

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Tuesday, August 1, 2017, at 3:00 p.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 June 8, 2017.

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., McGrath North, Darren Osten and Kelly Mann, Seim Johnson.

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President Erikson announced that, pursuant to Section 84-1411 of the Nebraska Statutes, the next regular meeting of the Board of Trustees will be September 6, 2017 at 9:00 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.

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Mr. Ripa moved that the OSERS Board of Trustees go into Closed Session. The motion was seconded by Mr. Purdy 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 3:08 p.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 legal matters on the retirement system.

Present at roll call: Erikson – Havlovic – Jones – Purdy – Ripa – 5 present.

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President Erikson reconvened the meeting at 3:31 p.m.

Present at roll call: Erikson – Havlovic – Jones – Purdy – Ripa – 5 present.

Mr. Havlovic moved and Mr. Jones seconded, the Board ratify the June 2017 pension payroll in the amount of \$9,667,047.73, ratify the July 2017 pension payroll in the amount of \$9,775,446.07, ratify the July staff payroll in the amount of \$33,066.90, ratify the August staff payroll in the amount of \$33,066.90, ratify July 2017 new retirements, approve August 2017 new retirements, ratify the terminations for July 2017 due to death of the retiree, ratify July 2017 refunds to former employees, ratify August 2017 refunds to former employees, and ratify July 2017 Accounts Payables.

The motion was adopted by the following roll call vote: Aye: Erikson –Havlovic – Jones – Purdy – Ripa - 5.

- **Retirements**

July 1, 2017 Retirements

		EMP		RET	YRS		CHOSEN BENEFIT	RET
NAME		TYPE	AGE	MONTH	of SERV	OPT	OMAHA	STATE
Josephine	Alford	Trans		7	26			
Linda	Arnold	OP		7	13			
Gregg	Beeman	Other		7	9			
Thelma	Bell	T		7	10			
Catherine	Bettin	Nurse		7	18			
Merrilee	Binkerd-Miller	OP		7	10			
Barbara	Bonacci	OP		7	15			
William	Bugee	CMO		7	11			
Annie	Collins	Café		7	6			
Karen	Comfort	Para		7	32			
Darlene	Dunklau	Other		7	17			
Mary	Fisher	Nurse		7	6			
Susan	Fulton	OP		7	10.5			
Sally	Goff	OP		7	23			
Roxanne	Grandgenett	T		7	28			
Rene	Gunn	Trans		7	9.3			
Laura	Jones	OP		7	20			
Gwen	Keeton	Trans		7	15			
Faith	Klein	OP		7	19			
Jeanie	Lade	Trans		7	16			
Karen	Laushman	Trans		7	9.8			
Kimberly	Lidgett	Other		7	32			

Howard	McKean	T		7	24			
Shari	McWilliams	T		7	30			
Modesta	Perez-Baker	Trans		7	13.5			
Kimberly	Pickering	T		7	26.1			
Linda	Primm	OP		7	6.5			
Jimmie	Rainer	Secu		7	15			
Jewel	Robinson	Trans		7	26			
Kenyon	Sharp	T		7	29			
Deborah	Skoglund	T		7	21.5			
Karen	Spencer-May	Other		7	38			
Neal	Stepanek	T		7	29.5			
Anne	Thomas	OP		7	21			
Maria	Trujillo	Para		7	15.2			
Joyce	Willis	Trans		7	25.5			
Wolde	Wogga	Para		7	10			
Dona	Zrust	Para		7	8			
<b>Addition to Retiree Payroll – Effective Date July 1, 2017</b>							<b>\$52,131.42</b>	<b>\$1,762.21</b>
<b>Average</b>			<b>63</b>				<b>\$1,372</b>	<b>\$52</b>
<b>Median</b>			<b>65</b>				<b>\$892</b>	<b>\$46</b>

