

# **METROPOLITAN LIBRARY COMMISSION OF OKLAHOMA COUNTY**

## **LIBRARY RETIREMENT PENSION BOARD AGENDA**

Members: Penny McCaleb, Chair  
David Greenwell, Vice-Chair  
Hugh Rice, Disbursing Agent  
Donna Morris, Interim Executive  
Director  
Jim Welch, Deputy Director of  
MLS/Information Technology  
Anne Hsieh, Director of Finance

Monday, August 19, 2002  
3:30 p.m.

Asset Services Company  
5101 N. Classen Suite #600  
Oklahoma City (843-7046)

NOTE: Comments from the general public will be limited to 15 minutes with time pro-rated among speakers. Preference will be given residents of Oklahoma County. Persons signing up to address the committee must list their residential address and personally sign a speaker form.

- I. Call to Order and Establishment of Quorum - Penny McCaleb, Chair
- II. Approval of Minutes of May 1, 2002 meeting
- III. Actuarial Report: Annual Valuation as of July 1, 2002 - Presented by Ken Culver, President, FBD Consulting, Inc.
  - Explanation of "Smoothing" process
- IV. Recommendation for the Metropolitan Library System's contribution to the Pension Fund for FY 2002 - 2003
- V. Quarterly Review of Investments: April 1, 2002 to July 31, 2002 - Presented by Asset Services Company. Handouts will be provided at meeting.

cc: Metropolitan Library Commission  
Administrative Team  
Darlene Browers, President, Staff Association  
Agency and Department Heads  
Ken Culver, President, FBD Consulting, Inc.  
David Durrett, Library Endowment Trust, Treasurer

**METROPOLITAN LIBRARY COMMISSION**  
**SERVING OKLAHOMA COUNTY**

**LIBRARY RETIREMENT PENSION BOARD**

**MINUTES**

DATE: Wednesday, May 1, 2002      TIME: 3:30 PM

MEETING PLACE: Asset Services Company

5101 N. Classen, Suite # 600

Oklahoma City, OK

(405) 843-7046

Written public notice of the time, date and place of this meeting was given to the County Clerk of Oklahoma County, March 8, 2002. Notice of the time, date, place, and agenda for this meeting was posted by the Secretary of the Commission in prominent public view at the Downtown Library, 131 Dean A. McGee Avenue, Oklahoma City, on April 24, 2002, in conformity with the Oklahoma Open Meeting Act.

**PRESENT:**

Penny McCaleb, Chair, Metropolitan Library Commission  
Norman L. Maas, Executive Director, Metropolitan Library System  
Anne Hsieh, Director of Finance, Metropolitan Library System  
Jim Welch, Deputy Director of MLS/Information Technology

**EXCUSED:**

David Greenwell, Vice-Chair, Metropolitan Library Commission  
Hugh Rice, Disbursing Agent, Metropolitan Library Commission

**ALSO PRESENT:**

Andrew Junkin, Financial Consultant, Asset Services Company  
Chap Williams, Consultant, Asset Services Company  
Ken Culver, President, FBD Consulting, Inc.  
Laura Tallant, Staff Association Representative  
Lori Kane, Executive Assistant

- I. The meeting was called to order at 3:25 pm by Mrs. Penny McCaleb, Chair.

Roll was called to establish a quorum. Present: Hsieh, Maas, Welch, McCaleb.

- II. Mrs. McCaleb acknowledged Mrs. Laura Tallant, Metropolitan Library System's Staff Association representative, and thanked everyone for attending.
- III. Mrs. McCaleb presented the first agenda item, Approval of Minutes of the February 5, 2002 meeting.

A motion to approve the minutes for the February 5, 2002 meeting as presented was made by Mrs. Hsieh. Mr. Jim Welch seconded. After discussion the motion passed unanimously.

- IV. Mrs. McCaleb called on Mr. Andrew Junkin, Financial Consultant with Asset Services Company to present the First Quarter Investment Review for the period ending March 2002, of the Library Retirement Pension Trust.

