

MINUTES
SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA
MUNICIPAL RETIREMENT FUND AND THE ADMINISTRATIVE COMMITTEE OF
OKLAHOMA MUNICIPAL RETIREMENT FUND
May 24, 2023

1. Call To Order

The Administrative Committee met to conduct the Administrative Committee business of the Oklahoma Municipal Retirement Fund on May 24, 2023, at 11:01 a.m. with Administrative Chair Johnston presiding.

BOARD OF TRUSTEES

Administrative Committee:

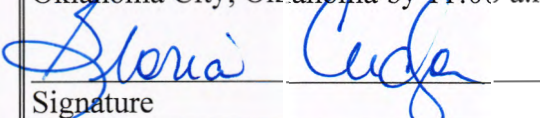
Robert Johnston, City Manager, City of Clinton
Donna Doolen, Finance Director-Treasurer, City of Ada
Tamera Johnson, Retiree, City of Shawnee

OTHERS PRESENT:

OkMRF Staff: Jodi Cox, Executive Director/CEO

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

NOTICE: The agenda for the May 24, 2023, meeting was posted in Columbus Square, Oklahoma City, Oklahoma by 11:00 a.m. on May 22, 2023, by Gloria Cudjoe.


Signature

2. Review of 2023-2024 Budget

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

Actuary & Recordkeeping: Down \$28,295 main contributing factors for change:

- Experience study occurs once every 5 years which was done in the prior fiscal year. This accounts for \$17,875 of the decrease.
- Anticipated 7.25% growth on plan assets for DC recordkeeping. DC assets hovered close to \$370M as of April 30, 2023, which was the same amount in the prior year for April 30, 2022. As a result, DC recordkeeping fees are expected to decrease from the anticipated levels in the prior year budget due to a lower asset starting point.
- Dean Actuaries' contract is subject to an annual CPI-U increase based on December to December, resulting in an increase of 6.45%. Plus, a proposed new fee of \$4,200 for ASOP#4 implementation rolled into the costs of producing the annual actuarial studies. In addition, there is more DB programming costs to prepare for the substantive calculator changes, mainly due to the definition of the actuarial equivalent, which resulted from our recently accepted DB prototype master plan. This will be a critical component to ensure a smooth transition upon Member adoption anticipated between October 1, 2024 through March 31, 2025.

Administration: Up \$163,500 main contributing factors for change:

- Health insurance up 5.0% for same coverage (OkMRF pays 70% of premium).
- In anticipation of the Fund Accountant's retirement in 2024, proposing to hire a replacement approximately 9 months prior to the retirement, for training purposes. This will provide exposure through the financial statement audit cycle, GASB 68 reporting, and actuarial cycles.
- The proposed employer contribution rate of 17.75% to OkMRF DB plan rather than required 10.14%, results in approximately \$56,000 additional contributions to help pay off unfunded actuarial liability shortfall of \$231,900.
- Building lease payment increases according to the lease agreement.
- Proposed Staff raises at CEO discretion and Staff merit.

Attorney: Down \$2,500 main contributing factor for change:

Decrease tax attorney due to anticipated costs for the upcoming fiscal year being less than the prior fiscal year.

Audit: Up \$1,000 per 5-year engagement letter agreed to in March 2022 meeting. This is year two (2) of this agreement.

Board Travel: Up \$9,400 main contributing factor for change:

- Anticipated more expensive due diligence trip to Voya this fiscal year, traveling to Atlanta Georgia, and estimated at \$7,200; as compared to an extremely reasonable JPM due diligence trip last year since the majority of those who attended were already in Columbus OH, for their City Manager conference. This helped save OkMRF airfare costs last year.
- Budgeted for two (2) possible attendees, compared to prior year I budgeted for one (1), for CAPPPs certification, depending on election results, estimated at \$5,000 each.

Custodial: Down \$26,500 main contributing factor for change:

The decrease is due to last year's budgeted amount being higher than usage; however, still anticipate 7.25% DB distribution payment increases and asset growth. Also, expected lower trading costs since OkMRF went from two (2) to one (1) separately managed active DB money manager.