August 1, 2017 Retirements

NAME		EMP TYPE	AGE	RET MONTH	YRS of SERV	OPT	CHOSEN BENEFIT	
							OMAHA	STATE
Julia	Allen	Other		8	43	A		
Jay	Ball	T		8	30	B		
Cynthia	Baumann	Other		8	16	A		
Rosemary	Brown	OP		8	12	F		
Susan	Colvin	Other		8	33	B		
Jeanne	Ellefson	T		8	28.5	A		
Patricia	Ellsworth	Café		8	24.5	A		
Linda	Felt	T		8	32.5	A		
Rick	Fredd	Other		8	36			
Loren	Friesen	CMO		8	35	D		
Virginia	Gerhardt	T		8	26	A		
Rena	Kehrberg	Other		8	36	A		
Linda	Marek	Nurse		8	5	B		
Susan	Mayberger	Other		8	29	A		
Megan	Samson	Para		8	33	A		

Margaret	Simmons-Davis	OP		8	18.5	A		
Arturo	Vazquez	Secu		8	5.6	A		
<b>Addition to Retiree Payroll – Effective Date August 1, 2017</b>							<b>\$57,667.04</b>	<b>\$971.73</b>
<b>Average</b>			<b>61</b>				<b>\$3,153.07</b>	<b>\$55.86</b>
<b>Median</b>			<b>62</b>				<b>\$2,687.00</b>	<b>\$45.50</b>

- Deaths

EMPLOYEE			RET	DATE OF	BENEFIT	Survivor	Survivor	Survivor's	
NUMBER	NAME		AGE	YEAR	DEATH	OMAHA	Annuity Type	Beneficiary	Benefit \$
	Marilyn	Gilreath		1993	Jun-17				
	Genevieve	Edgington		1983	Jun-17				
	Rosemary	Albenesius		2001	Jun-17				
	Francis	Kudlacz		1997	Jun-17				
	Guy	Moore		2000/2007	Jun-17				
	Jerrie	Hartzell		2010	Jun-17				
	Laverne	Steiner		1990	Jun-17				
	Margaret	Lindsey		2008	Jun-17				
	Mary	Rush		2017	Jun-17				
	Rita	Hunter		2014	Jun-17				
<b>Terminated from Retiree Payroll – June 2017</b>						<b>\$15,315.50</b>			
	Jini	Russell		2017	Jun-17			Kody Koch	
<b>Continued Retirement to Beneficiary – June 2017</b>									<b>\$521.58</b>

- Refunds

July Refunds

EMPLOYEE	NAME		Payment	
NUMBER	First	Last	Type	Dollar
	TaShawn	Adams	Direct	
	Albert	Armendariz	Direct	

	Danielle	Beach	Rollover	
	Rebecca	Bridgewater	Rollover	
	Linda	Briggs	Direct	
	Jillian	Kay	Rollover	
	Loyita	Lessley	Rollover	
	Christen	Lisinski	Rollover	
	Mistie	Martin	Direct	
	Taylor	Overton	Direct	
	Amanda	Partee	Direct	
	Yoselink	Pena	Direct	
	Ava	Pinneke	Direct	
	Kevin	Ramirez Sanchez	Direct	
<b>EMPLOYEE</b>				
	<b>NAME</b>		<b>Payment</b>	
<b>NUMBER</b>	<b>First</b>	<b>Last</b>	<b>Type</b>	<b>Dollar</b>
	Pablo	Rost	Direct	
	Susan	Smith	Rollover	
	Jarron	Taylor	Direct	
	Jane	Tracy	Rollover	
<b>Terminated EE Refunds March 2017</b>				<b>\$125,170.23</b>
<b>Average</b>				<b>\$6,953.90</b>
<b>Median</b>				<b>\$5,962.59</b>
<b>Count</b>				<b>18</b>

