

Employee Advisory Committee (EAC)  
Regular Meeting Minutes  
September 13, 2016  
Mayor's Conference Room @ 9:00 a.m.

APPROVED

The meeting was called to order by Franco @ 9:00 a.m.

I. ROLL CALL

MEMBERS PRESENT:

Judy Franco – GIS  
Albert Ozuna – Streets  
Sir Allen (Chew) – Wastewater Collection

Denise Ezell – City Clerk  
Ashley Glaze-Lyle – License & Permits  
David Rolando – Solid Waste Collection

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OTHERS PRESENT:

(@ 9:01) Chase Massie – HR Director  
Jerry Ihler – City Manager  
Michael Swanson – Streets  
Afsaneh Jabbar – Public Works

Courteney Cacho - City Manager's Office  
(@ 9:01) Doug Wells – Councilmember  
Denise Flusche - Library

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MEMBERS ABSENT:

Jorge Stephan Kidd – Building Maintenance  
Scott Golden – MPWTP

Britt Hubbard – Sewer

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2. MINUTES

A) Approval of minutes for August 8<sup>th</sup>:

Motion to approve minutes by Denise Ezell with a second by Sir Allen Ayes: Ezell, Allen, Franco, Glaze-Lyle, Ozuna, Rolando  
Nays: None Motion carried.

3. OLD BUSINESS

A) Health Plan Review Report

Ozuna said it hasn't changed. We are still in the negative.

B) Discussion for Define Contribution Plan:

Franco said we had a special meeting to draft a letter and we wanted to keep our current pension as is. She drafted a letter and sent it to the Mayor, Council, and everyone on board. Flusche is here because she wanted a brief overview of what the plan is. It wouldn't affect our current employees but would give the option for new hirers to put in (3 1/2%) three and a half percent and the City would put in (3 1/2%) three and a half percent. The (6 1/2%) six and a half percent would go into our current pension fund so it would be solvent also but we chose to stay with our current retirement plan.

Flusche asked if the (3.5%) three point five percent was what the City is putting into our pension plan.

Franco answered they'll have a Define Contribution Plan like a 401k.

Flusche asked if it would be a separate plan.

Franco answered yes.

Flusche asked if nothing was going into our current plan to keep it going.

Franco answered (6 1/2%) six and a half percent. The City usually gives out (10%) ten percent per employee which would be (3 1/2) three and a half to our new hirers and (6 1/2) six and a half to our current fund.

Rolando said last Tuesday we talked about some of the Tier (2) two, that we would be able to change.

Massie said he doesn't anticipate that being an option.

Rolando asked if Tier (2) two people could give up their pension for the 401k.

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Massie answered it's not finalized yet and not recommended.

Ozuna said everyone in his division want to leave it just like it is. Don't fix what ain't broke.

Ezell said we need to give a shout-out to Sewer, SSTD, and Sewer Rehab.

Franco said they sent a petition to Council to keep our pension plan as is.

Ezell said they are getting involved and that's what she thinks is exciting.

Franco said they took it upon themselves. Hubbard has done a great job explaining it to them.

Ezell said Golden has done a great job. He has gone out and met with several of his divisions.

Franco said he's been to all of his treatment plants.

Ezell said kudos to those members.

Wells said the statement that Ozuna made was not correct, 'Don't fix what's not broken' because it is broken. Part of the actuary study was for the City to put in an addition (\$500,000) five hundred thousand dollars a year. The City's not able to do that. If it gets healthy we'll delay it right now we're at about (65%) sixty-five percent about a (\$3,000,000) three million dollar shortfall. Everything the actuary says holds true then it would probably be fixed but so far it has not held true. It's not getting fixed right now.

Ozuna said we've made changes.

Wells said only if all of those assumptions are effective does that hold true. Right now those assumptions have not been effective.

Ozuna asked instead of us having a 401k plan, why not ask the general employees to put in another (1) one or (2%) two percent. He would rather do that than have (2) two retirement plans.