Mr. Junkin reviewed the printed report. This report shows the performance of the trust's Large Cap Equities, Small Cap Equities, International, and Fixed Income investments by individual sections. This report covers each individual allocation accounts performance and the responsible managers' performance. Asset Services monitors, reviews, and recommends, based on progress of performance to the Library Retirement Pension Board in the form of this quarterly report. This printed report is evolving as the needs and questions from the board are expressed and met.

Mr. Junkin began the review with page one of the report. Performance Report Period Ending March 2002. This page shows the overall performance of the trust broken down by allocation type and manager.

The "Total Fund" portion shows the overall return by the pension fund is 1.04%. Given the current economic environment, in which the fund operated, the resulting returns are good.

<u>Total Fund</u>	<u>1<sup>st</sup> Quarter 2002</u>
BOK	0.78%-----Fixed Income, Mutual Funds
Todd Investment Advisors	3.49%-----Large Cap Value
Windham Capital Management	-0.75%-----Large Cap Growth


Mr. Junkin reviewed the report by each section. After questions and answers there was discussion.

Mr. Junkin summed up the review. The asset allocation of the plan is in line with the design plan for the fund. The two separate equity managers, Windham and Todd, are both doing what Asset Services believes to be a good job. Bank of Oklahoma Trust continues to do a good job on the fixed income and the mutual funds are performing well. It is good to report that the Pension Fund investments are performing the way they should be performing.

Mrs. McCaleb asked Mr. Junkin to add to page one of the report the actual dollar amounts that are in each account, and to add a Summarization Report from the Pension Funds Asset Services Financial Consultant. The Summarization Report should summarize all individual accounts and managers performances, and have a section with explanations and recommendations.

V. Mrs. McCaleb thanked Mr. Junkin for his review.

VI. There being no further business, the meeting adjourned at 4:20 p.m.



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Norman Maas, Executive Director  
(Secretary)

**METROPOLITAN LIBRARY SYSTEM**

**PENSION PLAN**

**ANNUAL VALUATION**

**JULY 1, 2002**

## INTRODUCTION

This report contains a detailed description and the results of a valuation of the Metropolitan Library System Pension Plan as of July 1, 2002. The purpose of the valuation is to:

1. set forth the financial condition of the Plan;
2. determine the level of the company's contribution for the July 1, 2002 through June 30, 2003 Plan Year;
3. provide information for tax and accounting purposes.

In completing the Valuation and subsequent Actuarial Certification, we have relied on the following sources:

The Plan: This valuation was based upon copies of the Plan originally effective July 1, 1969, restated effective July 1, 1994 on March 30, 1994 and most recently amended effective April 1, 1997 on March 11, 1997.

Employee Data: This valuation is based upon the employee data provided to us by the Plan Sponsor.

Asset Information: This valuation was based upon asset values provided to us by Bank of Oklahoma Trust Company.

In an effort to determine the funded status of the plan for termination liability purposes, the plan assets are compared with the present value of accrued benefits:

1. Current plan assets (market value)	12,813,064
2. Present value of accrued benefits	11,444,768

The present value of accrued benefits is based on the plan's definition of actuarial equivalence which is 8% interest and UP84 mortality. This produces a benefit security ratio of 112%.

This report has been prepared in accordance with generally accepted actuarial principles and practices. It is based on financial and employee information (neither of which has been audited by us) furnished as specified above. The contents of this report are believed to comply with the section of ERISA as reflected in IRS Code Section 412 (C)(3) requiring that "actuarial assumptions must be reasonable".

*Michael N. Bettis*

Michael N. Bettis, A.S.A.  
Actuary

*July 31, 2002*

Date

## CONTRIBUTION REQUIREMENTS

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The contribution is based upon the actuarial assumptions proposed by the Plan's Enrolled Actuary, and as input into the system as plan specifications.

If the Employer contribution is made on February 1, 2003, the amount is \$ 950,722. The estimated employee contributions for the 2002 plan year are assumed to be \$ 188,799.

## ACTUARY'S COMMENTS

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The valuation asset method has been changed from market value to a smoothed market value.

