MINUTES
SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE OKLAHOMA MUNICIPAL RETIREMENT FUND AND THE ADMINISTRATIVE COMMITTEE OF OKLAHOMA MUNICIPAL RETIREMENT FUND
May 30, 2024

1. **Call To Order**
The Administrative Committee met to conduct the Administrative Committee business of the Oklahoma Municipal Retirement Fund on May 30, 2024, at 11:02 a.m. with Administrative Chair Johnston presiding.

BOARD OF TRUSTEES

Administrative Committee:
Robert Johnston, City Manager, City of Clinton
Donna Doolen, Retiree, City of Ada
Tamera Johnson, Retiree, City of Shawnee

OTHERS PRESENT:

OkMRF Board Members:
Melissa Reames, Retiree, City of Stillwater
Jim Luckett, Jr., Retiree, City of Thomas

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 30, 2024, Administrative Committee meeting was posted in Columbus Square, Oklahoma City, Oklahoma by Gloria Cudjoe, by 11:00 a.m. on May 28, 2024.

Gloria Cudjoe
Signature

2. **Review of 2024-2025 Budget**

Cox described the various spreadsheets and assumptions used to develop the budget schedules. Each category was reviewed in detail and discussed as follows:

Actuary & Recordkeeping: Up $47,900 main contributing factors for change:

- Most of this category's increase is due to a $40K increase on Voya DC recordkeeping fees. Yet, due to markets being extremely favorable during the fiscal year, we are starting with a higher NAV for budgetary projections. DC assets as of March 31, 2024, were $418M which is approximately 14% higher than the prior year $367M for the same period. Reminder, today, Voya charges 9 bps which was lowered from 11 bps after five years into our current contract. Since next year will be year ten, CEO has already asked for FY 25-26 consideration for either a price concession or a max cap on the fees charged.
- Dean Actuaries' contract is subject to an annual CPI-U increase based on December to December, resulting in an increase of 3.35%. The Committee was made aware that the March to March increase was 3.58%. All fees proposed were in line with these increases; some categories slightly higher, and some lower, but all hovered close to the CPI increase. In addition, it was proposed to leave DB programming costs at the same PY level. We are anticipating PAS 2.0 programming which has substantive calculation changes, due to the definition of the actuarial equivalent, which resulted from our IRS approved DB prototype master plan. This will be a critical component to ensure a smooth transition upon Member adoption anticipated any time between October 1, 2024, through March 31, 2025.

Administration: Up $161,500 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, December 2024, there continues to be a 6-month overlap in the proposed budget for training purposes. This helps Regina get the necessary guidance for the upcoming financial statement audit cycle. Our Fund Accountants have successfully finished the training on GASB 68 reporting/actuarial cycles.
- In January 2024, the Board approved another traveling position, as our Membership has grown. In turn, so have the Funds' responsibilities and commitments to customer service excellence. We have successfully added Kevin to help us meet our goals; but, will begin another nationwide search in June or July to meet our upcoming FY's traveling needs.
- CEO proposed employer contribution rate of 17.75% to OkMRF DB plan rather than required 10.13%, results in $60K additional contributions to help pay off our shortfall (Unfunded Actuarial Liability or "UAL") of $246K. Consideration should be given to adding another carrot (incentive) to encourage Staff to remain with the Fund for at least 22 consecutive years to get Staff to OkMRF's premier Plan Level AAA. The last incentive offered was in 2013, if Staff stayed 15 years, they received Plan Level AA benefits. The 17.75% Employer contribution rate covers the required costs either way, with or without the incentive.
- Building lease payments according to lease agreement contributed $7K to the increase.
- Proposed Staff raises at CEO discretion and Staff merit were discussed.

There was extensive dialogue around the proposed Employer contribution rate of 17.75%, this has historically been budgeted to intentionally pay down the DB plan shortfall. CEO stated the plan now was 91% funded and the fund has made progress on decreasing the UAL. The Committee concluded to propose a 13% Employer contribution rate rather than 17.75%. This proposal would lower this Administration category by $37,000 and the total for this category to $1,649,000. CEO will revise schedule to present the Committee's recommendation to the Board.

