MINUTES
PENSION TRUST COMMISSION
SPECIAL MEETING
MAYOR'S CONFERENCE ROOM
NEW CITY HALL
SEPTEMBER 27, 2016 – 9:00 A.M.

Bart Hadley, called the meeting to order at 9:00 a.m. in the New City Hall Second 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; Hadley, Bart; Hill, Andy; Kindt, Bill; Livingston, Steve.
ABSENT: Ellwanger, Paul.
ALSO PRESENT: Tim Wilson, City Attorney's Office; Denise Ezell, City Clerk's Office; J.I. Johnson, Financial Services; Perry Warren and Chad Rother, Morgan Stanley.

II. Introduction of Visitors

Hadley stated we have Councilwoman Phillips with us today.

III. Approval of Minutes from August 26, 2016.

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

IV. New Business

A. Receive quarterly financial report from Morgan Stanley and take action if necessary – Perry Warren, Morgan Stanley.

Warren stated at the last meeting I mentioned I would go into more detail today. The benchmark updates monthly so I don't have those at this time. I will go over the current performance, asset allocation, the top 5 holdings, passive and active investments and why we are at our current allocation. On page 4 you see the performance for the last 12 months has been 8.83%, the last 5 years 6.75% and since inception 4.48%. The account value as of September 22 was $48,006,745; we have taken out $3,676,017, and have made $17,023,631 since November 15, 2007. The chart in the upper right illustrates the difference between the net investing capital and the total value. The difference is the $17,023,631 that we made. In the lower left corner you see the current allocation. This will be covered later in the report.

Warren stated on page 5 I want to go over the changes in value of the account month by month. This is a long term investment account and we are managing it that way. As Trustees you should be aware of the volatility the account has and how it changes in the near term. So far this year the worst month was January with a -4.78% and the best month was March with 4.87%.

We want you to see the volatility and understand we want the least amount required to meet our goals.

Warren stated the chart on page 6 illustrates the median intra year decline of -10%. This is illustrated by the red dots. The median return is 12%. We should expect a portion that is in our stocks and equities to drop any year by $3.5 million. We have to understand that is what it takes to produce the returns overtime. If we have 70% in stocks and it drops by 10% during the course of the year, which is the median drop, that is what it takes in order to make the 12% it has made. This is just for this portion and not the whole account.

Warren stated on page 9 you see we are currently near the max weight of 70% equities as illustrated by the pie chart in the upper left hand corner. The triangle to the right shows you we are balanced in our agnostic as to sensitive economically defensive or economically cyclical. We are diversified in our bond holdings with 28.76% government bonds, 34.63% corporate bonds, 21.65% securitized bonds and 10.28% cash and equivalents. In the tic-tac-toe box you see we have 17% of our bonds in limited duration, 58% in moderate duration and 5% in extended duration. The bond duration before our hedge is 4.1%. This means for each 1% plus or minus change in rates we expect our bond prices to increase or decrease by 4.1%. We believe rates will go up overtime so we have reduced our duration with our alternative position as a hedge so we will benefit if rates rise. The tic-tac-toe box to the right represents the equity size and style. Currently 71% of our equities are in large stocks, 23% in medium and 5% in small. The style allocation is 30% value, 33% blend and 37% in growth.

Warren stated on page 14 I want to go over the position summary and put numbers to some of this. Currently we have $533,761 or 1.1% in cash, $33,371,355 or 69.5% in equities, $11,159,610 or 23.2% in bonds and $2,942,024 or 6.1% in alternatives.

Warren stated on page 15 I want to go over our top 5 holdings by size. We will start with the fifth largest and work our way up. The fifth largest is the SPDR S&P 500 ETF Trust. We own $2,580,967 or 5.4% of the overall account. Look at page 4 of the Morningstar Report. In the upper left you see the 1 year return is 12.38, 3 year is 12.17, 5 year is 14.56 and 10 year is 7.43%. Since 1993 it has a return of 9.02. This is a passive investment and it represents the 500 largest domestic companies weighted by a market gap. The bigger they are the more it represent in the index. The fees and expenses are .17 since it is not actively managed. To the right you see the top holdings. You see the fund and the percentage each weighs. When they talk about the S & P 500 on the news if Apple has a good day it will affect it a lot more than Wells Fargo.

