



## Other Post-Employment Benefits Trust Fund (OPEB) Board of Trustees Minutes

### 1. Call to Order and Roll Call

Minutes:

CHAIR AMELING called the meeting to order at 11:00 a.m.

PRESENT: CHAIR AMELING and MEMBERS KUTCH and ZAMORA

ALSO PRESENT: SUSAN HELTSLEY, Director of Finance, NECHOLE GARCIA, Deputy City Attorney, and BRIAN CARROLL, Deputy City Clerk

### 2. Announcement Regarding: Compliance with Open Meeting Law

Minutes:

ANNOUNCEMENT MADE: This meeting has been properly noticed and posted at the following locations in accordance with the noticing standards as outlined in NRS 241.020: City Hall, 495 South Main Street, 1st Floor; The City of Las Vegas website – [www.lasvegasnevada.gov](http://www.lasvegasnevada.gov); and The Nevada Public Notice website – [notice.nv.gov](http://notice.nv.gov).

### 3. Public Comment: Comment during this portion of the agenda must be limited to matters on the agenda for action. If you wish to be heard, come forward and give your name for the record. The amount of discussion, as well as the amount of time any single speaker is allowed, may be limited.

Minutes:

None.

### 4. For possible action to approve the Final Minutes by reference of the Regular Meeting of July 28, 2022

Motion made by Vincent Zamora to Approve

Passed For: 3; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

For-Vincent Zamora, Gary Ameling, LuAnn Kutch;

### 5. Report by Susan Heltsley, Director of Finance, regarding a review of the draft OPEB liabilities as of June 30, 2022

Minutes:

SUSAN HELTSLEY, Director of Finance, utilized the OPEB (Other Post-Employment Benefits Trust Fund) Trust Plan Assets and Liability Report, which was submitted for the record, to show trust assets and liabilities as of June 30, 2022. She explained that they were going through a financial audit, and these draft numbers would be shown on the annual comprehensive report. She reported that the value of the plan's assets have gone down since June 30, 2021, noting it was primarily an unrealized investment loss. MS. HELTSLEY said the City has not added money to the trust fund since 2018, and the \$22 million balance was based on a \$10 million contribution. She explained that the PEBP (Public Employees' Benefits Program) ended in 2008, and the

liability involves paying retirees a subsidy. Liabilities for the City Plan and PEBP both fell, and most of that is due to a change of assumptions. Further, she offered to bring the actuary to explain the assumptions. MS. HELTSLEY netted trust liabilities against the fiduciary net position to report about \$28 million in total liability, and a total trust change of about \$2.7 million as of June 30, 2022.

CHAIR AMELING confirmed with MS. HELTSLEY there was a negative change in both the trust's assets and liabilities. MS. HELTSLEY noted the negative sign on the report's change in liability was probably incorrect.

6. Presentation by Rick Phillips, President and Chief Investment Officer of FHN Financial, regarding Retirement Benefits Investment Fund results

Minutes:

RICK PHILLIPS, President and Chief Investment Officer of FHN Financial, utilized the OPEB (Other Post-Employment Benefits Trust Fund) Trust Economic and Market Update and OPEB Trust Quarterly Investment Report, which were included in the backup, to display probabilistic expectations for the next year. He said the economic data metrics were very messy, explaining that it was challenging to read the markets. He believed the FED (Federal Reserve System) would raise rates to between five and 5.5 percent, and they would not lower rates due to inflation. CPI (consumer price index) peaked at 9.1 percent in the summer, and he expected it to decrease to around four percent. MR. PHILLIPS noted that housing accounted for one-third to 40 percent of the CPI measure, and there had been about an eight percent decline in housing sales and prices in the Las Vegas market. He noted that people used to move every five or six years, and now they move every 10 to 12 years. Further, he did not believe there would be a large decrease in housing prices due the low quantity of new homes being built. He projected GDP (gross domestic product) to continue slowing, and that there would be an average to moderate recession later in the year. The International Monetary Fund also projected the global economy will go into a recession. MR. PHILLIPS said China announced loosened COVID restrictions, which will help supply chains continue to improve. He reported the unemployment rate was around 3.5 percent, and it will rise to mid to high four percent. He said hiring challenges have increased wages, and the FED wants wage inflation to decrease. He explained that the FED bought treasury bonds to help fund \$5 trillion in stimulus, and this created a headwind that affected stock prices and inflation.

