**MINUTES**
**PENSION TRUST COMMISSION**
**SPECIAL MEETING**
**2ND FLOOR CONFERENCE ROOM**
**NEW CITY HALL**
**JUNE 2, 2016 – 8:30 A.M.**

Bart Hadley, called the meeting to order at 8:30 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**

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| **PRESENT**: | Bayones, Teri; Dentler, Carl; Ellwanger, Paul; Hadley, Bart; Hill, Andy; Kindt, Bill; Livingston, Steve. |
| **ABSENT**: | None. |
| **ALSO PRESENT**: | Tim Wilson, City Attorney's Office; Denise Ezell, City Clerk's Office; Perry Warren, Morgan Stanley, |

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I. Roll Call

II. Introduction of Visitors

Hadley stated we have none with us today.

III. New Business

A. Consider authorizing Chuck Dean with Dean Actuaries, LLC to perform an actuarial analysis on the potential effects of a proposed city employee defined contribution plan on the City of Lawton's current defined benefit pension plan.

Hadley stated City Council developed a subcommittee to look at a Defined Contribution Plan for future hires. Wilson and I have attended most of those meetings. As chairman of this trust I asked to be included in this committee. I was worried as to how it would affect our current plan. The plan is being developed and I believe it will go to Council. A lot will have to do with what this analysis has to say. Current city employees contribute 6.3% of their pay and the City of Lawton contributes 10%. The initial proposal of the new plan is to make it mandatory for employees to contribute 3% into a Defined Contribution Plan/401A Plan and the City of Lawton will match that amount. Then it graduates to 4%, 5% and 6%. The city cap would be 6%. They would take the remaining 7% and place it into the current plan to help cover some of the additional shortfalls. We will be taking on less liability but you have a lot less money coming in. I'm curious as to how the analysis will come in with that concept. I don't know if this will have a drastic negative effect, break even or help us get actuarially sound faster. I felt it was important we get this knowledge and found out how it will affect us prior to Council voting. We want to have a chance to lobby having it voted down or adjusting the plan. They are moving forward with or without this information.

Kindt stated I'm not sure why we would pay for this when this is a City problem. Council should be worried about it.

Hadley stated I agree. Some Council members have indicated it doesn't matter what the actuary says. This analysis is a guess of what might happen and not a guarantee. They feel the current path is unsustainable and I don't necessarily agree. I feel the changes the Trust made have drastically impacted the plan. The past year was a little worse but I believe this plan is on the right path to improve and become sustainable. I fear that part of the Council doesn't care. Part of them believes this is the most prudent plan to take care of the current employees and to ensure these employees get what was promised. It will take another 60 years or so for the new employees to end their career and quit drawing from the plan. This plan would have to continue at least another 50 to 60 years. I believe this is our responsibility. I agree and wish Council would pay for the analysis but it is my understanding they are not convinced the analysis is going to make any difference in what they need to do.

Wilson stated we don't know the thoughts of those that are not on the sub-committee but there is at least 1 Councilmember that is dead set on moving this forward.

Hadley stated if the analysis comes back and states this is very detrimental to the plan I think that gives us the ammunition we need to potentially make changes or squash the whole notion.

Wilson stated at this time we have no ammunition.

Hadley stated I contacted Dean and ask him about this concept. He believes with the data he already has it won't take long to do the analysis and would be inexpensive. He gave me an amount of $3000 to $3500. I'm bringing this to the trust to ask for your approval to pay for the analysis.

Dentler asked does this include Dean coming to talk to us about his findings.

Hadley stated we don't have a contract and I only asked about the cost of the analysis. I apologize because I didn't ask about that. I'll find out and make certain it does.

Ellwanger stated it sounds like there is enough momentum at the Council level to move forward with something. We need to be sure we provide ourselves and Council knowledge. Right or wrong this is the only piece of knowledge we have.

Livingston stated it will have a financial impact on this pension fund and we need to know what that is.

Ellwanger stated yes.

Hadley stated absolutely.

Warren stated it would be good to see if this will have a positive or negative effect on the plan.

Hadley stated the career average change will eventually take over. You will have more of them and that is about a 40% reduction of benefits. This is a huge reduction and it has done a very positive thing to the plan. We lost some ground this year but it wasn't because of benefits. It was because of interest and/or it wasn't funded well enough.

Wilson stated in fairness career average won't truly be seen until the Tier 1 employees retire and die. When career average employees start retiring you will see that savings because you will be paying less in retirement. We are building up our career average active employees.

Ellwanger stated you said the city plans to continue to fund this plan at a certain percentage. They need to understand what affect that has on the plan whether or not it is adequate or not and we don't know that.

Wilson stated my guess is it is probably not because we are continuing the current liabilities and cutting the percentage invested by 90%. We will lose 6% for new employees. None of the new employees pay will go into the plan and the city will contribute 7%.