Warren stated the fourth largest position is the Vanguard Total Bond Market. It is the total bond market. On page 5 of the Morningstar Report the 1 year return has been 6.04. This has been a surprise to us. We didn't think that rates would continue to fall. The 3 year return is 4.38, the 5 year is 3.13 and since 2007 4.75. This also is a passive investment that represents the total domestic bond market and the fees and expenses. The top holdings and percentages are on the right and the expense is 1%.

Warren stated the third largest is on page 17 and it is the John Hancock Disciplined Value. We own $3,115,902 or 6.49% of the overall account. On the Morningstar report you see the 1 year return is 5.6, 3 year 8.04, 5 year 13.57, 10 year 7.25 and since January 2, 1997 8.36. This is an active investment with fees and expenses of .81. Look at the upper right hand corner of the report where it shows a growth of $10,000. The growth of $10,000 grew to $24,113 compared to the passive index. If you look below the standard index shows $22,896 over the same period of time after all the higher annual expense. On page 4 of the Morningstar Report under the S & P 500 you see it made $22,663. It is what you net that matters. Another thing to point out is if you look at the category averages of the large value funds the average of all active funds is $19,033. Not all funds outperform the passive. When you hear that you should own passive investments it is because most of them don't outperform. Active managers are more likely to outperform when the market does this a lot. You will underscore when it goes like this because of the fees. So we have both. We don't know which ones will perform because we don't know if the market is going to go up. If the market goes up you have less drag and don't need a manager. If the market is like this you benefit from an active manager because they are using value.

Warren stated the second largest position is on page 17 the Hartford Growth Opportunity Fund. We own $3,317,788 or 6.91% of the account. On the Morningstar Report you see the 1 year performance is 6.74%, 3 year 13.56, 5 year 16% and in the last 10 years 9.15%. This is an active investment with fees and expenses of .89. The investment has outperformed its passive index. The growth of $10,000 over the same period of time grew to $27,917 compared to the index of $22,896. The category average when you look at all active managed funds averaged $20,990 which is under the standard passive index.

Warren stated the largest position we have is on page 18 the Touchstone Focused Y. We own $4,617,982 or 9.62% of the account. On the Morningstar Report the 1 year return is 9.32, 3 year is 11.02, 5 year is 15.73, the 10 year is 8.55 and since February 12, 1999 9.89%. This is an active investment with fees of .95 and has outperformed the passive index. They grew from $10,000 to $25,207 and the standard index is $22,896. The category average is $20,013.

Hadley asked what period is that over.

Warren stated 10 years. Drop down under the performance numbers and you can see how they ranked in their category. They have to rank in the top third and continue to rank there or we move them. The reason the average investor makes less money is because they look at what they have done lately and not overtime. It has been in the top 2% over the last 5 years, top 5% over the last 10 years and top half over the last year.

Warren stated on page 21 is our current allocation and where we are on our maximum weight in equities. We are allocated where we are because we believe rates will not go lower and eventually rise. Go back to page 15 where it talks about the Vanguard Total Bond Market. The second column from the right show 2.4% and that represents the overall bond market. If we believe rates will not go lower then there isn't going to be an enhancement in the near term on return. Remember as interest rates go up the value of current holdings is all you get. If we don't think that rates will rise we will be lucky to clip the coupon. At 50% bonds we would have to make 10.6% on the remaining 50% to earn the 6.5% actuarial umber.

Phillips asked would you say that again.

Warren stated if we allocate 50% to bonds and they made 2.4% of the total we are going to make 1.2% from that half in order for the other half to get us to the actuarial number of 6.5%.

Hadley stated 6.5% is our goal.

Warren stated take half of the 10.6% which is 5.3 and add it to the 1.2 to get the 6.5%. This is the reason why we are allocated at 70/30 and not 50/50. Number 3 goes back to right before the peak in February of 1999 when this fund was incepted. This was about a year before it started dropping in 2000. Since then that fund made 9.89%. We have a drop, recovery, drop and a recovery. Looking at the long returns of our funds we are allocated at 70% in stock and over time we hope to earn 8% net of all fees which would be 5.6% from that portion. We have 30% and if we made 3 would be .9 and gets us to the 6.5%. If we are wrong and bonds only make 2.4% that puts us at 6.32%. So being allocated the way we are over the long term we should have the best opportunity to make our returns and have the long term to our advantage. I talked about page 5 where it dropped to -4.78 and then rose to 4.87 because in order for us to have that opportunity we have to expect volatility and we need to prepare for it. That is the reason we are allocated the way we are. I'm trying to give things that are specific so you can make good decisions. This is a long term account and will be here for a long time. If we don't put the law of averages in our favor then we run the risk of having to make more. This is the reason we are allocated the way we are.

