



P&F RETIREMENT FUND PB MINUTES



City of Berkeley Council Chambers

8425 Airport Road
Berkeley, MO 63134
February 29, 2024
11:06 a.m.

Attendance:

Jim Linhardt, Chairperson
Art Jackson, Co-Chairperson
Nathan Mai-Lombardo, City Manager
Torenzo Ford, City Finance Director
Bob Schneider, Trustee
Elias Hindelehe, Trustee
Judge Cleveland, Trustee, absent
Matt Leppert, Schuchat, Cook and Werner, Pension Fund Legal Counsel
Barry Bryant and Steve Roth, Dahab, Pension Fund Investment Consultant
Michael Sudduth, Milliman, Pension Fund Actuary
Steve Buckley, Retired Participant
Captain Evelio Valdespino, Active Participant
Mark Stewart, Retired Participant
Henry Williams, Retired Participant

Call to order: The meeting was called to order at 11:06 a.m. by Chairperson Jim Linhardt.

Roll call: Chairperson Jim Linhardt conducted the roll call and declared that a quorum was present.

Approval of minutes: A motion was made by Board member Elias Hindelehe and seconded by Board member Bob Schneider to approve the minutes from the November 30, 2023 meeting. The motion passed.

New Business: Retired Participant Steve Buckley appeared at the meeting to express his concerns regarding his recently paid after-tax Return of Contributions Benefit. Mr. Buckley reported that US Bank incorrectly withheld 20% from the after-tax Return of Contribution benefits paid to him and issued a Form 1099-R showing that his benefit was taxable. Director Ford reported that he was first notified of this issue in December 2023 at which time he contacted US Bank which identified one other

retiree with a similar error. Director Ford reported that US Bank issued corrected 1099-Rs showing that the gross after-tax Return of Contribution benefits paid to Mr. Buckley and the two other retirees was not taxable. Director Ford reported that US Bank has not made attempts to clawback the 20% that was incorrectly withheld because it would be quicker for Mr. Buckley and the other affected retirees to file their 2023 tax returns with the corrected Form 1099-R which should result in a refund of the 20% that was incorrectly withheld. Mr. Buckley requested that Fund Counsel confirm US Bank's proposed resolution and that US Bank and/or the Plan cover any legal and/or accounting fees that he might incur related to filing his 2023 tax returns. A motion was made by CoChair Jackson and seconded by Board member Bob Schneider to direct the law firm to coordinate with US Bank to confirm US Bank's proposed resolution and determine whether US Bank will agree to cover any legal and/or accounting fees that might be expended by the affected retirees in filing their 2023 tax returns. The motion passed.

Retired Participants Mark Stewart and Henry Williams next appeared at the meeting to request an update on whether the Plan could be amended to permit a cost-of-living adjustment (COLA). Fund Actuary Mike Sudduth noted that his firm provides the Board with an annual actuarial valuation to allow them to monitor the health of the Plan. Mr. Sudduth noted that although the Retirement Fund's funding has improved since the benefit changes and increased tax funding that were implemented in April 2016, it was only 83.7% funded as of July 1, 2022. Mr. Stewart and Mr. Williams asked whether the Board could commit to annual COLA studies. The Board stated that during the review of the next annual actuarial valuation it will discuss with the actuary whether it make sense to conduct a COLA study.

Finance Director Report (Finance Director Torenzo Ford):

Finance Director Ford reported that the City is continuing to wait for the auditing firm to complete the 2022 audit. The current goal is for the auditor to provide the report by the end of March 2024 and present the 2022 audit report at the May 30, 2024 Pension Board meeting. The City has put out for bid the 2023 audit.

Finance Director Ford presented the unaudited financial reports for the quarter October 1, 2023 to December 31, 2023 quarter and for the month of January 2024 with a comparison to the same months for 2022 and 2023. Unrealized investment gains increased through the end of December 2023. The report for the month of January did not reflect the Employee contributions and tax revenues (Employer Contributions) received in January 2024 and will be revised.

A motion was made by Bob Schneider, seconded by Art Jackson, and passed to approve the law firm bills dated December 5, 2023 and January 9, and February 7, 2024. The motion passed.

Investment Report (Barry Bryant and Steve Roth): Barry Bryant represented the Dahab Performance Report through December 31, 2023 with an update for current performance. Overall, the fourth quarter of 2023 was positive with real estate being the only market sector that struggled. Overall, returns were up for the year. For the quarter, the average pension plan was up 8.2% while the Pension Plan was up 8.4% (rank of 41). For the fiscal year-to-date, the average pension plan was up 4.9% while the Pension Plan was up 5.0% (rank of 45).

Barry then reviewed the individual fund holdings noting that only the American Realty Fund underperformed at -6.3% for the 4th quarter and -8.6% for the fiscal year-to-date compared to the NCREIF ODCE index which returned -4.8% and -6.6% for the same time periods.

