

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Wednesday, September 4, 2019, at 3:30 p.m. at 3215 Cuming Street, Omaha, Nebraska.

Pursuant to Section 84-1411 of the Nebraska Statutes, notice of this meeting was given August 6, 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, October 2, 2019 at 4:00 p.m., at Teachers Administrative Center, 3215 Cuming Street, 2nd floor, 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 3:31 p.m. Before Ms. Carter took the roll call she corrected her error for the date of the next scheduled meeting. Ms. Carter announced the next scheduled meeting is *Thursday, October 3, 2019* at 4:00 p.m.

Present at roll call: Erikson – Herchenbach Placzek – Rea - 4 present. Not present at roll call: Havlovic (excused) – Logan - Purdy – 3.

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

Others Present: Robert Bothe, Esq., McGrath North; Darren Olsten and Sarah Griger, Seim Johnson; and Patrice Beckham, Cavanaugh Macdonald.

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Mr. Erikson then called for approval of the minutes from the August 6, 2019 Board of Trustees meeting. Mr. Rea made a motion to approve the minutes to the Board of Trustees meeting held Wednesday, August 6, 2019. Mr. Placzek seconded the motion. The motion passed with the following roll call: Aye: Erikson – Herchenbach - Placzek - Rea - 4. Nay: – 0.

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Dr. Logan entered the meeting at 3:35 p.m.

Ms. Carter presented the financial statements and budget variance report for the period ending July 31, 2019 to the Board of Trustees. At the end of the period ending July 31, 2019 the OSERS trust fund portfolio was valued at \$1,280 billion.

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Mr. Erikson introduced Mr. Darren Olsten and Ms. Sarah Griger of Seim Johnson. Mr. Olsten opened his comments with thanking the Board for engaging Seim Johnson to perform annual audits of the OSERS financial statements. He reminded the Board the 2019 audit was the last year of the three years as outlined in the 2017 request for proposal.

Mr. Olsten outlined the audit process as described in the Seim Johnson, Omaha School Employees' Retirement System 2019 Audit Entrance Conference – Board of Trustees (dated September 4, 2019). Mr. Olsten reviewed with the Board the audit schedule, along with the recommendations and adjustments raised at the 2018.

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Mr. Rea 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, Darren Olsten, Sarah Griger litigation matters, evaluation of the executive director, and financial matters of retirees and the System. Mr. Herchenbach seconded and the motion was adopted by the following roll call: Aye: Erikson – Herchenbach – Logan - Placzek – Rea - 5. Nay: 0.

Ms. Carter left the closed session for the discussion between the auditor and the Board of Trustees and for the evaluation of the executive director.

Mr. Purdy entered the meeting during closed session.

Mr. Olsten and Ms. Griger left the closed session after the auditor discussion with the Board of Trustees.

Ms. Carter re-entered the closed session for discussion with legal counsel and financial matters of retirees and the system.

The Board resumed open session at 4:33 p.m. Present at roll call were: Erikson – Herchenbach – Logan – Placzek – Purdy – Rea – 6.

Mr. Erikson call for a motion from Dr. Logan. Dr. Logan made the motion to extend the contract and raise the annual compensation of the executive director of OSERS for the fiscal year 2020 and fiscal year 2021 at the same rate as applied to the Omaha Educators Association negotiated increase rate for the 2020 and 2021 fiscal years. Mr. Purdy seconded the motion. The motion passed with the following roll call: Aye: Erikson – Herchenbach – Logan – Placzek – Purdy – Rea – 6. Nay – 0.

Ms. Carter thanked the Board of Trustees.

Dr. Logan left the meeting at 4:35 p.m.

