MINUTES
PENSION TRUST COMMISSION
2^{ND} FLOOR CONFERENCE ROOM
NEW CITY HALL
APRIL 28, 2016 – 9:00 A.M.

Bart Hadley, called the meeting to order at 9:00 a.m. in the New City Hall 2^{nd} 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 (entered late); Ellwanger, Paul; Hadley, Bart; Hill, Andy; Livingston, Steve.
ABSENT:	Kindt, Bill.
ALSO PRESENT:	Tim Wilson, City Attorney's Office; Denise Ezell, City Clerk's Office; Perry Warren, Morgan Stanley, Maressa Scott, Finley & Cook; Chuck Dean

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I. Roll Call

II. Introduction of Visitors

Hadley stated I would like us to go around the table and introduce ourselves. I'm Bart Hadley the Chairman of the Authority

Perry Warren, Morgan Stanley Advisor. Chuck Dean with Dean Actuary. Teri Bayones board member. Tim Wilson with the City Attorney's Office. Denise Ezell the recording secretary. Krystal Urbanski with Financial Services. Julie Magness with Financial Services. Steve Livingston board member. Maressa Scott with Finley and Cook. Andy Hill board member. Paul Ellwanger board member and Vice Chairman. J.I. Johnson the Finance Director.

III. Approval of Minutes from January 7, 2016.

<u>**Motion** by Hill, **Second** by Ellwanger</u>, to approve the minutes of January 7, 2016. **Aye**: Ellwanger; Hadley; Hill; Livingston; Bayones. **Nay**: None. **Motion Passed**.

IV. New Business

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

Urbanski stated starting with the balance sheet. Total assets of $48,130,175.39; total liabilities $173,805.96; fund equity $47,956,369.43; total liabilities and fund equity $48,130,175.39. Next is the statement of revenue and expense. Total revenue $725,744.71. Total expenditures $1,344,318.63; net decrease of $618,573.92; fund balance $47,951,295.93. The last page is a breakdown of the refunds and taxes.

Hadley stated the rather large refund was for the previous City Manager.

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

Warren stated page 4 is the report on the performance. Your net of fees is down 3%. When we began the balance was $47,320,228.54 and it ended at $47,175,946.42. I want to point out the volatility. We changed the allocation target to 50/50 but we can be as much as 70% to have more volatility. The reason for the allocation is looking forward interest rates will be low. I wanted to show the volatility we anticipate. In order to meet the anticipated rate of return the allocation needs to be in a position to do so. The report on page 5 is as of Tuesday. We ended the quarter -.3% but as of the 26th of April we were up 1.23%. You see on a short run how volatile it is with that allocation. Since we made the change the market hasn't moved up much. To the right is your performance since inception. It shows we started with $34 million and we have an increase of $15,318,574.44. You can see that illustrated in the chart to the right. The red line is the net invested capital and the blue line is where we are. During the month of April we pulled out $1.6 million. On the next page you see efficient frontiers and these are projections. Over the long haul you see bonds have been a lot higher than they are now. Where we are now has lowered the bar on all returns. We tried to allocate that in 5 or 10 years so the average should hit our goal. Page 7 the red dots are our annual returns. We have roughly 70% of our money that has been down last year. The low was 12% and so far this year that 70% is in the market. The reason to have this allocation is because of the long term approach and to get the long term average in the market. Page 10 you see the asset scan. With the higher weight in equities we are not taking big bets that growth is going to outperform value or value is going to outperform growth. Currently we are allocated 68% in equities between US and foreign stock and 21% in bonds. The 9.36% in cash is not cash that we hold. It is cash that the managers of the money hold. The style box is the bond and stock allocation. We have parameters by the investment policy of how we can be allocated to each style box. The majority of our money is in the large companies. Page 15 actually shows the cash we hold. There is about 1% of what we have in cash and 68.6% in equity. Alternatives are not stocks or bonds. It is like a real estate investment or a partnership with pipelines. The other is hedge equities to hedge against rising interest rates. In order for returns to get better rates have to rise. The first part of this year rates did not rise. They went down and so did stocks. We don't believe rates will go any lower. They will either stay the same or rise. We want to be in a position so when rates rise we will outperform our index. If rates go down we will underperform for a while.

Dean asked is this a hedge for the fixed income.

Warren stated yes.

Dean asked why is it called an equity hedge.

