



City of Lawton

Pension Trust Commission

Lawton City Hall
212 SW 9th Street
Lawton, Oklahoma
73501-3944

Minutes

Thursday, April 24, 2025

9:00 AM

Lawton City Hall
3rd Floor Conference Room

Roll Call

Chairman Bayones called the meeting to order at 9:00 A.M. in the third-floor conference room of City Hall.

ROLL CALL

PRESENT: Jace Zacharias, Richard Rogalski, James Apple, Teri Bayones, Christine James, Ed Petersen, Paul Ellwanger

ABSENT: None

ALSO PRESENT: Tammy Branstetter, City Clerk's Office; Craig Akard, Human Resources; Kaitlin Nunley, Financial Services; Tim Wilson, City Attorney's Office; Perry Warren, Morgan Stanley Financial Advisors; Chad Rother, Morgan Stanley Financial Advisors

Introduction of Guests

No guests were introduced.

Consent Agenda

For the benefit of the audience, all matters listed under the consent agenda are considered to be routine by the pension commission and will be enacted by one motion. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the consent agenda prior to roll call and will be considered separately.

Motion by Petersen, **Second** by Ellwanger, to approve the consent agenda. **AYE:** Zacharias, Petersen, Ellwanger, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

1. Consider accepting a Memo of Information regarding the death of surviving spouse, Jewel M. Stine.
2. Consider accepting a Memo of Information regarding the death of retiree Andrew Dewey Hargraves.

3. Consider accepting a Memo of Information regarding the death of retiree Monty Brooking.
4. Consider approving an application for Normal Retirement from Tammy Grube.
5. Consider approving an application for Early Retirement from Larry Wolcott.
6. Consider approving the paid-in-full judgments to be released from the record.

New Business

1. Receive the quarterly report on pension investments from Morgan Stanley.

Perry Warren, Morgan Stanley, presented the quarterly financial report on pension investments. A copy of the report may be obtained from the City Clerk's Office upon request.

Warren said let's get started on page 4. Page 4 is the calendar year returns net of fees. For the quarter, we began with \$60,694,569.84. We had no withdrawals this quarter and have had an investment decline of \$917,530.89, leaving a balance of \$59,777,038.95 and a -1.51% return for the quarter. Please, notice the calendar year returns to the far right. For calendar year 2024, the return was 14.99%. For 2023, the return was 17.14%, 2022 was a -16.28%, and we had positive calendar year returns of 13.37% in 2021, 15.48% in 2020 and 20.38% in 2019. Please see the remaining calendar year returns below.

Warren said please turn to page 6. Page 6 is the Dollar-Weighted Return net of fees page. Please notice the last 12 months column. We began the period with \$62,204,907, had net withdrawals of \$5,849,959, which is the largest amount we have taken in a 12-month period, and investment earnings of \$3,422,091, with a 5.86% return net of fees. Please notice the custom period 6/30/2016 to 03/31/25, which reflects the change in our allocation from 35% in equities to 50%, with a variance of 20%. We began the period with \$46,450,836, had net withdrawals of \$26,315,790 and had investment earnings of \$39,641,993, leaving us a balance of \$59,777,039 and a return net of fees of 8.58%, which is currently outpacing the actuarial assumption close to 2%.

Warren said please turn to Page 7. Page 7 is the Time Weighted returns net of fees report. Please notice the performance inception column where we began with \$34,679,131, had net withdrawals of \$30,011,807, had investment earnings of \$55,109,715, leaving a balance of \$59,777,039 and a 6.31% return. Notice the Total Value vs Net Invested Capital graph to the right, where the pale blue line represents the \$59,777,039 account value and the black line represents the remaining net invested capital of \$4,667,324. We have taken out roughly 86.5% of our 11/15/07 beginning balance. Another note is our Investment Earnings are now \$20,430,584 more than our beginning balance.

Warren said please now turn to page 8. Page 8 is the return net of fees vs benchmarks. You can notice the portfolio is outperforming the benchmark for all these time periods; last 12 months 5.67% vs. 5.6%, last 3 years 5.55% vs 4.26%, last 5 years 11.49% vs 8.74%, custom period of June 2016 to March 2025 that reflects the change in allocation 8.4% vs 6.99% and last 10 years 7.08% vs 6.31%. We are outpacing the actuarial assumption of 6.75% in the long-term, as seen in the 5-year, the custom period, and the last 10-year returns. With the recent uncertainty, it has caused a significant decline since the close of the quarter. In early February, I raised funds from equities for the expected \$1,750,000 withdrawal planned for later this spring. While doing so, I also brought our equity allocation down enough that if we received a decline in equity values, we would have additional room to add to equities and not be outside our 70% max weight.

Warren said please turn to the next page, the Portfolio X-Ray. Please notice the asset allocation pie chart: Cash 7.7%, US Stocks 57.69%, Non-US Stocks 5.3% and Bonds 28.41%. Notice the stock sectors triangle to the right. We remain neutral in our stance toward sectors. Notice the Equity Style Box below. We are currently allocated with 25% in Large Value, 35% in Large Blend, 19% in Large Growth, 3% in Mid-Value, 7% in Mid-Blend, 4% in Mid Growth, and 2% in Small Value and Small Blend, and 3% in Small Growth. Notice the Fixed Income Style Box, where we have 59% in moderate duration at this moment. We plan to maintain this percentage or higher in moderate duration moving forward with rates at these levels. We are allocated higher in Limited duration until we extend out the \$1,750,000 withdrawal. Please, notice the Top 10 holdings below and the percentage and dollar amount they make up of the portfolio.