Mr. Purdy made a motion to ratify September pension payments in the amount of \$10,645,546.45 paid to 4,981 payees; approve September staff payroll in the amount of \$30,017.11; approve 17 new retirees effective September 1, 2019 – first pension check paid October 3, 2019; ratify termination of 5 retirements due to the death of the retiree and ratify 1 joint & survivor annuitants; approve September 2019 refunds to 21 former members of OSERS in the amount of \$352,087.76; approve accounts payables for the month of September in the amount of \$34,473.00. Mr. Rea seconded the motion. The motion was adopted by the following roll call: Aye: Erikson – Herchenbach - Placzek - Purdy - Rea – 5. Nay: 0

- New Retirements (effective September 1, 2019)

EMPLOYEE NUMBER	NAME	EMP TYPE	AGE	RET MONTH	RET YRS	AVERAGE SALARY	OPT	CHOSEN BENEFIT OMAHA	STATE
	Milton	Bangs	Trans	9	9.3				
	Donna	Barker	T	9	6.5				
	Nancy	Bond	Other	9	25.0				
	Lori	Brayton	Trans	9	27.5				
	Richard	Dennis	Other	9	27.0				
	James	Dolan	CMO	9	13.0				
	Marvin	Dortch	CMO	9	28.0				
	Dave	Elkins	CMO	9	17.5				
	Murray	Fenn	Admin	9	11.0				
	Scott	Fritz	CMO	9	33.0				
	Deborah	Garza	Other	9	31.0				
	Terri	McNiel	T	9	26.0				
	Mark	Morin	CMO	9	25.0				
	Christine	Rasmussen	Para	9	14.0				
	Gail	Richardson	Other	9	38.0				
	Kenneth	Spellman	Other	9	32.0				
	Phillip	Vaughn	CMO	9	6.0				
Count									17
Average			63.8		21.8	\$55,781		\$2,130	\$58
Median			65.0		25.0	\$48,970		\$1,873	\$48
Addition to Pension Payroll								\$37,146	

- Deaths

EMPLOYEE				RET	DATE OF	BENEFIT	Survivor	Survivor's	Overpayment
NUMBER	NAME		AGE	YEAR	DEATH	OSERS	Beneficiary	Benefit \$	Benefit \$
	Lanore	Travis		1989	Jul-19				
	Lanore	Travis		1989	Jul-19				
	Stanley	Maliszewski		2000	Jul-19				

	Patricia	Clanton		2007	Jul-19			
	Darlene	Taylor		2015	Jul-19			
Terminated from Retiree Payroll – September 2019						\$8,914.44		
	William	Sibert		2000	Jul-19			
Continued Retirement to Beneficiary – September 2019						\$1,584.03	\$1,409.03	
Average Age at Death			82					
Average Years Retired			19					

- Terminated Employees' Refunds

ID	First Name	Last	Gross Distribution	Death Date	Term Date	Accrued Service	Distribution Type
	Alejandra	Miller			7/31/2019	0.0	
	Stephanie	Salts			7/31/2019	0.0	
	Marty	Turner			2/15/2019	0.7	
	Kaylie	Burns			4/9/2019	0.9	
	Jean	Tesinsky		8/10/2019	3/30/2016	1.5	
	Carolyn	Peters			5/22/2019	1.6	
	Miyong	Kuon			10/10/2006	1.7	
	Patrick	Nivongsa			2/1/2019	1.8	
	Amber	Elliston			11/29/2018	2.5	
	Kristine	Welchert			7/31/2016	2.7	
	Ashley	Meirose			5/2/2019	4.0	
	Michael	Shepherd			5/11/2018	4.7	
	Erin	Leick			4/5/2019	5.0	
	Ryan	Gass			7/31/2018	5.7	
	Kendra	Hausman			7/31/2018	6.0	
	Julie	Meyer			7/31/2015	6.7	
	David	Graham			10/14/2018	7.3	
	Tammy	Cruz			7/31/2016	8.0	
	Kathryn	Schroeder			4/23/2018	8.0	
	Katherine	Bahnsen			6/10/2019	10.0	
	Amy	Bernick			7/31/2017	10.0	
Count							21
Average			\$16,766.08		4.2		
Median			\$10,159.79		4.0		
Gross Distributions			\$352,087.76				

