

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, Acting Executive Director
Jim Welch, Deputy Director of MLS/Information Technology
Anne Hsieh, Director of Finance

Monday, November 11, 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 August 19, 2002, meeting
- III. Plan update for compliance with GUST (General Agreement on Tariffs and Trade; Uniformed Services Employment and Reemployment Rights Act of 1994; Small Business Job Protection Act of 1996; Taxpayer Relief Act 1997), and EGTRRA (The Economic Growth and Tax Relief Reconciliation Act of 2001) - Presented by Ken Culver, FBD Consulting, Inc. Documents will be provided at meeting.
- IV. Quarterly Review of Investments: July 1, 2002 to September 30, 2002, - Presented by Asset Services Company. Documents will be provided at meeting

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

METROPOLITAN LIBRARY COMMISSION
SERVING OKLAHOMA COUNTY

LIBRARY RETIREMENT PENSION BOARD

MINUTES

DATE: Monday, August 19, 2002 TIME: 3:30 PM
MEETING PLACE: Asset Services Company
5101 N. Classen, Suite # 600
Oklahoma City, OK 73112
(405) 843-7046

Written public notice of the time, date and place of this meeting was given to the County Clerk of Oklahoma County, August 5, 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 August 10, 2002, in conformity with the Oklahoma Open Meeting Act.

PRESENT:

Penny McCaleb, Chair, Metropolitan Library Commission
David Greenwell, Vice-Chair, Metropolitan Library Commission
Anne Hsieh, Director of Finance, Metropolitan Library System
Jim Welch, Deputy Director of MLS/Information Technology

EXCUSED:

Hugh Rice, Disbursing Agent, Metropolitan Library Commission
Donna Morris, Acting Executive Director Metropolitan Library System

ALSO PRESENT:

Tony Bumpas, Asset Services Company
Andrew Junkin, Financial Consultant, Asset Services Company
Ken Culver, President, FBD Consulting, Inc.
Darlene Browers, Metropolitan Library System, Staff Association President
Laura Tallant, Metropolitan Library System, Staff Association Representative
Lori Kane, Executive Assistant

I. The meeting was called to order at 3:30 pm by Mrs. Penny McCaleb, Chair.

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

II. Mrs. McCaleb acknowledged Mrs. Laura Tallant, Metropolitan Library System's Staff Association Representative, Ms. Darlene Browsers, Metropolitan Library System's Staff Association President, and thanked everyone for attending.

III. Mrs. McCaleb presented the first agenda item, Approval of Minutes of the May 1, 2002, meeting.

Mr. Jim Welch moved to approve the Minutes of the May 1, 2002, meeting as presented. Mrs. Anne Hsieh seconded. After discussion, (Mr. David Greenwell abstained because he was not at May 1, 2002, meeting.) one vote no, three votes yes, motion passed.

IV. Mrs. McCaleb called on Mr. Ken Culver, President, FBD Consulting, Inc., to present the Actuarial Report: Annual Valuation as of July 1, 2002.

Mr. Culver stated that 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 set forth the financial condition of the Plan and to determine the level of the library system's contribution for the July 1, 2002, through June 30, 2003, Plan Year.

The Plan's assets as of June 30, 2002, (market value) are \$12,813,064, and when compared with accrued benefits produces a benefit security ratio of 112%. The recommended contribution is based upon the actuarial assumptions used by the Plan's Actuary, and is input into the system as plan specifications. If the Employer contribution is made on February 1, 2003, the amount is \$950,722.

The report has changed the asset valuation method from market value to a smoothed market value and as a result of this change, the Employer normal cost percentage decreased from 18.46% to 14.23%. Without the smoothing method being applied, the contribution amount would have been \$1,185,568. Eventually the plan will have to make that up, the desire is to smooth the gyrations of the investment market value.

The Plan's investment rate of return for the year ending June 30, 2002, was approximately -6.83%. This compares to an assumed rate of return of 7%. 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% a year.

Mr. Culver reviewed the demographics of the Metropolitan Library System's workforce. The active participants in the plan have an average age of 46.9 and an

average service of 10.7 years. New entrants average age is 38.9. There are 37 people who have completed 8 to 15 years of service and 50 people who have completed 16 to 29 years of service. The largest groups are from age 50-54 with 14 people having completed 8 to 15 years of service and 18 people who have completed 16 to 29 years of service. This has not changed much from last year's figures.

As was 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 years, using a 3-year averaging formula. Mr. Culver recommended the change be made starting next year. Questions and discussion ensued.

