MINUTES
PENSION TRUST COMMISSION
NEW CITY HALL 3rd FLOOR CONFERENCE ROOM
APRIL 28, 2022 – 9:00 A.M.

Chairperson Bayones 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; Christine James; Andy Hill; Ed Petersen.
ABSENT:	James Apple
ALSO PRESENT:	Donalynn Blazek-Scherler, City Clerk's Office; Kristin Huntley, Finance Department; Michael Cleghorn, City Manager; Perry Warren, Morgan Stanley Advisor; Frank Crawford, Internal Auditor; Tim Wilson, Legal, Joe Dunham, Finance Department

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II. Introduction of Visitors
No Visitors.

III. New Business

A. Approve minutes of the January 27, 2022 meeting.

Motion by Hill, **Second** by Ellwanger, to approve the minutes of the January 27, 2022 meeting.
AYE: Bayones, Ellwanger, James, Hill, Petersen. **NAY:** None. ***Motion Passed.***

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

Perry Warren gave financial report. Report is available in the City Clerk's Office. Warren reviewed pages 4, 6, 7, 25, 28, 29, and the Portfolio X-Ray.

Chairperson Bayones asked for any questions.

Cleghorn discussed some issues with the law change that requires the City to report their unrestricted reserves and net liability issues. He stated that went for 0.02% to -25 or 30% and that can affect the City's bargaining power. He also stated that the new DC plan is not attracting new employees. He stated they only get 7% when they could have gotten 13 or 14%, but that money is going towards paying the old system. He is concerned that the old system is approximately $40 million short of being fully funded.

Warren stated the system has been underfunded for a while, and Morgan Stanley has done their best to manage the money in an appropriate way. The change in calculation to averaging has helped and they have outperformed the actuarial number since then. He stated in 2016, he came to the board because we could only have 35% in equities. He stated from an investment standpoint, we are trying our best to hang around the 6.75% or more to keep the funding as good as possible.

Cleghorn asked what he needs to bring to Council regarding pension contributions for this year. He stated the City has increased their contribution by an additional $1.5 million because the fully funded portion is decreased. Cleghorn asked what the total annual contribution is now.

Dunham stated it was $3.5 million that was required to fully fund the City's contributions based off of the last actuarial evaluations. The City only appropriated about $1.9 million, so it was about 1.6 or 1.7 million short. He stated it has been a million plus short for years. He stated it is his understanding that the board is attempting to make up that difference through investments with the risk model that was adopted.

Warren stated this has been a chronic problem since day one and when the changes were made, we were supposed to see it curve back up, but that was only if the funding was done like it was supposed to be. That change was made 12 or 13 years ago.

Crawford stated there are only three things to fund a pension system: employee contributions, employer contributions, and investment returns. If any one of those three fails, the system won't fund itself unless one of the other two makes up for it. He stated the funded percentage has drop from 61% to 59%. That means each retiree would get 59 cents to the dollar of what was promised if they all retired today. Crawford stated the City's contribution is not sustaining, and either the City's or the employees' contribution needs to be higher than what it is.

Chairperson Bayones stated it hasn't been enough to fund it for the 11 years she has been actively involved in this.

Crawford stated the percentage needed will continue to go up every year and start to create cash flow issues. He discussed the pros and cons of a pension funding bond. He cautioned the board that the system can't be sustained at this pace.

Cleghorn stated it's a Catch 22 because if he reduces the number of employees, it reduces the number of people paying into the pension system, but employees are also the City's biggest expenditure. He stated the City will draw down their unrestricted funds to help this, and they will try to do this every year.

Cleghorn stated he wanted to thank the board and Warren because what he sees is some really great investments and great choices made. Now, he needs to know what he can do to help because the City is no longer competitive as far as employment. Salaries are not competitive and now the benefits aren't competitive either. He stated there are some communities we just can't compete with.

Ellwanger asked if Cleghorn had spoken to the Actuarial because he may need to come down and talk to us. He stated this information has been shared with us over the years.

Chairperson Bayones stated she believes he said 24% to get us in a good spot, and we're a lot less than that.

Dunham stated even though the City is drawing down money to fund it for this year, that option is not sustainable. If we keep doing that, we put the entire city at risk because there won't be enough funds for an emergency.

Cleghorn stated there's only a few ways to increase funding, and none of them are a good answer.

Ellwanger stated so what you're saying is that we need to make adjustments to the retirement plan.

Cleghorn stated probably. From an employee retention stand, absolutely it needs to be changed.

Ellwanger stated they need to look at what they can offer employees to be competitive.

