

MINUTES
SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA
MUNICIPAL RETIREMENT FUND AND THE ADMINISTRATIVE COMMITTEE OF
OKLAHOMA MUNICIPAL RETIREMENT FUND
May 25, 2022

1. Call To Order

The Administrative Committee met to conduct the Administrative Committee business of the Oklahoma Municipal Retirement Fund on May 25, 2022, at 11:01 a.m. with Administrative Chair Johnston presiding.

BOARD OF TRUSTEES

Administrative Committee:

Robert Johnston, City Manager, City of Clinton
Donna Doolen, Finance Director-Treasurer, City of Ada
Tamera Johnson, Retiree, City of Shawnee

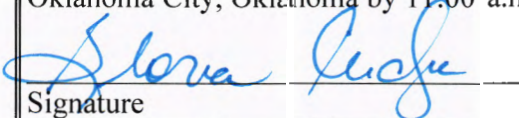
OTHERS PRESENT:

OkMRF Staff: Jodi Cox, Executive Director/CEO

Others: Jim Lockett, Jr.

Administrative Committee Chair, Johnston extended a welcome to all in attendance and called the meeting to order.

NOTICE: The agenda for the May 26, 2022, meeting was posted in Columbus Square, Oklahoma City, Oklahoma by 11:00 a.m. on May 24, 2022, by Gloria Cudjoe.


Signature

2. Review of 2022-2023 Budget

Cox described the various columns on the budget schedules. Each category was reviewed in detail and discussed as follows:

Actuary & Recordkeeping: Up \$22,755 main contributing factors for change:

- Experience study occurs once every 5 years which accounts for \$17,875 of the increase.
- Dean Actuaries' contract is subject to annual CPI-U increase of 7.04%.
- Anticipated 7.25% growth on plan assets for DC recordkeeping. Today, DC assets hovered close to \$370M as compared to what was used in prior year of \$400M. Therefore, DC recordkeeping fees are expected to remain flat or decrease ever slightly.

Administration: Up \$106,000 main contributing factors for change:

- Health insurance up 9.5% for same coverage (OkMRF pays 70% of premium).
- More Staff enrolled during open enrollment which accounted for \$21,900 of this increase.
- Proposed employer contribution rate of 17.75% to OkMRF DB plan rather than required 11.68%, results in approximately \$65,000 additional contributions to help pay off our shortfall of \$332,222.
- Proposed cyber security third-party review/audit expect higher cost than budgeted but not used in prior year.
- Building lease payments according to lease agreement.
- Proposed Staff raises at CEO discretion and Staff merit.
- Proposed employer contribution to CEO plan in lieu of raise which is the approximate equivalent budget impact when considering no additional FICA/Medicare contributions, less 457 match/bonus, Defined Benefit retirement contribution savings and employer life-insurance savings.

Attorney: Down \$26,500 main contributing factors for change:

- Decrease tax attorney with the IRS documents noting this year's SECURE and CARES Act amendments are substantially lower in direct costs than last fiscal year's DC restatement and DB plan filing.
- Trust attorney lowered fees from \$2,500 to \$2,000 which accounts for \$6,000 in savings.

Audit: Up \$2,000 per contract agreed to in March 2022 meeting.

Board Travel: Down \$1,900 main contributing factors for change:

- Anticipate continued less expensive due diligence trips and will remain virtual for long/short review this fiscal year.
- Less anticipated spending in national training/conferences due to market value declines.

Custodial: Down \$5,500 main contributing factor for change:

- Decreased slightly as last year's budgeted amount was higher than needed still anticipated 7.25% DB distribution payment increase and asset growth but started this budget on a lower market value of assets.

Employer Directed Expenses: Up \$3,000 main contributing factor for change:

Costs outside normal OkMRF shared expenses covered by retainer are expected to be more than prior year due to municipalities' needs for potential cost reductions and/or their post-Pandemic recoveries, expected to vary by Members. Examples are: Split hire groups, early retirement windows, upgrades, or downgrades, etc., which call for special actuarial studies and/or legal opinions on complex plan provisions/rules.

Reminder: This is a flow through account for direct expenses charged by Dean Actuary and/or McAfee & Taft passed directly to the Member either by invoice or use of plan assets. No budget impact.

Insurance: Up \$6,800 main contributing factors for change:

- Excess fiduciary policy is anticipated to come in slightly higher next year as they indicated they want to ultimately get to 60% of the primary fiduciary policy premium.
- Cyber security will be higher than last year's actual since the marketplace has experienced significant rate hikes; left the budget same as prior year's budgeted amount. We will be seeking alternative quotes, more to follow in July or August meeting.