Prior to the change in asset valuation method, the Employer's dollar amount normal cost has increased from \$ 890,203 last year to \$ 1,185,568 this year. The Employer normal cost percentage has increased from 15.63% in the prior valuation to 18.46% in the current valuation.

The plan's investment rate of return for the year ending June 30, 2002 was approximately a negative 6.83%. This compares to an assumed rate of return of 7%. This produced a loss of approximately \$ 1,859,000. The overall experience loss was approximately \$ 2,129,000.

The average salary increase for participants included in both the current and prior year valuation was approximately 7.15%. The actuarial assumption for salary increases was 5% for the prior year.

After the change in asset valuation method, the Employer's dollar amount normal cost decreased from \$ 1,185,568 to \$ 913,424. The Employer normal cost percentage decreased from 18.46% to 14.23%.

As we mentioned last year, the mortality assumption should be revised to a newer table that reflects improved mortality experience. If the change had been made this year, the Employer's dollar amount normal cost would have increased from \$ 913,424 to \$ 1,404,118. Rather than reflect the entire mortality improvement in one year, the improvement could be phased in over two three-year intervals.



## TOP HEAVY TEST

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IRC Section 416 added by TEFRA (Tax Equity and Fiscal Responsibility Act) provides that Top Heavy Plans must comply with certain vesting requirements, provide a minimum benefit to non-key employees, comply with a limitation on compensation in determining benefits, and other requirements.

Any plan (or group of plans) providing more than 60% of its aggregate accumulated benefits or account balances to "key employees" is considered to be Top Heavy.

When calculating the amounts to determine if the 60% test is met, aggregate distributions made to an employee or his beneficiary under the plan during the five year period ending on the determination date, must be taken into account. However, if an individual has not been employed at any time during the five year period, their present value and/or distribution shall not be taken into account.

A key employee would be defined as an employee who during the plan year or any of the four preceding plan years is any of the following:

- 1) an officer of the employer having annual compensation greater than \$ 70,000 [2001],
- 2) owns more than a 5% interest.
- 3) owns more than a 1% interest and has annual compensation from the employer of more than \$150,000.

The Plan has no key employees.

METROPOLITAN LIBRARY SYSTEM  
PENSION PLAN  
STATEMENT OF NET ASSETS  
JULY 1, 2002

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ASSETS

Cash:

Cash on Hand \$0

Money Market 760,401

Receivables:

Employer Contribution 0

Accrued Income 78,082

Due from Brokers 135,236

Government Securities 4,618,644

Corporate Obligations 521,085

Equities 7,121,950

Total Assets 13,235,398

LIABILITIES:

Benefit Payments 632

Due to Brokers 421,702

Total Liabilities 422,334

NET ASSETS \$12,813,064

METROPOLITAN LIBRARY SYSTEM  
PENSION PLAN  
STATEMENT OF INCOME  
JULY 1, 2001 THROUGH JUNE 30, 2002

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INCOME

Contributions

Employer \$926,553

Employee 196,178

Investment Income:

Interest 280,991

Dividends 129,525

Accruals 775

Unrealized Gains (713,277)

Realized Gain (543,077)

Miscellaneous Income 2,498

Total Income 280,166

EXPENSES

Lump-Sum Benefits 57,150

Monthly Income Payments 535,100

Trust Fees 40,861

Investment Management Fees 34,371

Foreign Taxes 385

Total Expenses \$667,867

NET INCOME (387,701)

