

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, April 5, 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 Vice-President of the Board at the Board of Trustees' meeting held on March 1, 2017.

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

Staff Present: Cecelia M. Carter, Executive Director, James Ellis, Retirement Benefits Manager, and Kelly Sheard, Department Secretary. Others Present: Jack Peetz, Peetz & Company, Robert Bothe, 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, May 3, 2017, 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. 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 – Evans - Havlovic – Jones – Purdy – Rea - Ripa. - 7. President Erikson reminded the public the Board went into Closed Session at 9:07 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, McGrath North matters on the Retirement System.

Before going into Closed Session, Cecelia Carter, Executive Director, introduced Timothy "Tim" Lenon as the newest member of the OSERS' team. He comes from Benson High School and is a Retirement Technician in the Retirement Department. He will help in performing retirement calculations and help with the planned PeopleSoft upgrade. Tim came with very high recommendation from his prior supervisor, Ms. Wickham, and she is very happy with this opportunity for him.

President Erikson reconvened the meeting at 10:00 a.m.

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

Mr. Ripa moved and Mr. Havlovic seconded, the Board ratify the April pension and staff payrolls, approve April new retirements, approve April annuity terminations due to death, approve April pension refunds, and approve April accounts payables. The motion was adopted by the following roll call vote: Aye: Erikson – Evans – Havlovic – Jones – Purdy – Rea – Ripa - 7.

- Gross Annuitant Pension & Retirement Staff Payroll
 - April Pension Payments (paid 04.03.2017) = \$9,480,978.19
 - April Staff Payroll (paid 04.05.2017) = \$28,453.95

- New Retirements
 - Approve April New Retirement Annuitants (first check May 3, 2017) [3 count]

EMPLOYEE			EMP	RET	YRS		CHOSEN BENEFIT		RET	
NUMBER	NAME		TYPE	AGE	MONTH	of SERV	OPT	OMAHA	STATE	TYPE
	Huong	Do	CMO		4	18.5	B			1
	Ngheu	Le	CMO		4	18.5	B			1
	Cathy	Heuertz	Para		4	13	B			2
Addition to Retiree Payroll – Effective Date April 1, 2017								\$2,583.46	\$160.83	
Average				67		17		\$861.15	\$53.61	
Median				69		18.5		\$1,154.22	\$61.60	

- Deaths
 - Approve Termination of Annuitants’ Payments Due to Death (last check was March 3, 2017) [14 count]

EMPLOYEE				RET	DATE OF	BENEFIT	Survivor	Survivor
NUMBER	NAME		AGE	YEAR	DEATH	OMAHA	Annuity Type	Beneficiary
	Myrton	Hall		1984	Feb-17			
	Selma	Johns		1993	Feb-17			
	Pauline	Estes		1985	Feb-17			

	Merlin	Lawrence		1996	Feb-17			
EMPLOYEE				RET	DATE OF	BENEFIT	Survivor	Survivor
NUMBER	NAME		AGE	YEAR	DEATH	OMAHA	Annuity Type	Beneficiary
	Marie	Zadina		2005	Feb-17			
	Ronald	Anderson		1988	Feb-17			
	Selma	Sadofsky		1984	Feb-17			
	Selma	Sadofsky		1992	Feb-17			
	Bethine	Briscoe		1995	Feb-17			
	Georgia	Lepert		2008	Feb-17			
	Ruth	Konopik		1989	Feb-17			
	Barbara	Stamp		2004	Feb-17			
	Annie	Morris		2011	Feb-17			
	Mary	Sokolik		2007	Feb-17			
Terminated from Retiree Payroll – April 2017						\$26,026.29		
	Deborah	Hyland		2016	Feb-17	3,260.52	100% J&S	Garry P. Hyland
Continued Retirement to Beneficiary – April 2017						\$3,260.52		

- Terminated Employees' Refunds
Approve Refunds [21 count]
Presented at the April 5, 2017 Retirement Board Meeting
Submitted to OPS Accounts/Payables on April 5, 2017

EMPLOYEE	NAME		Payment	
	First	Last	Type	Dollar
	Jessica	Barger	Direct	
	Anne Marie	Bartek	Rollover	
	Claude	Bradley	Direct	
	Kristin	Brommer	Direct	
	Patricia	Cifuentes	Rollover	
	Raymond	Deleon	Rollover	
	Lena	Galloway	Rollover	
	Silas	Grothen	Direct	
	Ban	Ibraheem	Rollover	