Massie said we have a number of employees who are right at the edge based off health insurance premium increases and if we take away from their take-home anymore he thinks we would have people walk out the door. A large number of employees don't see (30) thirty years down the road. They see that they need to pay their bills, feed their kids, or make their house payment. He thinks one of the things that we could recruit is if this changed to bring home (3 1/2%) three and a half percent more in their take-home pay every paycheck. That's what he continues to hear more of in his office.

Ozuna said he understands both sides of it. Ozuna asked if there was a guarantee that the City could sufficiently fund both retirements without shortening one or the other.

Wells answered yes. The one would be funded by itself, the 401k. The City plan would be just as liable as it is right now.

Ihler said the thing to realize is the actuary prepared by Chuck Dean shows with the (6 1/2%) six and a half percent the City still couldn't intend for new employees taking (3 1/2) three and a half and matching that. The (6 1/2%) six and a half percent they put into the Define Benefit, which is what every employee is in, makes it better to a quicker recovery to a (100%) hundred percent if we do nothing.

Wells said it is broken. Will it get better? We all hope that but if it doesn't then all you do is add it to that liability. Every new employee if they stay is going to add to that liability.

Ozuna said we want something that's going to be beneficial to all employees.

Wells said that's why we went with the (8) eight year vesting with current employed vesting (10) ten years and under this plan they would have to be vested (8) eight years.

Ozuna said it's a lot different now than it was (24) twenty-four, (25) twenty-five years ago when he started because a lot of employees come here not to make this a career. So, that's where the 401k would work.

Franco said it's beneficial for the younger generation but after talking to a few employees the older ones who came here are looking for retirement. They're on their (2<sup>nd</sup>) second job and they currently have a 401k but they want something more guaranteed. So there are both sides of it. We are a military town. Once they retire from the military, then work for the City, they want something more stable.

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Wells said he thinks the City is going to lose a lot of those people who came here because of the differences between the (2) two retirement systems. What you're saying to everybody is your retirement is worth (30%) thirty percent less than the current retirees but you're going to pay the same amount of money.

Ozuna he would rather keep this plan but if this is the only way to protect the Define Plan then he doesn't have an issue with it. He just wants everybody protected. Ozuna asked if we are grandfathered into the old plan and the 401k would be for the new hirers.

Rolando answered yes. It's going to go to that eventually. These types of systems are dependent on growth.

Ozuna said to Massie we can't keep raising premiums or asking new employees to contribute more out of their beginning salary to a retirement plan when they are just getting started.

Massie said he looked for (2) two messages that he would be sending. One is to new employees only and the other one is assumptions have not been met for (4) four years now. At what point does the Pension Trust Committee or Council have to make the decision that we have to raise the contribution level for the employees.

Flusche asked if you are trying to save money why vest at (8) eight years instead of (10) ten. Why make that change?

Wells answered because that's their money and it doesn't make any difference.

Flusche said she thought vested meant they only get their contribution.

Wells said they are vesting at (2) two, (4) four, (6) six, and (8) eight.

<u>YEARS VESTED</u>	<u>CITY'S CONTRIBUTION</u>
2	25%
4	50%
6	75%
8	100%

Flusche asked if it was all that they had changed.

Ezell answered for the new plan.

Flusche asked why City funds are being given at (2) two years.

Wells answered we are not saving any money by going to a 401k.

Flusche asked this is contingent on this plan where you had a 401k.

Wells answered right.

Massie said he doesn't know if the goal was ever to save money. It was just to make sure it doesn't continue to rise where we can't afford it.

Wells said let him correct Massie there because his original goal was to save (6 1/2%) six and a half percent so the general fund would have more money to operate on. When the actuary came back and said that would not support the current retirement system he changed his position to what it is now to (3 1/2) three and a half all the way through so we would be able to support current employees and retirees. Some point in the future when we are talking (\$3,000,000) three million dollar shortfall. If we can't make that up and we keep adding to that shortfall all the time then we are going to be in real trouble. The younger employees are the ones who are going to be affected by it.

Allen said a lot of the people he represents want to keep it the same but he knows eventually it's probably going to a 401k. If we raise the original plan (1%) one percent more this was a thought to bring it up to (7.3%) seven point three percent. Then new hires go back to paying (1%) one percent and that's a lot of money taking from them. The biggest fear was when we do go to a 401k is the secured investment.