Warren stated it's the position or the ETF. Page 23 illustrates how we are positioned. Through March we were down .3% and the index was 1.87%. The aggregate bonds were up 3%. Our hedge caused that to be down because rates fell. Last month rates went back up and that is the reason for the .92 and the reason we ended up at 4.87. I believe we are positioned to do well over time. If they continue to fall we will lag. We anticipate 2.5% from bonds and cash flow. It is our current position to be near the max weight in equities while managing the fixed income to do well when interest rates rise. The reason to be the max weight in equities is because if equities make 8% and bonds make 2.5 equities will grow faster. On page 16 at the bottom you see Vanguard Total Bond Market. To the right you see a yield of 2.44. This is an index of the overall bond market. If rates stay flat that is what we expect to yield from bonds. If rates rise we will get the 2.44 on what we have invested but the value is going to fall and make the yield lower. That is the reason we have the hedge. We want to try and make the 6.75 with the least amount of risk. We can always choose to make less money and take less volatility. We are trying to get as much meat off the bone as we can.

Hadley asked are there any questions. That is a lot of information. Thank you.

C. Review and Discuss the Asset and Liability Forecast of Chuck Dean, and take action if necessary.

Dean stated first is a summary of articles on public retirement plans. We choose what we thought was most consequential so you could get an idea of what is going on and being discussed. The first item I want to bring to your attention is a discussion via West Virginia about defined benefit type plans versus defined contribution. It argues that the 401(K) plans are not cheaper and are not worth it. Down the column to Milliman 2015 Public Pension Funding Study. Milliman is a consulting firm who studies public retirement plans. This is good for some statistical information. Something to note is the funding ratio on average for the public plans is about 75% at market value. The actuarial value on average is larger in public plans. In the second column A Hedge Fund Sales Pitch Casts a Spell on Public Pensions. California is getting out of hedge funds. The hedge fund you have is straight forward and that's not what they are referring to. On page 2 the first column Five Reasons Why Traditional Pensions Are Still the Best Way to Provide Retirement Security. They list the 5 reason and they are all solid. This is a discussion of why defined benefit plans may be preferable to defined contributions plans. You need to look to see who has written these articles. Some will be advocates and some scholars. There is a difference. Being an advocate doesn't mean you are wrong and if they present proper point and present them right it is okay. Top of column 2 Government Workers Happier with Retirement Plans and other Benefits. This is a big issue for all municipal plans. Government employees are more likely to be satisfied with a retirement plan, health insurance, and vacation benefits. One of the selling points for government jobs is you provide better benefits. One of those benefits is the retirement plan. We are going to have millions of people who are going to retire with a 401(K) plan and that is it. They will have to see if they can stretch it out and outlive their money. It is very hard to make it balance. At the bottom of page 2 there is a discussion on Hybrid Retirement Plans. This is a good article. Page 4 is a finance officer's article. Near the bottom in column 1 Why Some Public Pensions Could Soon Look Much Worse. This has to do with GASB requirements. You have to have GASB 67 in the pension plans financial report and it must include an actuary measurement. In some cases a lower discount rate will be required than what is actually used to fund the plan. In a poorly funded plan it could be quite a bit lower. This will make the liability number look much bigger. An article of great interest to me is right below this one Request for Proposal: Data Cleansing and Validation for Public Pension Plan

Mortality Study/Tables. There is controversy over this article. The society of actuaries builds a mortality table that is used in the private sectors to fund private pensions required by law and regulations. The treasury department is supposed to update those tables from time to time. There was a new tabled developed in 2014 and that table is controversial. There is controversy about the method used to develop the table. Public pension actuaries were not happy and didn't believe it properly reflected public pension type mortality. The new mortality tables have a general version, a blue collar version and a blue collar equally weighted version.

Hadley asked how was it bias.