	Holly	Kassik	Direct	
EMPLOYEE	NAME		Payment	
NUMBER	First	Last	Type	Dollar
	Floyd	Knodel	Direct	
	Christina	Koch	Rollover	
	Michael	Moody	Direct	
	Harold	Morgan	Direct	
	Jenifer	Neilsen	Rollover	
	Lindsey	Odorisio	Rollover	
	Tia	Pierce	Direct	
EMPLOYEE	NAME		Payment	
NUMBER	First	Last	Type	Dollar
	Lynn	Salzinger	Rollover	
	Hilda	Valadez	Direct	
	Eric	Westra	Rollover	
	Ashley	Yount	Direct	
Terminated EE Refunds April 2017				\$ 239,208.15
Average				\$11,390.86
Median				\$5,933.59
Count				21

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

Accounts / Payables for March 2017

- Investment Managers –
 - Walter Scott (midcap) (4th Q '16) \$ 54,506.82
 - Wall Street (micro) (4thQ '16) \$ 76,168.12
 - Walter Scott (4thQ '16) \$294,499.52
 - Earnest Partners (4thQ '16) \$ 41,179.99

\$466,354.45
- Legal Services –
 - McGrath North – General \$ 16,660.00

- McGrath North – AGYOF \$ 1,775.50
- \$18,435.50**
- Consultant –
 - Seim Johnson (12.31.2016 audit) \$ 4,400.00
 - \$4,400.00**
- Miscellaneous –
 - Nat'l Pension Education Assc \$ 600.00
 - \$600.00**

President Erikson continued with the next item on the agenda, approving the Minutes. Ms. Carter explained to the Board there was one minor correction in the first paragraph under the Trustee Report where it was inadvertently referred to as “National Employees...” instead of “The National Institute of Retirement Security. It was changed from “NERS” to NIRS. Mr. Havlovic moved and Mr. Rea seconded the March 1, 2017 Meeting Minutes with the correction.

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President Erikson introduced Jack Peetz, Peetz & Company to discuss 2017 legislative matters. Mr. Peetz mentioned the legislature is moving through some bills fairly quickly but they are running out of time so it’s an interesting set of dynamics. The Senators are realizing they’re running out of time. The legislature is going to go into longer sessions in order get some things done.

Mr. Peetz talked to Senator Kolterman after Ms. Carter was in Lincoln for the Retirement Committee hearing. There was an executive board meeting after everyone left the room and LB415 will come out as a consolidation of different related bills. Senator Kolterman indicated his intent is to encompass an overall clean-up on retirement related issues. Discussion continued between Mr. Peetz and the trustees at a very high level regarding these and other issues related to LB415.

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President Erikson introduced Pat Beckham, Cavanaugh MacDonald, to discuss the draft of the 2012 – 2016 Experience Study prepared for OSERS using OSERS membership demographics. In the past, the study was conducted every 5 years, however with the passage of LB 447 in 2016 the experience study is to be conducted every 4 years. The current study covers 2012 through 2016. The purpose of the Experience Study to provide a basis for analyzing existing assumptions and methods against the realities of the membership behavior and developing recommended changes.

The actuary's role is to make recommendations for each assumption. Assumptions have a significant impact on the calculation of liabilities and actuarial contribution rates. The Board is responsible for the selection of actuarial assumptions and they can adopt all, none, or some of the actuary's recommendations. The recommended assumption changes are incorporated into the minutes by reference. Mr. Jones agreed with everything as recommended for actuarial methods.

For Investment Return Assumption, current assumption is 8.00% (3.00% inflation and 5.00% real rate of return). Ms. Beckham stated NPERS went through their experience study in the fall of 2016 and recommended the lowering of its investment return assumption from 8.00% to 7.50%. The recommendation is that OSERS move to 7.50% (2.75% inflation and 4.75% real rate of return).

Payroll growth assumption is used to determine the amortization payment on the Unfunded Actuarial Liability. The current assumption is 4.00% composed of 3.00% price inflation and 1.00 real wage growth. The recommendation is no assumed change in the size of the active membership. However, if legislation for charter schools is passed, it could significantly impact OSERS funding by decreasing the number of actives, thereby lowering payroll growth. With a stable population, total covered payroll is expected to grow with general wage growth. The recommendation is lowering payroll growth assumption from 4.00% to 3.25%. Discussion continued at a high level with the Experience Study.

Lunch break at 12:15.

Meeting reconvened at 12:50.