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

### August Refunds

<b>EMPLOYEE</b>				
	<b>NAME</b>		<b>Payment</b>	
<b>NUMBER</b>	<b>First</b>	<b>Last</b>	<b>Type</b>	<b>Dollar</b>
	Nioka	Braggs	Rollover	
	Christina	Byrd	Direct	
	Mary	Gray	Rollover	
	Karrie	Hughes	Direct	

	Ladawn	Kiley	Rollover	
	Sheila	Leeder	Direct	
	Myiesha	Nunn	Direct	
	<b>Clifford</b>	<b>Robbins</b>	<b>Direct</b>	
	<b>Bonnie</b>	<b>Schroeder</b>	<b>Direct</b>	
	Mark	Shepoka	Direct	
	Timothy	Sieleman	Rollover	
	Tana	Starman	Direct	
	Kristen	Van Putten	Rollover	
	<b>Ryan</b>	<b>Watkins</b>	<b>Direct</b>	
	<b>Amber</b>	<b>Watkins</b>	<b>Direct</b>	
<b>Terminated EE Refunds August 2017</b>				<b>\$213,659.71</b>
<b>Average</b>				<b>\$14,243.98</b>
<b>Median</b>				<b>\$11,709.02</b>
<b>Count</b>				<b>15</b>

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

### Accounts / Payables for July 2017

- Legal Services –
    - Period Ending May 31st
      - McGrath North – General \$ 12,318.00
      - McGrath North – AGYOF \$ 376.50
    - Period Ending June 30th
      - McGrath North – General \$ 6,720.00
      - McGrath North – AGYOF \$ 1,440.00
- \$20,854.50**
- Consultant –
    - Peetz & Company (1/4ly fee) \$ 12,000.00
    - Cavanaugh Macdonald-(GASB 67 & NE Leg) \$ 11,480.00
- \$23,480.00**

President Erikson continued with the next item on the agenda, approving the Minutes. Corrections to the minutes were on page 2, paragraph 1, second sentence should say “1.139 billion” and “1.160 billion” per Ms. Carter. Mr. Ripa moved and Mr. Purdy seconded the June 8, 2017 Meeting Minutes. The motion was approved as amended and adopted by the following roll call vote: Aye: Erikson – Havlovic – Jones – Purdy – Ripa – 5.

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President Erikson introduced Darren Osten and Kelly Mann from Seim Johnson, OSERS’ auditors. They presented the audit presentation of the December 31, 2016 audit report to the Board of Trustees. The report indicated the short period of September 1, 2016 to December 31, 2016 (per the requirements of LB 447 (2016)). Mr. Osten presented the Audit Report which contains the financial statements of the retirement system including the Required Supplementary Information (RSI) and Seim Johnson’s required communications to those charged with governance. Mr. Osten indicated the independent auditor’s report had a clean/unmodified opinion. There were preferable accounting practices that were used and no significant new or changes in accounting policies. The only significant transaction to note was the write-down of the Atlantic Global Yield Opportunity Fund. There were no alternative treatments discussed with management. There was one audit adjustment increase on a real estate investment valuation of \$11.5 million. There was no management influence over the audit process and there were certain written communications between management and Seim Johnson (Representation Letter). A Quality Review was conducted of Seim Johnson’s auditing practices. It is required every 3 years. There was a recommendation that there be timely receipt of valuation of limited partnership investments. This was communicated to the Nebraska Investment Council and the new custodian, State Street Bank and Trust.

The Net Pension Liability for December 31, 2016 was \$727 million, an increase from the \$678 million at August 31, 2016. The Funded Ratio at the balance sheet date was 61.46%, down from the 63.68% at August 31, 2016. The expected rate of return is 8%. Mr. Erikson asked the Board’s 2017 vote to lower the rate of return to 7.5% would be considered a subsequent event on the audit. Mr. Osten replied that the changes and assumptions were not included, however, they will be included in the August 31, 2017 audit. Mr. Erikson brought up there should be a correction on the audit on page 3 that should read \$11.791 million. Seim Johnson will issue new audit copies with all numbers reflected with a “period” and the word “million”.

