MINUTES
PENSION TRUST COMMISSION
NEW CITY HALL 3rd FLOOR CONFERENCE ROOM
APRIL 22, 2021 – 9:00 A.M.

Bart Hadley called the meeting to order at 9:00 a.m. in the City Hall Third Floor Conference Room. Notice of meeting and agenda were posted on the City Hall notice board as required by law.

ROLL CALL

PRESENT: Teri Bayones; Paul Ellwanger; Bart Hadley; Andy Hill; Ed Petersen.
ABSENT: James Apple; Billie Whipp.
ALSO PRESENT: Kristin Huntley, Financial Services; Perry Warren and Chad Rother, Morgan Stanley; Donalynn Blazek-Scherler, City Clerk's Office

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II. Introduction of Visitors

Chairman Hadley introduced Donalynn Blazek-Scherler. He stated she is new to the City Clerk's Office and she will be handling the Pension Trust meetings from now on.

III. New Business

A. Approve minutes of the December 17, 2020 meeting.

Motion by Bayones, **Second** by Ellwanger, to approve minutes of the December 17, 2020 meeting.

Petersen asked if it is a requirement of the Oklahoma Open Meetings Act to vote on minutes. He stated it is not a requirement of Roberts Rules to vote on minutes if there are not any corrections or amendments made.

Chairman Hadley stated he did not know the answer to that, but he will look into it.

Petersen stated it's the same way with finance reports: they only vote on those once a year prior to an audit as long as there are no issues.

Chairman Hadley asked if that's all that's required by Roberts. He said he will look into that, but for now there is already a motion and a second.

Aye: Bayones, Ellwanger, Hadley, Hill, Petersen. **Nay:** None. **Motion Passed.**

Ellwanger stated the minutes had mentioned a possible $600,000.00 contribution to the pension from the City and asked if Chairman Hadley had heard anything about that.

Chairman Hadley stated yes, some of the money from the Cares Act would be going into the pension. He wasn't sure if that had been deposited into the pension account yet, but he would check on it. He asked Huntley if she knew.

Huntley said she thought that was part of the reimbursement resolution that would be transferred from the CIP to the Pension Trust over four years.

Chairman Hadley stated yes, that was correct.

Huntley said those funds will be disbursed over the next four years and that a quarter of it is in the budget for next year.

B. Receive quarterly financial report from Morgan Stanley and take action if necessary – Perry Warren, Morgan Stanley.

Warren gave presentation. Report is available in the City Clerk's office.

Warren began the presentation on page 4, Dollar Weighted Performance by Period, stating the year-to-date returns for 2021, 2020, 2019, 2018, and 2017. Warren said he broke down the calendar performance numbers by quarter through 2018 to show that the quarterly numbers can be substantially more volatile. He noted that the 4th quarter of 2018 was -9.91% and the 1st Quarter of 2020 was -15.35%. Warren then pointed out the large positive returns in the 1st quarter of 2019 and the 2nd quarter of 2020. He stated that volatility is part of the equation and the negative impact is controlled by diversification and planning in advance of withdraws.

Warren moved on to page 6. He stated he was very pleased to announce that for the Last 12 Months, Last 3 Years, Customer Period, Last 5 Years, and Last 10 years we are beating the actuarial assumption.

On page 7, Warren then went over the return percent for each column for the Time Weighted Performance Summary. Looking at the Barclays Aggregate, Warren explained that the higher return rate in the last 3 years was a result of rates dropping after they rose in 2018. As mentioned, when recommending the allocation change, we anticipated bond returns from that point would be below average until rates rose. The 2.79% return showing for the custom period does show that they have been below average.

