

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, October 4, 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 September 6, 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 and Connie Knoche, OPS Chief Financial Officer.

- 5005 –

President Erikson announced that, pursuant to Section 84-1411 of the Nebraska Statutes, the next regular meeting of the Board of Trustees will be November 1, 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.

- 5006 –

Mr. Rea moved that the OSERS' Board of Trustees go into Closed Session. The motion was seconded by Mr. Jones 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 9:02 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.

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

- 5007 –

President Erikson reconvened the meeting at 9:21 a.m.

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

Mr. Rea moved and Mr. Havlovic seconded, the Board ratify the October 2017 pension payroll, approve the October staff payroll, approve October 1, 2017 new retirements, ratify the terminations for October 2017 due to death as reported, approve October 2017 refunds to former employees, and approve October 2017 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

- Ratify September Pension Payments (paid 10.03.2017) = \$9,800,842.92 [4,696 payees]
- Ratify September Staff Payroll (paid 09.05.2017) = \$33,066.90

EMPLOYEE			EMP		RET	RET	AVERAGE		CHOSEN BENEFIT		RET
NUMBER	NAME		TYPE	AGE	MONTH	YRS	SALARY	OPT	OMAHA	STATE	TYPE
	Barbara	Head	T		10	8		A			1
	Debra	Kurmel	Nurse		10	11		A			2
	Lynnelle	LaMay-Poe	OP		10	30		A			2
	James	Mangiameli	Other		10	31		B			2
	Cindy	Mardesen-Boyd	Other		10	17.5		A			2
	Edward	McGrath	Other		10	21.5		C			1
	Anne	Neneman	Para		10	13.5		A			2
	Rosemary	O'Hanlon	Para		10	7		A			1
	Sharon	Turner	Para		10	8		A			1
	Lawrence	Wallington	Trans		10	12.5		A			1
Addition to Retiree Payroll – Effective Date October 1, 2017									\$10,638.02	\$339.83	
Average				63		16	\$38,137.26		\$1,063.60	\$43.45	
Median				64		13	\$42,460.60		\$730.50	\$39.61	

Deaths

- Approve Termination of Annuitants' Payments Due to Death (last check was September 3, 2017) [9 count]

EMPLOYEE				RET	DATE OF	BENEFIT	Survivor	Survivor's
NUMBER	NAME		AGE	YEAR	DEATH	OMAHA	Beneficiary	Benefit \$
B01	Marilyn	Cain		1987	17-Aug			
	Thera	Wright		1992	17-Aug			

EMPLOYEE			RET	DATE OF	BENEFIT	Survivor	Survivor's	
NUMBER	NAME		AGE	YEAR	DEATH	OMAHA	Beneficiary	Benefit \$
	Janice	Greenberg		1996	17-Aug			
	Theresa	Hood		1996	17-Aug			
	Kathleen	Dundon		1988	17-Aug			
	Carol	Ryan		2002	17-Aug			
	Ivan	James		1995	17-Aug			
Terminated from Retiree Payroll – September 2017						\$11,154.31		
EMPLOYEE			RET	DATE OF	BENEFIT	Survivor	Survivor's	
NUMBER	NAME		AGE	YEAR	DEATH	OMAHA	Beneficiary	Benefit \$
	Charlene	Blair		1991	17-Aug		Kenneth Blair	
	Gary	Focht		2004	17-Aug		Mary L. Focht	
Continued Retirement to Beneficiary – September 2017						\$3,003.19		\$2,670.69

Terminated Employees' Refunds

- Approve Refunds [61 count]

EMPLOYEE	NAME		Payment		
NUMBER	First	Last	Type	Dollar	Yrs of Svc
	Atalaya	Cannon	Direct		0.5
	Hortencia	Jech	Rollover		0.7
	Kellie	Ellsworth	Direct		0.8
	Roberta	Rawley	Direct		0.9
	Kathleen	Cooper	Direct		1
	Christine	Crouch	Rollover		1
	Sarah	Derickson	Direct		1
	Tyler	Elmasri	Direct		1
	Danielle	Goodwin	Rollover		1
	Colton	Kester	Rollover		1
	Robert	Laird	Direct		1
	Jacob	Leibl	Direct		1
	Michele	Monzu	Direct		1