Wells said when you go to a 401k you are looking at long term averages. Over the years the return on investments has been (8%) eight percent. Is there a short period when it crashes? Yes. If you don't have a good money manager which Massie has a couple that he is talking about, if they panic and pull your money out you're going to lose money for that period of time. You'll make it up eventually but over a period of time.

Allen said that's the fear with a lot of these employees. If they go to that and something like that does happen.

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Wells said they just can't take it out. There's going to be managers handling their money while they are working for the City.

Ihler said it would be the same as the current ICMA that the City has.

Ezell asked if an employee can take that out. Most 401ks you can borrow against it, take a loan against it, or remove it to pay off a house versus her pension she can't take out.

Wells answered yes.

Massie said we would set the rules and we would set it the same as the pension. The difference is one is voluntary and the other is employers contributed. You wouldn't be allowed to take it out until you left.

Wells said there's (3) three differences in the (2) two plans already. Police are capped at (75%) seventy-five percent and City employees are not. We don't pay into Social Security as police and fire employees but we do as general employees. The City is currently putting in (16.25%) sixteen point two five percent for employee retirement. Social Security is (10%) ten percent. The City is broke and we don't have any extra money.

Allen said it comes down to the general employees aren't educated on 401k. If something like this wants to pass then he thinks the City should have a workshop with advisors and people from different corporations talking to all of the employees. Each EAC member is going back and telling their division different things. In order for something like this to pass everybody needs to be educated in one big group so that way everybody is on the same page.

Wells said kind of goes with what was done in 2010 when employees were concerned about their retirement so the rules were changed.

Ezell said the actuary recommended that the pension recommend to Council some changes be made.

Wells said and those were made. You all were in the same category with even the employees who started since then. Worry about your pension not somebody who's coming on board that's going to be (30) thirty years down the road. The City is trying to take care of them with the 401k.

Flusche asked if they could add to a 401k.

Wells answered yes.

Ezell said according to Peters in Payroll they are not allowed to do so here in the City. It was said that Peters wouldn't allow them to do more than (\$18,000) eighteen thousand dollars a year to both.

Franco said with the IRS limit.

Wells said like he explained to Peters in the meeting, if you put more than the IRS limit when you file your taxes you must show what you put into your 401k. If it's more than the maximum amount you're going to pay taxes on that. The Financial Institution is going to keep a record of whether this is 401k money nontax or this is 401k money already tax. That's strictly a Peters' rule.

Ezell said at this point and time the City doesn't allow more than (18,000) eighteen thousand. Wells and she disagree on the actuary. The actuary recommends the City puts (\$500,000) five hundred thousand dollars a year into. The reason why he recommends this over the next (7) seven years is to make it solvent but he also states with the change that was made in 2011 if we give it the opportunity it would do the same thing that a 401k will do. A 401k would do it a little faster than what we are doing at this point and time but both of them reach the same goal. He has recommended since she's been on the Pension Trust Committee that these changes be made and she's been there for at least (10) ten years. Every year his recommendation has been the City needs to put in a little more money. He says the City but he's referring to all of us when he says that. If you take the average we have not missed our mark that much.

Wells said there's one point he looks at that Ezell's not looking at. When we reach that point when we are taking care of current retirees or current employees, (100%) one hundred percent funded then the City has that (6 1/2%) six and a half percent to do something else with.

Ezell said and that's where the savings comes in. In (25) twenty-five to (30) thirty years, they will get that (6.5%) six point five percent back because he is going to recommend that (6.5) six point five stay there until we become (100%) one hundred percent funded. Anytime it drops below (100%) one hundred percent then the (6.5) six point five has to come back.

Wells said so there's a savings to the City and by that token there's a savings to the citizens because they are the ones who are paying all of this.

Ezell said she thinks that's been Wells' goal all along to save money for the City which goes out to the citizens and he's trying not to allow them to encumber more debt.

