MINUTES
PENSION TRUST COMMISSION
SPECIAL MEETING
NEW CITY HALL 3rd FLOOR CONFERENCE ROOM
NOVEMBER 12, 2020 – 9:00 A.M.

Bart Hadley called the meeting to order at 9:00 a.m. in the City Hall Second 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; James Apple; Ed Petersen.
ABSENT:	None
ALSO PRESENT:	Tammy Anderson, Planning Department; Kristin Huntley, Financial Services; Billie Whipp, Arts and Humanities; Dwayne Burk, Human Resources.

II. Introduction of Visitors

Chairman Hadley stated that James Apple will be replacing Carl Dentler, and that Apple is a fairly recently retired Deputy Police Chief for the City of Lawton.

Apple stated he served the City for 41 years.

Chairman Hadley said Apple is a retiree on this pension system. As the Deputy Chief he was a general employee.

Chairman Hadley stated that Steve Livingston submitted his letter of resignation. He also stated that Dentler's term expired October 31st.

Chairman Hadley stated that Tammy Anderson will be filling in for Denise Ezell for today.

Chairman Hadley also introduced Billie Whipp, the Arts and Humanities Administrator and active Parks and Rec Director. Whipp was attending the meeting because an employee or retiree is needed to replace Livingston's position and she wanted an opportunity to observe before making a commitment.

III. New Business

A. Approve minutes of July 30, 2020.

Motion by Hill, **Second** by Ellwanger, to approve the minutes of July 30, 2020. **Aye**: Ellwanger, Hadley, Hill, Apple, Petersen, Bayones. **Nay**: None. **Motion Passed**.

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, stating the year-to-date returns for 2020, 2019, 2018, 2017, and 2016. He stated he would like to bring attention to the volatility, noting the -15.35% first quarter return. He stated that equity allocation was added in March, bringing us up to our max allocation. The allocation was reduced in January and because the market was down, we were able to add to equities. The second quarter showed a return of 17.33%. The third quarter showed a return of 7.11%.

Warren moved on to page 6. He stated the year-to-date time weighted performance return was 6.10%; the last 12 months was 12.53%; the last 3 years was 8.10%; the custom period was 9.6%; the last 5 years was 9.23%; the last 10 years was 6.95%; and since inception was 5.98%. This shows we are currently outperforming our benchmark.

On page 7, Warren stated the time weighted rate of return for the last 12 months was 12.53% and the benchmark was 9.38%. The last 5 years shows a 9.23% return. The performance inception return was 5.98%. The earnings have now exceeded the beginning balance.

Warren stated the Portfolio X-Ray on the next page allows us to drill down into the holdings of the positions in the account. He went over the asset allocation: 5.29% cash, 61.18 US stocks, 7.34% non-US stocks, 25.33% bonds, and 0.86% other. Warren stated the current market value on October 19, 2020 was $59,062,358.41.

Moving on to the stock sectors under stock analysis, Warren stated we have remained neutral between defensive, sensitive, and cyclical sectors, and there is a slight overweight to cyclical sectors compared to the benchmark.

Looking at the Equity Style table, Warren said we are currently balanced at 27% large value, 27% large blend, and 26% large growth. We have reduced our slide overweight several times to large growth as that is where the performance has been for some time. Warren also stated the percent for mid and small equity styles.

Turning to page 25, Warren said the portfolio time weighted performance through October 19 was 8.92%.

On page 28, Warren stated the total value and estimated income for each category listed on the Positions Summary.

On page 32, Warren stated to make note of the red dot at -32 and blue bar at 10.1% on 2020: this is the calendar year volatility so far. He stated that there may be times in the future that the decline lasts longer. Warren said the reason that we are allocated near the max weight in equities is to hopefully earn the 6.75%.

Warren asked for any questions.

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 September were just over 59 million, which is 2 million over last quarter. She stated this is because the mutual funds are up. She stated that the Accounts Payable under Liabilities show $185,000, but this figure has been updated and is now at $350,278.94. This change is because 4 people left last fiscal year that didn't take their payout. The fund equity is at $59,565,717.19.

Huntley moved on to the Statement of Revenue and Expense. She stated for the 1st quarter, the total revenue was 4.7 million. The contributions for the city and employees were paid timely, so that is all the payrolls for July, August, and September. Huntley said the miscellaneous revenue is from Joann Hobbs. There is also an unrealized gain on Morgan Stanley of almost 2.9 million and that is why revenue is so high. Huntley stated the total expenditures were 1.974 million, which is an increase of 2.764 million.

On the final page, Huntley stated there were 14 employee refunds for the quarter that total just over $500,000.00.

Huntley asked if there were any questions or if she needed to go over anything else.

D. Consider ratifying the actions of the Pension Trust Chairperson in authorizing payment of the invoice dated August 7, 2020 from McAfee & Taft, in the amount of $192.60, for services rendered to the Pension Trust.

<u>**Motion** by Ellwanger; **Second** by Hill</u>, to ratify the actions of the Pension Trust Chairperson in authorizing payment of the invoice dated August 7, 2020 from McAfee & Taft. **Aye:** Hill, Apple, Petersen, Bayones, Ellwanger, Hadley. **Nay:** None. **Motion Passed.**

E. Consider approving a professional services agreement with the Berwyn Group for the purpose of conducting periodic death audits and locator services.

