MINUTES
PENSION TRUST COMMISSION
2ND FLOOR CONFERENCE ROOM
NEW CITY HALL
JULY 24, 2014 – 9:00 A.M.

Paul Ellwanger, Vice Chair, called the meeting to order at 9:00 a.m. in the New City Hall 2nd Floor Conference Room. Notice of meeting and agenda was posted on the City Hall notice board as required by law.

ROLL CALL

PRESENT:	Bayones, Teri; Dentler, Carl; Ellwanger, Paul; Hill, Andy; Kindt, Bill; Livingston, Steve.
ABSENT:	Ihler, Jerry.
ALSO PRESENT:	Jim Russell, Assistant City Manager/Human Resources; Denise Ezell, City Clerk's Office; Kelea Fisher, City Attorney's Office; Brooks Mitchell, Finance Administration.

II. Introduction of Visitors

Ellwanger stated we have Mr. Northern here with us today and we will be talking about his medical retirement later in the meeting.

III. Approval of Minutes from June 13, 2013, August 22, 2013 and April 24, 2014.

Motion by Kindt, **Second** by Hill, to approve the minutes of June 13, 2013, August 22, 2013 and April 24, 2014 as written. **Aye:** Dentler; Ellwanger; Hill; Kindt; Livingston; Bayones. **Nay:** None. **Motion Passed.**

IV. New Business

A. Receive quarterly financial report from Morgan Stanley and take action if necessary.

Armstrong stated look at page 3 where you see the pie chart. This shows we have 65% in equities. These are stock and that is a little high. This program picks up a few things as equities that really are not. We are truly at 60% stocks. We have 35% in fixed income and 1% in cash. The fixed income is probably high and the cash low due to some short term T Bills that will mature between now and the next 6 months. Normally that would be considered cash. Actually we are 60% stocks and 40% cash and bonds. If you look at page 2 in the upper right hand corner you see since inception of November 2007, last 5 years, last 3 years and last 12 months. Since inception we started with $34 million, we sent back to you $1.5 million, net portfolio appreciation is $15 million, with a current value of $48 million. That is only with Morgan Stanley and does not include what the city has in banks and judgments. This equals a 5.6% rate of return. Remember we had the big market downturn in 2008 into 2009. The last 5 years we have averaged 8.5%, the last 3 years 7% and the last 12 months 12%. For the last 5 year, 3 years and 12 months we are certainly getting above the 6.75 that the actuary is using in his calculations. The next page gives you the year by year. At the top the second column from the right gives you the annual return from year to year. In 2014 we are up 4% for the year. This is not annualized that is the actual amount it is up. Look at the next page where is says "equities". Equities means stocks and those are all the different stocks/mutual funds. Most of them are stock funds. There are a few things that are not stocks but the programs considers them to be stocks. On the next page to the right of where it says "Total Equity" you see market value $31 million. To the right of that it says 8,630 etc. That is $8.6 million and the profit so far on those funds. They have gone up $8.6 million. That is where a good part of the growth has come from. Right below that it says "fixed income" and those are T Bills. They all will mature within the next 6 to 8 months. Moving to the top of the next page where it says "total government" you see there is $10.5 million in short term T Bills and they are making nothing. They are sitting there as they damper against the higher allocations of stocks. Because interest rates are low we are hesitant to buy long term bonds.

Kindt asked what is the advantage in having T Bills rather than cash?

Armstrong stated safety. We try not to keep much cash that is not FDIC insured or government guaranteed. The money markets we use are FDIC insured and we only have $500,000 coverage and this is all guaranteed. They both have a zero interest rate. Does that answer your question.

Kindt stated yes.

Armstrong stated next is mortgage backed bonds. We haven't bought any more than what we started with years ago. The prices are too high and the yields are too low but we still have some good one left. At the top of the next page it tells you how much we have in there. There isn't a lot percentage wise but we have $2.9 million earning a yield of 4.49%. We can't buy anymore like those. Now look where is says "other". You see 5 things listed there. The Ishares Iboxx H/Y is a high yield corporate bond fund. It is yielding 5.7% for short term. This is one of the things we did when we changed from government guarantee to corporate. We take on more credit risk but we try to reduce that risk with diversification. Below that is Proshares Short 20 Treasury and the yield is zero. We have $1.6 million in there. That is a hedge against rising interest rates. If interest rates go up the price goes up. If interest rates go down the price goes down. That is why we have that in there. Since we bought it interest rates have gone down and you can see we have a little loss. The rest have a nice gain. Next is "cash and equivalents" with total cash at $716,000. The middle one is Dreyfus Government Cash and there is $500,000 in there. This is a money market that invest only in government securities. That is an alternative to buying the actual treasury bills. In our Bank Deposit Program we have $200,000 so the total cash is $716,000. If you add the $10 million we have in short term treasuries we are looking at $10 or $11 million in cash. We have 25% in cash or cash equivalent that we are using as a hedge against the increase volatility in stocks. At the top of the next page you see your total value of $48 million. That is your report. Does anyone have any questions.