After discussion, Mr. Culver thanked the board for allowing another year of their association and stated that they treasure the relationship and look forward to hopefully, many more years. Mrs. McCaleb thanked Mr. Culver for his detailed explanation of the Actuarial Report and of the smoothing process.

V. Mrs. McCaleb called for a motion on the board action item - *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 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 market downturn, 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.

Mr. Greenwell moved that the Metropolitan Library System's contribution to the retirement fund for FY 2002-2003 shall be \$950,722, payable around February 1, 2003. Mrs. Hsieh seconded. After discussion, motion passed unanimously.

VI. Mrs. McCaleb called for agenda item V the Quarterly Investment Review for the period ending June 2002, of the Library Retirement Pension Plan presented by Asset Services Company.

Mr. Tony Bumpas, Consultant for Asset Services Company, thanked the Board for the opportunity to serve. He also stated that the markets have been difficult, however they are pleased with the diversification of the fund, and as the Board will

see in the report, there are some silver linings as well. Also, two pages have been added to the Quarterly Investment Review. One is a summary page (page 23) and the other is a break out of all expenses for the Plan from the investment vantage point (page 24). Mr. Andrew Junkin, Consultant for Asset Services, will go over these in detail as he presents the Quarterly Investment Review. Mr. Bumpas asked Mr. Junkin to present the review.

Mr. Junkin reviewed the printed report. This report shows the performance of the Fund'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 Company monitors and reviews accounts, and makes recommendations to the Library Retirement Pension Boards in the form of this quarterly report, based on progress of performance.

Mr. Junkin restated that the second quarter was an extremely difficult quarter, with the US Market down over 13 percent. By comparison bonds did very well, up 3 ½ percent. International stocks also did quite well.

Mr. Junkin began the Metropolitan Library Retirement Pension Plan fund review with Asset Services Company's Investment Review Second Quarter 2002 report page 23 – *Highlighted Performance Statistics June 30, 2002*.

This report summary shows that the Total Market Value for the Fund as of June 30, 2002 was \$12,642,979. The total fund return for the second calendar quarter was -5.30%, which performed slightly better than the policy index of -5.79%.

The asset allocations at the end of the second quarter are Equity at 55.08%; Fixed at 39.75%; Cash at 5.17% which is off the target allocations of Equity at 60%, Fixed at 39%, and Cash at 1%. The allocation difference was due to Windham Capital Management getting caught in-between purchases and sales at the end of the quarter, making the cash allocation of 5.17% artificially high and the Equity of 55.08% artificially low. Asset Services Company, due to asset allocation swings, is not recommending changes at this point.

Windham Capital Management (Large Cap Growth) outperformed the index for the second quarter and has outperformed the index year-to-date.

Todd Investment Advisors (Large Cap Value) under performed the index for the second quarter and year-to-date due to the market's performance, overall the large cap value is still in good standing.

The Mutual Fund's Franklin Templeton (Small Cap Growth) and American Century (International Large Cap Growth) under performed the index for the second quarter and year-to-date. The Mutual Fund's Neuberger Berman (Small Cap Value) under performed the index for the quarter but has outperformed the index year-to-date.

The Mutual Fund's American Advantage (International Large Cap Value) outperformed the index for the second quarter and year-to-date.

Bank of Oklahoma Fixed Income outperformed the index for the second quarter and year-to-date.

Mr. Junkin stated that on page 24, *Fee Summary YTD 2002*, dollar amounts shown are for January 2002 through June 2002. This is as all-inclusive as possible, showing the investment management fees, investment consulting fees, trustee services fees, pension payroll services fee, and mutual fund management fees. The fees as a percentage of the assets in the accounts for the first half of the year, are 0.41% (\$51,364).

Mr. Junkin summed up the review by stating the good news, which is that the diversification of money managers and investments that this Board has put into place is working. Asset Services Company is still comfortable with the managers. Despite poor absolute-performance, they are pleased with the relative-performance. Of note is the fact that in two different quarters, first and second quarters for this calendar year, the library's pension fund investments outperformed their market indices. Asset Services Company states there are no changes recommended at this time. Questions and discussion followed.

Mrs. McCaleb thanked Mr. Junkin for his review.

VII. There being no further business, the meeting adjourned at 4:45 p.m.

Respectively submitted,

A handwritten signature in cursive script that reads "Lori A. Kane". The signature is written in dark ink and is positioned above a horizontal line.

Lori A. Kane
Executive Assistant