

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, December 7, 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 November 2, 2016.

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

Staff Present: Cecelia M. Carter, Executive Director, James Ellis, Retirement Benefits Manager, and Kelly Sheard, Department Secretary. Others Present: Robert Bothe, Esq., McGrath North Mullin & Kratz; Dan Bork, OPS IT; Darren R. Osten and Kelly A. Mann, Seim Johnson; Jack Peetz, Cora Schrader and Natalie Peetz, Peetz & Company; and, Kristin Finney-Cooke, NEPC, LLC.

- 4936 -

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, January 4, 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.

- 4937 -

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

Mr. Erikson asked for a motion to approve the November 2016 Investments. Mr. Rea made a motion to approve the November 2016 Investments and Mr. Purdy seconded. Aye: Erikson – Havlovic – Jones – Purdy – Rea – Ripa – 6.

Mr. Rea 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 9:10 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, Jim Ellis, Dan Bork, and Jack Peetz legal matters on the Retirement System.

Mr. Evans entered the room at 9:17 a.m.

President Erikson reconvened the meeting at 10:48 a.m.

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

Mr. Ripa moved and Mr. Rea seconded, the Board ratify the December pension and staff payrolls, approve new retirements effective December 1<sup>st</sup>, approve December pension refunds, and approve December accounts payables. The motion was adopted by the following roll call vote: Aye: Jones – Purdy – Rea – Ripa - Erikson – Evans - Havlovic – 7.

- Gross Annuitant Pension & Retirement Staff Payroll
  - Ratify December Pension Payments (paid 12.03.2016) = \$9,439,482.31
  - Ratify December Staff Payroll (paid 12.05.2016) = \$ 28,453.95
- New Retirements – Effective December 1, 2016

		EMP		RET	YRS		
NAME		TYPE	AGE	MONTH	of SERV	OMAHA	STATE
Joyce	Chambers	OP		12	26.7		

		EMP		RET	YRS		
NAME		TYPE	AGE	MONTH	of SERV	OMAHA	STATE
Patricia	Hampl	Para		12	19		
Laurie	Lemmons	Para		12	9.2		
Dennis	Johnston	Trans		12	7		
Darrell	Jones	CMO		12	42.5		
Harold	Mangen	Para		12	14.5		
Dennis	Stone	CMO		12	10.6		
<b>Addition to Retiree Payroll - December 2016</b>						<b>\$7,408.59</b>	<b>\$431.43</b>
<b>Average</b>			<b>69</b>		<b>18.5</b>	<b>\$1,058.37</b>	<b>\$61.63</b>
<b>Median</b>			<b>65</b>		<b>14.5</b>	<b>\$518.73</b>	<b>\$50.75</b>

- Refunds – December 2016

Presented at December 7, 2016 Board Meeting

NAME		Payment	
First	Last	Type	Dollar
Kristin	Anderson	Direct	
Damone	Avant	Direct	
Lydia	Biggs	Rollover	
Hayley	Block	Direct	
Nicole	Bohnenkamp	Rollover	
Courtney	Cale	Rollover	
Brittany	Dailey	Direct	
Douglas	Durfee	Rollover	
Benjamin	Fleck	Rollover	
Jordan	Forehead	Direct	
Juan	Garcia	Rollover	
John	Geringer	Rollover	
<b>Larue</b>	<b>Gilman-Martinez</b>	<b>Death</b>	
Alexandria	Grant	Direct	
Trevor	Herron	Rollover	