Hill stated I was listening this morning to a guy talk about how major banks are thinking about raising interest rates independently, how Wall Street loves lots of debt, low interest rate and status quo right now because the rich is getting richer. How is your brain thinking if things start to change? Lots of people are going to cash and can do this for a year and a half. Some very large people are doing it. Even Deutsche is talking about it. How does that compute?

Warren stated let's look at this chart with the red dots. If you get into market timing you end up in a pickle and it could affect us. If we are not going to allow it to fluctuate then we are going to do something to one of the red dots. If we take one of the red dots and want to change something then I failed to educate you. Look at the red dot in 1980. In the beginning of the year stuff went bad. A million dollars dropped to $830,000 if it was all in equities. It went down 17% but by the end of that year it was up 26%. That is the reason the portion we allocate in equities is going to fluctuate. The only way to make the return over time is to have it there. What you said may happen and interest rates go up. That is the reason we have the portion in our alternatives on page 14. We will benefit greatly if interest rates go up. That is our hedge against rates going up. It offsets what we have going down in our bonds. We will still get the coupon of 2.4% in bonds but the value will fall and we are getting the cash flow. If we get the cash flow at 2.4% the value can drop because we have the equity growing.

Hill stated so basically your position is different than sitting here as an individual.

Warren stated it would be a lot different.

Hill stated so what you are thinking is not what an individual investment might think.

Warren stated can't. I have to protect you. If the value falls we are going to be protected by having the law of average in our favor. We are trying to manage the account and be within our perimeters of the investment policy. A long term account has to be prepared for the volatility. What I want and have to answer for is do we have the opportunity to make the actuarial number within our guidelines. I believe we do with this allocation. We manage the account for you and if you want we can pull back from the 70. I would love to be 50/50 but that requires us to make more than realistic numbers from the equity side at this time. This is a long term account and in 10 to 15 years we will look back at the red dots and say we lived through it. We are a chauffeur. We are trying to drive you where you want to be and my job is to let you know there is a big curve coming and nothing I can do about it.

B. Receive Quarterly Employees Refunds Made From Retirement System and Receive Quarterly Statement of Receipts and Disbursement and take action if necessary – Krystal Urbanski, Finance.

Johnson stated I would like to point out this report is dated September 23rd. In the future the report will be dated the month ending the quarter. Total assets are just over $50 million with the vast majority being investments. We have liability of $180,000 so the fund equity is $49.8 million. On The Revenue and Expenses there is an error in the column heading. It states 4th quarter and should be 1st quarter. You see city's contribution and employees contributions. Most of the revenue is from investments with the largest number being the unrealized gain at $1.4 million. Dividends were just under $61,000, interest just over $14,000, expenditures just over $715,000, refunds $93,050, investments fees $68,000, bank charges $51 and professionals fees of $1474. We had a net increase of $1.259 million with a fund balance of $49.8 million.

Phillips asked is that number pretty normal for refunds.

Hadley stated I would say yes. The yearly number runs around a hundred.

Johnson stated that is about 24 for a 3 month period or 8 a month.

Warren asked on the third one from the bottom is the $32,000 after taxes or before.

Ezell stated before.

Warren asked how much was the city's portion. How much did they leave in the plan.

Hadley stated that was 6.3% of her salary and the city contributed 10%.

Warren stated if we multiply that by 1.67% we will get the amount that the fund retained. I'm trying to get a feel for the $93,000. They are no longer a liability to the plan and they left the 10%.

Hadley stated that actually works to the plans benefit.

C. Review and Approve 2017 Notice of Meetings.

Ezell stated this is the yearly notice that is required by law to be filed with the City Clerk's Office by December 15th. Your meetings are set for third Thursday of the first month of the quarter.

Motion by Bayones, **Second** by Kindt, to approve the yearly meeting notice. **Aye**: Hadley; Hill; Kindt; Livingston; Bayones; Dentler. **Nay**: None. **Motion Passed**.

