

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, January 3, 2018, 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 December 6, 2017.

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

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.

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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 held Wednesday, February 7, 2018, at 9:00 a.m., at the Teacher Administrative Center, Board Hearing Room, 3215 Cuming Street, Omaha, Nebraska. However, please note, the time for the February meeting may change as a result of discussions at today's board meeting. Please take note at the end of the meeting for a re-announcement for the February meeting. 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. Havlovic 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 – Purdy – Rea - Ripa - 6. 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, and Robert Bothe, McGrath North, matters on the Retirement System.

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

Mr. Erikson reconvened the meeting at 9:29 a.m. Present at roll call: Erikson – Evans – Havlovic – Purdy – Rea – Ripa – 6 present.

Gross Annuitant Pension & Retirement Staff Payroll

- Ratify January Pension Payments (paid 01.03.2018) = \$9,930,765.85 [4,697 payees]
- Ratify November Staff Payroll (paid 01.05.2018) = \$34,001.90

New Retirements

- Approve January New Retirement Annuitants (first check February 3, 2018) [6 count]

EMPLOYEE			EMP				AVERAGE			CHOSEN BENEFIT
NUMBER	NAME		TYPE	AGE	MONTH	YRS	SALARY	OPT	OMAHA	STATE
	Toni	Diel	T		1	11.0				
	Joseph	Fisher	T		1	18.0				
	Kristi	Kuhn	Nutri		1	20.5				
	Edna	Stratham	CMO		1	13.0				
	Daniel	Urzendowski	Other		1	38.6				
	Verna	Voycheske	Nutri		1	28.8				
Addition to Retiree Payroll – January 1, 2018									\$11,060.00	\$369.00
Average				63		22	\$54,497.00		\$1,843.00	\$72.00
Median				62		19	\$51,503.00		\$1,418.00	\$60.00

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 December 3, 2017) [6 count]

EMPLOYEE			RET	DATE OF	BENEFIT	Survivor	Survivor's	Over	
NUMBER	NAME		AGE	YEAR	DEATH	OSERS	Beneficiary	Benefit \$	Benefit \$
B01	Milton	Grimes							
	Norman	Christiansen							
	Patricia	Kogele							
	Robert	Terwilleger							
	Ella	Adams							
	Robert	Meyer							
Terminated from Retiree Payroll – January 2018						\$9,300.97			
Continued Retirement to Beneficiary – January 2018									

Terminated Employees' Refunds

Approve Refunds [34 count]

January Refunds

EMPLOYEE	NAME		Payment		
NUMBER	First	Last	Type	Dollar	Yrs of Svc
	Zachary	Ricard	Direct		0
	Daniel	Schluck	Direct		0
	Selena	Coanner	Direct		0.2
	Nicole	Plemons	Direct		0.4
	Ellen	Tisher	Rollover		0.6
	Brittany	May	Direct		1
	Chad	Rourk	Rollover		1
	Lesley	Smith	Rollover		1
	Vincent	Vazquez	Direct		1
	Leslie	McMahon	Rollover		1.2
	Donnetha	Wright	Direct		1.8

EMPLOYEE NUMBER	NAME		Payment		Yrs of Svc
	First	Last	Type	Dollar	
	Helen	Fouraker	Direct		2
	Isabel	Thune	Rollover		2
	Stephanie	Robertson	Direct		2.5
	Gloria	Corrales	Direct		2.6
	Kearia	White	Direct		2.9
	Fina	Venditte	Direct		3
	Orlando	Clayton	Direct		4
	Rosa	Kennedy	Rollover		4
	Jason	Lorthridge	Direct		4
	Caleta	Smith	Direct		4.5
	Christopher	West	Rollover		5
	Alexis	Taylor	Direct		5.6
	Dorian	Hendon	Direct		6
	Samantha	Zickefoose	Rollover		6
	Tammy	Bahner	Direct		6.9
	Barbara	Kellogg	Direct		7.3
	Eunjeong	Lee	Direct		7.8
	Katie	Bates	Rollover		8
	Rhonda	Spady	Rollover		8
	Elayne	Boose	Direct		8.7
	Lynne	Bonham	Rollover		9
	Christine	Holland	Direct		9
	Kishia	Lewis	Rollover		11
Terminated EE Refunds January 2018				\$ 445,332.69	
Average				\$ 13,098.02	4.1
Median				\$ 8,568.51	3.5
Count				34	

Accounts / Payables for January 2018

- Legal Services –
 - Period Ending November 30th
 - McGrath North – General \$ 7,590.00
 - McGrath North – AGYOF \$ 5,877.00
- \$13,467.00**
- Consultant –
 - Cavanaugh Macdonald (GASB 67 for 08/2017) \$ 10,000.00
 - Seim Johnson (3rd bill for 8/2017 audit) \$ 3,870.00
- \$13,870.00**

Mr. Rea moved and Mr. Ripa seconded, the Board ratify the January 2018 pension payroll, ratify the January staff payroll, approve January 1, 2018 new retirements, approve the terminations for January 2018 due to death as reported, approve January 2018 refunds to former employees, and approve January 2018 Accounts Payables. The motion was adopted by the following roll call vote: Aye: Erikson – Evans – Havlovic - Purdy – Rea - Ripa – 6.

