



## City of Lawton

### Pension Trust Commission

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

### Minutes

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Friday, July 11, 2025

9:00 AM

Lawton City Hall  
3rd Floor Conference Room

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#### 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

**ABSENT:** Ed Petersen, Paul Ellwanger

**ALSO PRESENT:** Tammy Branstetter, City Clerk's Office; Craig Akard, Human Resources; Tim Wilson, City Attorney's Office; Perry Warren, Morgan Stanley Financial Advisors; Matina Davis, Citizen of the Community

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

1. Consider accepting a Memo of Information regarding the death of retiree Chris Rayburn Alford.
2. Consider accepting a Memo of Information regarding the death of retiree Gilbert H. Schumpert Jr.
3. Consider approving the paid-in-full judgments to be released from the record.

## **New Business**

1. Consider approving the minutes of the April 8, 2025, meeting.

A copy of the minutes of the April 8, 2025, meeting may be obtained from the City Clerk's Office upon request.

**Motion** by James, **Second** by Zacharias, to approve the minutes of the April 8, 2025, meeting. **AYE:** Zacharias, James, Rogalski, Bayones. **NAY:** None. **ABSTAIN:** Apple.  
**MOTION PASSED.**

2. Authorize the temporary deviation from the retirement plan's investment allocation guidelines pending repayment of a \$4 million judgment and authorize the chair of the pension board to execute any documentation that may be required to verify the temporary deviation.

Tim Wilson, Interim City Attorney, provided background information on this item.

Wilson said we're bringing this item because it is a large amount. Ever since I've been with the city — and really before I've been with the city — how our process works is when we have a judgment, whether it's a sewer backup, a fire truck hitting a mailbox, or something like this wrongful death case, basically the judgment is assigned to the pension board. It goes on the sinking fund, and over three years, the pension board gets its money back plus interest, as the taxpayers paid before the judgment. So, this is really no different from what we've done for probably 40 plus years, but because of the amount, it needed to come to the pension board, because we really need some action on this.

James asked if this is always paid back in three years, no matter what the amount is.

Wilson said yes.

Wilson said I've attached the settlement agreement. Unfortunately, we have a situation where someone got arrested on a warrant, they went to municipal jail, and they were diabetic. Then they disclosed that they were diabetic, and the person, unfortunately, after two days or a day and a half or so, became unresponsive in the jail. At that point, paramedics were called, but they died, unfortunately. There was a wrongful death case brought. We went to mediation in the spring and worked out a \$4 million settlement for this case, which is attached. It's a very unfortunate situation. I know Chief Apple knows about jails and the difficulty you can have with jails.

Wilson said with what we're doing here, I did reach out to Perry at Morgan Stanley earlier this year because I knew this was a possibility — not necessarily the exact amount, but that we could have something coming along. Perry recommended — and we also recently spoke with a higher-up at Morgan Stanley — that this is doable. But what we need to do is temporarily suspend the allocation amount, and I may not be

saying that exactly right.

Perry Warren, Morgan Stanley, noted that Wilson is referring to the monitoring.

Wilson said it would be the monitoring part, so that we don't go out of compliance. Perry told me that if this had happened around April of this year, he would've had to have pulled money from equities prematurely to stay within the allocation guidelines, and that would not be good for the plan. By temporarily suspending the monitoring, it allows him not to have to pull money from equities if that became necessary. Essentially, what we're doing is treating this judgment as a fixed-income type of asset for the plan. Morgan Stanley doesn't track judgments, though. They track bonds, which are also kind of a fixed income type thing, if I'm saying that right.

Warren said everything that's in the account, they can track. If it's not in the account, they can't track it.

Wilson said, so the judgment is not going to be per se in the account, but it's an asset of the plan - it will be a revenue that we're guaranteed for three years. One thing, too, in looking at current interest rates on judgments, Oklahoma's interest rate on judgments right now, post-judgment interest, is 9.5%, which is a good interest rate. For bonds, we're not getting that much for bonds. So I anticipate what Perry's going to do is he'll kind of count this toward bonds or something, and we'll get a more favorable rate than we are with bonds right now. And so it's not a bad investment for the plan. It's actually, in that regard, it's a good investment, as long as we didn't have to count it toward equity or stock.