Attorney: Up $3,000 main contributing factor for change:
Entire $3K increase is due to raising the tax attorney retainer. McAfee & Taft hourly rates have increased, and retainer usage is up. The last tax attorney increase was FY 21-22.

Audit: Up $1,000 per 5-year engagement letter agreed to in March 2022 meeting. This is the third year of this agreement.

Board Travel: Up $7,000 main contributing factors for change:
- Anticipated more expensive due diligence trip to visit Money Managers in Boston (anticipating up to four Trustees will attend) as compared to prior year's Voya due diligence trip to Atlanta (only two Trustees attended). The Money Manager due diligence trip is expected to be $5K more than Voya's trip.
- Election unknown contingencies with inflation considerations on Board Travel category.

Custodial: Down $3,000 main contributing factor for change:
This category is solely DB Northern Trust expenses. The decrease is due to last year's budgeted amount being higher than usage. Coupled with the observation that more DB Participants are being paid using ACH vs. checks, which is a cheaper distribution method with direct budget impact.

Employer Directed Expenses: Remains the same (i.e., flat) here is the category explanation:
Costs outside normal OkMRF shared expenses covered by Dean Actuaries' or McAfee & Taft's retainer. This category is a flow through account for direct expenses charged by our actuary or attorney to help Members with unique plan requests. Members can pay either by invoice or plan asset usage. 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. Budgeted the same as PY.

Insurance: Up $9,700 main contributing factors for change:
- Anticipated 15% increase to actual premiums billed in PY due to inflation and OkMRF being considered by carriers (per our Broker) as a "higher business risk". Retirement Plan Sponsors have been recent targets by a certain group of attorneys suing for price gouging. Plus, the municipal and retirement plan spaces have shown an increase in cyber threats.
- CEO negotiated several years of price guarantees. All guarantees roll off this next FY.

Investment Advisors: Up $60,927 main contributing factor for change:
7.25% estimated asset growth and based on a higher DB asset value. Today, DB assets used for budget purposes as of March 31, 2024, were $744M as compared to last year's level, which was $670M for the same period. This is an approximate 11% increase. Reminder, we only directly pay one separately managed DB investment manager, which impacts this category. 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. Yet, careful consideration is made to negotiate low fees with no commissions or broker dealer fees in the vehicles.

Investment Consultant/ ACG: Up $7,200 main contributing factor for change:
ACG had increased their retainer with a staged-in approach over three (3) years beginning in FY 21-22 $210,000, FY 22-23 $225,000, and FY 23-24 $240,000 (approved by the board on June 25, 2021). We are now past the highest level. CEO negotiated a CPI only increase capped out at 3% on a go-forward basis. This begins for the upcoming FY. Change results in a 3% increase in ACG's fees.

Public Relations: Up $5,000 main contributing factors for change:
- Increased sponsorships to Member organizations.
- Voya has stopped covering some of the PR materials production costs. This past FY was the first time OkMRF absorbed some costs since 2015. CEO anticipated this day to come sooner than nine years into the Voya contract. We started internally producing business cards and letterhead.

Representative Travel: Up $8,500 main contributing factors for change:
- Goal is to have two full-time traveling representatives in upcoming FY, plus CIO and CEO, to achieve better Membership coverage. This includes mileage and hotel inflation considerations.
- Money Manager due diligence trip for two (2) Staff members traveling to Boston this upcoming FY vs. last year's Voya due diligence trip to Atlanta, anticipating slightly higher costs with an extra night or two possibly needed.
- Budgeted for one (1) Staff attendee (Kevin) for CAPPPs certification estimated at $5K.

Credit offset: Down by $57,000 main contributing factors for change:
- $90,000 less in transfers from the DC reserve account. DC administrative expense/errors reserves have been depleted. Therefore, no budget transfers to offset DC expenses are being proposed for FY 24-25.
- $36,000 more in expected deposit account interest to offset DB expenses as prior years' amount received was significantly higher than the budget had anticipated. This is due to the Feds aggressive rate hikes. We anticipate FY 24-25 deposit account interest to be like the actual interest that was received in FY 23-24, or approximately $6K per month.