Warren said please, turn to page 18. Page 18 is the Positions Summary. As a reminder, the Portfolio X-Ray drills into the holdings of each position. This summary shows the holdings without drilling into each position: Cash \$513,311.77 or .88%, Equities \$37,006,640.35 or 63.71% with \$34,756,521.34 in US Equities and \$2,250,119.01 in International Equities. Fixed Income and Alternatives make up the remainder. Notice the Estimated Annual Income of \$1,432,197.08, which is up from the \$737,596.66 from this quarter in 2022. When I mentioned in the past meetings that we expected higher returns from fixed income, it was this increase in yields that I was referring to. We continue to do our best within the target allocations to be prepared in advance for withdrawals since we have been so dependent on the equity portion of the portfolio for returns. The goal is to not need to sell equities when they are in a correction to fund distributions. As I mentioned earlier, we are prepared for another withdrawal of \$1,750,000 later this spring.

Warren said please turn to page 21. Page 21 we call the red-dot chart, and we like to end the meeting with this chart. Our goal is to make the actuarial assumption, if possible, within our allowed allocation. We believe it is important to understand what volatility we must endure to gain the long-term performance of the market. Since 1980, the median return has been 13.1%, with a median intra-year decline of -10.4%. I appreciate the board for their understanding of volatility and for allowing us to stay on

course for the plan. For 2025 so far, the decline has been -19%. In 2024, we had a negative -8%, and in 2023, a negative -10%. The negative 19% is above the average, and I look forward to adding to our equities soon.

Warren said thank you again for the opportunity to provide the update, and I will be glad to answer any questions.

Rogalski asked why does something that's called fixed income have the highest yield? Fixed income sounds like it wouldn't have a high yield. He noted that Warren had said the fixed-income stuff is performing, really, the best.

Warren said no - when I made those comments in the past, the 10-year Treasury was at 2%. Then, in late 2022, the 10-year Treasury reached 5%. Then, it dropped back down in the summer of 2023. Then in October or November of 2023, it climbed back to 5%. Now, it's at 4.3%. If you look at page 8, look at the Bloomberg US Aggregate. Under the 10 years, you'll see 1.46%. Under the custom period, it's 1.2%. Then, the last five years, it's negative 0.4%. Now, for the last 12 months, we've made 4.86%. He said good question, but when I'm bragging on fixed income, about it making more, it's four times what it was making.

Rogalski said so, it really is fixed. It's just that it's fixed whenever you buy it.

Warren said when you buy a bond, they have a coupon. So, let's say it was 4.5%, and it was issued, and it was \$1,000. So, if whoever issued the bond is around when it matures, you're going to get your thousand, and along the way you're going to get four and a half. If rates fall, and it was a 10-year bond, and rates fall to three and a half, you could sell that bond for more money before it matured. So, you could have appreciation in the bond. But if rates went up, and now it's paying 5.5%, then the value of your bond drops. So, what I was doing during those periods of time—and the further you go out in time (one year, 10 years, 30 years)—you can see how that really affects things. So, when we were at our max weight in equities and had very little potential to make money in bonds, I was always keeping us at our max weight because it was the only hope of making money, and we were going to have a period of time when rates went from 2% on the 10-year Treasury to 4%. I think we were down minimum amounts compared to the end dates on that when rates went up. The average bond fund was down 17% on their safe money during that time, but we were real short.

No action was taken on this item.

2. Consider approving refunds of employee contributions and quarterly statements of receipts and disbursements.

Kaitlin Nunley, Financial Services, provided the quarterly financial report regarding refunds of employee contributions and statements of receipts and disbursements for the second and third quarters of FY 2024-2025. A copy of the report may be obtained from the City Clerk's Office upon request.

Chairman Bayones said we have two different quarterly reports because I failed to get a vote to approve the report ending 12-31-2024. This report was presented and discussed at the January 23, 2025, Pension Trust Commission meeting.

Motion by Petersen, **Second** by Apple, to approve the 2nd quarter financial report as presented. **AYE:** Zacharias, Petersen, Ellwanger, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

Nunley discussed the third quarter financial report. Nunley said the report begins on page 38, which is the Balance Sheet ending 03/31/2025. Our total assets and fund equity equal \$60,454,000.02. On the next page, we have our income statement with our 3rd quarter annual to-date amount. For the 3rd quarter, we're down \$81,824.34 in revenue. Our total expenditures were \$2,102,426.79. For the year, our total revenues have been \$4,917,470.74. Total expenditures year-to-date are \$5,673,982.32. Our fund balance as of March 31st, 2025, is \$59,522,195.90. And on the final page, our refunds for the quarter totaled out to be \$361,542.78.

Motion by Apple, **Second** by Ellwanger, to approve the 3rd quarter financial report as presented. **AYE:** Zacharias, Petersen, Ellwanger, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

Adjournment

Motion by James, **Second** by Rogalski, to adjourn the April 24, 2025, meeting. **AYE:** Zacharias, Petersen, Ellwanger, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

There being no further business, the meeting adjourned at 9:16 AM.