MINUTES
PENSION TRUST COMMISSION
SPECIAL MEETING
NEW CITY HALL 3rd FLOOR CONFERENCE ROOM
JUNE 9, 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: James Apple; Teri Bayones; Paul Ellwanger; Andy Hill; Ed Petersen.

ABSENT: Christine James

ALSO PRESENT: Donalynn Blazek-Scherler, City Clerk's Office; Chance Allison, Finley & Cook; Dan Bledsoe, Finley & Cook; Madison Leonhart, Finance; Craig Akard, Human Resources Director; Tim Wilson, Deputy City Attorney; Richard Rogalski, Deputy City Manager; Michael Cleghorn, City Manager; Dewayne Burk, Deputy City Manager; Kelly Harris, Ward 2 Councilmember

II. Introduction of Visitors

Chairman Bayones introduced Chance Allison and Dan Bledsoe from Finley and Cook. She stated they will be going over the Pension Trust's Financial Audit.

III. New Business

A. Approve minutes of the April 28, 2022 meeting.

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

B. Discuss recent audit results from Finley and Cook, the process of the financial audit the City of Lawton is engaged in with Finley and Cook, and the possibility of additional audit processes for the Pension Trust to supplement the financial statement audit and take action as deemed necessary.

Allison spoke about the annual financial audit conducted by Finley & Cook. He stated the audit was conducted on the balance sheet as of June 30, 2021, and he is offering a clean opinion with no material discrepancies in balances. He stated the audit was conducted using the Governmental Accounting Standards Board's (GASB) framework of financial reporting.

Allison reviewed the Auditors' Communications Letter. He stated GASB did not affect the Pension Financial Statements for this year. On page 6, Allison described how estimates were established. Going over the next few pages, Allison stated they had no difficulty performing the audit. City staff was wonderful to work with. Reviewing the Uncorrected Misstatements, Allison explained a debit to cash and credit to fiduciary net position of $51,814.00. He stated this correction is no real issue. It was just a timing difference of when dividends were received into the plan. On page 8, Allision stated he reported the over and under pension payments under "Emphasis Matters" because it was an issue significant to the audit. He stated the Pension Trust has done three things: engaged the actuary to perform an examination of all records, created a voluntary corrective action plan that was sent to the IRS, and engaged the actuary to come up with a software solution to assist in future calculations. On page 9, Allison stated there were no issues related to items "b" or "c", but item "a" had a significant deficiency relating to the computation of pension benefits. This is an issue because there has been a repeat finding on the calculations for several years.

Allison reviewed the Financial Statements and Independent Auditors' Report. He stated this report is done based off a sample selection, and it provides reasonable, not absolute, assurances. On page 2, Allison stated the opinion provided is that the financial statements present fairly in all material respects. On page 3, Allison stated the increase in fiduciary net position restricted for pensions was driven primarily by appreciation of investments with a small increase in cash. He stated 2021 was a fantastic year for investments. Reviewing pages 12, 13, and 17, Allison stated the Pension Trust is in compliance on investment allocations, and there has been a decrease in liabilities driven by appreciation of investments.

Hill asked if this report includes the City contributions.

Cleghorn stated no. That will not be reflected until next year.

On page 26, Allison stated the Schedule of Contributions shows deficiencies in contributions.

Allison asked for any questions.

Wilson asked if the Pension Trust has the letter referenced in the Auditor's Communications on page 9.

Allison stated yes. It was the very last part of the packet provided. It is titled the "Auditors' Management Recommendations Letter".

Ellwanger stated if this was a repeat finding, was there a separate letter issued previously.

Allison stated yes.

Bledsoe explained the test pool used during the audit process. He stated the pool is usually 20 to 25 calculations, and the auditors will recalculate those for a comparison. Each year, the Pension Trust has had a variance in that testing pool. This year was 8. Some years have been more, and some years have been less. He explained that even though the under and over payments are not showing as an issue in this year's financial statements, an emphasis was included in the audit since the Pension Trust now has a corrective plan in place.

<u>**Motion** by Hill, **Second** by Petersen</u>, to accept the Financial Audit as of June 30, 2021. **AYE:** Ellwanger, Hill, Petersen, Apple, Bayones **NAY:** None. ***Motion Passed.***

C. Consider whether to recommend the adoption of an ordinance amending Personnel Policies and Procedures Section 17-3-4-351, Division 17-3-4, Article 17-3, Chapter 17, Lawton City Code, 2015 by amending conditions for the re-employment of former employees that have retired from the City of Lawton, to include those retired employees that are rehired on or after July 1, 2017; making participation in the most current retirement plan compulsory; rehire of retired employees that were hired on or after July 1, 2017 would be dependent on the rules governing the most current retirement plan; take action as deemed necessary.

Wilson stated this ordinance only pertains to retirees in the Legacy system and would not have any impact on someone hired after July 2017. He stated the code currently states, "nor shall any deduction for retirement contributions be made from the compensation received with respect to such employment". This is a problem because if a retiree comes back as an employee, they will then be part of the defined contribution plan, and that would require that contributions be taken out of their pay to go into the DC plan. Wilson stated after speaking with Papahronis, he added language that says "to this system" in paragraph "B" to clarify that payments would be made to the DC plan, not the Legacy plan.

Wilson stated paragraph A talks about any person who is receiving retirement from the Legacy plan. It states they may only be re-employed by the City only if the City is unable to employ a qualified individual who has not retired. He stated Papahronis didn't make any recommendation on paragraph A. It does not clarify how long the City has to search for a qualified individual. Wilson stated that requirement will stay in there because it has not been deemed something that needs to be changed at this point.

Burk asked why we want to maintain the position of rehiring a retiree only if another applicant can't be found. He stated he wants to hire the most qualified applicant and shouldn't have to overlook a retiree for someone who is less qualified. He would like to remove that stipulation from the ordinance.

Rogalski stated you could add the word "equally" before qualified. Or "most" qualified. The policy currently reads that if they are qualified at all, then the City must hire the outside guy over the retiree.

Hill stated he doesn't see a reason to make a distinction at all.

Wilson stated the history of this goes back to when there was only one retirement system. It would have been at the detriment of the plan to rehire retirees and have contributions to the plan go down. It is less of an issue now that the legacy plan is closed.

Petersen asked how many retirees are reemployed with the City right now.

Akard stated there are two right now, and there is talk of a possible third coming back soon.

Cleghorn stated it is hard to deal with our 100 vacancies. The City is trying to make employment attractive for the most qualified individuals.

Motion by Petersen, **Second** by Apple, to recommend the proposed ordinance with a modification to Paragraph A to remove the restriction that no other qualified person can be found. **AYE:** Hill, Petersen, Apple, Bayones, Ellwanger ***Motion Passed.***

VI. Comments
No comments.

VII. Audience Participation
No audience participation.

VIII. Adjournment

Motion by Apple, **Second** by Petersen, to adjourn the meeting of June 9, 2022. **AYE:** Hill, Petersen, Apple, Bayones, Ellwanger. **NAY:** None. ***Motion Passed.***

There being no further business, the Pension Trust adjourned at 9:44 AM.