Warren stated the Portfolio X-Ray on the next page allows us to drill down into the portfolio to show how the investments are currently allocated. He went over the asset allocation: 7.79% cash, 62.02% US stocks, 6.01% non-US stocks, 22.93% bonds, and 1.25% other. Moving on to the stock sectors under stock analysis, Warren stated we have remained balanced between the sectors. Looking at the Equity Style table, Warren said we are currently balanced at 15% large value, 32% large blend, 30% large growth, 3% mid value, 7% mid blend and mid growth, 2% small value, 3% small blend, and 2% small growth. He explained that some of the value holdings have been classified by Morningstar as blend, causing blend to reflect a higher allocation. Warren said they are mindful of this and are in 1% of the benchmark spendage point on large value.

Turning to page 25, Warren stated the Positions Summary is an overview of the general allocations of investments. He went over the Total Value column for cash, equities, fixed income and preferred, and alternatives. Warren noted that 9.00% of the fixed incomes is in ultra-short fixed incomes. He stated he believes this appropriate because of their stance on rates and the current allocation of equities. We want to be prepared for distributions in advance.

On page 28, Warren pointed out the Total Market Value is $65,609.669.35 and the estimated Annual Income is $819,825.42. He stated that we know that in past years we have had a higher estimated income and that we will be selling to make up the difference. Warren said they are placed in the ultra-short income as to not have to liquidate from equities when they go down.

On page 32, Warren stated the Intra-Year Declines shows the S&P 500 Annual Returns and Intra-Year Declines dating back to 1980. The median Annual Return is 13% and the median Max Intra-Year Decline is -10%. Warren said for 2021, our decline is at -4%, compared to -31% last year. We like to always be mindful of volatility involved with reaching our long-term goals.

Warren asked for any questions.

Petersen asked if there is a policy to preclude us from holding individual stocks.

Warren answered yes.

Petersen asked if that was stated.

Warren stated yes, the policy statement says it has to be UTFs or mutual funds. It doesn't allow for individual stocks.

Petersen asked if that statement is available to members.

Warren said yes.

Chairman Hadley asked if there were any other questions.

Warren stated when we had the actuary here and the board made changes to the career average, it was based on the actuarial assumption with that money coming in and us actually making it. Now that we are over that amount for the ten-year period, we should be ahead of schedule as long as all the other variables are on par. He also said that next quarter is usually the weakest quarter.

Chairman Hadley stated no action is necessary.

C. Receive Quarterly Employees Refunds Made From Retirement System and receive Quarterly Statement of Receipts and Disbursement and take action if necessary-Finance.

Kristin Huntley gave presentation over balance sheet, revenue and expense statement, and employee refunds made from retirement system. Report is available in the City Clerk's Office.

On the Balance Sheet, Huntley stated the total assets at the end of this quarter, 03/31/2021, the total assets were $64,969,920.91, the total liabilities were $350,278.94, and the total liabilities and fund equity were $64,969,920.91.

Huntley moved on to the Statement of Revenue and Expense. She stated for the 3rd quarter, the total revenue was just under 2.6 million, and that was the norm. Huntley said the total expenditures were 1.6 million, giving us a net increase for quarter of $992,830.67 and a net increase for the year of $8,172,592.07.

On the next page, Huntley stated there were 3 refunds made from the retirement system. One was kind of a big one, but the other two were normal. The total for the quarter was $95,918.23.

Huntley asked if there were any questions.

D. Consider ratifying the actions of the Pension Trust Chairperson in authorizing payment of the invoice dated March 31, 2021 from the Berwyn Group, in the amount of $5.00, for services rendered to the Pension Trust.

Motion by Ellwanger; **Second** by Hill, to ratify the actions of the Pension Trust Chairperson in authorizing payment of the invoice dated August 7, 2020 from the Berwyn Group. **Aye:** Hadley, Hill, Petersen, Bayones, Ellwanger. **Nay:** None. **Motion Passed.**

IV. Consent Agenda

FOR THE BENEFIT OF THE AUDIENCE, ALL MATTERS LISTED UNDER THE CONSENT AGENDA ARE CONSIDERED TO BE ROUTINE BY THE PENSION COMMISSION AND WILL BE ENACTED BY ONE MOTION. THERE WILL BE NO SEPARATE DISCUSSION OF THESE ITEMS. IF DISCUSSION IS DESIRED, THAT ITEM WILL BE REMOVED FROM THE CONSENT AGENDA PRIOR TO ROLL CALL AND WILL BE CONSIDERED SEPARATELY.