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

.Accounts / Payables for September 2019 = \$34,473.00

• **Consultant**

Cavanaugh Macdonald (sustainability)	25,722.00	\$25,722.00
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• **Legal Counsel**

McGrath North (Litigation)	448.00	
McGrath North (General)	4,403.00	\$4,851.00

• **Miscellaneous**

NCTR – Annual Meeting Registration (L. Purdy)	1,300.00	
NCTR – Annual Meeting Registration (R. Rea)	1,300.00	
NCTR – Annual Meeting Registration (D. Erikson)	1,300.00	\$3,900.00

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Mr. Erikson acknowledged the next item on the agenda. The OSERS members' employee contribution regular interest rate for the 2019/202 fiscal year. Ms. Carter explained the regular interest rate applied to OSERS member employee contributions is set in statute (NE Rev Stat sec. 79-978(25)) and is based on the 1-year daily treasury yield rate as of September 1st of each year. For 2019, September 1 was Sunday, September 2 was the Labor Day holiday, therefore September 3rd was the rate used to determine the applicable rate of interest for 2019/2020. The rate was set at 1.72% (or 172 basis points) for the 2020 fiscal year. Ms. Carter reminded the Board and public the application of regular interest is applied monthly to non-retired member account balances as of August 31, 2019.

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Ms. Carter reviewed with the Board the upcoming National Council Teachers Retirement 2019 Annual Business meeting and the need to appoint the OSERS delegation. Ms. Carter indicated Mr. Erikson, Mr. Purdy, and Mr. Rea were attending the 2019 meeting. Therefore, Ms. Carter asked the Board for a motion to appoint Mr. Erikson and Mr. Purdy as OSERS delegates, and Mr. Rea as the alternate delegate. Mr. Purdy made the motion and Mr. Rea seconded the motion. The motion was adopted by the following roll call: Aye: Erikson – Herchenbach - Placzek - Purdy - Rea – 5. Nay: 0

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Mr. Erikson introduced the next item on the agenda, the Resolution of Appreciation for NCTR to James Ripa for his years of service to the Omaha School Employees' Retirement System. Ms. Carter introduced the drafted Resolution for approval by the OSERS Board of Trustees. Mr. Herchenbach asked questions on the process and history of these Resolutions from OSERS for

NCTR. After some discussion, Mr. Rea made a motion the Board of Trustees approve the Resolution of Appreciation as presented be submitted to the National Council Teachers' Retirement for its 2019 Annual Meeting this October. Mr. Purdy seconded the motion. The motion was adopted by the following roll call: Aye: Erikson – Herchenbach - Placzek - Purdy - Rea – 5. Nay: 0

The Resolution as submitted to NCTR is incorporated into these minutes under Appendix A.

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Mr. Erikson then moved onto the sustainability study. The Better Together Coalition requested time to talk with the Board of Trustees. Ms. Linda Richards (of Prism Associates) as facilitator of the Better Together Coalition presented to the Board of Trustees materials outlining the work accomplished thus far by the Better Together Coalition. After discussion amongst the Board of Trustees and the Better Together Coalition, along with Patrice Beckham of Cavanaugh Macdonald, the conclusion was for the BTC or the District to provide the financial coverage to engage the actuary for OSERS to conduct additional analysis on recommendations from the BTC. The requested additional analysis is as follows:

Actuarial analysis by Cavanaugh-Macdonald of the following:

- Effects of 4 year to 5 year smoothing policy
- Effects of changing the valuation reporting period - timing lag
- Effects of implementing a 30 year cap on service credit (with the employee contributions in excess of 30 years paid out to the member from the contributions made after year 30)

The two groups also decided to coordinate a meeting with two representatives from the OSERS board and two representatives of the OPS board to work on next steps. Ms. Carter and Ms. Richards are to work on arranging this meeting.

The presentation provided by the Better Together Coalition is incorporated into these minutes under Appendix B.

