

The Board of Trustees of the Omaha School Employees' Retirement System held a Regular Meeting on Thursday, October 7, 2021, at 4:00 p.m. at 3215 Cuming Street, Omaha, Nebraska.

Pursuant to Section 84-1411 of the Nebraska Statutes, notice of this meeting was given on August 5, 2021.

- 5459 -

Mr. Bourne announced, pursuant to Section 84-1411 of the Nebraska Statutes, the next regular meeting of the Board of Trustees is scheduled for Thursday, November 4, 2021, at 4:00 p.m., at the 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. Bourne called the meeting to order at 4:04 p.m.

Present at roll call: Block - Bourne - Erdenberger - Johnson - Logan - 5 present. Absent: Head - Herchenbach - 2.

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

Others Present: Megan Neiles-Brauch, Esq. OPS; Michael Walden-Newman, NE State Investment Officer and Max Kotary, AON Consulting (via video conference)

- 5460 -

Mr. Bourne requested approval of the minutes to the September 2, 2021, OSERS Board of Trustees meeting. Ms. Erdenberger made a motion to approve the minutes to the September 2, 2021, OSERS Board of Trustees meeting. Ms. Johnson seconded the motion. The motion passed with the following roll call: Aye: Block - Bourne - Erdenberger - Johnson - Logan - 5. Nay: - 0.

- 5461 -

Mr. Bourne explained that due to an unforeseeable conflict, the representatives of Ice Miller were unable to attend this meeting via video conferencing. However, they did send an email message update to the Board of Trustees which was read by Mr. Bourne to the Board. The message confirmed the firm Ice Miller was on track to present the OSERS compliance audit in November 2021.

Mr. Bourne welcomed Michael Walden-Newman, the Nebraska State Investment Officer and Max Kotary of AON Consulting to present the 2nd quarter 2021 portfolio performance and 2021 capital market assumptions.

Mr. Walden-Newman provided background to the Board on how the Nebraska Investment Council was given authority to oversee the management of the OSERS portfolio of assets and what has transpired since January 1, 2017. He also gave the Board an overview of the Nebraska Investment Council make-up and some of the issues the Board addresses in making investment manager selection and asset allocation decisions.

Mr. Kotary presented to the Board of Trustees the 2Q 2021 performance for the OSERS portfolio.

At the close of June 30, 2021, the OSERS portfolio was valued at \$1,532,149,086 with quarterly, year to date, and yearly returns as follows:

As of June 30, 2021									
OSERS Performance									
	Allocation	Performance %							
	Market Value (\$)	1 st Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
OSERS	1,532,149,086	6.8	11.7	27.2	10.4	8.8	6.8	9.3	12/01/1989
Policy Performance		5.8	9.6	26.2	12.2	11.1	8.8	n/a	

Mr. Kotary went on to review the AON capital market assumptions for the forthcoming ten and thirty year periods to provide AON's insight on anticipated asset class performance. The projected returns and corresponding standard deviations for the portfolio are as follows:

	Long Term Policy Allocation	Annualized Return (10 Year Forecast)	Standard Deviation (10 Year Forecast)	Annualized Return (30 Year Forecast)	Standard Deviation (30 Year Forecast)
U.S. Equity	27.0%	5.9%	17.4%	6.4%	17.9%
Non-U.S. Equity	11.5	7.0	20.6	7.4	21.0
Global Equity	19.0	6.5	18.5	7.0	19.0
Fixed Income	30.0	2.5	4.2	3.2	4.6
Private Equity	5.0	8.2	25.0	8.7	25.5
Real Estate	7.5	6.1	17.4	6.0	17.9
Total Fund	100.0%	5.7%	12.3%	6.2%	12.7%

Mr. Kotary clarified that OSERS rate of assumption (or discount rate) is currently set at 7.5%.

Mr. Bourne welcomed Patrice Beckham of Cavanaugh Macdonald to the meeting. Ms. Beckham presented the economic assumptions of the 2017-2020 OSERS Experience Study. Ms. Beckham reviewed the building blocks of actuarial assumptions that lead to how the liability of the pension plan is calculated.

Economic Assumptions Building Block Method		
Investment Return ↓	Individual Salary Increases ↓	General Wage Increases ↓
Real Rate of Return	Merit Scale	Productivity
	Productivity	
Inflation	Inflation	Inflation

NOTE: inflation assumption and productivity must be consistent in all

Ms. Beckham explained that over the last four to eight years based on the plan demographics and economic realities, as actuarial advisor to the Board, Cavanaugh Macdonald makes the following recommendations for consideration by the Board.

	Current Economic Assumption	Proposed Economic Assumption	Change
Price Inflation	2.75%	2.35%	(0.40%)
Investment Return	7.5%	7.0%	(0.50%)
General Wage Inflation	3.50%	2.85%	(0.65%)
Covered Payroll Growth	3.5%	2.85%	(0.65%)
Cost of Living	1.5% & 1.0%	1.5% & 1.0%	0.00%
Individual Salary Increase	Varies by service	Varies by service	Decrease
All new assumptions could be implemented in the 01/01/2022 valuation or phased-in over several years as NPERS is doing.			

Mr. Bourne thanked Ms. Beckham and the Board discussed continuing the conversation at the next meeting so everyone can absorb the information and to allow for a conversation with the District on the financial impact of the recommended changes.

Dr. Logan left the meeting at 5:40 p.m.

- 5464 -

Ms. Carter gave the Executive Director's report on the following information. The August financial statement report to the Board of Trustees is delayed due to the August 31 year-end audit. This delay occurs every year. Director Gerke of NPERS and she met with other representatives of our teams. Director Gerke advised during the meeting that it is the intent of the NPERS staff to have a presentation to the NPERB at its October meeting by the consulting firm Gartner to assist with the OSERS transition.

Ms. Carter explained to the Board the history and financial impact of the 2021 Medical Cost of Living Adjustment. The medical COLA was instituted in 2001 under Neb. Rev. Stat., section 79-9,103 and was paid to eligible retirees on the October 3, 2021, pension payment. Eligible retirees are only those (past and future) annuitants retiring out of Tiers One and Two. The addition of the 2021 medical COLA is adding \$33,290 to the monthly pension payroll. Ms. Carter reminded the Board the medical COLA does not pass to a beneficiary or joint/survivor annuitant.

Ms. Carter updated the Board on the Allowable Indirect Cost assessed to OSERS by OPS under Neb. Rev. Stat., section 79-9,115. For fiscal year 2021 that amount was \$49,897. This is based on the revised formula that does not take into account investment management activity since all cost associated with investment management is paid to and by the Nebraska Investment Council.

The fiscal 2021 audit is on track and the investment related information has exchanged between Seim Johnson and the Nebraska Investment Council. The audit is on track for the December 2, 2021, Board meeting.

- 5465 -

Ms. Carter gave a highlight of the OSERS pension and other administrative expenses, given a quorum was not present, the Board did not vote on the matter.

The following is an accounting of the administrative processing for the month of October. The pension payroll for October was \$11,557,393.49 to 5,254 payees; staff payroll was \$32,303.18; four new retirements with the first pension check payable November 3rd adding \$11,390.97 to the pension payroll; eight deaths terminating \$16,451.18 due to the death of the retiree with one joint survivor annuity continued in the amount of \$1,340.82; fifteen refunds to former OPS employees in the amount of \$33,962.74; and accounts payables for October in the amount of \$26,043.15. Ms. Carter explained this accounting information will be submitted to the OPS Board of Education for processing.

There being no further business to come before the Board, the meeting was adjourned at 6:16 p.m.

_____/s/_____
Cecelia M. Carter, Board Secretary