CHAIR AMELING asked if certain portions of the economy would see deflation instead of disinflation. MR. PHILLIPS said lumber had seen deflation, which is a year over year price decline, and oil decreased from around \$130 to around \$70. The Chair explained that some European countries placed additional restrictions on Russian fuel imports, and he believed that would cause price increases. MR. PHILLIPS reported that European natural gas prices had increased 600 percent, while United States prices had increased around 25 percent. He said this was good news for the bond portion of the portfolio.

MR. PHILLIPS reported that interest rates were up, noting the 3-Month U.S. Treasury Note had increased to 4.28 percent from .03 percent in December 2021. He explained that the 2-Year and 10-Year U.S. Treasury Note yields had inverted, and a recession had occurred the last eight times that happened. MR. PHILLIPS displayed year over year statistics of the M2 money supply, which he defined as the amount of money in retail bank accounts and money market accounts. He noted there was a decline this year, and he opined it was due to the stimulus payments. He reported that the FED would meet on Wednesday, and he expected them to increase the interest rate by 50 basis points. He believed the interest rate would peak at 5.5 percent due to higher inflation, and the FED would follow the cycle before the Great Recession and keep the rate higher for longer. MR. PHILLIPS said 263,000 non-farm jobs were created in November, and he anticipated negative numbers next year caused by layoffs. Further, he reported continuing unemployment claims had increased to about 1.65 million. He displayed CPI and yield curve data starting in the 1980s, and he explained there is often a recession when the difference between the 10-Year and the 2-Year U.S. Treasury Note rates is below zero. He noted a large amount of consumer credit accounts had been opened, and balances on those accounts had skyrocketed. He opined that would be a challenging metric for next year.

MR. PHILLIPS reported that the City invested \$5 million in the OPEB Trust in 2011 and 2012. He explained that the \$10 million investment had more than doubled since inception, and he noted the trust had lost about \$1.2 million in the last quarter. He reported that the trust's value had peaked about a year ago, and there were many steep losses in the last 12 to 14 months. He said the trust typically contained 60 percent stocks and 40 percent bonds, and through October, the 60/40 portfolio had the worst returns they have seen in 100 years. He advised

that the trust was invested around 50 percent in domestic stocks, 20 percent in international stocks, and 27 percent in bonds, and they were all down this quarter but positive for the upcoming quarter. MR. PHILLIPS said the trust's allocation was closer to a 70/30 portfolio, and he noted the portfolio was very different from the City's operating portfolio. He explained that domestic equities have had greater investment returns than international equities since the Great Recession. He noted about half of the revenue from S&P (Standards and Poor's) 500 companies come from international sales, reporting that Apple has more sales outside of the United States than inside. MR. PHILLIPS cautioned that stock prices would go down in a recession, and he believed they would go back up when the FED lowered interest rates.

7. **Discussion regarding topics for future agenda items.** Comments made during this portion of the agenda by individual members shall refer solely to proposals for future agenda items and any discussion shall be limited to whether or not such proposed items are within the purview of the Board and/or whether such proposed items shall be placed on a future agenda. No discussion regarding the substance of any such proposed topic shall occur and no action shall be taken.

Minutes:

MEMBER KUTCH asked if the Board had any upcoming actions, noting that was discussed at their last meeting.

CHAIR AMELING clarified with SUSAN HELTSLEY, Director of Finance, that the Board planned to meet quarterly, and the FY24 budget would be on the next meeting agenda. MS. HELTSLEY said they would discuss using trust funds to pay PEBP (Public Employees' Benefits Program) claims at the next meeting.

8. **Citizens Participation:** Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the Board. No subject may be acted upon by the Board unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come forward and give your name for the record. The amount of discussion on any single subject, as well as the amount of time any single speaker is allowed, may be limited.

Minutes:

None.

9. **Adjournment**

Minutes:

The meeting was adjourned at 11:29 a.m.

Respectfully submitted:

---

Brian Carroll, Deputy City Clerk

---

Gary Ameling, Chief Financial Officer

THIS MEETING WAS PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS  
IN ACCORDANCE WITH THE NOTICING STANDARDS AS OUTLINED IN NRS 241.020:

The City of Las Vegas website – [www.lasvegasnevada.gov](http://www.lasvegasnevada.gov)

The Nevada Public Notice website – [notice.nv.gov](http://notice.nv.gov)

City Hall, 495 South Main Street, 1st Floor