The meeting continued with Seim Johnson’s Proposal for Audit Services. Seim Johnson currently employs over 80 personnel and serve over 4,000 clients and has served OSERS the previous nine years. Mr. Osten said there is a conscious effort to maintain continuity of staff as much as possible. For the audit process, Seim Johnson will provide a listing of work papers and support needed for the audit. Their goal is to limit the number of requests during fieldwork to follow up and unexpected procedures. They also will try to make as many sample selections as possible prior to fieldwork to allow management time to gather required documentation. Constant communication will be maintained with management throughout the process. There are 2 items for consideration with the

passing of LB447. An annual audit of the affairs of the retirement system shall be conducted in each fiscal year. Each audit year an annual financial audit of the investments of retirement shall be conducted by the Nebraska Investment Council. Under GASB Statement 67, paragraph 37 it states that total pension liability is determined by Actuarial Valuation as of Plan's most recent fiscal year end and the use of update procedures to roll forward to the Plan's most recent fiscal year and amounts from an actuarial valuation as of a date no more than 24 months earlier than the most recent fiscal year end. More items for consideration involves Pooled Investments. According to GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, and GASB Statement 79, Certain Investment Pools and Pooled Investments, investments held and managed by Nebraska Investment Council. Investments are still to be reported at Fair Value, however, certain investments may be reported at amortized cost.

Ms. Carter stated for clarity the reason for the December 31, 2016 audit is that there is a documented audit stating investments transferred to the state Investment Council. Mr. Erikson made a statement that OSERS and the OPS District's relationship has changed dramatically over the last couple of years and we'd like to see ourselves as an independent client of Seim Johnson's and not just a department of the school district. Mr. Osten stated that OSERS is clearly identified as an independent client from the district. Seim Johnson does OSERS' audit first. We know our responsibility is to the Board of Trustees and we are committed to adding value. We will serve management with professional integrity, honesty, quality expertise, and respect. Ms. Carter requested a motion to approve the selection of Seim Johnson to conduct the OSERS' fiscal year audits for 2017 through 2021 and to authorize the execution of the Engagement Letter pending legal review. Mr. Purdy made the motion and Mr. Havlovic seconded. Roll call: Jones – Erikson – Ripa – Purdy – Havlovic – 5.

The Board took a ten-minute break at 4:20 p.m.

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Mr. Erikson reconvened the meeting with Ms. Carter discussing the meeting that was held on July 11, 2017 with herself, Mr. Erikson, Mr. Bob Bothe, and Senator Mark Kolterman and the NE Legislative Retirement Committee's legal counsel, Kate Allen. There was discussion regarding OSERS and funding and working with the school district on overcoming the unfunded liability and moving us all forward together. OSERS is trying to open some dialogue with the school district. One of the positive outcomes at the July 11, 2017 meeting was Senator Kolterman wants to foster dialogue and get the district and OSERS at the same table. During the meeting with the Senator, it was discussed that at the OSERS Board of Trustees' June meeting, a motion was voted on to form a working group with the Board of Education and the request for the working group was reminded to the Superintendent. To date, the Board still has not heard anything. The meeting resulted in the Board Chair being asked who would represent OSERS in a working group discussion. Also at the meeting, Senator Kolterman presented a letter dated July 11, 2017 which makes a request to the OSERS' Board to have additional actuarial analysis on the OSERS' system and looking at