Employer Directed Expenses: Down \$2,000 main contributing factor for change:

Costs outside normal OkMRF shared expenses covered by Dean Actuaries' retainer are expected to be lower than the prior year due to last year's real expenditures being less than budgeted. This category is a flow through account for direct expenses charged by Dean Actuaries or McAfee & Taft. These expenses are billed directly to the Member either by invoice or use of plan assets. 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. This category has no budget impact as it is offset by the Credits category below.

Insurance: Up \$15,700 main contributing factor for change:

- Anticipated 10% increase to premiums due to inflation even with one (1) price guarantee in place.
- Cyber security was significantly higher than last year's budgeted amount by over 30% since the marketplace continued to experience significant rate hikes. We will be seeking alternative quotes this fiscal year to be presented to the Board in July or August.

Investment Advisors: Down \$345,849 main contributing factor for change:

7.25% estimated asset growth and based our budget on a lower DB asset value. Today, DB assets used for budget purposes were \$674M as compared to last year's level, which was \$684M. Reminder, we only directly pay separately managed DB investment managers, which impacts this category. OkMRF went from having two (2) separately managed accounts down to one (1) manager. Other facts that do not directly impact OkMRF budget:

- Each DB non-managed account will redeem shares for fees and pay internal fees inside the trust account.
- All DC Participants pay internal money manager fees based on their designated investment option(s) which impacts their personal investment performance but does not directly impact OkMRF budget.

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

ACG increased their retainer with a stage-in approach over three (3) years beginning in 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. This was approved by the Board on June 25, 2021.

Public Relations: Up \$2,900 main contributing factors for change:

Increased sponsorships to Member organizations and need for professional Trustees/Staff pictures for our website.

Representative Travel: Up \$8,900 main contributing factors for change:

Voya due diligence trip for two (2) Staff members traveling to Atlanta Georgia. Also, budgeted for possibly one (1) Staff attendee (new Fund Accountant replacement) for CAPPs certification estimated at \$5,000.

Credit offset: Down by \$1,000 main contributing factors for change:

- \$30,000 less in transfers from the DC reserve account. DC administrative expense/errors reserves of \$90,000 being proposed to be used to offset actual DC administrative expenses in upcoming fiscal year as compared to \$120,000 used in the prior year. This results in the need for less fees to be deducted from the DC Participants' accounts. Therefore, also proposing at least a 5% decrease in each of the 4-tier fee categories.
- Employer directed expenses anticipated to be less as described in category offset entitled Employer Directed Expenses above.
- \$34,000 more in expected deposit account interest. This is due to the Feds aggressive rate hikes, even if the Feds are finally done, we expect FY 23-24 deposit account interest to be similar to the actual interest that was received in FY 22-23 or approximately \$3,000 per month.

The DC Administrative Expense/Errors account was discussed. The Committee is comfortable with leaving approximately \$100,000 in reserves to help sustain the 4-tier DC fee structure and unexpected markets.

In summary, the overall budget is down by 5.6% or \$187,744. The budget as proposed results in total administrative fees as a percent of total assets of 27.02 bps. Administrative fees by plan are 26.61 and 27.77 bps, for DB and DC plans, respectively.

Estimated final expenses compared to actual is approximately \$505,000 under budget.

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

The Administrative Committee agreed that the budget was satisfactory, as presented. Johnston made a motion, seconded by Johnson to propose a recommendation to the Board to accept the proposed budget and usage of \$75,000 of DC reserves to offset DC expenses resulting in approximately 27 bps being charged for administrative fees to the DC accounts.

Johnston: Yes

Doolen: Yes

Johnson: Yes

4. Review of Executive Director 2023-24 Goals and Objectives

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

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

5. New Business

No new business.

6. Adjourn

With no further discussion, Doolen declared the meeting adjourned at 12:38 p.m.

Robert Johnston

Robert Johnston, Administrative Chair

Donna Doolen

Donna Doolen, Chairman

Respectfully submitted by:

Joe S. Cox
Joe S. Cox, COO Executive Director