Hill asked you say we have $716,000 cash but you mention the safety factor and $500,000.

Armstrong stated the $500,000 is included in the $716,000.

Hill stated I see.

Armstrong stated all we have in FDIC insurance is $200,000. We can handle $500,000 because we are using 2 banks. We try to keep the cash in the Bank Deposit Program low so it doesn't go over the insurance limit. The extra cash we are moving over to the Dreyfus Government Cash and that is a very short term treasury bill. While the fund itself isn't guaranteed everything in it is very short term.

Hill stated you stated the total didn't include cash and judgments. Can you explain.

Armstrong stated the $48 millions includes our cash. It includes everything at Morgan Stanley but it does not include what the city holds in local banks to pay retirement benefits, money collected from payroll or the judgments the plan has bought.

Hill stated so we still have judgments.

Ellwanger stated yes. Those will show in our financial statements.

Armstrong stated the reason I bring it up is because the plan is bigger than $48 million. The vast bulk is with Morgan Stanley but there is more. Are there any other questions. If not thank you for letting us take care of you. We appreciate it.

Ellwanger stated thank you. I failed to introduce our newest member Carl Dentler. He is retired from the City of Lawton and we would like to welcome you.

Dentler stated thank you.

B. Receive Quarterly Employees Refunds Made From Retirement System and Receive Quarterly Statement of Receipts and Disbursement and take action if necessary.

Magness stated starting with the balance sheet which includes the assets. This includes Morgan Stanley's assets plus the assets the city has in ways of cash and other investment. Total assets are $51,873,175. There is $2.1 million in judgments and $26,000 in liabilities. The liabilities are hanging out there and will be cleaned up when we do our journal entry at the end of this fiscal year. The next page is our Statement of Revenue and Expenses. This is the revenue and expenses for the 4th quarter. There was $2.3 million in revenue that was collected in judgments, interest, dividends, miscellaneous revenue, and contribution from the employees and the city. Our expenditures for the 4th quarter was $1.5 million and the bulk of that is benefits to the participants. Refunds in the amount of $477,000 are for those who chose to leave the city and take a lump sum or those who leave and are not vested. Our investments fees were $67,000 and we had $41 in bank charges. At the end of the June 30th we had $51.8 million in our fund balance. You see year to date we had $9.4 million in revenue and spent a little over $5 million leaving a net increase of $4.3 million. The next page shows the refunds made to those who were not eligible for retirement or didn't select retirement. It is broken down by name.

Ellwanger asked does anyone have any questions or comments. Thank you.

C. Receive Report on Number of Employees Enrolled in the Pension Prior to Career Averaging and the Number of Employees Enrolled in Career Averaging and take action if necessary.

Russell stated I apologize I don't have those numbers with me today so we will need to re-agenda this item for the October meeting.

D. Receive Report from Finance Director in regards to Annual Actuary.

Mitchell stated the first page of your handout is the second page of the management letter comments that came from the auditor of the pension plan. In the first paragraph he talks about the actuarial report and references the implementation of GASBY (Governmental Accounting Standards Board) 67 for the year of 2014 and then GASBY 68 for 2015. The new standards are going to require additional actuarial information that we previously didn't have to present with our report. His recommendation is we have an actuarial study every year. The next page is a summary of GASBY 67. At the bottom where I have highlighted it talks about establishing the standards of financial reporting. Basically this means there is going to be more information to be presented with the 2014 report than had to be presented previously. On the last page in the second paragraph where I have highlighted part of GASBY 68 states "In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability." That will be a change in our future financial statements. "The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period." What is important about this is we have to pick out what our beginning measurement date is going forth. I will come back to you in October and make a recommendation that we adopt June 30, 2014 as our measurement date. In order to do this we will need to have an actuarial study. Absent the actuarial study there are additional procedures the actuary would have to do. It is my opinion we don't have the luxury of having a study done every 2 years and calling it good. We need to adopt the measurement date and have the actuarial study for June 30, 2014. Once we determine the extent of the additional procedures that need to be done then in future years we can make the determination if we want to have another actuarial or to do the procedures. For June 30, 2014 I think we have to have the actuarial study. It is not what the GASBY has done for us it is what the GASBY has done to us. This will be a huge change in the way cities have to report their pension plans.

Ellwanger stated at this time we have an actuarial report every 2 years.

Mitchell stated yes.

Ellwanger stated and now you are asking us to go to every year because the reporting requirements for the city requires the unfunded portion to be reported.

Mitchell stated yes.

Hill asked when was our last actuarial report done.

Mitchell stated June of 2013.

Hill stated so you are recommending that we do one now that will take us to June 30, 2014.

Mitchell stated yes.

Ellwanger asked are there any other questions. I guess we need a motion to approve this.

Fisher stated for procedural purposes I want to make certain I understand. On the agenda it doesn't specify there is going to be any action taken on this item. After reading the minutes of a prior meeting and at our pre-agenda meeting it is my understanding the Board has already voted and approved the annual actuarial report. It was my understanding that Mitchell would be here today to report because there were some questions.