EMPLOYEE NUMBER	NAME		Payment		Yrs of Svc
	First	Last	Type	Dollar	
	Deanna	Mullen	Direct		1
	Darlene	Turner	Direct		1
	Carrie	Vala	Rollover		1
	Dawn	Worthington	Direct		1
	Dawn	Ashley	Direct		2
	Mary	Carmona	Direct		2
	Sarah	Eagen	Rollover		2
	Kyle	Francis-Thomas	Rollover		2
	Melissa	Srivastava	Rollover		2
	Ryan	Wieczorek	Rollover		2
	Christy	Elmasri	Direct		3
	Katherine	Falkowski	Direct		3
	Andrew	Ristow	Rollover		3
	Randy	Ross	Rollover		3
	Komla	Sowu	Direct		3
	Justine	Sullivan	Rollover		3
	Elizabeth	Swedlund	Direct		3
	Ashley	Wagner	Rollover		3
	Riley	Geier	Rollover		3.7
	Ashley	Amante	Rollover		4
	Ashleigh	Kimberling	Direct		4
	Anna	Nugara	Direct		4
	Mary Ann	Strange-Ray	Direct		4
	Deborah	Vamosi	Rollover		4
	Amie	Gourka	Direct		5
	Richard	Hobbs	Rollover		5
	Tricia	Soares	Direct		5
	Rebecca	Stichler	Direct		5
	Audree	Uhlarik	Direct		5
	Kristin	Wiley	Direct		5
	Amina	Mejdoubi	Direct		5.1
	Kendra	Boyd	Rollover		6
	Cheryl	Briggeman	Rollover		6

EMPLOYEE NUMBER	NAME		Payment		Yrs of Svc
	First	Last	Type	Dollar	
	Susan	Davie	Direct		6
	Adam	Killham	Direct		6
	Amanda	Pritchard	Rollover		6
	Makayla	Kastens	Rollover		7
	Billee	Brown	Direct		7.6
	Sade	White	Direct		7.8
	Canei	Rodriquez-Burns	Direct		7.9
	Cheiree	Schatz	Direct		8.3
	Mirna	Cordero	Direct		8.5
	Patricia	Tracy	Direct		8.7
	Kelle	Lawrence	Rollover		9
	Jamie	Kirschbaum	Direct		9.6
	Jennifer	Sinnott	Rollover		9.7
	Timothy	Hanson	Rollover		10
	Elizabeth	Staskiewicz	Rollover		12
Terminated EE Refunds October 2017				\$821,427.70	
Average				\$13,466.03	4
Median				\$12,218.38	3
Count				61	

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

### Accounts / Payables for October 2017

- Legal Services –
  - Period Ending August 31st
    - McGrath North – General \$ 8,610.09
    - McGrath North – AGYOF \$ 4,080.00

**\$12,690.09**

- Consultant –
    - Seim Johnson \$ 6,438.00
    - Peetz & Company (4Q 2017) \$ 12,000.00
- \$18,435.00**

Next, Mr. Purdy moved and Mr. Ripa seconded, the approval of Executive Director, Cecelia Carter’s 2017-2018 compensation be adjusted up by 2.5%. Aye: Erikson –Evans - Havlovic – Jones – Purdy – Rea - Ripa – 7.

- 5008 –

President Erikson continued with the next item on the agenda, approving the Minutes. Mr. Havlovic moved and Mr. Rea seconded approval of the September 6, 2017 OSERS meeting minutes. There was discussion concerning minor corrections to the minutes. On page 9 required a correction of the verb give and to change “giving” to “given.” Under section -4998- the sixth paragraph should be deleted. The motion was approved as amended and adopted by the following roll call vote: Aye: Erikson – Havlovic – Evans – Jones – Purdy – Rea – Ripa – 7.

- 5009 –

Ms. Carter continued with the discussion on Financial Statements. The investment accounting reports for month-end August 2017 were just recently released by State Street Bank & Trust. Therefore, the most updated financial reports from OPS accounting are as of July 31, 2017.

Ms. Carter went on to explain the Statement of Fiduciary Net Position which is also known as the Balance Sheet. This is reflecting as of July 31, OSERS net position was \$1.2 billion. The July 31, 2017 Income Statement reflected a net operating income of approximately \$14 million dollars, consisting of net additions of approximately \$24.7 million and total deductions of approximately \$10 million for the month. The Cash Balance sheet as of July 31, 2017 reflected (cash on hand at the plan sponsor) was approximately \$8 million.