Ms. Beckham continued with retiree mortality. The current mortality assumption is RP-2000 Table (published by Society of Actuaries). Females use a one-year age setback and there is no age adjustment for males. With a "Generational" approach, the Actual vs. Expected ratios should be close to 100%. The size of the group creates significant volatility in year to year experience and somewhat limit credibility. The new mortality table, RP-2014 Table, published by Society of Actuaries, includes projection scale. Recommend RP-2014 Table with one-year age set-forward for males and one-year age setback for females. Use MP-2016 to project future mortality improvements. Male A/E: 97% and Female A/E: 100%. Recommend use of mortality tables that are consistent with those being used for retired members (RP-2014 Family of Tables). The Retirement Assumption anticipates retirement directly from active status. Small size of group limits credibility of actual experience. Recommendations for Retirement Assumptions are to eliminate separate assumption for Rule of 82, 83 and 84 for Certificated. Also recommended are changes to both certificated and classified rates. There are some consistent patterns to changes are recommended now. The recommendations are based on liability-weighted results to better match actual experience. For Termination of Employment, the current assumption is a 5-year select and ultimate. Analyzed results are on both age-only or service-only approach. Recommend OSERS move to a pure service-based assumption for certificated (one assumption for both males and females and classified (separate assumptions). For the Forfeiture of Vested Benefit, it anticipates

that some vested members will elect to take a refund of their employee contributions and forfeit the right to a benefit in the future. Recommend increasing the rates for classified members leaving their funds in the System from 50% to 60% (resulting A/E ratio is 107%). With the Salary Increase Assumption, it's an important assumption because benefits are based on final average salary amounts. The current assumption is age-based with different rates for members in certificated and classified groups. Recommendation is to moving to a pure service-based assumption for salary increases and. Recommended assumption produces higher increases than actual experience since inflation/general wage growth in the study period was lower than the recommended assumption.

Ms. Beckham and the Board further discussed the Experience Study. She informed the Board that there are many changes in this experience study with significant cost impact. There will be a continuous monitoring of all assumptions in future experience studies which is every 4 years. She said to expect new service-based assumptions for termination and salary to need refinement in the future. Ms. Beckham also noted that setting assumptions is a continual process and changes are to be expected over time and the goal is to produce the best estimate of future events.

Below is the Summary of Recommendations:

Summary of Recommendations

	Current Assumption	Recommended Change
Inflation	3.00%	2.75%
Investment Return	8.00%	7.50%
Payroll Growth	4.00%	3.25%
Interest on EE Contributions	3.00%	2.75%
Mortality	RP-2000 Table M+0/F-1	RP-2014 Table M+1/F-1
Retirement	Early, select and ultimate	Same, but changes to all
Termination of employment	5-Year Select and Ultimate (age based)	Pure service-based assumption
Election of refund	Certificated: 20% Classified: 50%	Certificated: no change Classified: 40%
Salary increases	Age based/separate rates for each group	Service-based/separate rates for each group

Mr. Jones and Mr. Evans left at 1:30.

The final report on the Experience Study will be issued at the May 3, 2017 Board Meeting since the actuarial methods are part of it.

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Mr. Erikson announced the next item on the agenda, the Board Election. Ms. Carter reminded the Board that this is the first year of OSERS having to conduct an election for a trustee. Ms. Carter further announced that only one candidate for the Certificated Employee Trustee, DeLayne Havlovic, had filed for the position by the filing deadline of March 10, 2017 at 5:00 p.m. The OSERS Trustee Election Policy provides that, when only one candidate files for election, the board may declare that candidate elected without a formal election process. This policy is in support of not expensing the cost of an election process and saving the funds of the Members. Moved by Mr. Purdy and seconded by Mr. Ripa that the sole candidate for Certificated Employee Trustee be declared elected for a term of four years (2017-2021) as provided by the OSERS' Election Policy. The motion was adopted by the following roll call: Ripa – Rea – Purdy – Erikson – Havlovic – 5. Mr. Havlovic accepted the election and thanked the Board for their support. He is looking forward to 4 more years of working with Board of Trustees and OSERS. The motion has been passed that there will be no election.