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Swanson said with the Define Contribution Plan and the 401k, a lot of other companies are allowing (1%) one percent donation and they will match that (1%) one percent up to (3 1/2) three and a half or (5%) five percent. Swanson asked would that be something that would be able to happen with this as well where if the employee only wants to put in (1%) one percent and the City puts in (1%) one percent. If the employee puts in a full (3 1/2%) three and a half percent then the City puts in a full (3 1/2%) three and a half percent.

Wells answered the original proposal was starting at (3%) three percent. Every (4) four years raise it (1%) one percent to a max of (6%) six percent. (3%) three percent would be mandatory. In (4) years you would want to go to (4%) four percent and the City would match that but if you decided not to then the City wouldn't put in an addition (1%) one percent. Because of the actuary study, he threw that out and went with the (3 1/2) three and a half and (6 1/2) six and a half. Sometime in the future when we are (100%) one hundred percent funded, could the City increase what they would match? Yes.

Swanson asked what if an employee wanted to put in (1%) one percent or (2%) two percent.

Wells answered he guess that could be an option in the future, we only match what they put in. He would hate to see that happen because he would really like to see employees have the opportunity to have something build up when they get to (59 1/2) fifty-nine and a half, (60) sixty years old.

Swanson said other companies that he worked for allowed you to change your withholding at open enrollment season. He was thinking if that would be something the City would try.

Wells said not as a starting point. We'll make it a mandatory (3 1/2) three and a half because we are also concerned about employees having a retirement fund when they get there.

Jabbar said the study itself with the numbers; she hasn't been able to draw a picture. Based on the assumptions that Wells has made and policies that were put into place she didn't see it in this study. (48) Forty-eight almost (49%) forty-nine percent never reach retirement. (34%) Thirty-four percent reach retirement. (20%) Twenty percent are the ones who are vested for (12) twelve years and they leave. If we are trying to make payment to that (34%) thirty-four percent solvent by reducing that (48%) forty-eight percent Wells is not going in the right direction. The step that Wells is taking is counter productive. Their contribution helps the (34%) thirty-four percent. She doesn't see the trend. The cost of service increases. By providing an incentive to leave earlier, she's spending more than that trying to train the person working for her. She has to have people who have had at least (10) ten to (12) twelve years of experience to be more efficient and more productive for the services that she provides.

Wells said let's talk about (52) fifty-two and (35) thirty-five. Yes, you can retire before (62) sixty-two but if you do you have a (25%) twenty-five percent penalty on your retirement. Every year under (62) sixty-two you get a (5%) five percent penalty since you have (25) twenty-five years of service.

Jabbar said the City still has to pay the monthly pension payment.

Wells said unless things have changed, he doesn't know anyone who keeps employees long term unless it's administrative positions. The proposal is being made because younger people want a 401k they can take with them. The proposal is for is to protect current employees who are in the system at the same time reducing cost to the citizens and making more funds available for the City Managers to have to operate with. If you continue the current system you continue building liability and that's not going to change. At some point do the employees and the citizens have to contribute more to insure that plans healthy and does the City have the funds? The (600,000) six hundred thousand we just put into the health plan had to be cut from some place else because there wasn't any spare money. That means something else we intended to spend money on this year is not going to get spent because we had to use it over here.

Jabbar said she agrees we have to do something but she doesn't know that this is the one thing that will solve the problem because there are so many factors that goes into it. Jabbar asked which factor has a more solvency on the fund.

Wells said the (49%) forty-nine percent Jabbar talked about when they leave they take their money out and when they're vested they take the City's money out. Whether they were vested or not they leave and get an interest rate on their money. So they are pulling money out of the retirement system.

Jabbar asked if they can take out their portion.

Wells answered plus interest if you're under (10) ten years of service. If they are over (10) ten years of service they can take their money plus the City's money.