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The meeting then moved to the Executive Director's report. Ms. Carter reviewed for the board the following topics:

- Staff processing new school year change over retirement communication(s):
 - Terminations from 2019 was 234 non-vested members and 173 vested members for a total of 407 former members of OSERS.
 - New employee for 2019 was 490 new OSERS members.
- AON Consulting client meeting will be held September 25th & 26th
- LB 31 Study update

- Ms. Carter noted she needs to meet with OPS HR to move forward on the IT related questions submitted by NPERS
- The RFP for actuarial services is scheduled to “be issued” September 6th.
 - At the October board meeting the board will need to decide who will assist in the review of the responses.

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The Board members then proceeded to the Trustees’ report. There being no report from a trustee and there being no new business, the meeting adjourned at 5:36 p.m.

/s/

Cecelia M. Carter
Executive Director

Appendix A

**IN APPRECIATION
JAMES (JIM) RIPA**

WHEREAS, James (Jim) Ripa served as a Trustee of the Omaha School Employees' Retirement System from September 1, 2007 through June 30, 2019; and

WHEREAS, Jim supported the maintenance and refining of retirement benefits for both the active and retired membership while working to preserve the actuarial soundness of the System; and

WHEREAS, Jim served the members of the Omaha School Employees' Retirement System with a passion to ensure members understood the relevance of their pension plan; and

WHEREAS, Jim faithfully and eagerly performed his duties of Trustee, giving unselfishly of his time to serve on the Board, greatly impacting critical issues surrounding retirement preparedness of all full time employees of the Omaha Public Schools; and

WHEREAS, Jim was an active participant in the National Council on Teacher Retirement throughout his service on the Board of Trustees and was in regular attendance at the annual trustee workshops and annual conferences; and

WHEREAS, Jim diligently served as the representative for the Omaha School Employees' Retirement System at several NCTR business meetings; and

WHEREAS, Jim's last day of service to the Board of Trustees of the Omaha School Employees' Retirement System was June 30, 2019; now therefore, be it

RESOLVED, that NCTR expresses its appreciation for Jim's contributions to the Council over the years and for his dedicated years of service on the Omaha School Employees' Retirement System; and be it further

RESOLVED, that a copy of this resolution be presented to Jim Ripa and be included in the proceedings of the 97th Annual Conference of the National Council on Teacher Retirement, 2019.

Submitted by the Omaha School Employees' Retirement System

Appendix B

**Presentation by
The Better Together Coalition
Dated September 4, 2019**



The Better Together Coalition



Meeting with OSERS Trustees
September 4, 2019

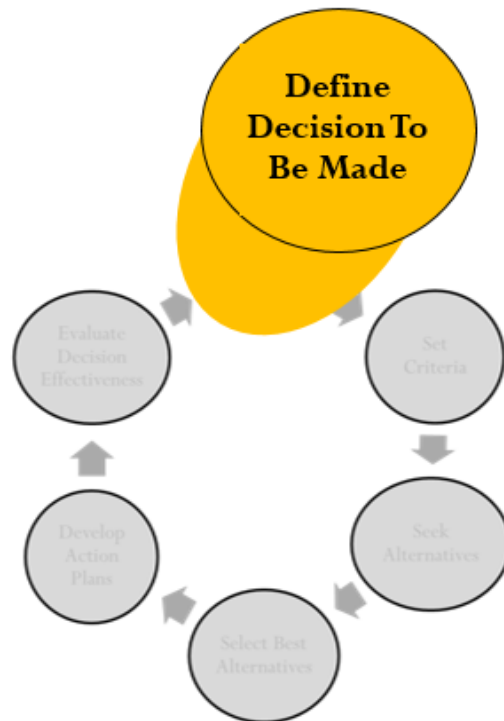


Better Together Coalition Background

- In late 2018, Dr Cheryl Logan called for the formation of a group of stakeholders within the Omaha Public Schools. This group would convene with the purpose of unifying efforts around issues that face Omaha Public Schools, employees and the community.
- Membership in the Coalition includes representatives from OPS, NSEA, OEA, OSAA, OEA retired, OSERS and SEIU.
- Since convening, the coalition has met monthly (twice a month during the Legislative session), to establish goals, discuss options and review legislation relating to several issues facing the district.
- The purpose of meeting with the OSERS Trustees on September 4, 2019 is to discuss one of those issues, the Pension Short-fall.