D. Consider approving payment of an invoice from Dean Actuaries L.L.C. for services rendered to the Pension Trust.

Wilson stated on August 26th we received an invoice from Chuck Dean in the amount of $15,000. I have issues with the billing from 2013 and January of 2016. Both are for around $3,000. He stated the 2013 was not previously billed. These are for the summary of benefits that is provided to the employees on a yearly basis. My concern is this is a benefit that HR started with Dean. The Authority has never approved paying for this benefit. It is my understanding the City is to be responsible for the statements and not the Trust. I do have a problem with paying the January 2013 invoice. This is out of time under our requirements to pay for debts. The city is responsible for paying debts within the fiscal year in which the debt was occurred. I spoke with Dean and stated I could not recommend payment of the invoice and he understood. The $7,000 and $1,900 was for the GASBY reporting and actuarial evaluation. Those are definitely Pension Trust work. The $3,100 would be something the City needs to pay.

Hadley stated that was in the last fiscal year.

Wilson stated the bill was received in August. I spoke with Magness and she stated there were funds encumbered before the September 30th deadline.

Livingston asked you have an encumbrance for this.

Wilson stated yes.

Phillips asked for the City.

Wilson stated yes.

Hadley stated encumbrances are good through the end of this month.

Bayones stated I believe the City should be responsible for the benefit statements. Originally Jim Russell agreed his department would cover the expense.

Hadley asked do we know that was the case. Was it done by motion or is it in our minutes. I wasn't a part of the Trust at the time.

Wilson stated I don't know if it was ever discussed with the Trust.

Ezell stated when Dean stated he had this capability Russell stated HR would be responsible for providing this benefit.

Wilson stated Dean did state there would be an additional invoice for some GASBY 67 work that was done in conjunction for the City on the pension. I did follow up with an email stating if he had another invoices for the previous fiscal year that the City needed to receive it by September 30th.

Hadley asked when paying invoices is the Trust held to the same standards as the City.

Wilson stated I'll have to research that. I do not recommend paying the $3,000 from 2013 and I believe the only part the Trust is responsible for is the $7100 and $1900.

Livingston stated if the City has it encumbered let them pay for it.

Hadley asked who hired Chuck Dean to do this benefit.

Bayones stated I believe it was the City. It was discussed at a Trust meeting but the Trust didn't vote on anything. This was something we were educated on. Russell volunteered to pay for the benefit. We felt it was a good deal and something the City should do.

Massey asked when Russell stated HR will handle it was he specifically referring to cost. We did handle the statements and getting them to the employees.

Bayones stated he was referring to cost.

Phillips asked is this all that Chuck Dean does for the City.

Hadley stated he is the actuary for the City.

Bayones stated I noticed on the invoice that Dean has our old mailing address and it stated Mr. Julie Magness. Is that something that needs to be brought to his attention?

Wilson stated yes.

Motion by Hill, **Second** by Livingston, to pay the amount of $7101 and the $1960 to Dean Actuary and the other amounts listed on the invoice are to be deferred back to the City of Lawton. **Aye**: Hadley; Hill; Kindt; Livingston; Bayones; Dentler. **Nay**: None. **Motion Passed**.

Hadley stated it was discussed to allow me to pay routine bills but I did not feel this was routine.

Wilson stated I felt this was something that needed to come before the Trust.

E. Consider Approving payment of two invoices from McAfee & Taft for services rendered to the Pension Trust.

Wilson stated this is for 2 invoices we received. In April we authorized Papahronis to work on the amendment to the plan required by the IRS. This is part of our determination letter needed every 5 years for a favorable tax status and it is for $66. The second one was a year later when we authorized him to look into the sick leave buyback/buy down whether it was pensionable or not. I would recommend approval on both invoices.

Hadley asked one of these is dated for April 2015. Is there a fiscal year issue with it?

Wilson stated no. The work that Papahronis did was all in this fiscal year.

Motion by Livingston, **Second** by Bayones, to approve payment for the McAfee & Taft invoices. **Aye**: Hill; Kindt; Livingston; Bayones; Dentler; Hadley. **Nay**: None. **Motion Passed**.

