

**METROPOLITAN LIBRARY COMMISSION
OF OKLAHOMA COUNTY**

LIBRARY RETIREMENT PENSION BOARD

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

Thursday, February 5, 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 November 1, 2001 meeting
- III. Margaret Bell, Partner and Director of Marketing, Todd Investment Advisors, Inc.
- IV. Quarterly Review of Investments – Presented by Asset Services Company for 4th quarter September 30, 2001 – December 31, 2001. Handouts will be provided at meeting.
- V. Other

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

METROPOLITAN LIBRARY COMMISSION
SERVING OKLAHOMA COUNTY

LIBRARY RETIREMENT PENSION BOARD

MINUTES

DATE: November 1, 2001 TIME: 3:30 PM
MEETING PLACE: Asset Services Company
5101 N. Classen, Suite #600
Oklahoma City, OK
(843-7046)

Written public notice of the time, date and place of this meeting was given to the County Clerk of Oklahoma County August 16, 2001. 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 October 30, 2001 in conformity with the Oklahoma Open Meeting Act.

PRESENT:

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

ALSO PRESENT:

Darlene Browsers, Staff Association President
Tony Bumpas, Financial Consultant, Asset Services Company
Donna Morris, Deputy Director of MLS for Support Services
Chap Williams, Consultant, Asset Services Company
Ken Culver, President, FBD Consulting, Inc.
Lori Kane, Executive Assistant

EXCUSED:

Hugh Rice, Disbursing Agent, Metropolitan Library Commission

- I. Penny McCaleb, Chair, called the meeting to order at 3:35 PM and roll was called to establish a quorum. Library Retirement Pension Board Members present: Greenwell, Hsieh, Maas, Welch, and McCaleb.
- II. Mrs. McCaleb called for a motion to approve the minutes of the August 30, 2001 meeting. David Greenwell moved to accept the minutes of the August 30, 2001 meeting. Jim Welch seconded the motion. Motion passed unanimously.
- III. Mrs. McCaleb introduced Ken Culver, President, FBD Consulting, Inc., to present the Actuarial Report of Annual Valuation as of July 1, 2001.

Mr. Culver stated his report was a detailed description, and the results of, a valuation of the Metropolitan Library System Pension Plan as of July 1, 2001. He said that the purpose of the valuation is to set forth the financial condition of the Plan; determine the level of the company's contribution for the July 1, 2001 through June 30, 2002 Plan Year; and provide information for accounting purposes. The current plan assets (market value) are \$13,200,765. The present value, as of July 1, 2001, of accrued benefits produces a benefit security ratio of 127%. If this report was done on November 1, 2001 the report would not look as good. There has been a loss in plan assets and the report is based on interest rates that have changed. He did say that still, all in all, the Plan is in a very favorable position. Mr. Culver said that the contribution requirement is based upon the actuarial assumptions proposed by the Plan's Enrolled Actuary, and has input into the system as plan specifications. If the Employer contribution is made on February 1, 2002, the amount is \$926,553.

Mr. Culver said that the plan's investment rate of return for the year ending June 30, 2001 was approximately a -4.71%. The average salary increase for participants included in both the current and prior year valuation was approximately 6.28%. The actuarial assumption for salary

increases was 5% for the prior year. The Metropolitan Library System is consistently increasing salaries at 6%. This discrepancy is causing some loss to the plan. Mr. Culver suggested in light of the significant asset loss this year, it might be appropriate to use an "asset smoothing" method for next year. Smoothing is an averaging, losses are not noticed as fast, but gains are not noticed as fast either. This requires Library Retirement Pension Board approval because it is a change in actuarial world cost method. He does not recommend smoothing at this time, but does suggest looking at smoothing at the March/April meeting. It will depend on how the assets are going at that time. If there is a problem, there is always the option to put in less money. The year normal cost is 15.63% of compensation. Mr. Culver suggested budgeting 20% next year. Anne Hsieh, Director of Finance, said that the Metropolitan Library System's contribution increase could be as high as 25-30%. Mr. Culver offered the option, if the board decides, to pass any of the burden onto the employees. The board has the authority to do this.

Mr. Culver said to ask the actuary, Michael N. Bettis, A.S.A., to smooth before he finalized the report for next year. There are two or three possible scenarios: ask for a sample run before July 1, 2002 evaluation; have input on possible changes before it is finalized; look at the market in March/April to consider how strongly to consider smoothing.

Mr. Culver looked at the demographics of the Metropolitan Library System workforce. There are three categories with double-digit figures – 8 to 15 and 16 to 29 years of service; 45-49 years of age and 50-59 years of age. That is a significant part of the workforce. The Plan needs to have mid-range employee planning.