NAME		Payment	
First	Last	Type	Dollar
LaChea	Johnson	Direct	
Patricia	Lusero	Rollover	
Samantha	Matthys	Direct	
Lisa	Mitchell	Direct	
Claudia	Moreno	Direct	
Lisa	Pierce	Direct	
Bajah	Pittman	Direct	
Laura	Rowley	Direct	
Laura	Samson	Direct	
Amy	Schmidtke	Rollover	
Molly	Scott	Direct	
Bethany	Seehusen	Rollover	
Alexandra	Sitko	Direct	
Lisa	Tapley	Direct	
Brittney	Taylor	Direct	
Kim	Thompson	Direct	
Cydney	Westbrook	Direct	
Glenn	White	Direct	
Anne-Marie	Wilson	Direct	
Jessie	Winfrey	Rollover	
<b>Terminated EE Refunds December 2016</b>			<b>\$411,312.06</b>
<b>Average</b>			<b>\$11,751.77</b>
<b>Median</b>			<b>\$6,108.26</b>
<b>Count</b>			<b>35</b>

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

Accounts / Payables for December 2016

- Consultants – **\$105,625.65**
- Investment Management – **\$132,510.52**
- Legal Services – **\$ 10,126.56**

President Erikson introduced Kristin Finney-Cooke, NEPC. Ms. Finney-Cooke gave thanks to all the Board Members for working with them through the years. President Erikson gave thanks on behalf of the Board.

Ms. Finney-Cooke stated there's volatility creeping back into the market post-election.

Ms. Finney-Cooke continued with the handout Total Fund Performance Detail (Net). Currently, the plan is slightly trailing the portfolio allocation benchmark which is our current portfolio benchmarked to a passive mandate.

	10 Yrs	7 Yrs	5 Yrs	3Yrs	1 Yrs	YTD	3 Mos	Fiscal YTD
	%	%	%	%	%	%	%	%
Composite	5.1	7.0	6.7	3.1	6.4	4.1	1.8	0.5
Allocation Index	5.6	8.1	8.7	5.6	9.2	7.2	3.1	1.2
+ / -	-0.5	-1.1	-2.0	-2.5	-2.8	-3.1	-1.3	-0.7
Policy Index	5.7	8.6	8.8	5.5	8.9	6.7	3.5	1.4

Ms. Finney-Cooke went on to explain the IRR for the total private equity allocation was 3.86 and the plan is still in positive territory. The Real Estate portfolio, for the most part, is in positive territory.

Mr. Purdy motioned to accept the NEPC report for the 3<sup>rd</sup> Quarter 2016 Portfolio Performance and Mr. Havlovic seconded. The motion was adopted by the following roll call: Evans – Erikson – Havlovic – Jones – Purdy – Rea – Ripa – 7.

Mr. Evans left the meeting at 11:15 a.m.

Mr. Darren R. Osten and Kelly A. Mann, Seim Johnson presented the 2016 Audit of Financial Statements Report. This report includes the Report to the Board of Trustees and the Audit of Financial Statements Report which includes Required Supplementary Information (RSI). There are a couple of schedules in the back that are required by the GASB Statement 67 and discloses the changes in the pension liability from the beginning of the year to the end of the year and then the schedule of required contributions. Mr. Osten stated the audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards.

Mr. Osten went on to explain the Plan's contribution trend. Comparing the actuarially required contributions compared to the statutory required contributions which includes the State, there is a deficit. He reminded the Board it was effective July 1, 2014 when the contribution rate changed from 9.3% to 9.78% for the employees and the employer contribution increased to 101% of the employee contribution. With LB447, the school district will still be required to contribute 101% throughout the year but then it may have to contribute an adjusted amount to meet the actuarial required contribution as determined by the actuaries. Mr. Erikson sought clarification from Mr. Osten, stating he understands that to mean, when the statutory contributions are less than the actuarial required contributions, the school district has to make up the difference with an additional contribution. Ms. Osten concurred.

Mr. Osten stated Seim Johnson is engaged to preform the short period audit for the 4 month period ending December 31, 2016 as required under LB447. Ms. Carter went on to explain OSERS will issue an RFP in 2017 seeking a firm to conduct the December 31, 2017, 2018, 2019, and 2020 year-end audits of financial statements.

Mr. Rea moved to accept the Seim Johnson report of the August 31, 2016 Audited and Financial Statements and Mr. Jones seconded. The motion was adopted by the following roll call: Erikson – Havlovic – Jones – Purdy – Rea – Ripa – 6.

