

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, May 1, 2019, at 9:00 a.m. at Teachers' Administrative Center, 3215 Cuming Street, Omaha, Nebraska.

Pursuant to Section 84-1411 of the Nebraska Statutes, notice of this meeting was given April 3, 2019.

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President Erikson announced, pursuant to Section 84-1411 of the Nebraska Statutes, the next regular meeting of the Board of Trustees is scheduled for Wednesday, June 5, 2019 at 9:00 a.m., at the 14010 FNB Parkway, Conference Room C, 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.

Mr. Erikson called the meeting to order at 8:30 a.m. Present at roll call: Erikson – Havlovic – Herchenbach - Purdy - Rea – Ripa – Ray (as superintendent's designee) - 7 present.

Staff Present: Cecelia M. Carter, Executive Director, James Ellis, Retirement Specialist.

Others Present: Robert Bothe, Esq., McGrath North

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Mr. Erikson announced the first item on the agenda was the approval of the minutes from the April 3, 2019 Board of Trustees meeting. Mr. Ripa made a motion to approve the minutes to the meeting of the Board of Trustees held Wednesday, April 3, 2019. Mr. Herchenbach seconded the motion. The motion passed with the following roll call: Aye: Erikson – Havlovic – Herchenbach – Ray – Rea – Ripa – 6. Nay: – 0. Abstention: - Purdy – 1

Mr. Purdy asked that it be noted he is abstaining from the vote on the minutes given he is unable to participate in the entire meeting.

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Mr. Erikson moved onto the discussion of the Peetz & Company consulting service agreement. Ms. Carter indicated that based on the discussion at the April board of trustees meeting, she revisited with Peetz & Company to glean if there was a different service model OSERS could take advantage of for budgetary reasons. Peetz & Company proposed a reduction in their quarterly fee by \$2,000 per quarter in effort to assist OSERS with its budgetary needs.

Peetz & Company redrafted the 2019 and 2020 Consulting Service Agreement to reduce the 2020 calendar year cost by \$8,000. The amended CSA was reviewed by legal counsel.

Dr. Logan entered the meeting at 8:35 a.m.

Mr. Rea made a motion to authorize the Executive Director to execute the amended Peetz & Company Consulting Service Agreement dated May 1, 2019. Mr. Purdy seconded the motion. After further discussion, the Board passed the motion with the following roll call: Aye: Erikson – Havlovic – Herchenbach – Logan – Purdy – Rea – Ripa -7. Nay: -0

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Mr. Erikson next moved the meeting onto the proposed 2019 / 2020 budget. Ms. Carter presented to the Board of Trustees the third version of the proposed 2019/2020 budget after months of discussion and questions. Ms. Carter reminded the Board the amended Peetz & Company CSA is projected in the proposed budget, she also informed the Board the expected cost of fiduciary liability insurance had actually increased approximately \$16,000 for the year (due May 2019). She explained the budget does not reflect a salary change for OSERS staff, pending notification from OPS human resources on salary changes for the upcoming fiscal year.

The Board engaged in discussion regarding several line items on the proposed budget. In particular there was discussion on the line item allocated for trustee and executive director continuing education and travel. The proposed budget for 2019/2020 was reduced from \$40,000 to \$30,000 (a 25% reduction from the previous year budget). This is due to two trustees expressing they would not be traveling during the 2019/2020 fiscal year. They are Mr. Havlovic and Mr. Herchenbach. Dr. Logan weighed in on the discussion acknowledging the need for the executive director to be provided with continuing education (or staff development), however, the executive director could bring back materials for dissemination to the Board of Trustees.

Mr. Rea interjected the need for Board of Trustee members to participate in continuing education as well in order to stay abreast of policy changes and trends in the pension industry.

Mr. Purdy interjected the need for Board of Trustees members to participate in continuing education as well, however offered a suggestion to revisit whether board members should be limited to only one conference per budget cycle and even whether board continuing education should be mandated by state statute.

The Board engaged in discussion on the need for other line items in the budget and the value of service offered.

Mr. Erikson gave the Board an overview of previous years' budget actuals compared with the proposed 2019/2020 budget. The administration budget has been reduced each of the past two years.

Mr. Rea made a motion to approve the 2019/2020 proposed budget for the Omaha School Employees' Retirement System as presented at the May 1, 2019 Board of Trustees meeting. Mr.