F. Consider recommending Lawton City Council approve an ordinance pertaining to personnel policies and procedures, amending Sections 17-3-4-333 and 347, Division 17-3-4, Article 17-3, Chapter 17, Lawton City Code, 2015, by amending definitions and death benefits, providing for severability and establishing an effective date.

Wilson stated this is a condition of our determination letter from the IRS and is on the Council agenda tonight. Basically the IRS has said we need to adopt this ordinance changing the definition of surviving spouse. Now it stated as a man and wife and it will be changed to a member's spouse. The second change is on the death benefits. It provides if a city employees dies during military service they are still entitled to the death benefits provided under our retirement plan.

Motion by Bayones, **Second** by Dentler, to recommend to the Lawton City Council that they approve an ordinance pertaining to personnel policies and procedures, amending Sections 17-3-4-333 and 347, Division 17-3-4, Article 17-3, Chapter 17, Lawton City Code, 2015, by amending definitions and death benefits, providing for severability and establishing an effective date. **Aye**: Kindt; Livingston; Bayones; Dentler; Hadley; Hill. **Nay**: None. **Motion Passed**.

G. Discuss the action recently taken by City Council to develop a defined contribution retirement plan for new employees and take action if necessary.

Hadley stated Council did move forward with a concept of a defined contribution plan. Basically they directed staff to move forward with changing to a defined contribution plan and that this plan be funded at 6.5%. Currently the City pays 10% on every employee. On the new plan the city would fund this plan at 6.5% and new employees at 3.5%. According to the actuarial study this should have no negative effect on our plan. I sent a letter to Council recommending against any changes but if they did decide to make a change that we strongly recommended they fund this plan at 6.5%. They talked about a stair step vesting. They are looking at if you leave after 2 years you would receive 25% of the city's contribution, 4 years 50%, 6 years 75% and 8 years you would be fully vested.

Livingston asked is that for new employees.

Hadley stated yes the Defined Contribution Plan.

Livingston stated I thought with a Defined Contribution Plan was once it was contributed it stayed.

Hadley stated you can do it that way.

Livingston stated that is the way most people do it. So you are dropping down to 3.5% with stair step vesting. That is interesting. Are you going to tell new employees this is a retirement plan or just not say anything. Are you going to be that brash and say I have a retirement plan here and you may benefit from it?

Kindt stated the City is.

Hadley stated employees should be educated that this is a piece of a retirement plan. I think OMRF provides some education.

Massie stated I think it is fair to call this a retirement plan. We are giving them 3.5% and OMRF will educate them.

Livingston stated you are not giving them very much. You don't have much to attract an employee. Is HR going to have to keep track of this?

Hadley stated OMRF will.

Hill asked will they have the option to participate or not.

Hadley stated it is mandatory they give 3.5%.

Wilson stated something we learned when talking with OMRF is if the employee gives more than the 3.5% it is not taxed deferred. It will be taxed.

Livingston asked why would that be.

Hadley stated that is the IRS rules.

Livingston asked can they get into the 457 plan.

Wilson stated yes. Hadley and I will be meeting with Papahronis. He is going to be working on the ordinance that is necessary to implement the Defined Contribution Plan. I also want to meet to make amendments to the Defined Benefit Plan. The language right now says every new employee gets to participate and that will no longer be happening if Council approves the Defined Contribution Plan. I want some language that protects us. I want it to say they will take 6.5% of the new hires salary and place it into this plan until the plan is 100% funded and any reduction to the plan would still be actuarial sound. I want language that says that it is the intent of Council and the City for the Defined Benefit Plan to remain solvent. I also think we need language that states any change to the Defined Benefit Plan must come before the Pension Trust for review and comments. Those are some safeguards I think need to be added.

Hadley stated I feel the last piece is important. It would eliminate something happening spur of the moment without the opportunity to provide the Trust's position on it. They would still be able to make the change but at least we would have an opportunity to look at it and provide our input. Every person on the Council Committee said one of their main priorities was to take care of this system.

Phillips stated this is better. My purpose for being here today was to hear your comments as to why this board voted the way you did. I feel the human factor was left out of the conversation on Council floor. I will present that to Council before it goes to a final vote. I don't believe the voices were heard at the meeting. It wasn't anyone fault because the letters were prepared but they were not discussed. I did not appreciate that.

Hadley stated I will say as an employee Tim Wilson did a very good job of explaining the issues.

Phillips stated he did. Thank you.