alternative funding options. The Board Chair shared the letter with everyone before the meeting so the recommendations in the letter could be read and absorbed. Senator Kolterman made it very clear with the Board any cost associated with doing the additional analysis would be at the expense of the school district. The letter was forwarded on to OSERS' actuary so the firm could perform an analysis on how much it would and about how long it would take to do this type of work for us. That letter was received at the end of last week and OSERS was told that it would take about 4 weeks in which to perform the analysis as requested. The cost would be approximately up to \$12,500. The Board of Trustees will need to accept the July 11, 2017 letter and authorize Cavanaugh McDonald to go through the analysis as requested by Senator Kolterman. They are waiting permission of the Board of Trustees to perform the analysis and if there are any problems with payment of the invoice from the school district, Cavanaugh McDonald would have no alternative than to look to OSERS for payment. Mr. Erikson stated with listening to all of this information, someone from the school district continues to visit with the legislature to come up with ideas without any contemplation or discussions with the Board of Trustees whatsoever. Discussion was held in the June meeting about getting together with the Board of Education about some of these problems. The Board of Education continues to visit with the legislature. Mr. Erikson stated he is disappointed that both Boards cannot seem to get together. Mr. Ripa asked why the Retirement System would need to pay this invoice since it's in state statute that the district pay. Mr. Bothe expressed his opinion surmising what Senator Kolterman is saying in the letter is what is the amortization...give a fixed number to bring the plan to 100% funded. Mr. Bothe expressed he believes the District no longer wants to work off the Annual Required Contribution, instead would like a fixed number. Ms. Carter stated she filed the Experience Study and Valuation Report in May 2017 with the School Board President and it still has not been an Item of Discussion or Action at a School Board meeting. Discussion continued at a very high level regarding these issues. Mr. Erikson entertained a motion for the Executive Director to respond to Senator Kolterman's letter of July 11, 2017 with the response from Cavanaugh McDonald and further ensure that the School District recognizes they are expected to be held accountable for the invoice from Cavanaugh McDonald to get this work done and our eagerness to work with the School District at the earliest opportunity. Mr. Ripa made the motion and Mr. Jones seconded. Roll call: Erikson – Havlovic – Jones – Purdy – Ripa – 5.

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Mr. Havlovic continued with the next item on the agenda, Executive Director Appraisal Design. He stated he and Mr. Purdy acquired the District's evaluation matrix. The verbiage was modified to make it more specific to OSERS.

Example:

<b>OSERS Executive Director Appraisal Scoring Rubric</b>
<b>Domain I: <i>Communication</i></b>
<b><i>Component 1A: Communicates in multiple ways (verbal, non-verbal, written, and listening) to ensure input from all stakeholders.</i></b>

<b>UNSATISFACTORY</b>	<b>BASIC</b>	<b>PROFICIENT</b>	<b>DISTINGUISHED</b>	<b>EXEMPLARY</b>
Does not communicate effectively with all stakeholders. Is not an effective listener and displays unwelcoming non-verbal cues.	Appears to be a good listener but does not always provide accurate and timely feedback.  Inconsistently communicates with stakeholders when conducting OSERS-based business.	Understands the importance of using various ways to communicate with stakeholders of OSERS.  Regularly communicates with stakeholders using one or more ways.	...and Develops communication processes that use multiple ways to provide timely, responsible sharing of information within the stakeholder community.  Defines and disseminates information about OSERS to staff, members, and community members.	... and Initiates two-way communication with stakeholders that supports the success of OSERS.  Mentors staff to ensure consistent and timely communication to OSERS members.  Designs and facilitates staff and trustee development in communication.
<b><i>Component 1B: Facilitates open, honest, and consistent communication.</i></b>				
<b>UNSATISFACTORY</b>	<b>BASIC</b>	<b>PROFICIENT</b>	<b>DISTINGUISHED</b>	<b>EXEMPLARY</b>
Not open to hearing the ideas of others.	Periodically presents inaccurate information in oral and written form.  Attempts to understand the importance of providing open, honest, and consistent information.  Attempts to maintain professionalism in interacting with others but often falls short of reaching this goal.	Utilizes a system of open communication that provides for timely, responsible sharing of information with stakeholders.  Creates communication processes to resolve problems and/or areas of conflict within the department and/or district.	... and Designs a system of open communication that provides for timely, responsible, sharing of information with stakeholders.  Provides opportunities for staff to express opinions contrary to those of authority or in relation to potentially discordant issues. Discusses with staff and implements solutions.	...and Implements practices to ensure all stakeholders are aware of the system of open communication.  Monitors staff responses to stakeholders avoiding potential conflicts and ensuring all interests are heard.  Resolves conflict to ensure the best interest of staff and members.