Ripa seconded the motion. The motion was approved with the following vote: Aye: Erikson – Purdy – Rea – Ripa – 4. Nay: Havlovic – Herchenbach – Logan – 3.

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Mr. Erikson next welcomed Ms. Patrice Beckham of Cavanaugh Macdonald to the table to present the draft January 1, 2019 Valuation Report. Ms. Beckham introduced her colleague, Bryan Hoge, FSA, EA, FCA, MAA. She then presented the draft January 1, 2019 Valuation Report using a 23 slide presentation.

The data presented on Active membership caused a discussion on the change from 01/01/2018 to 01/01/2019 as well as a discussion on the classified staff changes.

Dr. Logan left the meeting at 9:21 a.m.

Mr. Ray (superintendent's designee) entered the meeting at 9:29 a.m.

During the presentation, Mr. Purdy raised the question – would the valuation report look the same as the Nebraska School Employees Retirement System, if OSERS had a July 1st valuation date. Then when comparing OSERS to NSERS, it would be compared more similarly.

Mr. Purdy left the meeting at 10:25 a.m.

At the conclusion of the presentation, with the question on Active membership still outstanding, the Board decided to table the January 1, 2019 Valuation Report until the June 5, 2019 Board of Trustees meeting.

The Board took a break at 10:38 a.m.

The Board resumed the meeting at 10:49 a.m.

Mr. Erikson called the meeting back to order.

Mr. Havlovic had not yet returned to the meeting.

Mr. Ripa made a motion the OSERS' Board of Trustees go into Closed Session 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 litigation matters and financial matters of retirees and the System. Mr. Rea seconded and the motion was adopted by the following roll call: Aye: Erikson – Herchenbach - Rea – Ripa – Ray - 5. Nay: 0.

Mr. Erikson reminded the public of the need for closed session.

Mr. Havlovic returned during the closed session.

The Board came back into session at 11:12 a.m. Present at roll call were: Erikson – Havlovic – Herchenbach - Rea – Ripa – Ray - 6 present.

Mr. Havlovic made a motion to ratify the May pension payments in the amount of \$10,301,224.26 paid to 4,820 payees; ratify the May staff payroll in the amount of \$30,017.11;

approve 4 new retirements effective May 1, 2019; ratify May terminations of nine pension benefits due to death of the retiree and the continuation of two retirements to the joint survivor; approve May refunds to 44 former members of OSERS in the aggregate of \$611,984.89; and approve OSERS accounts payables for the month of May in the aggregate of \$63,478.00.

Mr. Herchenbach seconded the motion. The motion was adopted by the following roll call:

Aye: Erikson – Havlovic – Herchenbach –Rea – Ripa – Ray - 6. Nay: 0

New Retirement Annuitants

| EMPLOYEE NUMBER | NAME | EMP TYPE | AGE | RET MONTH | RET YRS | AVERAGE SALARY | OPT | CHOSEN BENEFIT OMAHA | STATE |
|------------------------------------|----------------|-------------|-----|--------------|------------|-------------------|-----|----------------------------|---------|
| | Carol Behounek | Nutri | | 5 | 18.6 | | | | |
| | Deborah Bruce | Nutri | | 5 | 13.0 | | | | |
| | Marsha Donovan | T | | 5 | 14.5 | | | | |
| | Diana Holloway | T | | 5 | 25.0 | | | | |
| Count | | | | | | | | | 4 |
| Average | | | 61 | | 18.7 | \$33,992.11 | | \$1,045.07 | \$41.43 |
| Median | | | 60 | | 17 | \$30,636.28 | | \$785.07 | \$30.67 |
| Addition to Pension Payroll | | | | | | | | \$4,304.58 | |

Deaths

| EMPLOYEE | | | RET | DATE OF | BENEFIT | Survivor | Survivor's | Overpay ment |
|---|-----------------|-----|------|------------|--------------------|-------------|------------|-----------------|
| NUMBER | NAME | AGE | YEAR | DEATH | OSERS | Beneficiary | Benefit \$ | Benefit \$ |
| | Eileen Harrell | | 1983 | Mar-19 | | | | |
| | Jeanne Horner | | 1988 | Mar-19 | | | | |
| | Susan Mahaffey | | 2004 | Mar-19 | | | | |
| | Lenora Tuveson | | 1992 | Mar-19 | | | | |
| | M C Stennis | | 1999 | Mar-19 | | | | |
| | Darlene Bussell | | 2003 | Mar-19 | | | | |
| | Martha Gault | | 2005 | Oct-17 | | | | |
| | Richard Perkins | | 1997 | Mar-19 | | | | |
| | Irma Sayles | | 2014 | Mar-19 | | | | |
| Terminated from Retiree Payroll – May 2019 | | | | | \$12,665.02 | | | |
| | | | | | | | | |