Discussion continued on the need to drawdown funds from investment income to cover the shortfall of employee and employer contributions as a ratio to pension and expenses each month. Ms. Carter explained the drawdowns are coming from investment income and based upon inquiry and analysis she has determined, OSERS average drawdown over the last year is about 3% of asset market value. In making inquiry with NPERS, it appears NPERS drawdown averages about 2%. Ms. Carter went on to discuss other comparisons and informed the retirement board of another pension plan where the average drawdown as compared to asset value was 8%. Ms. Carter indicated she called the plan to confirm her analysis.

There was a question asking to confirm OSERS fiscal year-end and the request for clarification was answered with August 31<sup>st</sup> as OSERS fiscal year-end.

- 5010 –

Ms. Carter continued with Omaha School Employees' Retirement System 2<sup>nd</sup> Quarter 2017 Investment Performance Review from AON. The report can be found online at <https://nic.nebraska.gov/performance-publications>

As of June 30, 2017, the OSERS allocation of assets returned 2.6% for the quarter-end and 6.8% year to date (calendar year). This compares to a policy benchmark of 2.6% for the quarter-end and 6.6% for the year to date (calendar year).

The report indicated OSER investment cash flow for the quarter and year to date was as follows:

<u>Summary of Cash Flow</u>		
	<u>for the Quarter</u>	<u>Year to Date</u>
Total Fund Composite		
Beginning Market Value	1,171,687,967	1,139,764,489
+ Additons / Withdrawals	-13,009,384	-29,011,671
+ Investment Earnings	30,055,860	77,981,625
<b>= Ending Market Value</b>	<b>1,188,734,443</b>	<b>1,188,734,443</b>

The Board took a 10-minute break.

- 5011 -

Mr. Erikson called the meeting back to order. The next item on the agenda was discussion of the 2017-2018 budget.

Ms. Carter explained the 2017-2018 adopted OSERS' Retirement Department budget. She explained that for illustrative purposes only with the Board of Trustees, she separated Account 51080 between the Executive Director and the retirement staff. In the district budget it is an aggregated number. She reminded the Board, the staff currently consist of 1 specialist, 2 technicians, and 1 secretary.

Ms. Carter walked the Board through the 2017/2018 budget line by line explaining the previous fiscal year budget, versus the previous fiscal year's actual, versus the current fiscal year's budget. She illustrated the line items that were reduced as a result of LB 447 (2016). For example, the cost of bank custodial services and investment consulting and asset management are now all shared within the Nebraska Investment Council's pool of assets. Therefore the cost should decrease due to both the efficiency and economies of scale - \$1 billion in assets (OSERS) as compared to \$23 billion in assets (NIC).

The Board reminded and discussed that the cost associated with OSERS through the Nebraska Investment Council should only be for the six month period ending June 30, 2017 (the NIC fiscal year-end) and any specific cost associated with OSERS assets that are still stand alones (i.e., private equity and real estate). Ms. Carter indicated she has already had these discussions with the State Investment Officer.

Ms. Carter brought to the Board's attention a new line item this year: "Allowable Indirect Cost" which is the School District's allocation to OSERS for indirect costs associated with OSERS operations. This includes such cost as accounting services, common area maintenance, etc. This line item is new to OSERS as a result of the governance laws passed by LB 447 (2016). Fiscal year 2017 is the first year this indirect cost has been accessed on OSERS and it came in at \$200,000. Ms. Carter reminded the Board it was not budgeted for in the beginning of the 2016/2017 fiscal year – this appears as an overage on the 2016/2017 fiscal year budget. Ms. Carter budgeted the same \$200,000 for the 2017/2018 fiscal year.

Further questions and discussions continued with the Liability Insurance line item. This is a cost which is apportioned through the school district. The insurance runs on a May to May annual cycle. Given the asset management of the OSERS portfolio was transitioned mid cycle (the 2016/2017 cycle) the underwriters were not comfortable discontinuing the coverage until the assets had been transitioned to the Nebraska Investment Council for one year. Ms. Carter indicated she has already alerted OPS risk manager that the upcoming May 2018/2019 cycle will have had one full year with the NIC overseeing the OSERS portfolio of assets and OSERS expects to see a reduction in the cost. Ms. Carter indicated she will monitor and report to the Board in the coming months. The OPS board of education historically approves the contract at its late March or early April school board meeting.

Finally, the last category reflects the annuity payments to our retirees, refunds, and the State Annuity payments for the last fiscal year.

Ms. Carter asked for a motion to formally adopt the 2017/2018 budget for OSERS. She made a note that in order to comply with OPS' schedule, Ms. Carter will need to bring the 18-19 budget to this Board in February and March so when she gets the request from the Budget department in April to have her numbers in and then Budget rolls it all up to Finance and Finance presents it to the school board in August/September timeframe. For us to have a discussion beforehand, she will need to bring it to the Board by March. Discussion ensued at a high level regarding this last issue.