Questions followed. Mr. Culver explained that the numbers reflect the total payroll. He explained that every time there is a change in the assumption there is a gain or loss. Depending on the funding method, which is called an aggregate, the gain or loss is spread out among the average working lifetime participant. There is a balance between new hires and the turnover and mortality tables. There were questions

concerning "smoothing." Mr. Culver explained that if MLS does not smooth it would take the budget % to the 20% range. If MLS does smooth, then it would not have to be done all at once. It will not be known if smoothing is needed until June 30, 2002. It depends on the market performance. Mr. Culver explained smoothing to be taking an average of three years and calculating assets. In the long run MLS will pay the full price, but will be increasing at a smaller percentage scale.

Mr. Culver brought up one other miscellaneous item. The IRS is having all retirement plans rewritten. It was suppose to happen in 1998. The IRS is right now approving the language for the rewrite. The plan must be rewritten by the end of the 2001 plan year, i.e. June 30, 2002. Mr. Culver said he would be bringing a recommendation at a later date as far as the plans go. If he could have a letter from the board telling him to execute the writing of the new plan, he could receive a 12-month extension from the IRS. David Greenwell moved to allow Norm Maas, Anne Hsieh, or some member of the Commission to execute or sign a letter from Ken's firm that will grant us another 12-month extension. Anne Hsieh seconded. Motion passed unanimously.

Mr. Culver thanked the board for letting him continue to serve them. Mrs. McCaleb thanked Mr. Culver for his very thorough explanation of the Actuarial Report.

- IV. It was explained that 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 \$926,553. The Metropolitan Library Commission has already approved an amount of \$927,000 in Account 113 of FY 2001-2002 budget for this contribution. Anne Hsieh moved that the Metropolitan Library System's contribution to the retirement fund for FY 2001-2002 shall be \$926,553, payable around February 1, 2002. Norm Maas seconded. Motion passed unanimously.

V. Mrs. McCaleb introduced Tony Bumpas, Financial Consultant, Asset Services Company. Mr. Bumpas welcomed the Library Retirement Pension Board to Asset Services Company offices. Mr. Bumpas presented the Quarterly Review of Investments for the 3rd quarter, June 30, 2001 – September 30, 2001.

Mr. Bumpas stated that the market has been in a difficult situation and worsened after September 11, 2001. Bonds fared well, but Equity had no place to hide. On a positive note, since 9/11 all major indices that were weak are now back to pre-9/11 levels, showing the resiliency of our markets.

Mr. Bumpas noted that assets from Bank of Oklahoma (BOK) were transitioned at the end of September 2001.

In the total account summary, Mr. Bumpas said that at the end of September the Fair Market Value was \$10,348,647. The diversification was good and the plan has held up well versus the Policy Index. The Plan is close to the target allocation, with 1.2% of the total in Cash; 36% in Fixed Income; and 62.8% in Equity. Target is 1% in Cash; 39% in Fixed Income; and 60% in Equity.

In the Equity summary it was noted that BOK under-performed. The Franklin Small-Mid Cap Growth (Small Growth) had a trailing twelve months at -50.3%. It will be very closely monitored and Mr. Bumpas will recommend replacement if it continues to under perform, although it has been a good long-term performer.

Mr. Bumpas noted that BOK has done a good job in relation to Fixed Income Growth. The trailing twelve months show a +13.3% in comparison to the Lehman Govt/Credit Intermediate Index of +13.0%. Fixed Income is right on top of the indices. It has provided a buffer during these difficult times. Mr. Bumpas said he was comfortable with the allocations that are in place.

The Fundamental Analysis reports the sector weightings. The Plan is under-weighted in consumer staples and over-weighted in Financials. The other sector weightings were very close to the S&P 500.


Mr. Bumpas then went into greater detail on the Large Cap Equities, the Small Cap Equities, International Equity and Fixed Income.

Mr. Bumpas reminded the Board that next quarter the reporting will be with the new money managers. There will probably be some redeployment of core assets.

Mr. Bumpas thanked the Board for the opportunity to play an important role in the Metropolitan Library System's Library Retirement Pension Board. Mrs. McCaleb thanked Mr. Bumpas for his report and for letting the Board use Asset Service's conference room.

The next meeting will be after the end of the next quarter, December 31, 2001. Meeting was set for Tuesday, February 5, 2002 at 3:30 p.m. at Asset Services Company's offices.

The meeting adjourned at 4:45 PM.



Norman Maas, Executive Director
(Secretary)