Dean stated to make the liabilities bigger than they probably should be. It is suppose to be bias free so people will believe it. On page 5 at the top of the second column Recruiting and Retaining High Quality State and Local Workers: Do Pensions Matter? Yes it does matter and it seems to matter considerably as it should. The source for this article is the Center for Retirement Research at Boston College and they are good. It seems to be unbiased and attacks the more important issues. If you would like to look at the full article of any of these I can get those for you. Now let's move to the Actuarial Valuation Report. This is the official evaluation called the funding report. GASB 67 and 68 apply directly to the plan also. GASB 67 may or may not match the funding report. GASB 68 is the rules pertaining to the city's financial statements and how they report the retirement plan. GASB 68 determines a pension expense number which will never match what you contribute. Turn to page 23 of the valuation report. We summarized all the data that was used in the valuation. In the valuation we used all the data on everyone and we make all the calculations that could possibly be made for every active person. We calculate all the probabilities and benefit under the plan that could be paid. There is a disability, vesting, retirement, and early retirement benefit in this. As of July 1 you are paying 222 people and they are receiving an average of $18,000 a year in benefits and payments. If this 222 people didn't have this $18,000 to go with their social security it would make a huge difference in their lives. I like to never lose track that there is some great social good being done by the program. Page 6 looks at assets and we tracked those historically. We do our own calculation of the rate of return for the year ending June 30, 2015. You had a net of expense rate of return of 1.65%. That isn't 6.75% so it doesn't help. The year before was a good year and that helped considerably. Warren did a good job explaining your volatility in an attempt to get a good return. You are going to have to live with some volatility because you just can't do it with bonds. You might think that assets allocations in the public sector are conservative but they are not. Alternatives are a much bigger part of the allocation than they use to be. Alternatives seem to mean real estate. GASB 68 and 67 doesn't have any asset smoothing and we are not using it in the plan. GASB 67 likes to see a lot of historical data. On page 12 is the key funding exhibits and 2015 is the last one. The bottom line goes though and looks at the normal cost which is accruing cost. The normal cost of payroll is actually a little lower than last year. A lot of that is the Tier II people are newer. With the assets going down you have a substantial unfunded liability through your funding basis. For that it requires a city contribution of 15.90% and this is not being contributed. The city contributes 10%. You are short and this will matter in some of the GASB disclosures. There was a change in the plan that was made in 2011 that is a long term cost reducer and it is working. There is more to the story than you pick up in this actuarial valuation. Changing to career averaging makes it less expensive as time goes on. You are moving to a less expensive formula and it is already playing out. Page 13 has some disclosures. GASB 25 is a restatement of the actuarial liability. We show the old measurements of actuarial liability under Projection Unit Credit method which is $75 million. We compared that with the new method of Entry Age Normal which is $80 million. That is the difference in the depreciation scale. They all come out the same but one gets there faster than the other. GASB 67 and 68 require Entry Age Normal. The theory of Entry Age Normal is like whole life insurance. You over pay at the beginning and under pay at the end. Exhibit 6 is the level of employer contributions and the percentage of the required contribution and it has never been 100%. The city has never funded the required amount and GASB 27 says if you didn't fund the actuarial required amount under 30 year funding you have to show it on the city's financial statement. This is a number which is the net pension obligation. If you had been funded in the past you wouldn't need 16% today. The 16% isn't because the plan is expensive it is because it wasn't funded sufficiently. GASB 27 says you should fund a certain amount. If you do then you don't show anything. If you don't then you show the accumulative of deficiencies adjusted for interest and for the double accounting you would otherwise get. We show all those pieces. Page 20 shows the GASB 27 numbers and cumulatively you are about $10.4 million short. Had you funded what the actuarial report said you should you would have $10.4 million more in assets. Your unfunded liability would be that much less. GASB 27 has been erased by GASB 67. GASB 68 says to put the entire unfunded liability on the balance and you will have a different pension expense number that will not match what you are trying to fund. Page 3 is a summary of your plan. We are trying to identify all the cost elements. The highlights are on page 1. The first point we make is the 1.6% rate of return didn't help the funding level. We show several different measurements. One is the funded level of accumulative benefits. Those are benefits people would get if they walked out the door and we aren't projecting pay to be higher. The present value is called the accumulated benefit obligation. The projected benefit obligation is the projected unit credit cost which does project future pay increase and it doesn't try to level anything out. The actuarial approved liability is the funding target for GASB 67 and 68. They are all similar to what they were in 2011. They are a