Mr. Ripa motioned and Mr. Rea seconded to approve the budget for the School Year 2017-2018.  
Roll Call: Havlovic – Jones – Evans – Rea – Purdy – Rea – Ripa – Erikson – 7.

- 5012 -

Mr. Erikson informed the Board there was a meeting last week that was attended with he, Ms. Carter, Mark Evans, Bridget Donovan, Megan Neilles-Brasch, and Jason Hayes to discuss funding issues. There was a good discussion about this issue and about what we need to do going forward, etc. We talked about coming up with a list of different options or combination of options. We looked at some things that we might do with respect to the unfunded liability and other issues. Mr. Evans reminded the Board of the unfunded liability and how important it is to move this "needle".

Mr. Erikson indicated the OSERS actuary is expected to be at NCTR this weekend and he intends to talk with her about this as well.

- 5013 -

### Executive Director's Report

The August 31, 2017 audit is well under way in the Retirement Office. The investment documents are being returned somewhat in a timely manner, except there are some issue in which Ms. Carter will have to address. State Street Bank & Trust just released the August 31, 2017 investment accounting reports on Monday, October 2, 2017 and there were multiple versions of the released reports. Ms. Carter indicated she received 3 versions of the report from State Street Bank & Trust all on October 2<sup>nd</sup>. This causes concerns when she forwards the reports onto OPS accounting and then has to ensure the accountant is using the most recent version of the report. Ms. Carter indicated she has talked with the State Investment Officer about the multiple versions coming in from State Street Bank & Trust.

In addition, there is an auditor request for a GASB 40 report which was historically prepared by Well Fargo (former custodian) for OSERS. Apparently, State Street Bank & Trust does not prepare that report for the Nebraska Investment Council. The GASB 40 report is a report delineating the fixed income within the portfolio by duration and credit risk. Ms. Carter indicated she has asked the SIO to inquire as to the cost to have SSB&T prepare the report. If SSB&T cannot or the cost is prohibitive, Ms. Carter will work with OPS accounting to try to prepare the report; however, it is better to have the report come directly from the custodian.

Ms. Carter discussed the payment made to OSERS by OPS pursuant to Nebraska Revised Statute section 79-9,113 (c) in the amount of \$12,750,000. The funds were sent to and received by the Nebraska Public Employees' Retirement System on September 20, 2017

Mr. Evans noted the funds for the \$12.7 million payment came from cash reserves this year. Using the cash reserves permitted OPS to make the payment without having to make cuts to operations or administration. Next year the superintendent will have to make cuts if the required contribution remains at the level it is today. Ms. Knoche stated there's a 10-20% statutory reserves requirement that OPS is mandated to have and OPS is at 13%.

### Trustees' Report

Mr. Rea talked about the National Council Public Employees' Retirement System conference. One of the speakers was a mathematician and said he likes to model things visually. He took the actuarial data for one of the California public retirement systems. Mr. Rea sent the link to Ms. Carter to share with her and the Board. Mr. Rea commented the upcoming NCTR conference. He further reminded the Board, Meredith Williams, Executive Director of NCTR, is retiring December 31, 2017 and this conference would be his last as Executive Director. A new Executive Director was appointed – Maureen Westgard - who is from Louisiana. She will take office January 1, 2018.

Ms. Carter spoke to Ms. Westgard's fortitude as her start date at Louisiana Teachers Retirement System was the day before hurricane Katrina in New Orleans. Additionally, Ms. Carter expressed Ms. Westgard previously served as Deputy Director of the Washington State Retirement System.

Mr. Purdy asked if any individual's pension payments were affected by the most recent hurricanes to hit the U.S. and Ms. Carter stated there were not. There are only 9 physical checks issued by OSERS to retirees and they are mostly local checks. Of our 4,600+ retirees receiving monthly benefit payments, they are all on direct deposit. As long as a retiree has access to online banking, debit cards and ATM's they will have access to their retirement benefit payment during a disaster.

Mr. Erikson shared with the Board a couple of observations he gleaned from the white paper Ms. Carter shared with the Board from the Center on Retirement Research at Boston College. The white paper analyzed the funding status of pension plans across the country for the fiscal year ending 2016. There was discussion amongst the Board on the topic.

Meeting adjourned at 11:31 a.m.

PENDING BOARD APPROVAL