Investment Advisors: Up \$10,278 main contributing factors for change:

- 7.25% estimated asset growth again starting on lower asset values, we base our budget on March 31 and April 30, 2022, asset values. Today, DB assets were at \$685M compared to last year's levels closer to \$715M (all time high). Reminder, we only directly pay two (2) separately managed DB accounts. The actual anticipated fee is flat; however, if the Board votes to terminate TimesSquare this month, I added a \$10,000 buffer to anticipate a new money manager with potential trading costs and different fee levels.
- Reminder: Indirect fees are paid inside the investment options which impact returns but does not directly impact budget.

Investment Consultant/ACG: Up \$15,000 main contributing factor for change:

ACG has increased their fee retainer with a staged-in approach over three (3) years for FY 21-22 \$210,000, FY 22-23 \$225,000 and FY 23-24 \$240,000 then reverts to CPI only increases beginning FY 24-25, as approved by the Board in the June 25, 2021 meeting.

Public Relations: Up \$3,000 main contributing factor for change:

Anticipating professional Trustees and Staff pictures (still not yet accomplished due to Pandemic) for our website along with increased sponsorships to member organizations.

Representative Travel: Up \$3,435 main contributing factor for change:

Anticipate higher mileage rates with more statewide presence/coverage in Oklahoma post-Pandemic.

Credit offset: Up by \$33,000 main contributing factor for change:

\$30,000 more in transfers from the DC reserve account (DC administrative expense/errors will be used to offset actual DC administrative expenses in upcoming fiscal year compared to \$90,000 used in the prior year). Therefore, less fees will be deducted from the DC Participants' accounts and 4-tier fees will remain level for this fiscal year.

The DC Administrative Expense/Errors reserve account was discussed. The Committee is comfortable with leaving approximately \$100,000 in reserves so usage at \$120,000 or \$10,000 per month seemed reasonable.

In summary, overall budget is up by 3.3% or \$105,368. The budget as proposed, results in total administrative fees as a percent of total assets of 25.05 bps. Administrative fees by plan are 24.64 bps and 25.81 bps, for DB and DC plans, respectively.

Proposed budget including direct investment expenses, all in, for FY 22-23 is a total of \$3,327,009. For administrative expenses only the total budget proposed is \$2,643,155.

DC administrative fee proposed to keep the four-tier fees the same as prior year at:

	<u>Annual Fee</u>	<u>Monthly charge</u>
Balance over \$100,000	\$390	\$32.50
Balance between 50k – 100k	\$240	\$20.00
Balance between 15k – 50k	\$126	\$10.50
Balance less than \$15,000	\$ 45	\$ 3.75

Estimated final expenses compared to actual is approximately \$220,149 under budget.

3. Discuss and Develop Recommendation for Board Consideration and Possible Action Regarding Budget Adoption

Recommend Board approve fiscal year 22-23 budget as presented.

Johnston: Yes

Doolen: Yes

Johnson: Yes

4. Review of Executive Director 2022-2023 Goals and Objectives

Cox distributed Executive Director/CEO goals for the upcoming fiscal year. Goals are outlined on three (3) primary focus categories: Trustees, Staff and Membership with underlying objectives and corresponding action plans.

Committee had no recommended changes and asked CEO to make available to the entire Board, if desired.

5. Discussion and Develop Recommendations Regarding OkMRF Trust Allowing for the Issuance of Individual Loans to OkMRF Member Municipalities to be Considered Part of the Overall DB Investment Portfolio

Johnston recused himself from the Committee meeting before discussion of this particular action item. CEO briefed Committee regarding the legal and audit opinions that were sought; highlighting the concerns expressed in regards. Chair Doolen discussed the various factors with Johnson and Lockett.

After lengthy discussion and based on legal opinion, the Committee determined it would not be prudent to make this recommendation. The Committee and ultimately the Board, as acting fiduciaries, must follow the law and ensure that any type of transaction not be allowed that could disqualify the exempt status of the retirement plan. The underlying main consideration was the fact that the Internal Revenue Code (IRC) (26 USC 503), as written, demonstrated a possibility that the IRC could view this type of loan as a “prohibited transaction” which could cause the OkMRF Trust to lose its tax-exempt status. This would be extremely detrimental to the organization as a whole and ultimately to our Members and Participants. Therefore, Doolen made the following motion to recommend to the Board to disallow the issuance of loans to our Members.

Johnston: Absent

Doolen: Yes

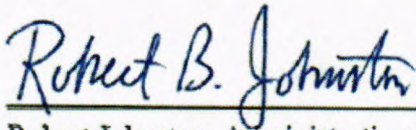
Johnson: Yes

6. **New Business**

No new business.

7. **Adjourn**

With no further discussion, Doolen declared the meeting adjourned at 12:35 p.m.

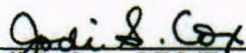


Robert Johnston, Administrative Chair



Donna Doolen, Chairman

Respectfully submitted by:



Jodi S. Cox, CEO/Executive Director