little less than a year ago. You had favorable experience from pure demographics turnover retirement rates and Tier II people. We talked about the normal cost of the plan. The cities portion is 5.14%. That is the cities cost for benefits that are accruing. Everything else in the 15.90% is to pay for the past. We mentioned the unfunded liability went up because you didn't contribute enough and you got the 1.64% of pay. The last bullet is very important. We have written about it because it's not automatically shown in the valuation. It is in regards to Tier I and Tier II. Tier I are those grandfathered under a final average pay. It is as very generous benefit. It is a reason to work for the City of Lawton and a reason to stay. Tier II is not as good. It is an average of career pay. The cost for Tier II is lower than Tier I. Their benefit liability will not increase as fast. Out of 508 active employees 202 are Tier II. You are on track for the career average to work with the small city contribution of 10%. We have always said the city needed to do more. You need more money to justify the 6.7%. It would be beneficial to the plan. GASB 67 is the second report. This report goes to the auditor and can be different than the funding report. Page 1 shows the Net Pension Liability. This is the same number that is in the funding report as the actuarial liability. It is total pension liability under the Entry Age Normal cost. Now we subtract out assets and this is called the Net Pension Liability. In the actuarial report it is called the unfunded liability. Instead of market value of assets the new term is Plan Fiduciary Net Position. This means your assets. In your case the number matches. Then GASB requires a justification of where you got your discount rate. It is using what is called a building block approach by saying we have this percentage of assets that are such and such and the real rate of return for that category is such and such. Then you average it. We are showing an asset allocation of 50% and you are above that now. We show 40% domestic equities, 10% international, 22% fixed income and long term expected real rates of return. The idea is to take the percentages and calculate a real rate of return and then add some inflation. These match the 6.75%. We included 2.5% of inflation and the funding assumption is a little more. It is fairly easy to justify the 6.75%. These real rates of return are historical numbers. It is safer to start with a historical number that you can document. Actuarial groups are excellent at webcast. We webcast all the time and there is some really good stuff. GASB 67 requires we show a sensitive study and this is shown on page 4. In your case there is roughly a 10% swing for a 1% change in discount rate. Page 5 is a schedule that will build and will continue to build until we have 10 years. You are showing the pension liability rolled forward to the beginning of the year to the end of the year. Then you have assets that don't roll forward because there is no assumption involved. The assets at the beginning changed at the end of the year. Your total pension liability at the beginning of the year was $79 million and at the end of the year it was $80 million. This is a favorable demographic experience. Then you show the assets going from $51.5 to $50.9 and the ending net pension liability is at the bottom. Last is page 9. GASB 67 and 68 requires this kind of study or demonstration to figure the discount rate. We said we think we can earn 6.75% going forward. GASB might or might not allow you to use that rate. You are taking the current group of employees and projecting the benefits you are going to pay out to them. We took the assets, city and employee contributions and rate of return with the current group of employees and projected to see if you will run out of money. If you don't great but if you do they say use your 6.7% until the depletion date and then you have to use the municipal bond rate. We did the projects and we also built in the capability of you putting in more money. The number that worked out in this demonstration was $500,000 for 7 years. If the city did this then you could justify the 6.75%. On page 10 we took the current employees and projected retirements, deaths, and turnovers so we would see the number of people declining year by year. Your payroll is declining, average age is getting older, insurance is going up, and average pay is going up. This graph shows the remaining participants. If you maintain a level workforce you are going to add new people sufficient to keep this curve straight across. You have an exhibit for total contribution, assets and what you pay. We projected out to 40 years and we don't show that you run out of money. That is GASB 67 and 68. Something else you have been interested in is Personal Statements. We have a couple of changes we would like to make and then we are ready to print. There will be 2 different statements and they will look like this. One is for career average employees and the other for final average pay employees. The statement has basic data such as hire date, earliest normal retirement date, your vested percentage, your service credit, your pay history and the benefit you have accrued to date. We show if you left on a day certain what your pension and social security would be. There is a lot of retirement plan information. We did the first statement in 2012 and it was an excel data base. We took all that data and built a new data base in the cloud. Now we can do other things if you want. You can log on by using a pin number and do your pension calculations. This will also track rehires. We have everything ready to go but we don't have your 2015 actual pay. I'm working with HR on this information. We need to collect information twice a year. Would this be something you might be interested in?