Ihler said back in 2011 when we made the change from Tier (1) one to the Tier (2) two he believes there were (8) eight different alternatives. They looked at a majority of what Jabbar has been addressing from increasing benefits of the City, decreasing benefits of the employees and

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causing the City to pay additional, both paying additional, or reducing the entire plan which we ended up doing but for new hirers. The point that needs to be highlighted here is we're not reducing the amount the City is putting in right now. When Wells talks about saving in the future, it's probably (30) thirty, (40) forty years away at least until the current work group gets through and out of their retirement. We have the millennial group coming in and they don't stay more than (4) four years and if they stay (5) five years that's a long time at one job. When they move they want to pick up and take their money. We want to protect the existing plan. The goal is to maintain the integrity the system of when they came to work for the City of Lawton. We made changes in 2011 and reduced that but the people who came to work at that time knew exactly what they were getting into and it's still better than most employers. We can't continue to fund it. Since 2011, it's all based off of assumptions, (6.75) six point seven five, we haven't met that. If we continue in that trend over the next (5) five years we're going to be down again and we'll be coming back asking for another percent. Another thing is they're not going to stay where they're going to work. We are trying to accommodate changes because everybody has a different mindset. Everybody wants to take their money with them so as a recruiting tool you're going to make (2.3%) two point three percent more than the guy that started yesterday in the old plan.

Massie said and from a retention tool, if they stick it out for one more year, (75%) seventy-five percent as oppose to (50%) fifty percent.

Jabbar said there are other municipalities that are offering higher salaries than the City of Lawton so those people who are waiting for the (10) ten or (12) twelve years this could be a recruiting tool but not a retention tool.

Massie disagreed.

Ezell said we voted last week. We've made our stand and Wells made his. She suggests that we move on. If you want to be at Council tonight, she asks that you be there because that's when the deciding factor is going to be made. Wells has been very good to the EAC. He has supported us dearly this year and she appreciates that. When Wells first proposed this (3) three years ago she thought it was a horrible proposal. He has refined his proposal to where if it passed she believes she'll be able to live with it because he is trying to do what's right. We aren't going to vote on it again.

Wells said the Pension Trust Committee was against it but would be ok with giving (6 1/2%) six and a half percent and the EAC is against it. He will mention that. He doesn't know if it will pass and hasn't talked to anyone else about it. He honestly believes it's the best thing for employees who are here now.

### 4. NEW BUSINESS

#### A) Nepotism Policy:

Massie said this is not a big change it's just a clean up. Right now our City Charter and City Code don't really line up as far as the Nepotism policy. It's confusing for people to read. We took this to Jensen in Legal and asked his thoughts on it. Jensen said the charter is what we go by when we make decisions. All this is doing is matching the code with the charter so it eliminates any confusion.

Ezell said in her opinion City Code has the best policy. She would ask to take it to the people to vote which is something we should have caught this time around. Next time they bring the Committee together for City Code they should go in and ask that that change be made.

Massie said he talked to Wilson the City Attorney. The code is a little clearer as far as what you can and cannot do. The charter is basically stating as a director he cannot hire a family member as City Council, City Manager, and so forth. The confusion has come where another director can potentially hire his or another director's family member. The code really goes against that. We've had questions come up when people read the code and the charter but Jensen said we will go by the charter.

Wells asked if the Committee thinks the code is better.

The Committee agreed.

Ezell said it just defines it a little more. It gives Massie a better idea of what you can and cannot do.

Massie said the code reads:

{No person related within the third degree of affinity or consanguinity (marriage or blood) to the mayor, a member of the city council, city manager, assistant city manager or similar position or department directors shall be appointed to any office, position or clerkship or other service of the city, either on a full-time or part-time basis.}

We just want to make it clear that here's the charter and this is what we are going to go by. The next time we have charter changes maybe we take a look at the nepotism policy to make sure that it's clear if we want to change it in any way.

Wells asked what the charter read.

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Massie answered charter reads:

{Neither the city manager, the mayor, the council, nor any department head of the city government, may appoint or elect any person related to the mayor or any councilmember, to the city manager, or to himself}

Ezell said it's something when the time comes it needs to be looked at.

Well said you don't want to stop someone from being able to work where that department director doesn't have any influence.

Massie said that's correct and that's not the intent. This is just to clarify.

Motion to approve policy by Denise Ezell with a second by Judy Franco Ayes: Ezell, Allen, Franco, Glaze-Lyle, Ozuna, Rolando  
Nays: None Motion carried.