Hadley stated currently 16.3% of employees pay goes into the retirement fund. Under the new plan it would drop to 7%. That is only in the beginning. The plan is to stair step from 3 to 4 to 5 to 6. The committee did bring in a representative from OMRF. They manage these types of Defined Contribution plans and stated that the stair steps would be a mistake in the beginning. At a later date if they wanted to add additional contributions they could. The stair steps wouldn't increase until you had been employed 4 years. I think they thought we could see how it was going to operate before increasing the percentage. If you include the stair steps you can't take it away. It is going to be difficult for Dean to perform this analysis.

Livingston stated generally what is missing from these conservations is if an employee retires at 30 years and he and the city have contributed 3% what they will get as a retirement.

Hadley stated I brought that up. I don't know whether this is a good financial move or not.

Livingston stated it is good on the part of the city.

Hadley stated my issue is exactly that. That is the reason I'm not in favor of the Defined Contribution Plan especially at that rate. I don't believe they will be in a position to take care of themselves at the end of a 30 year career.

Kindt stated even if it climbs a little they will still be in trouble.

Hadley stated that is correct. They stated the employee would qualify for social security and if they were smart they would be doing their own 401K. Recruitment, retention of employees and those employees being able to care for themselves when they retire is a big concern. Some of the members of the committee feel this is a move that the private sector is going to. I believe this is one of the advantages of working for the City of Lawton that we have over most private industries. You have a guaranteed check for the rest of your life if you spend at least 10 years here. The committee is worried it is not sustainable. Councilman Wells has indicated his 2 primary concerns are to take care of the current employees and live up to the obligation that was promised. That is why he wants to put the 7% into the old system. Initially he only wanted to contribute 1 or 2% to the pension. The other members helped to make certain we received the full 7% until this plan became fully funded. At that time they could look at reducing the percentage. The other concern was to take care of the citizen's tax money and to try to make certain we can provide services. The committee is worried about this liability continuing to grow and they are trying to draw a line in the sand so we can start limiting that liability in the future.

Livingston stated I think we all share that. I think this board has shown that by our recommendation in the changes and I believe the board will continue to do so.

Hadley stated Councilman Wells also indicated that the army has gone that direction.

Livingston stated he is retired city and army.

Ellwanger stated hopefully Council won't move forward without these results.

Hadley stated initially I believed they would and that is why I wanted the approval for the analysis. After the last meeting I feel there is enough balance on the committee that they will wait until we receive the analysis before voting. They are moving forward and trying to work out all the details. I believe the stock market is going to rebound at some point and will have a positive effect on the current plan and our current plan will be fine overtime. I can't guarantee it but I believe it will.

Livingston stated and they can't guarantee that it won't.

Kindt stated I hope the employees are heard on this.

Wilson stated I hope so too.

Hadley stated it may not be a smart political decision but the reality is this is for future employees and will not affect any current employees.

Wilson stated I would hope the EAC would be loud and make certain to protect the current plan. First don't do this but if you do make certain the current employees are protected.

Livingston stated the analysis should help them to realize there is an obligation and probably a substantial one that will extend to the future. I'm worried they will see that percentage being something they can trim on. The problem with budgeting is if you can put it off 3 to 5 years you do.

Hadley stated to his credit I believe this is part of the reason for trying to do this. He believes we keep kicking this down the road and he wants to try a draw a line in the sand so the liabilities don't continue to grow.

Livingston stated I see 2 problems with this. One is funding and the other is to see that future employees have a good retirement plan. I don't consider a 401K as a retirement. It is a savings plans and they become political plans. When economics gets bad they allow you to dip into your 401K without penalties and they will continue to do that.

Hadley stated and retires with nothing but social security. One advantage to this plan is it is more portable.

Wilson stated I'll counter that by saying under this idea both the employee and the city place 3% into the plan. When you leave you will be taking 6%. Right now the employee is putting in 6.3% and if they leave before vesting they will be taking 6.3%. It will be about the same. That is a wash and a weak argument.

Hadley asked is there any other discussion.

**Motion** by Livingston, **Second** by Dentler, to authorize Chuck Dean with Dean Actuaries, LLC to perform an actuarial analysis on the potential effects of a proposed city employee defined contribution plan on the City of Lawton's current defined benefit pension plan. **Aye**: Dentler; Ellwanger; Hadley; Hill; Kindt; Livingston; Bayones. **Nay**: None. **Motion Passed.**

IV. Comments

Kindt stated I hate to admit it but this year I will have served 20 years on the Trust.

Hadley stated that is amazing. There are a number of employees that were employed after you started and have retired and drawing benefits on decisions you made. Thank you for your continued service and thanks to all of you. I know this isn't an easy job to care for the City of Lawton employees but we all appreciate it. This is a very good plan and we are going to try and make certain it says a good plan.

V. Audience Participation

VI. Adjournment

There being no further business the meeting adjourned at 9:05 a.m.

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