Dwayne Burk gave presentation. He stated that periodically we have retirees that pass away and there is no notice to staff, so payments continue to go out. He stated there is also an issue keeping up with current addresses. Burk said he took some initiative on this and contacted the State Firefighter Pension. He said they use the Berwyn Group to do a death audit on a monthly basis before they do their payouts. The Berwyn Group is able to do this because their database is kept current. He also said they provide the ability to do address checks. Burke stated it is relatively inexpensive when compared to what this company it is capable of doing. He said the most it would cost us a year is about $2,600.00, but we can expect to pay less than $2,000.00 since we won't go through and check every single retiree every single time.

Motion by Petersen, **Second** by Ellwanger, to approve a professional services agreement with the Berwyn Group for the purpose of conducting periodic death audits and locator services. **Aye:** Hadley, Hill, Apple, 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 application for early retirement for Justin Pitts.
B. Consider Memo of Information regarding the death of retiree Kevin Lee Wahkinney, Sr.
C. Consider application for normal retirement for Victor Rosa.
D. Consider Memo of Information regarding the death of retiree Phillip Ricci.
E. Consider the application for normal retirement for Kathy D Hines.
F. Consider approval for the paid-in-full judgments to be released from the record.

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

V. Comments

Hadley stated he had reported on a complaint from the very first tier two (commonly referred to as "Career Average") retiree at the last meeting. He stated that was done in 2012 to help with the actuary soundness of our plan. He stated you wouldn't think we would have anybody since it's a ten-year vested plan, but we had an employee who had previously worked here and came back after tier two was enacted. He opted to buy back into his time, as the Pension Trust allows, so he's our very first tier two retiree. Initially the complaint was that it basically took a year's wages, even if you only worked one month in that year, and averaged it in. It was not truly a career average and the language was unclear. Hadley then stated that after looking into it further and getting with some of the experts, it really is a total compensation in your career, and it's not divided by the total number of years. He stated this is resolved and doesn't need to be brought back. He asked Burk if he wanted to add anything to that.

Burk stated no; it was all worked out, the calculation is being done correctly, and the retiree was okay with the results.

Burk asked Hadley if he would like him to talk about the pension calculations.

Hadley said sure.

Burk stated we are very near the end of the pension audits. We've basically gone back through every file, and we may be going through it a third time.

Ellwanger asked if this was an internal audit.

Burk stated yes, but we've employed Dean Actuaries to certify the results. We're going back through checking how the pension was calculated, making sure they're accurate, and writing that information to Dean Actuaries. They are then running that through their software trying to verify those numbers. Burk said at previous meetings there were some questions about fractional months.

Hadley said code was a little contradictory at some points.

Burk stated there were some interpretations that were made over the years that may or may not have changed the intent of the language. We are trying to get a better interpretation of how that worked.

Hadley said this came to light because of discrepancies found in the previous year's audit. He stated they talked about the blending of the ages of the spouse and the employee, and the actuary tables. He said that's where the calculation gets tricky.

Burk stated they may ask the chair and the committee to do a special meeting in the near future to present their findings.

Hadley said that the City Manager has directed staff to do a business case for an early retirement incentive that many businesses do during difficult financial times to encourage higher paid employees to retire. He asked Burk to speak about that.

Burk said it is typically used for companies that are looking at a reduction in force. He stated that instead of having mandatory layoffs, Early Retirement Incentive Programs are used to incentivize longer term employees to retire earlier than they would have.

Hadley stated there was a similar program a few months back. It wasn't the same as this, but they were going to pay a year's worth of health insurance to anyone that retired before July.

Burk said that was the second time they've done that one. He said both times they had about 17 participants. He said while that's not a huge number, but it was enough to keep from having to lay people off. He said this time they are looking at something that has a few different options: adding years to age and years of service, using benefit hours, or any combination of the different options. He stated that we're looking at giving up to one year of service to employees who may not quite be eligible for retirement. They need to look at how many employees that may impact.

Hadley stated they have been advised for some time for the City to make an additional one-time contribution to the pension fund or to increase the percentage to try to make it more actuarially sound. He said with the COVID relief act money that the City got back, Council approved

$675,000 to go to the Pension Trust. However, this money is initially going to be used to purchase solid waste collection trucks because the funding for the trucks wasn't available right now. The purchase of the trucks was approved in the CIP, so the COVID relief money will be replaced by the money collected by the CIP over the next few years.

Ellwanger asked what types of education or outreach City employees receive about their retirement.

Burk stated this is typically covered in the onboarding. There were also three financial wellness courses that were just offered that covered retirement.

Hadley stated the library has also offered educational courses on retirement to the public, but City employees were offered that opportunity as well.

Petersen asked if the annual statement that employees receive generates a lot of questions.

Burk said yes and no. Questions that typically come up have to do with understanding the document itself. As those questions come up, HR tries to find the answers on those specific circumstances.

Petersen asked to see a copy of one of these reports. Hadley said yes, that's a great idea.

Hadley stated they do encourage employees to participate in the 457 account or for new employees to at least add more to their retirement per pay period.

Bayones asked if they found out what happened to Chuck Dean because the annual presentation was never given.

Hadley said he had heard it may have been COVID related. Burk said he also had knee surgery.

Hadley stated this actuary report is required to happen.

Burk said this could be covered in a special meeting along with the audit and the financial statements. Burk said maybe the 1st or 2nd week of December.

Hadley asked if Thursday mornings are still good for everyone. He requested that everyone try to keep the first and second Thursday of December open for the special meeting until a date could be set.

VII. Audience Participation

VIII. Adjournment

There being no further business the meeting adjourned at 9:49 a.m.

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