Beginning Assets, July 1, 2001 13,200,765

Ending Assets, June 30, 2002 12,815,064

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

Support Documents

VALUATION AS OF 7/1/2002

MLS Retirement Pension Board

August 19, 2002

DETERMINATION OF SMOOTHED MARKET VALUE

	July 1,			
	1998	1999	2000	2001
Fair Market Value	11,676,050	12,764,389	13,466,171	13,200,765
Contributions	676,660	675,645	890,606	1,122,731
Benefit Payments	(415,906)	(460,533)	(515,863)	(592,250)
Interest at 7.0%	820,146	897,980	951,930	940,464
Subtotal	1,080,900	1,113,092	1,326,673	1,470,945
Expected Value end of plan year	12,756,950	13,877,481	14,792,844	14,671,710
Fair Market Value end of plan year	12,764,389	13,466,171	13,200,765	12,813,064
Gain(Loss)	7,439	(411,310)	(1,592,079)	(1,858,646)
Interest on Contribution	18,451	20,971	28,188	37,643
Weighted Benefit Payments	(223,275)	(235,695)	(269,860)	(303,322)
Smoothed Market Value				12,813,064
			4/5	1,486,917
			3/5	955,247
			2/5	164,524
			1/5	(1,488)
				15,418,264
Market Value Range				
Minimum				10,250,451
Maximum				15,375,677

METROPOLITAN LIBRARY SYSTEM PENSION PLAN  
DEFINED BENEFIT PENSION PLAN SPECIFICATIONS  
AND ACTUARIAL ASSUMPTIONS

EFFECTIVE DATE	JULY 1, 1969
VALUATION DATE	JULY 1, 2002
MONTHLY PENSION	2.5% OF MONTHLY COMPENSATION MULTIPLIED BY YEARS OF BENEFIT SERVICE FROM THE DATE OF HIRE TO THE NORMAL RETIREMENT DATE  - TOTAL BENEFIT SERVICE NOT TO EXCEED 32 YEAR(S).
ELIGIBILITY REQUIREMENTS	(A) MINIMUM MONTHS OF SERVICE: NONE (B) MINIMUM AGE: NONE (C) MAXIMUM AGE: NONE (D) PARTICIPANT ENTERS PLAN ON FIRST OF THE MONTH COINCIDING WITH OR FOLLOWING COMPLETION OF ELIGIBILITY REQUIREMENTS
NORMAL RETIREMENT AGE	(A) 1ST OF MONTH FOLLOWING ATTAINMENT OF AGE 62 OR 5 YEARS OF PARTICIPATION, IF LATER. (B) ELIGIBILITY FOR EARLY RETIREMENT: ATTAINMENT OF AGE 50 AND 20 YEARS OF SERVICE
FUNDING PROVISIONS	(A) AGGREGATE FUNDING (B) AUXILIARY FUND DEPOSITS
SALARY AVERAGING	AVERAGE HIGH 5 CONSECUTIVE SALARIES NUMBER OF YEARS TO CONSIDER: 10 USE HISTORICAL SALARIES FOR ACCRUAL

07-24-2002



METROPOLITAN LIBRARY SYSTEM PENSION PLAN  
DEFINED BENEFIT PENSION PLAN SPECIFICATIONS  
AND ACTUARIAL ASSUMPTIONS

ACTUARIAL ASSUMPTIONS

PRE-RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: UP 84
- (C) SALARY SCALE: 5%
- (D) TURNOVER: T5

POST RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: UP 84
- (C) FEMALE MORTALITY: UP 84

ACTUARIAL EQUIVALENCE

POST RETIREMENT

- (A) INTEREST: 8%
- (B) MORTALITY: UP 84

PRESENT VALUE OF  
ACCRUED BENEFIT

PRE-RETIREMENT

- (A) INTEREST: 8%
- (B) MORTALITY: UP 84

POST RETIREMENT

- (A) INTEREST: 8%
- (B) MORTALITY: UP 84

CURRENT LIABILITY

PRE-RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: UP 84
- (C) SALARY SCALE: 5%
- (D) TURNOVER: T5

POST RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: UP 84
- (C) FEMALE MORTALITY: UP 84

07-24-2002

## ACTUARIAL FUNDING METHOD

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### Calculation of the Contribution Limitations

The Aggregate Actuarial Cost Method has been used. Under the Aggregate Actuarial Cost Method, the Normal Cost is the excess of the actuarial present value of total benefits over valuation assets funded as a level percentage of expected future earnings of all active participants. Any actuarial gains or losses are automatically reflected in the Normal Cost.

### Calculation of the Actuarial Present Value of Accrued and Vested Benefits

The actuarial method used to determine the actuarial present value of accrued benefits (both vested and non-vested) was the Unit Credit Actuarial Method. Accrued benefits payable at the assumed retirement age based on service at the valuation date were calculated for all active participants included in the valuation. Accrued benefits for inactive participants were calculated based on actual benefits earned and were the same as the benefit valued to determine the Contribution Limitation.



