargaining units to contemplate ways to cut budgets in order to pay future pension liability cost. Mr. Evans indicated there is a high probability staff will possibly need to be cut in order to meet the demands of the pension liability if it continues to grow.

Mr. Erikson expressed if OPS does not have some kind of strategic plan, then we're not going to solve the issue of the unfunded liability. There were discussion as to whether other retirement plans have conducted funding option analysis work and Ms. Carter expressed she was familiar with other cities that have had such reports prepared for their legislative body. She also informed the Board she discussed this with Pat Beckham and Ms. Beckham was quite aware of such analysis work.

Mr. Evans left the meeting.

Mr. Erikson expressed his frustration given the OSERS retirement board has requested talks with representatives of the OPS Board of Education since June 2017 to no avail.

Ms. Carter stated she would make a point to Ms. Knoche the projections Pat Beckham performed earlier this year shows an ARC of approximately \$18 million for the 2018 fiscal year. When Pat performs the 2018 valuation study in January, the \$18 million that was projected could be higher given the district only contributed \$12.7 million instead of the projected \$15.5 million as reported in the January 1, 2017 Valuation Report.

Discussion continued at a high level regarding this high level matter. However, the Board of Trustees did decide to invite Pat Beckham to the December 6, 2017 meeting to discuss this matter with the Board.

Executive Director's Report

Ms. Carter informed the Board, State Street Bank and Trust is the custodian of assets for the State Treasurer who is technically OSERS' custodian of assets. The September 30, 2017 investment report was not received by OSERS until October 24, 2017 at 6:08 p.m. This results in the September 30th accounting reports as reported to the School District were a bit disingenuous as it does not reflect the investment activity. She instructing OPS accounting manager to begin footnoting the reports to indicate the investment activity being reported.

Fiscal year 2017 OSERS' salary for the State 2% contribution was reported to the Nebraska Public Employees' Retirement System at \$355,528,805.89. This figure does not include retro-pay made after August 31, 2017. There are collective bargaining agreements that were not finalized and the members of those collective-bargaining agreements received their retro-pay after August 31, 2017. The dollar amount was reported to the State in October, OSERS will receive the 2% contribution in July 2018. OSERS should expect approximately \$7 million from the State in July 2018.

The August 31, 2017 audit is almost finished. Seim Johnson will be at the December meeting to make their presentation. The ARC payment of \$12.750 million was sent and received by Nebraska Public Employees' Retirement System on September 20, 2017, however, it was booked as an August 31, 2017 entry. The Valuation Report reads \$15.5 million, but there is a matter of interpretation on the state statues.

Retiree COLA will get paid in January which is based on CPI Urban Area and there is a cap of 1 ½%. The final announcement will be in December and there will probably be a cap of 1 ½%. Ms. Carter emphasized new retirees are pro-rated based on their retirement date.

Board of Trustees' Report

Mr. Jones informed the Board he attended the Conference of Consulting Actuaries and consists of 5 or 6 diverse practices. There are people who have their full-time attention on public retirement systems, private retirement systems, medical benefits plans, and casualty practices. The sessions Mr. Jones attended were on public retirement systems so there were about 50-75 people that followed that through. Topics and discussions are on those topics that only actuaries would love! The conference speaker addressed the social awkwardness of actuaries.

Carter reminded the Board that Mr. Jones foregoes the NCTR conference and attends this particular conference each year so we can get a broad range of knowledge and exposure of what's going on in the industry. Mr. Jones mentioned there were a couple of sessions focused on projecting investment returns. Basically, information that was heard is entirely consistent with what's been seen with the Nebraska Investment Council. Expectations over the next 5 or 10 years are not exceeding the 7.5% return. What we're hearing from the Nebraska Investment Council and other sources is very consistent with what's being heard nationally. This lead to discussions as to what interest rates are being reflected in the actuarial recommendations. Mr. Jones stated OSERS is in the popular range of 7.5% return. Ms. Carter stated some of the larger retirement systems have gone from 7% to 6%. There were discussions on the issue of unfunded actuarial liability and where did it come from. Mr. Jones continued with his overview of the conference.

Mr. Purdy mentioned to the Board that he thought the NCTR conference was satisfactory. Sessions were shorter this year which was a disappointment. He asked the Board if there should be a provision as to having mileage reimbursement for non-staff board members to compensate for their drive time and cost. Mr. Purdy also asked why NPERS board members are paid \$50.00 for meeting attendance. Ms. Carter responded the compensation to the NPERB is within state statute. Mr. Purdy also raised the question of diversity within Nebraska Investment Council's. He asked about investment manager risk among the investment managers. It appears one manager in particular is engaged to invest 43% of their portfolio. Ms. Carter asked NIC whether there is a policy on manager risk. Historically, Ms. Carter has operated with 15% limit on manager concentration. Nebraska Investment Council does not have a manager risk policy. Mr. Purdy mentioned in the past there was a Board Policy Book and Guidelines set up for education of new trustee members and board training requirements. Ms. Carter stated it's very outdated and she is going to work on updating it within the next year. She has requested a model from another retirement system and we'll start with that. Mr. Havlovic said he finds it interesting that some states or systems have statutes or by-laws that require professional development hours. He stated it would be helpful for him because he came onto the Board of Trustees with little to no background of pension.

Mr. Rea informed the Board that he was elected President-Elect to the National Council Teachers' Retirement for the 2017/2018 year. The Board congratulated him for his accomplishment.

Mr. Erikson reminded the Board of his annual appeal for the OSERS' Account with Omaha Schools Foundation so if any of the trustees would like to make a donation. Remember to do that if you are so inclined. Donations are not accepted online, just a check. Ms. Carter asked if any of the trustees are donating to please let her know so she can keep track of the monies and reminded the board this is a non-interest bearing account at OSF whose purpose is to cover expenses of the board not related to pension administration. The account is used to cover cost associated with memorials and/or flowers when appropriate. There is approximately \$500.00 in the account currently.

Meeting adjourned at 11:55 a.m.