Executive Director's Report

Ms. Carter informed the Board Nebraska Investment Council has made additional investment to private equity and the State Investment Officer and a representative of AON Consulting will be at the June 8, 2017 retirement board meeting to go over 1st quarter 2017 performance. Ms. Carter also informed the Board that 10 of OSERS' managers that transitioned to the NIC on January 1st have been terminated. The funds were transitioned to align with the NIC portfolio in accordance with the asset allocation adopted by the NIC trustees for the OSERS portfolio of assets. Ms. Carter has not received NIC's first invoice yet. The next meeting for NIC will be June 13, 2017 in the La Vista, Nebraska area.

Ms. Carter attended the 2017 NPERS' and NIC annual report at the Legislative Retirement Committee in Lincoln on March 31, 2017.

The Retirement Benefits Technician position has been filled. Timothy (Tim) Lenon, an OPS employee from Benson High School, was selected and his first day was April 3, 2017.

Trustee Director's Insurance Renewal policy application was completed went before the Board of Education on April 3, 2017 and was accepted. Although we emphasized OSERS is no longer responsible for investment decisions, the underwriter is continuing to factor in the investment

component and our premium will remain about \$37,000 for one more year. We are discussing whether we need to solicit OSERS' our own insurance because the coverage continues under the school district's umbrella which includes OSERS fiduciary. We can investigate over the summer to see if a broker can find us a better deal for OSERS. Furthermore, OSERS' legal counsel wants to further investigate the extent of our coverage. We are paying a rider to the school district.

Audit Services Request for Proposal was reviewed by OPS and Accounting. OSERS has a fiscal year of 8/31; however, the valuation year is 12/31 and our special audit year is 12/31. In essence, OSERS will be asked to effectively run two audits every year. We are going to go back to the school district to have some of those definitions changed legislatively so we will only have one true audit. However, we do have to issue an RFP for separate audit services from the school district. The intent is for the RFP to go out this month and OSERS will need to have a contract in place by July. Ms. Carter's intent is to have a special meeting in June to interview the firms that respond back and qualify.

We've had discussions several months back on whether OPS has given the contributions they were supposed to. Ms. Knoche and Ms. Carter have discussed this and have compared data. The school district reviews and views their perspective from a market value, while OSERS reviews and views our perspective from an actuarial value. From an actuarial perspective, the school district has not contributed the actuarial required contributions. We now have in statute a requirement upon the school district to contribute the ARC. On a go forward basis, upon acceptance of the annual Valuation Report by the Retirement Board of Trustees, the Executive Director will issue written correspondence to the school district requesting the ARC in accordance with the Nebraska Revised Statutes.

Board of Trustees' Report

Mr. Rea asked if the August meeting could be moved to August 1st or 9th.

The June Retreat will be on Thursday, June 8, 2017 at First National Bank of Omaha.

Mr. Erikson told the Board that Ms. Carter has been with OSERS for one year and has requested a performance evaluation. Mr. Erikson asked if Ms. Carter new of old evaluation forms used by OSERS in the past and she stated she'd send him what she had from the former Executive Director.

Mr. Purdy asked about the NCTR Trustees' conference coming up in the summer. Mr. Rea informed the Board that registration is supposed to start this month or shortly thereafter.

Mr. Rea commented on a statement that was made about how much money we're paying out as to what we're receiving in contributions as though that difference has added to the unfunded liability. That does not contribute to the unfunded liability, it simply shows the cash flow situation. We need to make this abundantly clear. Discussion continued on this issue and the maturity of the OSERS' plan.

Mr. Erikson commented about the continued public misrepresentations of OSERS and the retirement system at the Board of Education meetings and elsewhere. It is inappropriate and he thinks is sending the wrong message. For instance, the inference that upon transitioning of the OSERS assets to the Nebraska Investment Council effective January 1, 2017 and the subsequent reference by the school board to the termination of fund managers by the NIC without the explanation as to the why, leaves the public misinformed. The facts of the matter are that the termination of the managers by the NIC was done to align the portfolio with the asset allocation adopted by the NIC. This will utilize the efficiencies associated with now being managed under the umbrella of a larger allocation of investment assets, the public would certainly understand the need to terminate a manager with a smaller dollar mandate and incorporate the funds into a mandate of a larger scale. It should have been noted this move was not necessarily a reflection on the performance of the manager but rather an acknowledgement by the NIC of a cost savings opportunity.

Mr. Purdy asked about a newsletter to get out to our members and let them see how good OSERS is doing. Ms. Carter stated she is working on this newsletter with District Communications. Mr. Ripa also stated he's noticed in the last couple of months, it's getting "louder" as far as the comments and rumors that have been made.

The meeting adjourned at 2:06 p.m.

PENDING BOARD APPROVAL