VALUATION AS OF 07/01/02

Support Documents  
MLS Retirement Pension Board  
August 19, 2002

## PARTICIPANT COUNT FOR FORM 5500:

(a) ACTIVES		(b) RECEIVING BENEFITS	50
(i) FULLY VESTED	112	(c) ENTITLED TO FUTURE BENEFITS	14
(ii) PARTIALLY VESTED	0		
(iii) NONVESTED	89	(d) SUBTOTAL [(a)(iv)+(b)+(c)]	265
(iv) TOTAL	201	(e) BENEFICIARIES	0
		(f) TOTAL [(d)+(e)]	265

07-24-2002

METROPOLITAN LIBRARY SYSTEM PENSION PLAN  
 7/1/02  
 AGE - SERVICE DISTRIBUTION

-----COMPLETED YEARS OF SERVICE-----

AGE	<1	1	2	3	4	5	6	7	8 TO 15	16 TO 29	>29	TOT.	AVERAGE SALARY	TOTAL SALARY
0-24	1	0	0	0	0	0	0	0	0	0	0	1	33499	33499
25-29	1	10	0	0	0	0	0	0	0	0	0	11	25562	281186
30-34	3	5	2	2	1	1	1	0	1	0	0	16	25937	414986
35-39	2	4	1	2	3	1	1	0	7	0	0	21	32070	673468
40-44	4	5	3	3	1	0	2	0	3	8	0	29	30047	871367
45-49	3	1	3	2	6	4	4	0	4	13	0	40	29938	1197512
50-54	2	3	0	3	2	2	1	1	14	18	1	47	39772	1869283
55-59	1	3	0	1	0	1	0	1	7	9	0	23	37065	852504
60-64	0	1	0	1	2	1	0	1	1	2	2	11	36377	400146
>64	0	1	0	1	0	0	0	0	0	0	0	2	27102	54203
TOTALS	17	33	9	15	15	10	9	3	37	50	3	201	33075	6648154

STATUS	NUMBER IN GROUP	M	F	SUMMARY			TOTAL SALARY	EXCESS SALARY
				AGE	AVERAGE SERVICE	SALARY		
ACTIVE	170	35	135	46.9	10.7	33497	5694512	139652
NEW ENTRANT	25	9	16	38.9	0.8	29062	726553	0
ACT.-FROZ.	0	0	0	.0	.0	0	0	0
POSTPONED	6	1	5	63.3	13.0	37848	227087	22648
TOTALS	201	45	156	46.4	9.6	33075	6648152	162300

Support Documents  
MLS Retirement Pension Board  
August 19, 2002

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

REPORT AS OF 07/01/2002

EMPLOYEES ELIGIBLE FOR NORMAL RETIREMENT WITHIN 18 MONTHS

			NORMAL		CURRENT
			RETIREMENT		ACCRUED
NAME	BORN	EMPLOYED	DATE	STATUS	BENEFIT
CAROLYN S. ABERNATHY	08/03/1939	01/01/1978	09/01/2001	ACTIVE	2,099
MARILYN R. BARNETT	05/19/1940	08/20/1981	06/01/2002	ACTIVE	1,009
DARLENE S. BROWERS	04/03/1938	09/16/1996	10/01/2001	ACTIVE	261
MARCIA J. EDGECOMB	05/05/1940	10/05/1998	11/01/2003	ACTIVE	135
HELEN F. HARRELL	10/16/1938	10/13/1997	11/01/2002	ACTIVE	234
KARYN J. MILLER	11/14/1939	08/24/1987	12/01/2001	ACTIVE	1,451
CAROL MOODY	01/08/1934	10/05/1998	11/01/2003	ACTIVE	165
DONALD F. UPDEGROVE	04/19/1938	06/26/1995	07/01/2000	ACTIVE	765
MARY A. ANDERSON	07/17/1941	06/04/1984	08/01/2003	INACTIVE	1,010