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Mr. Erikson moved the meeting minutes for December 6, 2017 be held until the next Board meeting, February 7, 2018, due to revisions and issues that need to be made to the minutes.

Mr. Erikson announced the next item on the agenda - Funding. Ms. Carter noted the sheet marked “Draft” across it is from Cavanaugh MacDonald. At the December 6, 2017 board meeting, Cavanaugh MacDonald was asked to draft an analysis of what if there was a \$20 million reduction in payroll to the OSERS’ membership. This came out of a conversation with the school district’s analysis that in a couple of years the payroll may need to be cut in order to meet future actuarial required contributions. Therefore, looking at the current payroll and calculating evenly across the board, approximately what a reduction of \$20 million to payroll; over the next 30 years, using the current assumptions, the district would be required to infuse an additional \$987.9 million in actuarial required contributions. This represents an additional \$105.5 million compared to the current payroll of OSERS membership and the assumed assumptions.

The Board continued with *what-if* discussions of adding to payroll and reducing payroll. Mr. Evans stated there has been the formation of a Budget Advisory Committee to assist the school district with budgetary decisions in order to meet the projected 2018 actuarial required contribution. Mr. Evans informed the board he has asked Don Erikson to be on the Committee and he accepted.

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Ms. Carter explained the financial statements and budget for the period ending November 30, 2017. The Statement of Fiduciary Net Position showed the OSERS' plan with an asset value of \$1.237 billion. As requested, Accounting provided a footnote at the bottom of the statements indicating the one-month lag on investment activity.

Ms. Carter further reviewed the November Budget Variance Report with the Board. She noted the \$3,654.02 that was charged to the supplies line item was account an error. She spoke to the Budget Department and explained it was not OSERS' charge for supplies. A reversal should appear.

Mr. Havlovic asked if the In-House Printing charges were for the members' statements. Ms. Carter answered yes and they also printed and mailed a postcard to our retirees earlier in 2017. He also asked if we were waiting on the members' statements because of adjustments to negotiated contracts and Ms. Carter directed the question to Mr. Ellis. Mr. Ellis explained there are a few steps that need to be done to clean up the membership payroll data due to the recent uploading of retro salary payments. The members' statements should be run sometime later in January, early February.

Ms. Carter stated she is looking into members having access to their contributions though online access which would alleviate some of the requests for Contributions letters. Active members need Contribution letters as a means to show their retirements savings. Just as a reminder, a pension is not a 401(k), however, some underwriter see the pension contributions as "savings" and view these funds as a source of income if an active member leaves employment with OPS.

Ms. Carter also noted year to date, Accounting has yet to post the investment expenses to our budget line item. Our budget is a little disingenuous because it's not reflecting any expenses that are associated with custodial banking fees and investment fees. Nor does it reflect the administrative expenses associated from the Nebraska Investment Council common charges (i.e., staff payroll, office space, etc.). Ms. Carter expressed, Mike Kunkel has acknowledged this still needs to be done.

Mr. Erikson inquired as to the Physical Exams line item. Ms. Carter explained if an individual has disability retirement and OSERS has reason to believe the individual is no longer disabled, OSERS can request the individual be re-examined. Mr. Erikson also asked if OSERS is subject to any other exams by any agencies. Ms. Carter answered OSERS has an independent audit that is paid and OSERS is part of the Nebraska Investment Council audit and OSERS will get a prorated cost on the audit. In effect, OSERS is paying for two audits.

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The next item on the agenda to be discussed was the 2018 Board of Trustees' Election Calendar. Ms. Carter explained the Notice of Election will be posted following the February meeting. This will inform certificated OSERS members there is a board seat open for election explaining the duties of the position that a trustee will perform in accordance with state statute. On the notice, an explanation is given as to why an election is being held (historically, these seats were appointed by the Board of Education) and the time commitment that is expected. Also outlined in the Notice is

the nomination statement from the candidates is limited to 300-word count. The timeframe as to when the nomination period will be open is Wednesday, March 7, 2018 and will close at 5:00 p.m. on Friday, March 16, 2018. Nominations can be self-nominations or another person can nominate a person and that person can either accept or refuse the nomination. Mr. Havlovic stated the Retirement Department needs to communicate with all groups regarding the timeframe of the nominations and the administrative offices will be open during Spring break. OSERS' policy states the nomination period shall be following the Wednesday meeting to the following Friday at 5:00 p.m. Nominations will be announced at the April Board of Trustees' meeting. Approval and action will be taken on the calendar at the February 7, 2018 Board of Trustees' meeting.