- 4943 -

Mr. Erikson stated the next item on the agenda is the Board Election Policy and Procedures. Mr. Rea pointed out a series of things to be examined and quite possibly changed.

Mr. Rea questioned why can't filing a nomination be done electronically; why does it have to be a filed in person? Ms. Carter answered that if a person is truly interested, they should make an effort to come to the Retirement Office and file the nomination. Or someone could submit it on their behalf. Mr. Erikson stated as he read the policy, someone could nominate someone else. Ms. Carter used the analogy, if it's the last minute and its bad driving weather, someone could call someone here at TAC and ask them "Can you go nominate me?" Mr. Erikson asked if someone could be nominated without their consent? Ms. Carter explained yes, someone could nominate another person without their consent. However, at the close of nominations – each nominated candidate will be notified of nomination and should someone wish to decline the nomination they will simply be asked to decline the nomination in writing (via email).

Mr. Rea also mentioned that there's also in the draft for discussion a process to have the interested nominee to obtain signatures from members supporting the person's desire to be nominated. Ms. Carter stated it's come up in a couple of places, the question becomes does the

Board consider it necessary to have someone obtain signatures from other members supporting the interested person's nomination. After a robust discussion of the pros and cons the Board concluded signatures was not necessary and if in the future it is determined the nomination process of self-nomination is being abused, then the Board can revisit the.

Mr. Rea continued with procedures outlined on page 3, regarding who is eligible to run for the Board. It says it has to be an active member of OSERS from classified or certificated. Mr. Rea suggested to have another restriction with being a vested member of the System as opposed to a non-vested member. It was Mr. Rea's position that to serve as a trustee, a member ought to be a vested member (5 years of creditable service). Ms. Carter will check into whether there is any restriction on this requirement. Mr. Rea stated that to serve as a trustee, he is suggesting the person needs to have some experience. The Board engaged in a vigorous discussion on this matter outlining a sundry of scenarios. The Board concluded first to make sure it is permissible and if so to implement a "vesting" requirement for new members to run for the Board of Trustees.

On Page 4, when the ballots are due, Mr. Rea has been involved in mailing ballots. He said you can't control the mail. He stated that he would like to see that the use of a "due date" and the "count date" set a couple of days later. Anything that is received by the "count date" is counted so you don't disenfranchise someone who mailed it in good faith and the post office has "sat on it". Mr. Rea said he would like to see here's the "due date" and here's the "count date" and if it's not here by the "count date" (that are sufficiently far apart), then it doesn't get counted. Ms. Carter stated the ballot that shows up 3 weeks later, even though it might be postmarked, it is not counted.

After a diligent discussion on the matter of when ballots are due and when they are counted, the Board concluded to permit a set *postmark date* to determine eligible mailed ballots and set a *received date* five business days later. All ballots not voted online and received via paper by the postmarked and received dates will be tabulated, counted and reported in the results.

Mr. Purdy asked if an individual is running for the Annuitant position and they want to send a flier to everyone that's going to be able to vote, are we providing a mailing list for them to do that. Ms. Carter stated - No. The Retirement System will not produce mailing labels and/or provide mailing list of its Members to outsiders and/or other Members.

Mr. Rea continued on with Page 5 where it states "Names of the candidates for each election shall be rotated on the ballots so that each candidate's name appears to the extent possible at the top of the list an equal number of times", he looked at the State of California's election policy and it says that the ballot position is done by random drawing prior to election. He stated it would be easier to have a random drawing and put the name at the top and whoever comes up

first and let the chips fall where they may. President Erikson stated there are election ballots now that are random all the time. Mr. Rea stated it's random on the electronic ballots because they're scored electronically. If you're doing a paper ballot that's not scored electronically, that's a nightmare to try and figure out who's on top of the ballot this time. Ms. Carter stated it's all done electronically. They try to equal it out i.e., 2 candidates, 1/2 and 1/2, 3 candidates, 1/3, 1/3, 1/3. It will not cost extra to do this. Mr. Rea stated it would be a good idea to post who the winners are on our website as well as the Executive Director's phone call to them. Ms. Carter told the Board that the only information we are keeping in house is the sample of the process, however, if there is a protest before 50 days, then the ballots need to be retained. Otherwise, they will be destroyed.