Support Documents  
MLS Retirement Pension Board  
August 19, 2002

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

REPORT AS OF 07/01/2002

EMPLOYEES ELIGIBLE FOR EARLY RETIREMENT WITHIN 18 MONTHS

			EARLY		CURRENT
			RETIREMENT		ACCRUED
NAME	BORN	EMPLOYED	DATE	STATUS	BENEFIT
RUGENA L. BLONNER	09/19/1949	07/01/1982	07/01/2002	ACTIVE	902
ERNESTINE F. CLARK	02/28/1944	07/01/1982	07/01/2002	ACTIVE	2,817
ROSEMARY A. CZARSKI	12/18/1947	09/13/1982	10/01/2002	ACTIVE	1,762
DENYVETTA DAVUS	07/26/1949	11/22/1982	12/01/2002	ACTIVE	2,026
EVELYN K. DAVIS	01/20/1944	05/27/1980	06/01/2000	ACTIVE	1,709
RONNA C. DAVIS	01/19/1951	07/19/1982	08/01/2002	ACTIVE	1,635
PRISCILLA M. DOSS	09/12/1948	08/01/1972	09/12/1998	ACTIVE	3,299
PAMELA K. KOSTED	08/25/1948	11/04/1975	08/25/1998	ACTIVE	1,668
KAREN L. MARRIOTT	09/28/1950	09/06/1977	09/28/2000	ACTIVE	3,456
DONNA L. MORRIS	11/16/1949	06/01/1969	11/16/1999	ACTIVE	5,215
MARY J. PATTON	02/04/1942	09/01/1971	02/04/1992	ACTIVE	3,019
FRANCIE L. PENDLETON	08/13/1948	10/01/1973	08/13/1998	ACTIVE	1,702
RICHARD E. REA	05/16/1949	02/16/1982	03/01/2002	ACTIVE	2,574
EDWARD N. TERRY	08/21/1942	04/04/1966	08/21/1992	ACTIVE	2,767
JUDITH A. WALDEN	09/15/1949	02/01/1977	09/15/1999	ACTIVE	3,316
URSULA A. WARD	01/05/1949	07/01/1982	07/01/2002	ACTIVE	1,601
JIMMY C. WELCH	06/28/1947	01/01/1973	06/28/1997	ACTIVE	4,828
SHARON S. WENZL	12/23/1945	09/13/1982	10/01/2002	ACTIVE	958
BARBARA J. WILLIAMS	12/17/1945	06/03/1974	12/17/1995	ACTIVE	2,227

# METROPOLITAN LIBRARY SYSTEM PENSION PLAN

VALUATION AS OF 7/1/2002

Support Documents  
MLS Retirement Pension Board  
August 19, 2002

## SUMMARY OF ACTUARIAL VALUATION

1 Total Present Value of Benefits	25,768,340
2 Actuarial Asset Value	15,375,677
3 Present Value of Future Employee Contributions	1,791,513
4 Present Value of Future Normal Cost = 1 - 2 - 3	8,601,150
5 Average Temporary Annuity Factor	9.416387
6 Normal Cost @ Beginning of Year	913,424
7 Normal Cost @ 1/31/2003	950,722
8 Current Compensation	6,421,065
9 Normal Cost % = 6/8	14.23%

**METROPOLITAN LIBRARY SYSTEM'S CONTRIBUTION TO PENSION FUND**

The Metropolitan Library System's contribution to the retirement fund each year is based on the recommendation of our plan administrator, FBD Consulting Inc. This year the recommended amount is \$950,722 which is very close to last year's \$926,553. In a time of downturn market, the unusually small increase is due to the fact that the valuation asset method has been changed from market value to a smoothed market value.

The Metropolitan Library System Administration recommends that the Metropolitan Library System's contribution to the retirement fund to be \$950,722, payable by February 1, 2003 as recommended. This amount will be included in the final budget to be presented to the Commission for approval on August 29, 2002.

**PROPOSED ACTION:**

That the Metropolitan Library System's contribution to the retirement fund for FY 2002-03 shall be \$950,722, payable around February 1, 2003.