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Executive Director's Report

Ms. Carter announced at 10:00 a.m. the 2nd session of the 105th Unicameral was called back into order. It is a 60-Day Working Session and is scheduled to adjourn sine die on April 18, 2018. The open period for introducing legislation is 10 days. Mr. Erikson asked if new legislation can be introduced in the second session? Mr. Rea stated any senator can introduce any bill they prefer. It just has to go through a public hearing process. Mr. Bothe thinks there will be a lot of wrangling like last session about getting bills through the process. Ms. Carter noted there could be much discussion about the 2% contribution from the State to the two pension plans.

Ms. Carter informed the Board the 2018 Cost of Living Adjustment (COLA) was paid through the January 3, 2018 payroll, adding \$133,263.36 per month to the retiree payroll. The COLA was 1.5% on average and the 2017 new retirees were prorated. Retirees subject to the 1% COLA cap haven't retired yet. It was noted the urban area Consumer Price Index stated 2.2% and the district's retirees are falling behind. New hires will not be receiving the Medical COLA nor the State Service Annuity. Ms. Carter stated there needs to be discussions on supplemental savings for retirement. The district offers a 403(b) plan in addition to the district's pension retirement. Ms. Carter explained that is why she uses the New Employee Workshops as opportunities to inform new employees they need to think differently than the seasoned employees of the district. Discussion continued regarding supplemental savings plans.

Ms. Carter informed the Board of the 2017 customer service statistics for the OSERS office. In September 2016, Ms. Carter asked the Retirement Department Secretary, Kelly Sheard, to begin keeping a matrix of all outgoing mail and then later adding information that isn't mailed but still is a service to our retirees and members. The Board engaged in discussion with Ms. Carter over the various touch points the staff interacts with OSERS members and how the various letters and request impact the membership of OSERS.

OSERS Customer Service for 2017

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Award Ltrs	5	4	5	13	15	10	6	16	17	12	12	10	125
Contribution Ltrs	5	7	15	10	11	22	11	13	21	11	13	15	154
Rollover Ltrs	20	36	30	20	24	30	3	189	28	15	43	12	450
Vesting Ltrs	10	17	10	11	11	6	1	153	9	6	3	7	244
Estimate Letters	36	41	0	18	9	1	0	6	3	2	7	4	127
Bene Changes	97	99	106	51	111	23	43	93	75	25	58	14	795
Employee Adjust. Ltrs.	12	3	2	0	75	5	0	0	11	35	42	0	185
LOA - Buybacks	0	0	0	0	0	0	0	0	3	0	0	0	3
New Employees	88	93	24	0	58	1	0	163	214	16	80	0	737
Retiree Change of Address Ltrs						51	23	0	0	0	0	0	74
	<u>273</u>	<u>300</u>	<u>192</u>	<u>123</u>	<u>314</u>	<u>149</u>	<u>87</u>	<u>633</u>	<u>381</u>	<u>122</u>	<u>258</u>	<u>62</u>	<u>2,894</u>
New Retirements Processed	10	5	8	3	3	129	38	17	11	10	5	5	244
Refunds Processed	22	31	36	21	31	26	18	15	53	61	58	37	<u>409</u>
													<u>3,547</u>

Ms. Carter announced she has been asked to serve on the National Council on Teachers' Retirement Legislative Committee. NCTR was very proactive with the 2017 tax budget in advocating against the taxation of UBTI at the federal level and it was taken out of the tax bill. UBTI, as a reminder, is Unrelated Business Taxable Income which would have been detrimental to some of the investments in our pension portfolios.

Trustees' Report

Mr. Erikson also announced he has been asked to serve as well on the NCTR Education Committee this year. The Board engaged in discussion on whether there was a membership fee for NCTR and whether participation on committees at NCTR is paid for by the system or NCTR. Mr. Evans commented he would ask for reimbursement from NCTR because everyone at OPS is conscious of how OSERS is spending members' monies.

Mr. Havlovic has had requests about having the OSERS meeting moved to later in the day instead of at 9:00 a.m. as is currently. He asked in February or other meetings when there is public comment if the Board could change the meeting to be more conducive to members. He realizes this would create conflicts in the Board members' schedules, however, he was just thinking how we can be more successful to our members. Mr. Erikson suggested to have the board meeting at 4:30 p.m. and then public comment at 5:00 p.m. There was discussion amongst the Board and with district staff to find a date and time conducive to a late afternoon meeting. The Board of Trustees meeting for March will be Tuesday, March 6, 2018 at 4:30 p.m. with public comment at 5:00 p.m.

Mr. Evans informed the Board of an electronic newsletter he receives daily. He expressed his thought that Board members could receive information from such a source as well.

President Erikson re-announced the next regular meeting of the Board of Trustees will be held February 7, 2018 at 9:00 a.m. at the Teacher Administrative Center, 3215 Cuming Street, Omaha, Nebraska.

Meeting adjourned at 11:36 a.m.