### B) Suggestions for Lake Use:

Franco said we know the City rents out the pavilions out there and if it's a possibility to allow employees to use it for a day without payment. Employees heard about our insurance going up but wanted to know if the City Manager would approve it. Instead of using City bucks, as long as it wasn't a holiday or an event wasn't happening but was approved to use it as a gift for a day. They aren't going to stay overnight.

Ihler said we'll look into it. He just had a meeting with the City Attorney about waiving fees.

Franco said it would be for employees to use group areas for family gatherings but they're not allowed to stay there overnight. They asked the Committee to put something together for the Lake house that's at Lake Ellsworth if the members could tell their employees it is available. They can sign up. It's (48) forty-eight hours. They haven't had anybody use it in quite sometime.

Rolando said his people are telling him that place is in such disrepair.

Franco said as a Committee maybe we need to volunteer to help.

Rolando said they don't bother to stay in it. They just put their tent in the front yard.

Franco said maybe we should do a helping-hand, go out there and help fix it up.

Ezell said she knows the air conditioner wasn't working. She believes Russell Assistant City Manager went out and fixed the air conditioner because it wasn't working. She believes it has window units. Everybody who picks the key up brings it back and talks about how much of a disarray that it is in.

Rolando said his people said they would rather go get it so they would have a place to put their tent in the yard opposed to staying in the house.

Franco said maybe that's something to think about to help give back to the employees.

### 5. COMMUNICATION/DISCUSSION

Rolando said he would like to bring up some old business since he wasn't here last month. The last day City bucks he tried to use them to get a fishing license downstairs in License and Permits and was told he could use them there.

Glaze-Lyle said you have to go to Lakes. We do sell fishing license but when the City bucks went into effect we just never took them because Lakes took them.

Ezell asked if there was somehow License and Permits could do it. She doesn't know what the confusion is and why they cannot be used downstairs.

Franco said you sign the back of your City bucks, write a note to Lakes and letting them know you want a license through distribution. They will send you a license through distribution.

Rolando asked if you have to sign over the City bucks to that department to actually use them.

Franco answered no; you just have to sign the back of it.

Ezell asked Massie if it all comes back to him.

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Massie answered no.

Ezell asked who keeps track of whether it's been used or not.

Massie answered Smith in the HR office. They pick the City bucks up from his office.

Franco said you can call Lakes telling them you need a license and you want to use your City bucks. You'll sign the back of it, send it over there, with a copy of your driver's license, and they will write you a ticket and send it out through distribution. They are closed after 3pm.

Rolando asked if there was any way to use City bucks here in City Hall. Is there anyway to make that happen? There's got to be a policy in place that says City Hall doesn't take them or not to take them. Is there a way to change that?

Ezell asked is it because the department doesn't allow it.

Ihler answered he doesn't know. He would need to talk to Wellhouse in License and Permits to see what the reasoning is.

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Ezell said chili cook-off is Friday and we don't have enough chili to feed employees. Allen has the hotdogs and chips.

Rolando said he's talked to his guys but just like many of the City functions they don't get to attend because of their work schedule.

Glaze-Lyle asked if anyone signed up for dessert.

Ezell answered we have a couple dessert. (4) Four or (5) five signed up for chili and (2) two or (3) three signed up for desserts. If we have the turnout like we had at the Meet & Greet we are not going to have enough food to feed.

Franco asked if we have judges.

Massie said he doesn't know who the judges are but you may struggle because the State of the City is at the same time Friday and that's where they'll be.

Ezell said she wants Ihler's wife to be one of the judges.

Ihler said he will check with her.

Massie said he will deliver everything on the list probably sometime tomorrow.

Rolando asked what time Friday.

Franco answered 11am to 1pm.

Glaze-Lyle asked if the desserts are getting judged too.

Franco answered yes. Massie will have all of the prizes.

### 6. ADJOURNMENT

Motion to adjourn by Denise Ezell and 2<sup>nd</sup> By Albert Ozuna. Motion Carried  
Meeting Adjourned at 10:12a.m.