The question was raised about taking an Oath of Office for the position. Ms. Carter mentioned that taking an Oath of Office causes pause for one minute to think about and respect the position you signed up to become a steward of the trust. The Oath of Office would be given by July 1.

Mr. Rea noted also there is no tie-breaking procedure. He said we could have a random drawing. President Erikson stated that a new copy will be brought to the January meeting.

- 4944 -

Ms. Carter has contacted a company who has been conducting election services for over 25 years and they sent a proposal. She also asked Rob Dixon, the OPS IT Director, to review the proposal from an IT perspective. He told her initially everything looked fine. She had to give them a ballot count. The first seat is for the certificated person and she told them to use a 6,000 ballot count and with everything involved, the total would be \$9,136.00. The actual number of needed materials will not be determined until March 31, 2017. At this point, she would ask the Board to approve her to finish negotiating this with legal counsel to try and get the figure down below \$9,136.00. Mr. Jones asked the name of the firm and Ms. Carter stated Election Services Company out of New York. If there is only one candidate running, then the firm will be notified that an election will not take place for 2017.

Mr. Rea moved to authorizing the engagement of Election Services Company, pending legal review and Mr. Ripa seconded. The motion was adopted by the following roll call: Erikson – Havlovic – Jones – Purdy – Rea – Ripa – 6.

- 4945 -

## Executive Director Report

Ms. Carter indicated OSERS has an account with the Omaha Public Schools Foundation with \$414.48 on account. President Erikson explained to the Board that since there was a question last year on what would be a permitted use of funds, OSERS now has a discretionary account, somewhat of a courtesy fund. The purpose is for such things as flowers for the death of a trustee or his/her immediate family, etc. We'll continue to try and build the account as time goes on. These is a tax deductible contributions. Go to Omaha Public Schools Foundation website to donate.

The next item Ms. Carter introduced James Ellis to review the Cost of Living Adjustments. Mr. Ellis explained the Cost of Living Adjustment effective January 3, 2017. The consumer price index is used for all consumers and for the last year it was approximately .6%. Before this is uploaded for payment, the actuary is asked to review the analysis and outcome – review the work process.

Ms. Carter informed the Board she attended the November 21, 2016 Nebraska Investment Council (NIC) joint meeting with the Nebraska Public Employees' Retirement System (NPERS) then separated to just the NIC. First, at the NIC on November 21, an asset allocation policy was adopted for the incoming OSERS' assets, but everyone recognizes it is just a symbolic measure because at this point will take years in order to implement the asset allocation policy. She will share the information with the Board as matter come forward. Secondly, Ms. Carter explained the statute states that "all investment costs associated with administering the OSERS' assets are to be paid by OSERS". Also they made reference to the cost of their investment staff to administer the OSERS' assets would be billed back to OSERS. Ms. Carter will look at this closer because we have assets that require much monitoring and processing.

Ms. Carter then thanked the Board of Trustees for the last 9 months again expressing her gratitude for this action packed 9 months. Mr. Havlovic asked about the new staff member for the Retirement Office. Ms. Carter stated there are resumes and she's working with HR to try to bring in 3 possibly 4 candidates between next week and Christmas and then make a decision from there. The area is "cleaned out" and looks like a workspace!

Mr. Ripa asked about fiduciary responsibilities for the NIC with OSERS assets. Mr. Rea stated that was something he mentioned with the Retirement Committee in Lincoln. Mr. Rea will send a memo to remind us to make sure that Kate Allen follows through on getting the language clear. President Erikson stated it's their understanding that they are fiduciarily responsible. We just want to make sure it's in the legislature.

Meeting adjourned at 12:30 p.m.