Hadley stated yes. What is the cost?

Dean stated we just did the City of Edmond and the programming is $6,000 plus or minus $500 and then $250 a month. The City of Lawton might be a little higher because you have more employees.

Bayones asked when do you think you will have these available.

Dean stated as soon as we get an okay from HR. If they will send the 2015 information it will be done in a couple of weeks.

Hadley asked does anyone have any questions.

Motion by Dentler, **Second** by Hill, to accept the actuary report. **Aye**: Hadley; Hill; Livingston; Bayones; Dentler. **Nay**: None. **Motion Passed**.

D. Receive audit report from Finley & Cook and take action if necessary.

Scott stated I'm Maressa Scott with Finley & Cook. This audit was for June 30, 2015. Dean talked a lot about GASB 67 and that is a lot of our report. The audit went very well and staff was great to work with. Looking at the financial statement page 1 and 2 is the independent audit report. This is the most important part of the report. On the top of page 2 is the opinion and we issued an unmodified opinion or clean opinion. We didn't have any issues. Page 3 is the Statement of Fiduciary Net Position. The largest item is investments. US General Acceptance Accounting Principles requires us to show those investments at fair value. That is shown here. The investments did decrease from last year and you will see on the next page it changed the Fiduciary Net Position. The investment income was down considerably and this caused the ending Fiduciary Net Position to be down. That is the most important part of the statement. Page 5 is the notes and it gives a lot of description about the plan. Page 13 carries all the way to page 16. That information is coming directly from the GASB 67 report. At the bottom of page 16 footnote 7 talks about the contingencies and extra contributions that are needed from the city in order to fund the plan. At the back of the report it goes through some exhibits which are mainly from the GASB 67 report. On the bottom of page 20 is the Net Pension Liability Amount. GASB 67 requires we report that number in the plans financial. GASB 68 requires the city to report this amount. Due to investment performance the amount increased from $27.6 million to just over $29 million. There are also a couple of letters that appear with the report. First is The Auditors Communications and the most important thing is on the bottom of page 5. The very last line says we have nothing to report. We don't have any sufficient deficiencies or material weaknesses to report. There is no indication of fraud occurring and no illegal act or noncompliance of the law to report. The last letter is the Auditors Recommendation letter. This report states that we have no significant deficiencies or materials used in internal control that were to be reported. We have made this comment in the past and made it again this year but we feel it is an opportunity to strengthen internal controls by implementing a formal process for achieving long outstanding check to the state. That is all I have.

Hadley stated thank you.

Motion by Hill, **Second** by Bayones, to accept the audit report. **Aye**: Hadley; Hill; Livingston; Bayones; Dentler. **Nay**: None. **Motion Passed**.

E. Consider authorizing John Papahronis with McAfee & Taft to research and determine whether (1) an annual buy back / buy down of employee sick leave would be pensionable, and (2) identify any ancillary legal issues that may affect the pension trust and/or its participants.

Wilson stated the City Manager asked this item be brought to the authority. The city used to cap sick leave hours at 576 and any unused leave would be bought back. That cap was lifted and employees were allowed to accrue unlimited amounts of leave and when they retired they could use the leave as terminal leave. This is causing a liability on the city books so the city is going to introduce an ordinance that will take the current sick leave hours and place them in a historical bank which will be frozen. When you retire any balance in the historical bank can be used as terminal leave. You will be allowed to build your new sick leave hours until you reach 576 and then the city will buy back any hours above the 576. This is a proposal to go back to the way it was. The City Manager has also thought about allowing employees the option of buying down their historic leave as money is available each year. The question has been asked what impact this will have on the pension or tax issues. It was suggested we might want to have Papahronis look at the buyback plan.

Hadley stated if used as terminal leave it impacts the pension because employees are not here and are drawing a paycheck.

Dean stated I would assume it would be service credit like vacation pay.

Hadley stated correct. We want to know what obligation or liability it might create for the pension. We would like a legal opinion from Papahronis.

Livingston asked are we asking if we can or can't do this.

Wilson stated we are asking if he sees any legal issues that would be problematic.

Livingston asked if he states we can do this will we ask for an actuarial evaluation.

Wilson stated that would be an option of the board.

Hill asked is this not considered in the actuarial report.

Dean stated if you had buybacks then it showed in their pay.

Livingston stated I don't believe that was included in their pension.

Dean stated the question is was it pensionable pay or specifically excluded. If it was excluded then it was not a part of your pension or has anything to do with the pension. If it is used like vacation then you will get the service credit and pay. It just extends their retirement date.

Hadley stated the fire department is a different pension but theirs was pensionable.

Livingston stated if you are sick and are gone for 3 months it is pensionable. It's just like receiving a pay check. If you left with 576 hours your time was terminated the day you retired and not 576 hours later.

Hadley stated and the 576 hours were bought back at a formula.

Livingston stated yes and it was not in our pensions.