Livingston stated I was here before we had a pension. We were trying to put together a city staff of professionals. We didn't have double entry bookkeeping, computers, or engineers plus we had an embezzlement so we couldn't qualify for federal grants. The Johnson society was passing out money and we couldn't get it. To get professionals we had to talk money and benefits. They wanted a retirement plan. We were trying to put together a City that would stand up over the next 30 years. Retirement plans and benefits cost money but we pushed to setup a reasonable retirement. We followed the state plan and this is what we came up with. Over the years the City has put together decent professionals and we need to keep looking at the future and not just think about the money. Money is an issue but on the other hand you can take the actuarial and make adjustments to the retirement. It is hard to make adjustments if you are just looking at the money and with Defined Contribution it will get the City more money. If that is all you are thinking about then a Defined Contribution is the best plan. This is the way big companies go because they don't care. The City is a different deal. I don't believe a Defined Contribution is the way to go.

Hadley stated in the letter addressed to Council I stated that with the changes that were made 5 years ago we are on track to be okay. We are on the same level as the Defined Contribution will be. I gather the Trust feels there was no need to make a change and that the City isn't going to be saving any money. They will still be contributing 10% but it will be split between the Defined Benefit Plan and the Defined Contribution Plan.

Kindt stated I would say few will do well with a Defined Contribution.

Philips stated they will have to choose where they want their money to go.

Massie stated it is designed to go into a Target Date Retirement Fund. This is the default and is managed by the advisors of OMRF. This is designed based on their age and expected retirement date.

Livingston asked how was their performance in the last year.

Massie stated good. I don't have the numbers but they showed them to us and they were good. They manager over 200 cities within the state. The employees will have the option to moves funds if they desire to do so.

Livingston asked if an employee leaves and takes their money what happens to the City's portion.

Massie stated it would stay within the plan and would go to fund more of the City's portion.

Livingston stated so it comes back to the city.

Massie stated correct.

Livingston asked does it go back into the general fund.

Hadley stated no it stays in the plan.

Livingston asked how does it stay in the plan. Is the accounting department to write you a check every day?

Hadley stated it will offset what the City's contribution would be.

Livingston stated that is going to be an accounting mess.

Hadley stated OMRF currently is operating this way. I don't know the details.

Livingston stated they probably deal with smaller towns. How many big cities are operating in this?

Massie stated Broken Arrow, Norman and Stillwater.

Ezell asked isn't this a plan they offer above their retirement plan.

Livingston stated so it is like our IMCA.

Hill asked are these cities exclusively Defined Contribution Plans.

Massie stated no. It is about 50/50.

Hill asked I wonder when fire and police will go to a Defined Contribution Plan.

Livingston state I guarantee you won't see that happen.

Phillips stated I agree.

Hill asked what about civil service.

Massie stated the State of Oklahoma went to it in 2015 and according to Councilman Wells the military is going there now. Cameron's non-exempt employees did so last year. By no means will we be the first.

Ezell stated I don't believe you will see teachers, fireman or police go to a Defined Contribution Plan.

Massie stated I agree police and fire will not but I do believe teachers will.

Livingston stated I believe this is a big problem for this country. We will get there to find out the market fell and those at 55 and 60 years of age won't have a retirement. What are you going to do? Blame them for investing it wrong. I'm a little hostile. I believe this retirement system is a good plan. It may need some fixing and we may need to work on it but that is what you do is work on it.

Phillips stated I'm concerned when the City presents their benefits they are not presenting loyalty. If we don't have loyalty from the employees the service to the citizens drops. Their thoughts are if they are only going to be here 2 or 3 years they don't care if they present service correctly. There are no consequences and to me service to the citizens is a big thing. They are the ones paying that tax dollar.

Hadley stated we have a large turnover with a Defined Benefit Plan. I bet if we offered the new employee a choice between a Defined Benefit Plan and a Defined Contribution Plan they would choose the Contribution Plan.

Massie stated one gives them a 3.5% raise.

Ezell stated that isn't a raise. A raise is when your hourly dollar is increased and this is just less deductions.

Livingston stated it was the same years ago. You vest earlier now than you did when we set it up. I don't know if when I started to work for the City if I was interested in staying 30 years until I got more years and longevity. Then I intended to stay and I worked hard to stay.