Warren said stocks go up and down. If we pull out \$4 million, just figure that our max equity allocation is 70%, so that's \$2.8 million that wouldn't be allocated to equities if we pulled it out and didn't do anything. That's not problematic today because the market is up. But when Tim approached me, we had been in a downturn, and the last thing I wanted to do to raise money was to pull money out of equities. I'll go into this more in my report, but the one-year return when I was here a quarter ago was 5.5%. I think now we're around 11% for the twelve-month. So there's a big variance, and all of that came from equities. Now, what we plan to do is not change our overall allocation. But if you take that \$4 million—and again, it's not in here—if we were at 70% equity allocation right now and pulled that \$4 million out and counted it as bonds (which we would), it would put us at 74%, which is 4% above our guideline. But we're truly not when you encompass judgments. And right now, I'm already prepared that, if you didn't agree to the guidelines, then pulling it out would technically put us at 70.25%. But, there could be situations, and we want to maintain the flexibility to add (when things are bad) and to pull from equities (when things are good)—which is what we've been doing. I'm just trying to provide some color here: we're not changing the guidelines, but because those funds are not in here, we could be in a situation where, when you include everything, we're still at our max equity allocation. But the monitoring is going to show we're 4% above the 70%.

Rogalski said so, what we're saying is, we have a long-standing practice of basically borrowing the judgments from the pension trust, which is what we're doing, right? Well, the city is paying it back.

Wilson said the taxpayers are paying it back as they pay their property taxes over three years, and then the retirement fund gets the benefit of the interest.

Rogalski said so we're really more or less kind of borrowing from ourselves - extremely secure. But, it still gives nine and a half percent, so it's a good deal.

Zacharais asked if this is fixed at 9.5%.

Wilson said yes, that's my understanding.

Rogalski said what we're saying is, when I take that money out of the plan, then it disrupts your balance, because our guidelines say 70% is the max in terms of equity. But if I take that money out, then all of a sudden, technically, if you were exactly at 70%, you'd have to pull most of it out of equity. But this is really fixed. So if we take this out of fixed and put it into fixed, then we actually have our balance, but it won't look like it on Warren's books.

Warren said correct, and then I'll get flags—because you all have an investment policy statement that we adhere to—and it's going to show that if we needed to be at 70%, then we couldn't get to 70 because it would be showing we were 4%.

Wilson said I did verify that we are getting interest over three years, and I believe it is fixed. There's another exhibit where the pension board is releasing judgments that had been fulfilled, and I was looking at that before it came to the meeting, and that was back judgments for 2022. I think you all might have just voted on it, or it's coming up, but it showed 5.22%, I think, for all three years, so it looks like it is best.

Wilson said the agenda item doesn't say wave monitoring, but I wrote it based on how the higher-up guy at Morgan Stanley recommended or suggested for a temporary deviation, and once we get the money back, we will undo it. Like Perry said, we're not really deviating. He's going to keep this judgment within the fixed part, but again he didn't want to have to unnecessarily pull from equities.

James said what we see on the agenda normally, are just little amounts, such as worker's comp. This is the same deal, just on a bigger scale.

**Motion** by Apple, **Second** by Rogalski, to approve this item. **AYE:** Zacharias, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

3. 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 we'll start on page four. Page four is the calendar year returns net of fees. For the quarter, we began with a balance of \$59,777,038.95. There were no withdrawals during this quarter, and we saw investment earnings of \$4,258,025.83. That brought the balance to \$64,035,064.78, representing a 7.12% return for the quarter. Please take note of the calendar year returns listed to the far right. For the calendar year 2024, the return was 14.99%. In 2023, it was 17.14%. In 2022, we had a negative return of -16.28%. Prior to that, we had positive calendar year returns of 13.37% in 2021, 15.48% in 2020, and 20.38% in 2019. Please see the remaining annual returns listed below.

Warren said please turn to page six. Page six covers the dollar-weighted returns net of fees. Please notice the last twelve-month column, which is the plan year. We began the period with \$59,148,230. During this time, we had withdrawals totaling \$1,750,000, and investment earnings amounted to \$6,636,834, with a return of 11.43%, net of fees. Please notice the custom period from June 30, 2016, to June 30, 2025, which reflects the change in allocation from 35% in equities to the current 50%, with a variance of 20%. We began the period with \$46,450,836, had net withdrawals of \$26,315,790, and investment earnings of \$43,900,019, leaving us a balance of \$64,035,065, and a return net of fees of 9.02%, which is currently outpacing the actuarial assumption by 2.27%.

Warren said page seven is the time-weighted returns net of fees report. Please notice the performance inception column. We began with \$34,679,131. We had net withdrawals of \$30,011,807. Investment earnings total \$59,367,740, leaving a balance of \$64,035,065 and a 6.63% return. Notice the "Total Value vs. Net Invested Capital" graph to the right. The pale blue line represents the account value of \$64,035,065, while the black line shows the remaining net invested capital of \$4,667,324. We've taken out roughly 86.5% of our 11/15/2007 beginning balance. Another note is our investment earnings are now \$24,688,609 more than our beginning balance.