| | | | | | | | | | |
|---|---------|---------|--|------|--------|-------------------|-------------------|-------------------|--|
| | | | | | | | | | |
| | Judith | Sampler | | 1998 | Mar-19 | | Larry Sampler | | |
| | Lillian | Webster | | 2012 | Mar-19 | | Calvin Webster | | |
| | | | | | | | | | |
| Continued Retirement to Beneficiary – May 2019 | | | | | | \$3,264.48 | | \$2,494.78 | |

Terminated Employees' Refunds

| EE ID | First Name | Last Name | End Balance | Death Date | Term Date | Accrued Service | Dist Type |
|-------|------------|----------------|----------------|------------|------------|--------------------|--------------|
| | Gaberil | Bonner | | | 3/27/2019 | 0.00 | Direct |
| | Mallory | Roberts | | | 3/5/2019 | 0.00 | Direct |
| | Brittany | Swolley | | | 4/2/2019 | 0.00 | Direct |
| | Brittany | Archibald | | | 3/1/2019 | 0.40 | Direct |
| | Sora | Njamba | | | 12/21/2018 | 0.60 | Rollover |
| | John | Finochiaro | | | 12/28/2018 | 0.80 | Direct |
| | James | Massillo | | | 8/13/2018 | 0.90 | Direct |
| | Erica | Janiszewski | | | 7/31/2018 | 1.00 | Rollover |
| | Jason | Mennem | | | 2/27/2019 | 1.00 | Direct |
| | Mary | Garst | | | 1/15/2019 | 1.20 | Direct |
| | Aaron | Haug | | | 2/22/2019 | 1.20 | Rollover |
| | Lauren | Monroe | | | 2/22/2019 | 1.40 | Direct |
| | Ben | Makit | | | 12/21/2018 | 1.60 | Direct |
| | Mark | Seeman | | | 2/2/2017 | 1.60 | Direct |
| | Chaunessie | Staff | | | 12/21/2018 | 1.60 | Direct |
| | Kalanna | Butler-Renfrow | | | 2/22/2019 | 1.70 | Direct |
| | Jonique | Jones | | | 2/8/2019 | 1.80 | Direct |
| | Kayla | Kohl | | | 2/27/2019 | 1.80 | Direct |
| | Jessica | O'Connor | | | 2/27/2019 | 1.80 | Direct |
| | Macy | Cohrs | | | 7/31/2017 | 2.00 | Direct |
| | Donnie | Johnson | | | 4/5/2019 | 2.00 | Direct |
| | Juliet | LeFever | | | 9/11/2018 | 2.10 | Direct |
| | Tracey | Segebart | | | 12/5/2018 | 2.20 | Direct |
| | Christina | Franco | | | 2/27/2019 | 2.50 | Direct |
| | Shelby | Alther | | | 7/31/2018 | 3.00 | Rollover |
| | Derek | Porter | | | 7/31/2018 | 3.00 | Direct |
| | Emma | Savory | | | 2/4/2019 | 3.00 | Rollover |
| | Sara | Minardi | | | 3/1/2019 | 3.20 | Direct |

| EE ID | First Name | Last Name | End Balance | Death Date | Term Date | Accrued Service | Dist Type |
|--------------------|-------------|------------|--------------|------------|------------|-----------------|-----------|
| | James | Briggs | | | 12/14/2018 | 4.00 | Rollover |
| | Teresa | Cisneros | | | 4/2/2019 | 4.00 | Direct |
| | Gloria | Harwell | | | 3/1/2019 | 4.80 | Direct |
| | Martin | Antholz | | | 7/31/2012 | 5.00 | Direct |
| | Michelle | Myers | | | 5/18/2003 | 5.00 | Rollover |
| | Zachary | Sweeney | | | 7/31/2017 | 5.00 | Direct |
| | Armando | Testa | | | 3/15/2019 | 5.40 | Direct |
| | Nathan | Carruthers | | | 7/31/2015 | 6.70 | Rollover |
| | Samantha | Abbott | | | 3/6/2019 | 6.80 | Direct |
| | NatalieJean | Ahrens | | | 7/31/2015 | 8.00 | Rollover |
| | Stephen | Urlaub | | | 7/31/2016 | 8.70 | Rollover |
| | Clard | Carruth | | | 8/20/2013 | 11.60 | Rollover |
| | Carmen | Campbell | | | 7/31/2017 | 14.00 | Rollover |
| | Caleb | Dickey | | | 11/27/2017 | 14.00 | Rollover |
| | Fred | Dixon | | | 9/7/2018 | 16.10 | Direct |
| | Blendia | Ellington | | | 3/30/2016 | 17.50 | Direct |
| Count | | | | | | | 44 |
| Average | | | \$13,908.75 | | 4.09 | | |
| Median | | | \$5,275.50 | | 2.15 | | |
| Total Distribution | | | \$611,984.89 | | | | |