CEO reminded the Committee that last year's goal was to deplete the excess reserves and allow the DC credits to be used to offset DC Participant fees. This was successful, and the Committee was told that the entire account has been or will be close to depletion at the end of fiscal year 2023-2024. Resulting in the DC Program to once again function as a non-profit should. Therefore, the upcoming budget proposed requires an increase to each of the 4-tier fees. Methodology was explained. Trustee Johnson proposed, for future consideration, we could add additional tiers to cover expenses.

In summary, the budget, as revised, results in total administrative fees as a percent of total assets of 26.62 bps, this is after considering the proposed budget revision outlined in the Administration category above. Administrative fees by plan are 25.12 and 29.28 bps, for DB and DC plans, respectively. Our target is to maintain fees to less than one-third of one percent, if feasible.

CEO reported the prior year's estimated actual expenses compared to budget should come in approximately $185,000 under budget. However, there will be a need for two (2) budget adjustments to Investment Advisors and Credits categories; to be proposed in the June meeting after final expenses are paid. The graphs were reviewed, and questions answered.

3. **Discuss and Develop Recommendation for Board Consideration and Possible Action Regarding Budget Adoption and Potential Incentive for Staff DB Program**
A special incentive plan was presented. CEO explained it was to encourage Staff to work for OkMRF for at least 22 years of consecutive Service to achieve the premier AAA benefit formula. Reminder, there are Staff Members that have been working on the OkMRF Trust account for more than the 22 year requirement; however, OkMRF became an employer and began offering benefits in 2005. Two studies were reviewed Study 1 included the CEO and Study 2 excluded the CEO. The development of plan contribution requirements were reviewed for both studies. Each resulted in an increase to the UAL. The Committee was in unanimous agreement that all employees should be considered and included. Therefore, the Committee focused on Study 1. CEO was questioned on the reason for the 22 years, this was in hopes of incenting the next generation to show a clear career path to ultimately attain the premier DB plan that OkMRF offers, that is, after OkMRF loyalty and service is demonstrated. It also offers a potential incentive for Staff Members that are currently closer to retirement age, to hopefully stay on another 2 to 4 more years, with their current ages, 22 years of Service could be achievable.
The proposed incentive would require a 12.17% Employer contribution, which is still less than the 13% in the proposed budget. Bottomline: The 13% Employer contribution rate, supports the existing actuarial contribution rate and the proposed incentive plan change, if adopted. Yet, it was noted that the incentive plan would increase the UAL by $150,071. Additional facts discussed were:

- The existing vesting schedule for any OkMRF employee to receive a pension on the Plan BB formula is 5 years.
- The existing plan has a built in AA incentive formula which is achievable if Staff serves 15 years, or 10 more years.
- The AAA proposed incentive plan would reward Staff members if they continued to serve an additional 7 more years, for the total of 22 years of Service.

The Administrative Committee agreed that the budget was satisfactory, with the minor adjustment to lower the Employer contribution rate to the Staff's DB pension plan from 17.75% to a 13% contribution rate. They discussed that the 13% rate would not only be adequate to cover the actuarial required 10.13% Employer rate but would also be ample to cover the required 12.12% rate for the proposed Incentive on the Staff's DB Program. Doolen made a motion, seconded by Johnson to propose a recommendation to the Board to accept the proposed budget, with the one noted change. And to propose to the Board the incentive plan as presented in an upcoming meeting.

Johnston: Yes   Doolen: Yes   Johnson: Yes

4. **Review of Proposed Executive Director 2024-25 Goals and Objectives**
Cox distributed Executive Director/CEO goals for the upcoming fiscal year. Goals were outlined and focused on three (3) primary categories: Trustees, Staff, and Membership with underlying objectives and corresponding action plans.

Doolen requested one additional goal for the Membership be added and the Chair 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:

Jodi S. Cox

Jodi S. Cox CEO/Executive Director

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