Decision to be made...



The problem:

- The SHORTFALL; \$771 million... (\$1 Billion)
- ARC payment

Why are we solving this problem?

- Restore trust with our constituents
- Solving what needs to be “solved”
- To stay on track with required ARC payments
- Not solving the problem will impact recruitment and retention of all staff
- To seek a solution that will be focused on an expected return



Guiding Principles

- Provide security for current employees and retirees
- Share in the sacrifice
- Seek equity
- Empower our voice
- Commit to sustainability
- Provide validation
- Adhere to transparency
- Cultivate communication
- Show integrity

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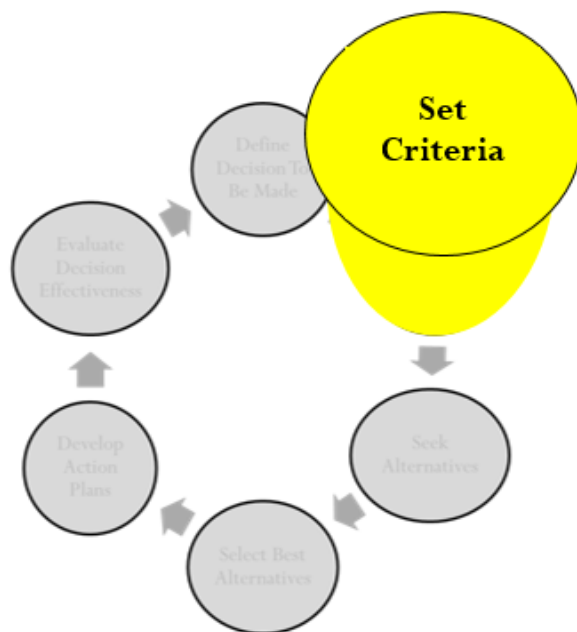
Values Shared

- SECURITY
- SACRIFICE
- EQUITY
- VOICE
- SUSTAINABILITY
- VALIDATION
- TRANSPARENCY
- COMMUNICATION
- INTEGRITY

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Established criteria...



Values Shared:

- Security
- Sacrifice
- Equity
- Voice
- Sustainability
- Validation
- Transparency
- Communication
- Integrity

Guiding Principles:

- Provide security for current employees & retirees
- Share in the sacrifice
- Seek equity
- Empower our voice
- Commit to sustainability
- Provide validation
- Adhere to transparency
- Cultivate communication
- Show integrity

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Key Success Factors

- Organization support by each participating organization
- Active representation from each organization
- Collaboration
- Facilitation
- Learning attitude from all participating members of coalition
- Active, clear and consistent communication between coalition members and their respective organizations
- Consensus decision-making
- Anticipation of “bumps in the road” and plan to manage through
- Process



Reviewing BTC options...



Reviewing Our Options–Brainstorming Ideas:

- COLA
- Ad Hoc – trigger at 80%
- Compounding eliminated
- AMORTIZATION
- DE-RISKING (Lump Sum)
- DROP
- 4YR to 5YR Smoothing
- 5th Tier (reduction of formula factor)
- 20HR v 30HR employees
- ARC Payment
- Other ideas?

Options – Funding Changes

Option	Impact
30 Year Amortization	Reduces near term contributions / increases total contributions / 96% funded in 30 years
Set ARC to \$20M	Reduces near term contributions / increases total contributions / 88% funded in 30 years
District Contribution @105% and no ARC	Reduces district contributions / 58% funded in 30 years
District Contribution @105% and 30 Year Amortization ARC	Reduces near term contributions / increases total contributions / 96% funded in 30 years

Options – COLA Changes

Option	Impact
.5% Lower for 1 year	Reduces AAL by \$5.5M
.5% Lower for 2 years	Reduces AAL by \$11M
.5% Lower for 3 years	Reduces AAL by \$16M
.5% Lower for 5 years	Reduces AAL by \$25M
COLA starts at later of age 62 or 1 year delay	Reduces AAL by \$27M
COLA starts at later of age 62 or 2 year delay	Reduces AAL by \$32M
COLA starts at later of age 62 or 3 year delay	Reduces AAL by \$38M
No COLA until 80% funded starting in 2023	Reduces contributions by \$501M over 30 years
Simple COLA starting in 2023	Reduces contributions by \$74M

AAL is defined as the difference between the liability and the actuarial value of assets as of the valuation date.