A. Consider Memo of Information regarding the death of retiree Stanley C. Prock.
B. Consider Memo of Information regarding the death of retiree spouse Shirley Lyons, wife of Jimmy Lyons.
C. Consider Memo of Information regarding the death of retiree Steve P. Guerrero.
D. Consider application for normal retirement for James Apple.
E. Consider approval for the paid-in-full judgments to be released from the record.

Bayones stated this meeting's agenda was a little bit short notice. She said usually the packets are sent in the mail, but that didn't happen this month and some of the documents didn't make it in the email. Bayones said she believed this was all sorted out yesterday. She stated she wasn't sure if anything needed to be pulled and tabled or if everyone had an opportunity to review it. She did look over everything and it looked okay to her, but she couldn't speak for anyone else.

Chairman Hadley asked if there was anything that she wanted to pull.

Bayones said no. She checked the calculations and the supporting documents all fit for what they are doing.

Chairman Hadley asked if any other members had anything they wanted to pull and discuss.

Motion by Hill, **Second** by Petersen, to approve Items A-E on the Consent Agenda. **Aye:** Hill, Petersen, Bayones, Ellwanger, Hadley. **Nay:** None.

V. Comments

Chairman Hadley stated they are closer, but still working on the pension audits. This audit was started because a previous audit showed some discrepancies, and it sort of mushroomed from there. Dean Actuaries is conducting the audit, after some decisions were made at the last meeting to give them some baseline of how it's supposed to be calculated. Some of the language was a little gray and could be interpreted in different ways. That information was given to Dean Actuaries, including the decisions the trust made, and they are trying to go through and conduct those calculations for us to give us a starting point to go through and start making some decisions going forward. We can forgive any overpayments, although this may be difficult. Most of them were small but there were some larger ones. There may also be a systemic problem that will require a correction going forward, and then we can forgive, or we may try to recover some of that. That will be a decision we make together once we get the data. As far as underpayments, I don't think we'll have much choice other than going back and correcting those as far back as we can. Again, most of those were relatively minor, but there was one that was large. There was one situation where the first payment is usually a prorated retirement check because it's a partial month, but for whatever reason, that prorated amount continued to be paid. Chuck Dean is looking into that and verifying everything; that one will be relatively large, but if the Pension Trust owes it, then it will be taken care of.

Bayones asked if Chairman Hadley had any idea when Dean Actuaries would be done with this whole thing.

Chairman Hadley said the HR director, Mr. Burk, is working with Dean Actuaries, but he is in a meeting in Oklahoma City, so he isn't here today. Hadley stated he is fairly sure they will have a completed report by the next quarterly meeting, but he can't say for sure.

Petersen asked if there was a rough estimate of the impact on the Pension Trust.

Chairman Hadley stated it really depends on how it's handled. Overall, he doesn't foresee a major impact. Probably not millions of dollars.

Petersen asked if it could be hundreds of thousands.

Chairman Hadley said yes, particularly with the relatively large one, it is possible. If you add up everything together, the underpayments and overpayments, it could potentially be less than that, but he's not sure we'll be able to recover some of those. Chairman Hadley stated that information will be vetted before making any kind of decision. It may require a special meeting if there is a long agenda because it will be a long discussion.

VII. Audience Participation

VIII. Adjournment

There being no further business the meeting adjourned at 9:30 a.m.

Motion by Ellwanger, **Second** by Bayones, to adjourn. **Aye**: Petersen, Bayones, Ellwanger, Hadley, Hill. **Nay:** None. **Motion Passed.**