Phillips stated the turnover is not because of the pension it is because of the pay.

Hadley stated this is a much better pension plan than you would be able to get in with the private industry.

Phillips stated until we can get our income up people are not going to stay.

Warren asked looking at the refund sheet is there a process of explaining what happens if they left the money.

Hadley stated yes. Usually those are people that are not vested. Vested employees rarely take their money out.

Warren stated sometime it makes sense to take the cash but it would be advisable to leave the money in the pension and wait to grow that benefit.

Massie stated we give them all their options during their exit interview. I don't know how far we go to advise them in any way.

Hadley stated there is no action needed on this item I just wanted you to have the chance to discuss it. Council has directed staff to start writing an ordinance and to develop a plan. It will go back to Council for them to either adopt or not. The motion stated they wanted this in place no later than June 30, 2017 but we are now operating under the direction of January 1st. That is part of the reason for meeting with Papahronis to see if that was realistic.

V. Old Business

None

VI. 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 Memo of Information regarding the death of retiree N. Joan Bias.

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

ADDENDUM

BUSINESS ITEMS:

1. Consider approving an implementation payment not to exceed $7,000 for the development and implementation of a benefit calculation software for the City of Lawton employee retirement system.

Massie stated this is an online calculator that would allow our employees at anytime to plug in a 4 digit pin to get what their potential retirement calculation would be. This question comes up on a weekly basis for my office and at this time we calculate it manually. This turns into a 30 to 45 minute ordeal for the payroll administrator. From a time standpoint there is a lot of time that goes into it. From an education standpoint it would be nice for employees to have the ability to get the information at any point. What I'm asking of the Trust is to pay for the implementation fee of up to $7000 and Human Resources would pick up the monthly cost of $250. This is a good benefit for our employees to know what their payouts/retirement would be at any given time.

Phillips asked will they be able to access this on their own computer.

Massie stated yes.

Hadley stated HR would pay the continuing cost of $3000 a year.

Phillips asked is that in your budget.

Massie stated we will find it. It will take about 10 weeks to have this implemented so we will shoot for January 1st. That leaves 6 months in this fiscal year and next year we will budget for it.

Hill stated it will be good for about 30 more years and then we won't need it anymore.

Hadley asked what is the pleasure of the Trust.

Livingston stated there was a time when we thought maybe the Trust should help us a little bit but I don't know. I don't want to get into a bunch of administrative costs. I don't have a problem in funding something that would help the employees understand what they have in their retirement.

Kindt stated on the other hand I'm a little uncomfortable with us financing this.

Bayones stated I am also. That is a lot of money.

Massie stated I spoke with Dean and he stated this would qualify as an administrative function that falls under the IRS guidelines.

Hadley stated I believe it would be beneficial for the employees.

Phillips asked do you have a system you are using now.

Massie stated we do it manually. This will also eliminate potential for human error.

Bayones stated providing that the data is entered into the program correctly.

Massie stated correct.

Hill stated when I first read this I had some resistance but if the City is willing to commit $250 a month I could see us doing this.

Motion by Livingston, **Second** by Hill, to approve the implementation payment not to exceed $7,000 for the development and implementation of a benefit calculation software for the City of Lawton employee retirement system. **Aye**: Bayones; Dentler; Hadley; Hill; Kindt; Livingston. **Nay**: None. **Motion Passed**.

VII. Comments

Hadley stated I want to inform you about an overpayment to employees who left the city in 2015 prior to vesting. We had just short of 100 employees that were overpaid. Some were pennies and I believe the highest was $2600. Finance is required to put in the treasury interest rate into the system so that it calculates what interest the employee's money has earned. This amount was put in wrong and resulted in some over payments. When it was discovered it was corrected and we are working on how to recoup those overpayments. Some will be fairly easy to recoup while others will not.

Livingston asked how much.

Hadley stated $23,000. The highest amount was either $2300 or $2600 and some were just pennies. I wanted to make you aware of what happened.

Livingston stated so you are just informing us of what has happened and will come back with your solution.

Kindt stated it may not be worth the expense to try and recoup it.

Hadley stated that's true. I think we will try to recoup the larger amounts and see what happens. I just wanted to let you know that we do have a problem and we are dealing with it.

VIII. Audience Participation

IX. Adjournment

There being no further business the meeting adjourned at 11:00 a.m.

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