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

Accounts / Payables for May 2019 = \$63,478.00

- Consultant
 - Cavanaugh Macdonald (administration) \$ 309.00
 - Cavanaugh Macdonald (sustainability) \$ 11,046.00
 - \$11,355.00**
- Legal Counsel
 - McGrath North (Litigation) \$ 320.00
 - McGrath North (General) \$ 4,530.00
 - McGrath North (AGYOF) \$ 448.00
 - McGrath North (AAM-Special) \$ 46,825.00
 - \$52,123.00**

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Ms. Carter then gave the Board an update on the 2019 legislative session. May 1st represented the 69th day of the 2019 90-day session.

LB 31 - April 26th ... passed Final Reading and was presented to the Governor for signing. As of Tuesday evening, has not been signed by the governor.

LB 34 – April 11th ... passed Final Reading and was signed by the governor on April 17th.

LB 683 – March 19th ... the retirement committee held a public hearing and no further action since the hearing.

LB 706 – March 19th ... the retirement committee held a public hearing and no further action since the hearing.

LR 65 – April 2nd ... introduced and calls for an interim study to carry out section 13-2402 of the Nebraska Revised Statutes reviewing the standing of certain public pension plans with a less than 80% funding ratio

LR 66 – April 2nd ... introduced and calls for an interim study for a review of the NPERS plans.

LR 289 – April 24th ... public hearing held from 4:00 p.m. until approximately 11:00 p.m. and no further action since the hearing as of Monday evening

The 2019 legislative session is scheduled to adjourn sine die on June 6, 2019.

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Mr. Erikson called for the next item on the agenda, the Seim Johnson 2019 audit engagement letter. Ms. Carter indicated this is the last year of the three year RFP proposal awarded in 2017. Ms. Carter indicated there was an amendment to the proposed engagement letter the Board received. On page 4 (Fees, Costs, and Access to Work Papers), the fourth paragraph was modified to clarify the following: “When an engagement has been suspended at the request of OSERS management or those charged with governance and work ...”

Mr. Havlovic made a motion to authorize the Board President and Executive Director to execute the 2019 audit engagement letter with Seim Johnson, as amended, for the audit of the OSERS fiscal 2019 financial statements. Mr. Rea seconded the motion. The motion was approved with the following roll call: Aye: Erikson – Havlovic – Herchenbach – Rea – Ripa – Ray – 6. Nay: - 0

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Mr. Erikson then asked for Ms. Carter to give an update on the Better Together Coalition (BTC). Ms. Carter distributed the minutes to the BTC meeting held April 15, 2019.

Ms. Carter gave the Board of Trustees an overview of the OSERS portfolio of assets performance for the period ending December 31, 2018 as reported by AON Consulting for the Nebraska Investment Council. The following is a snapshot of the performance as of December 31, 2018:

| OSERS | | As of December 31, 2018 | | | | | | | |
|--------------------------------|--|-------------------------|-------|----------------|-----------|-----------|----------|----------|----------|
| Asset Allocation & Performance | | | | | | | | | |
| | | Allocation | | Performance(%) | | | | | |
| | | Market Value (\$) | % | 1 Quarter | FYTD | 1 Year | 3 Years | 5 Years | 10 Years |
| OSERS | | 1,193,799,909 | 100.0 | -5.4 (24) | -5.3 (29) | -2.3 (29) | 4.0 (94) | 2.4 (97) | 7.3 (87) |
| Policy Index | | | | -5.0 (19) | -4.4 (17) | -0.9 (10) | 6.5 (30) | 4.9 (40) | 8.7 (26) |

Note for the 12 month period ending December 31st the overall OSERS portfolio was down 2.3% and for the fiscal year to date the portfolio was down 5.3%.