Mitchell stated due to some members not being present I just wanted to explain the rational for needing to do an actuarial report for June 30, 2014 and to inform the Board that in October I would be asking them to approve the measurement date of June 30, 2014 for the GASBY 68 implementation that will start next year.

Fisher stated it sounds like you are okay to go ahead with an actuarial report because it was approved at the April 24th meeting. There is no need for a vote.

Mitchell stated I agree.

Ellwanger stated thank you.

V. 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.

A. Consider the application for normal retirement from Walter Cecil Chandler.
B. Consider the application for normal retirement from Ronald C Smith, Sr.
C. Consider Memo of Information regarding the death of retiree William Harry Edens, III.
D. Consider the application for early retirement from Richard L. Endicott.
E. Consider the application for early retirement from Chris Alford.
F. Consider Memo of Information regarding the death of retiree Roy Anderson.

Motion by Kindt, Second by Bayones, to approve the consent agenda. **Aye:** Ellwanger; Hill; Kindt; Livingston; Bayones; Dentler. **Nay:** None. **Motion Passed.**

VI. Pursuant to Section 307B7, Title 25, Oklahoma Statutes, consider convening in executive session to discuss the pending medical retirement of Edward L. Northern, and take appropriate action in open session as necessary.

Motion by Kindt, Second by Dentler, to convene into executive session. **Aye**: Hill; Kindt; Livingston; Bayones; Dentler; Ellwanger. **Nay**: None. **Motion Passed.**

Ellwanger stated at this time only Board member are allowed to be present.

The Board convened into executive session at 9:25 a.m. and reconvened into regular, open session at 10:00 a.m. Roll call reflected the following member were present: Bayones, Teri; Dentler, Carl; Ellwanger, Paul; Hill, Andy; Kindt, Bill; Livingston, Steve.

Ellwanger stated no action will be taken on this item at this time. While in executive session we discussed the medial retirement of Edward Northern. I would ask for a motion to continue for further discussion on this subject.

Motion by Hill, Second by Livingston, to continue this meeting. **Aye**: Kindt; Livingston; Bayones; Dentler; Ellwanger; Hill. **Nay**: None. **Motion Passed.**

Ellwanger stated Mr. Northern the meeting has been continued. We need further interpretation from the City Attorney's office on the city code. We will reconvene as soon as we have the information.

VII. Comments

Ellwanger asked does anyone have any comments.

Kindt asked I have a couple of questions. In the settlement order of Ronnie Smith, Sr. it stated the city is to pay $75,099 to the pension. Looking at the financials it does not reflect the pension has received this money. Has the pension received this settlement?

Russell stated I have no idea. We would have to speak with finance.

Kindt stated okay. At the last meeting the paperwork was wrong for Alicia Mitchell and it was suppose to be brought back before the board. I didn't see that paperwork.

Ezell stated let me check with Human Resources and it will be placed that on the next meeting.

Ellwanger stated thank you. We want to say welcome to Dentler and if there is nothing else we will continue this meeting until a later date.

THIS MEETING RECONVENED AT 9:00 A.M. ON JULY 31, 2014. ROLL CALL REFLECTED THE FOLLOWING MEMBERS PRESENT: Steve Livingston; Teri Bayones; Carl Dentler; Paul Ellwanger; Andy Hill; Bill Kindt. Absent: Jerry Ihler.

Ellwanger stated we have reconvened the continued meeting of July 24, 2014 to discuss the medial retirement of Edward Northern.

Motion by Hill, **Second** by Kindt, to convene into executive session. **Aye**: Bayones; Dentler; Ellwanger; Hill; Kindt; Livingston. **Nay**: None. **Motion Passed.**

The Board convened into executive session at 9:02 a.m. and reconvened into regular, open session at 9:10 a.m. Roll call reflected the following member were present: Dentler, Carl; Ellwanger, Paul; Hill, Andy; Kindt, Bill; Livingston, Steve; Teri Bayones.

Ellwanger stated no action was taken in executive session. The item on the agenda has to do with the pending medical retirement of Edward Northern and take any appropriate action in open session.

Motion by Kindt, **Second** by Dentler, to approve the medical retirement of Edward Northern with the stipulation that the retirement be reviewed in one year. **Aye**: Ellwanger; Hill; Kindt; Livingston; Bayones; Dentler. **Nay**: None. **Motion Passed.**

Russell stated since the meeting was continued I got the information for item C under new business. Would you like for me to go ahead and give you that report.

Ellwanger stated yes.

C. Receive Report on Number of Employees Enrolled in the Pension Prior to Career Averaging and the Number of Employees Enrolled in Career Averaging and take action if necessary.

Russell stated we currently have 353 activity employees in the traditional pension and 171 activity employees in career averaging. Approximately a third of our employees are career averaging at this time.

VIII. Audience Participation

Ellwanger asked does anyone have anything else they would like to discuss.

IX. Adjournment

Motion by Dentler, **Second** by Kindt, to adjourn. **Aye**: Hill; Kindt; Livingston; Bayones; Dentler; Ellwanger. **Nay**: None. **Motion Passed.**