The next step in the process is to get some feedback from the Board of Trustees. Mr. Purdy agreed. If there are any comments, August 15, 2017 will be the deadline. Mr. Purdy and Mr. Havlovic will then send out the final version to the Board of Trustees. The appraisal will be discussed at the September 6, 2017 Board of Trustees' meeting. Mr. Jones made a motion and Mr. Ripa seconded. Roll call: Purdy – Ripa – Erikson – Jones – Havlovic – 5.

## Executive Director's Report

Ms. Carter presented the agenda for the Nebraska Investment Council Education Retreat, Quarry Oaks, Ashland, Nebraska. A copy of the PDF's for the meeting can be found at [www.nic.nebraska.gov](http://www.nic.nebraska.gov)

Ms. Carter told the Board State Street Bank and Trust gave an overview of the defined contribution plans that are being administered by NPERS. There was a discussion on reviewing the investment offerings that are being offered to the participants. Statistics prove that more education is needed to the defined contribution participants. Legal counsel for the NIC gave an overview of long-term investments. Ms. Carter strongly suggested the Board take a look at the power point. Aon Hewitt, Investment Consultants, gave an overview of the secondary market investments. Discussion centered on the need for more income to mitigate the monthly drawdowns that are needed by NPERS and OSERS. They are recognizing NIC needs to look for more incoming producing investments. Aon also gave an overview of the asset allocation capital market expectations. They are looking at a forecast return of 6.1%. Ms. Carter again encouraged the Board to look at the NIC website power points.

There was also a review of Council policies. They are being re-reviewed for updates due to OSERS and other legislative changes. Aon's contract was renewed. Ms. Carter let the Board know the next Nebraska Investment Council meeting will take place September 14, 2017 in La Vista, NE at Embassy Suites.

The kickoff meeting was held this morning for the PeopleSoft upgrade project. The pension functionality meeting is set for Thursday, August 3, 2017. Ms. Carter, Mr. Ellis, and Mr. Lenon and possibly one other person will be in attendance. Ms. Carter told the Board there was no discussion of cost of this project. She will share a presentation from this morning's meeting. The Pension Department falls under the umbrella of Human Resources for purposes of this project. The intent of the upgrade project is to have less touch points on membership data. There is a lot of repetitive input of information currently. This is the overall goal for this project.

Mr. Purdy asked about new hires and how that project was going. Ms. Kelly Sheard, department secretary, told the Board new hire letters will be sent via e-mail with the hopes of saving money on mailing them out (i.e. envelopes and letterhead, and postage cost). She also stated in June and July there were not any new hire letters mailed out because she has to wait for the new employees to begin employment.

## Board of Trustees' Report

Mr. Havlovic stated to the Board that he also attended part of the Nebraska Investment Council retreat on July 27, 2017. He was there through the long term investments section. He talked briefly to one of the portfolio managers before the meeting started and he said things are on track as far as transition of investments. There is about 2/3 transitioned over as liquid assets that are being incorporated into an overall portfolio. Some things cannot be immediately turned over with the contracts that OSERS is tied into. The portfolio manager said things are going very well. Ms. Carter stated the importance of the NIC recognizing the drawdowns are going to make it more challenging to meet the investment assumptions.

Mr. Erikson praised the NCTR trustee workshop as far as being one of the best ones he's ever attended. Mr. Purdy stated it was encouraging that Janis Elliott attended and NPERS' newest member, Jim Schultz attended. The Board was very impressed with Mr. Schultz.

Ms. Carter reminded the Board she will get the registration process going for NCTR Annual Conference.

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## New Business

There being none.

Meeting adjourned at 5:29 p.m.