Crawford described the retirement systems of some Texas cities and stated the old pension system was very competitive.

Cleghorn stated the system is underfunded and we're not competitive. He agreed with Crawford that some Texas cities have very good pension plans. He stated with the new plan, he can't get employees to come here.

Chairperson Bayones stated the City may need to look at doing a raise on the employee side and moving everyone back to the legacy system with the possibility of adding a third tier.

Cleghorn stated I don't think we need to be the best, but we have to be competitive. He stated the board and Warren have done a great job with the investments, but we need to fix that it is underfunded and not competitive. He talked about the possibility of a hybrid plan going forward, where employees would switch from the new system to the old system after a certain amount of time.

Crawford stated the whole Texas Municipal Retirement System is a hybrid. They have a set amount that is setup like a DB and another component that is like a DC. He stated another way to make our system more attractive is to raise the 3.5% match.

Ellwanger clarified that the plan for this year is to take money from the reserve to fully fund the system. Then, we need to come up with a plan for the future.

Hill stated you are just repeating with we have seen on the actuarial report for twenty years plus. When I came in, we didn't have equities, interest rates were at 20%, and everything we had was fixed. But we were 90 plus percent funded. We were in good shape. He stated the board recommended to Council not to go with the DC plan because things were projected to go positive based on the actuarial report.

Chairperson Bayones stated we were actually going positive, but then the DC plan was started, and the economy went down. It spun us into the mess we're in now.

Cleghorn stated we will talk to OKMRF and the actuarial to see if we can convert people back to the old system, or if we can create a hybrid version. He stated we know we will have to increase employee contributions.

James stated she is on the DB system, and as an employee, she is okay with contributing more now to see that benefit later.

Cleghorn stated he will talk to the actuarial about the DB plan and OKMRF about the DC plan. He has been told that the system needs to be funded at least 80% for OKMRF to take it on. That would be $32 million.

Ellwanger stated even if they don't take on our plan, maybe they can give us some ideas or comparable systems to look at.

Warren stated it took a lot of years to get into this situation and it will take some time to turn it back around.

C. Receive Quarterly Employee Refunds Made from the Retirement System and Receive Quarterly Statement of Receipts and Disbursement and take action if necessary.- Finance.

Kristin Huntley gave Finance Report. Report is available in the City Clerk's Office.

Motion by Ellwanger, **Second** by Hill, to approve the 3rd quarter financial statement. **AYE:** Ellwanger, James, Hill, Petersen, Bayones. **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 Application for Normal Retirement from Britt Hubbard.
B. Consider Memo of Information regarding the death of retiree William D Spencer.
C. Consider Application for Early Retirement from Billie Whipp.
D. Consider approval for the paid-in-full judgements to be released from the record.

Motion by Petersen, **Second** by James, to approve the consent agenda of April 28, 2022. **AYE:** James, Hill, Petersen, Bayones, Ellwanger. **NAY:** None. ***Motion Passed.***

V. Executive Session

A. Pursuant to Section 307B.4, Title 25, Oklahoma Statutes, consider convening in executive session to discuss the status of an ongoing investigation concerning pension calculations, and, if necessary, take appropriate action in open session.

Motion by James, **Second** by Petersen, to enter into Executive Session.

The Pension Trust Commission remained in Executive Session from 10:04 AM to 10:21 AM. At the conclusion of Executive Session, roll call showed all commissioners present with the exception of Apple.

Wilson read the title and stated he understood there was a motion.

Hill stated in light of City Council's motion to reject the Pension Board's January 27, 2022 recommendation to adopt an ordinance amending prospectively the definition of "average final monthly compensation, I would like to make the following motion:

Motion by Hill, **Second** by Ellwanger, to adopt and endorse the instruction from the City Manager's Office for staff moving forward to apply a literal interpretation of City Code Section 17-3-4-333 for determining "average final monthly compensation" for future retires with the understanding that staff will also continue with the direction City Council previously gave its September 28, 2021 motion to correct any miscalculation issues affecting current retires. **AYE:** Bayones, Ellwanger, James, Hill, Petersen. **NAY:** None. ***Motion Passed.***

VI. Comments

Chairperson Bayones announced that Billie Whipp has decided to resign from the board.

VII. Audience Participation

VIII. Adjournment

There being no further business, the meeting was adjourned at 10:27 a.m.

Motion by James, **Second** by Ellwanger, to adjourn the meeting of April 28, 2022. **AYE:** Bayones, Ellwanger, James, Hill, Petersen **NAY:** None. ***Motion Passed.***