Dean stated it may or may not be specific in the plan document. This is almost a policy issue. If you give a severance it is not part of the retirement calculation. You should have a written policy and it could be either way.

Hadley stated for the firemen just the annual buybacks were pensionable. I assumed it was for the general employees as well.

Hill asked what are you asking of us.

Hadley stated to pay Papahronis for this legal opinion.

Wilson stated we want to know if Papahronis sees any issues or problems with this proposed ordinance. I did ask about the employees buying down their historical sick leave and he stated it could create a taxable issue.

Hill asked are we the only ones that will be affected by this change. We are taking on the burden and asking our attorney for an opinion. Where does this affect the city? Is it just the pension? I'm confused as to why we are taking on this burden.

Hadley stated I don't know.

Wilson stated it will just affect general employees.

Hill asked does this touch the city or just the pension. Why are we the only ones responsible? Are there other attorneys being asked to do an opinion.

Wilson stated no. If it has no impact on the pension it should be a pretty short answer.

Livingston stated anytime they take issues to a specialist they ask the pension to pay the bill. I think the financial impact will be a lot greater for the city.

Wilson stated you could cap the number of hours for him to do the research.

Motion by Livingston, **Second** by Dentler, to authorize John Papahronis with McAfee & Taft to research and determine whether (1) an annual buy back / buy down of employee sick leave would be pensionable, and (2) identify any ancillary legal issues that may affect the pension trust and/or its participants and he is not to spend more than 8 hours researching the issues. **Aye**: Hill; Livingston; Bayones; Dentler; Hadley**.** **Nay**: None. **Motion Passed**.

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 early retirement of Jonith L. Grundmann.
B. Consider Memo of Information regarding the death of the beneficiary of deceased retiree Hansell E. Doster, Labina Doster.
C. Consider Memo of Information regarding the death of retiree David Baggett.
D. Consider Memo of Information regarding the normal retirement of Robert Lee Johnson.
E. Consider Memo of Information regarding the normal retirement of Allan D. Barber.
F. Consider Memo of Information regarding the death of retiree George C. Dyer.
G. Consider Memo of Information regarding the normal retirement of John Hoffman.
H. Consider Memo of Information regarding the early retirement of Bill Herndon.
I. Consider approval for the paid-in-full judgments to be released from the record.

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

ADDENDUM
BUSINESS ITEMS:

1. Consider approving proposed changes to the Performance Goals section of the Pension Trust Investment Policy providing two options of evaluation criteria of investment portfolio performance by using either the actuarial interest rate assumption of 6.75% or a benchmark based on a blend of 16% Russell 1000 Value, 16% Russell 1000 Growth, 6% MSCI AC World ex US gross, 4%Russell Midcap value, 4% Russell Midcap Growth, 2% Russell 2000 Value, 2% Russell 2000 Growth, 43% Barclays Aggregate Bond, 5% HFRI Fund Weighted Composite and 2% CITI

90 Day Treasury, and by also adding an additional measurement time period of 10 years to this section of the policy.

Hadley stated in April of 2014 our portfolio asset target allocations were change to 50% stock and 50% cash and bonds. At that time we didn't change the performance goals to match that. That is what we are doing here. This proposed change provides 2 options. The interest assumption rate of 6.75 would be one way to measure it or another would be to change the performance goals as they are laid out above. Currently we have in our time period measurement performance 1 year, 3 years and 5 years. This would also add a 10 year evaluation.

Motion by Dentler, **Second** by Hill , to approve proposed changes to the Performance Goals section of the Pension Trust Investment Policy providing two options of evaluation criteria of investment portfolio performance by using either the actuarial interest rate assumption of 6.75% or a benchmark based on a blend of 16% Russell 1000 Value, 16% Russell 1000 Growth, 6% MSCI AC World ex US gross, 4%Russell Midcap value, 4% Russell Midcap Growth, 2% Russell 2000 Value, 2% Russell 2000 Growth, 43% Barclays Aggregate Bond, 5% HFRI Fund Weighted Composite and 2% CITI 90 Day Treasury, and by also adding an additional measurement time period of 10 years to this section of the policy. **Aye**: Livingston; Bayones; Dentler; Hadley; Hill**.** **Nay**: None. **Motion Passed**.

VII. Comments

VIII. Audience Participation

IX. Adjournment

There being no further business the meeting adjourned at 11:05 a.m.

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