Steve Roth then discussed market expectations for the 1st quarter of 2024 noting that large cap equities are expensive and continue to be dominated by the Magnificent Seven stocks (Microsoft, Apple, Nvidia, Amazon, Alphabet, Tesla, and Meta). Interest rates are expected to go down with additional pressure from the Fed's recent decision to begin more quantitative tightening (selling bonds). Steve note that this is likely to result in a "do nothing" market.

Trade recommendations: Barry recommended that the Pension Board ratify a trade of selling \$150,000 in Vanguard large cap equities and \$90,000 in Vanguard small cap equities with the proceeds to be invested in the PIMCO Total Return Fund due to recent performance. A motion was made by Elias Hindelehe and seconded by Bob Jackson to accept Barry's recommendation. The Motion passed.

Benefit applications and appeals (Jim Linhardt, Ark Jackson, and Torenzo Ford): The Pension Board is continuing to investigate the death benefit claim of a deceased participant who may have been married in Egypt. Art Jackson reported that he has located the son of the deceased participant and is waiting on the new benefit application forms. Matt Leppert reported that the law firm received the benefit application forms currently being used by the Pension Plan. The law firm is reviewing the benefit application forms and working on a letter to be sent to terminated non-vested participants about applying for the partial return of Employee contributions benefit.

The Pension Board reviewed the applications of three non-vested terminated participants who had applied for the partial return of Employee contributions benefit: Travis Hennis, Shawn Boyle, Brianne Johnson. A motion was made by Art Jackson and seconded by Bob Schneider to approve the applications. The motion passed.

The Pension Board also reviewed the application for the return of Employee contributions benefit and non-service related disability and retirement benefit filed by Kyle Himebaugh. The application was supported by two independent medical opinions as well as a medical opinion obtained by the Board. A motion was made by

Elias Hindelehe and seconded by Bob Schneider to approve the applications. The motion passed.

Actuarial Report (Michael Sudduth at Milliman):

2022 Actuarial Report: Mike Sudduth reviewed and distributed his report titled “Actuarial Valuation as of July 1, 2022. Mike noted that the report was based on the Plan’s unaudited financial statements. For 2022, the market value of Plan assets was \$15,004,078 (compared to \$17,175,252 in 2021), and the actuarial (smoothed) value of assets in 2022 was \$16,273,076 (compared to \$15,411,447 in 2022). The Plan’s 2022 funded percentage was 83.7% (compared to 97.2% in 2021). The Plan’s accumulated Plan benefits in 2022 was \$17,918,537 (compared to \$17,674,060 in 2021), and its present value of future benefits in 2022 was \$24,737,728 (compared to \$23,758,699 in 2021). The recommended contribution in 2022 was \$762,48 (compared to \$893,027 in 2021). The Plan had an actuarial investment return of 6.3% compared to the assumed rate of 7%.

2023 Actuarial Report: Mike Sudduth reported that he will need to begin the 2023 Actuarial Report and recommended using the Plan’s unaudited financial statements for the report given that the City’s 2023 audit has not yet been completed. A motion was made by Nathan Mai-Lombardo and seconded by Elias Hindelehe to authorize the actuary to use the Plan’s 2023 unaudited financial statements to conduct the 2023 Actuarial Report. The motion passed.

Study of moving new hires to Lagers Pension Plan: City Manager Mai-Lombardo reported that he has not met with LAGERS to discuss the proposed move of new participants to LAGERS. Captain Evelio Valdespino asked how the idea of moving new participants to LAGERS came to be discussed. City Manager Mai-Lombardo stated that he developed the idea with the goal of trying to find better and less costly benefits for new participants.

Legal report (Matt Leppert): Matt Leppert a proposed Amendment to the Pension Plan Ordinance providing that, in accordance with the SECURE Act and SECURE 2.0 which amended Section 401(a)(9) of the Internal Revenue Code, to provide that (1) the required beginning date for required minimum distributions to Participants was increased from age 70 ½ to age 72 then to the “applicable age” (age 73 starting in 2023 and age 75 in 2033); (2) effective for Plan Years after December 31, 2023, if a participant dies prior to retirement and the Participant’s surviving spouse is the Participant’s designated beneficiary then distributions to the surviving spouse will begin by December 31 of the later of (a) the calendar year immediately following the calendar year in which the Participant died, (b) the calendar year in which the Participant would have attained the applicable age under the Code, or (c) the calendar year in which the surviving spouse would have attained the applicable age under the Code. A motion was made by Nathan Mai-Lombardo and seconded by Elias

Hindelehe to recommend to the City Council the adoption of the Pension Ordinance Amendment. The motion passed.

Matt Leppert reported that the law firm recirculated the QDRO procedure and model QDRO to the Board and to Milliman.

Matt Leppert also reported that the law firm contacted the Plan's broker and requested that they send future fiduciary liability insurance premium invoices to the CoChairs and Finance Director.

Next meetings: The Pension Board scheduled the remaining 2024 meetings to be held on May 30, August 29, and November 21, 2024 and to start at 11:00 a.m.

Adjournment: There being no further business, at 12:32 p. m. a motion was made by Art Jackson and seconded by Bob Schneider to adjourn the meeting. The motion passed.