– Definition from the Cavanaugh Macdonald Board Summary p. 5

Options – Other

Option	Impact
Cap service at 30 years	Reduces AAL by \$39M
2% Multiplier for 30 years followed by 1%	Reduces AAL by \$22M
Tier 1 members can elect to move to tier 3	Reduces AAL by \$13M
Term vested buyout at 61% of PV	Reduces AAL by \$10M if 100% take option
New tier for new hires	Reduces contributions by \$100M over 30 years
Partial Lump Sum Option	Reduces AAL by \$20M
Deferred Retirement Option Plan	Reduces AAL by \$11.7M

100% take option means the eligible term vested individuals would all need to take this option in order to attain the \$10 million reduction in AAL.



Takeaways from Sustainability Report

- OSERS Sustainability Report
 - Takeaways:
 - Design plan B: Radically changes benefit make-up between OSERS and NPERS, ARC contribution amount higher than current contribution level.
 - Design plan C: Is the 30-year cap on new or existing employees?, How is interest calculated? Is there a reason to not offer the PLSO option? How was the \$30 million ARC amount established?
 - Design plan D: How was \$25 million ARC amount established?

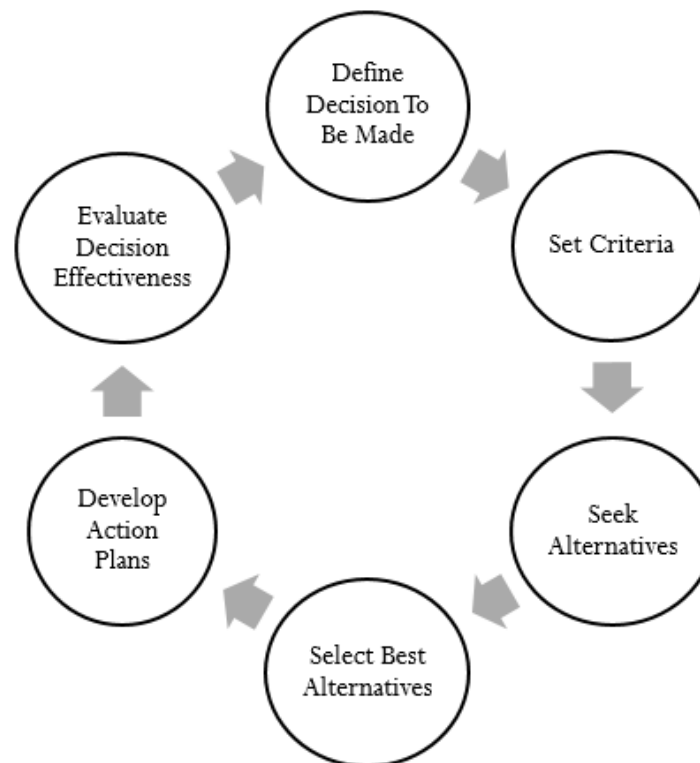


Comparison of Sustainability Report and BTC options

- Comparison of Report and BTC options
 - Takeaways:
 - Scenarios reviewed by the BTC in June work-session reach all groups and involve everyone in the solution
 - Design plans that impact COLA place more burden on retirees or close to retirement and future retirees.
 - Funding changes in BTC options provide for more flexibility for the district
 - BTC options were not all analyzed



Decision Making Model





Next steps?

- What are the next steps that the OSERS Board of Trustees plans to take?
- How can the Better Together Coalition and the OSERS Board of Trustees work together?