Private market investments are reported with a one quarter lag, therefore highlighting the rate of return on the OSERS private market investments for the period ending September 30, 2018, the private equity managers showed a positive return of 7.7% year to date and 12.2% for the 12-month period ending September 2018.

The OSERS real asset allocation, for the period ending September 30, 2018 showed a positive return of 2.11% year to date and 0.65% for the 12-month period ending September 2018.

The OSERS real estate allocation, for the period ending September 30, 2018 showed a positive return of 2.44% year to date and 2.78% for the 12-month period ending September 2018.

This is in comparison to major capital market indices for the period ending December 31st:

| | Performance(%) | | | | |
|---|----------------|--------|---------|---------|----------|
| | 1 Quarter | 1 Year | 3 Years | 5 Years | 10 Years |
| Major Capital Markets | | | | | |
| Dow Jones U.S. Total Stock Market Index | -14.4 | -5.3 | 8.9 | 7.9 | 13.2 |
| MSCI AC World ex USA Index (Net) | -11.5 | -14.2 | 4.5 | 0.7 | 6.6 |
| Blmbg. Barc. Universal | 1.2 | -0.3 | 2.6 | 2.7 | 4.1 |
| CPI | -0.5 | 1.9 | 2.0 | 1.5 | 1.8 |

Mr. Erikson left the meeting at 11:32 a.m.

Mr. Rea assumed the role of Board President

Ms. Carter then gave the Board a report on the monthly financial statements and budget variance report for OSERS for the month end March 31, 2019.

Mr. Rea reminded the Board of the trustee election and Ms. Carter gave a recap and an update on the status of the election. The voting period ends online on May 6, 2019 with paper ballots accepted at the election service company if postmarked by May 6, 2019 and received by May 13, 2019.

Mr. Rea clarified that no paper ballots are accepted at the OSERS office, all ballots are to be sent to and counted through the election service company.

Ms. Carter indicated the results of the election will be certified by the Board of Trustees at the June board meeting.

Ms. Carter gave the Executive Director's report which encompassed the following:

- The Nebraska Form C was filed with the Nebraska Accountability Commission on April 19th for the 1st quarter 2019
- Nebraska public records request was received and responded to on April 15th. It was from HIS Markit requesting portfolio information. The requester was referred to the Nebraska Investment Council citing LB 447 (2016).
- The AON report indicated a service offered by AON on the subject of fiduciary liability insurance and suggested OSERS open talks with AON on what this service entails.

Ms. Carter gave a recap of the April 30, 2019 OSERS Board of Trustees Sustainability Study meeting. She emphasized to the public that these meetings are a study of "what if" scenarios and any changes would require legislative action. The April 30th sustainability study workshop meeting covered the following *what if* scenarios:

- Cap years of creditable service at 30 years and refund employee contributions for service over 30 years
- 2% multiplier for the first 30 years of creditable service, followed by a 1% multiplier for years over 30
- Tier 1 members offered an opportunity to elect to move to tier 3 and be paid 75% of the loss value of benefit
- Term vested members offered a buyout at 61% of present value ... 100% of the 1043 term vested accept the offer ... hurt the plan and cost the district additional dollars
- Same as above only 50% accept the offer
- Beginning January 1, 2023 - No COLA granted until the system was 80% funded ... resulted in a 12 year period of no COLA, but saved the district 501 million in projected additional contributions over a 30 year period
- Beginning January 1, 2013 - converting COLA from compounding to a simple COLA, saved the district a projected \$74 million in additional contributions

- The option of a Tier 5 ... new employees only ... 1% multiplier with FAC using 5 years ... early retirement is 62 with 5 years of service ... normal retirement is 67 with 5 years of service ... COLA at 1% beginning 36 months after retirement ... saved the district a projected \$99 million over 30 years.

Mr. Rea reminded the Board the sustainability study reports are only intellectual exercises at this point and any changes will require legislative action.

Mr. Herchenbach asked for a reconciliation of a certain retiree pension payments which resulted in payments made after the death of the retiree continuing to be paid to the retiree and remaining non-negotiated.

There being no further business to come before the Board, Mr. Havlovic made a motion to adjourn the meeting at 11:51 a.m. Mr. Herchenbach seconded the motion. The motion was approved with the following roll call: Aye: Havlovic – Herchenbach – Rea – Ripa – Ray – 5.
Nay: - 0

/s/

Cecelia M. Carter
Executive Director