Warren said page eight is the returns net of fees versus benchmarks. You can notice the portfolio is outperforming the benchmarks for all these time periods. Over the last twelve months, 11.34% versus 11.27%. Over the last three years, 13.00% versus 10.41%. Over five years, 9.48% versus 7.55%. For the custom period from June 2016 to June 2025, which reflects the change in allocation, 8.98% versus 7.51%. Over the past ten years, 7.85% versus 7.02%. We are outpacing the actual assumption of 6.75% percent in all these time periods. At our last quarterly meeting, the twelve-month return was 5.67%, and the three-year return was 5.5%. Enduring fluctuations in return from quarter to quarter has allowed us to make returns higher than our actuarial assumption.

Warren said please turn to the next page, which is the Portfolio X-ray. Please notice the asset allocation pie chart. Currently, we hold 7.23% in cash, 59.99% in U.S. stocks, 5.63% in non-U.S. stocks, and 26.05% in bonds. Notice the stock sector triangle to the right. We remain neutral in our stance toward all sectors. Notice the equity style box below, which shows our allocation as follows: 24% in large value, 36% in large blend,

19% in large growth, 3% in mid-value, 7% in mid-blend, 4% in mid-growth, and 2% each in small value, small blend, and small growth. To the left, the fixed income style box shows we currently have 59% in moderate duration. 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, but that's until the \$1,750,000 withdrawal is taken and the \$4 million for judgments. Please notice the top ten holdings below, and the percentages and dollar amount they make up of the portfolio.

Warren said please turn to page 18. Page 18 is the position summary. As a reminder, the Portfolio X-ray takes each position and drills through to see what's holding, whereas this page serves as a summary without drilling into the positions. So, cash totals \$295,074.41, or 0.46% of the portfolio. Equities total \$42,513,623.72, or 66.38%, with \$39,987,037.93 in U.S. equities and \$2,526,585.79 in international equities. Fixed income and preferred make up the remainder. Notice the estimated annual income of \$1,457,937.60. If you all remember back when bonds were paying less, that number was about half of what it is now. Warren said we're getting nearly a good chunk of our distributions from income now - I just wanted to point that out.

Warren said page 21 is what we call the red dot chart. Our goal is to make the actuarial assumption, if possible, within our allowed guideline allocations. We believe it's important to understand the 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 always appreciate the board's understanding of the volatility involved and your willingness to allow us to stay on course for the plan. For 2025, the entry-year decline has been negative 19%, as indicated by the red dot. In 2024, we saw a negative 8% decline, and in 2023, it was negative 10%. The negative 19% is above the average. That's one of the reasons I wanted to make sure that we could handle that. Because we were prepared for that red dot, but knowing that this may come, we weren't able to necessarily take advantage of it because even though we felt like it was going to come back, if we were going to pull money, we didn't want to necessarily put that money in and then take it out, and it go lower. So again, I want to thank everybody for the opportunity to be here and provide this update, and I'll be glad to answer any questions you have at this time.

No action was taken on this item.

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

Chairman Bayones said Kaitlin Nunley could not be here today. She asked for a motion to table this item until the next meeting.

**Motion** by James, **Second** by Rogalski, to table this item until the next meeting. **AYE:** Zacharias, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

5. Consider accepting an engagement letter from Finley & Cook CPAs for

auditing services of the Employee Retirement System for the fiscal year 2024-2025 and take action as deemed necessary.

A copy of the engagement letter from Finley & Cook CPAs for auditing services of the Employee Retirement System for the fiscal year 2024-2025 may be obtained from the City Clerk's Office upon request.

James asked if this is the same company we've been using.

Chairman Bayones said this is the same company. There is one difference. Last year it cost \$22,500, and it's increased \$1,000 to \$23,500 for this audit. So it's a little bit more, but it'll have the same process that we just went through with the previous one, and it will keep our audits current. This will give us the most current view of where we're at in funding liability.

**Motion** by Apple, **Second** by James, to approve the engagement letter from Finley & Cook CPAs. **AYE:** Zacharias, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

### **Adjournment**

**Motion** by Apple, **Second** by James, to adjourn the July 11, 2025, meeting. **AYE:** Zacharias, James, Rogalski, Bayones, Apple. **NAY:** None. **MOTION PASSED.**

There being no further business, the meeting adjourned at 9:27 AM.