

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, Executive Director
Jim Welch, Deputy Director of MLS/Information Technology
Lloyd Lovely, Director of Finance

Wednesday, November 10, 2004
3:30 p.m.

Belle Isle Library
5501 N. Villa
Oklahoma City (843-9601)

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 3, 2004 meeting
- III. Actuarial Report: Annual Valuation as of July 1, 2004 presented by: Ken Culver, President, FBD Consulting, Inc.
- IV. Recommendation for the Metropolitan Library System's contribution to the Pension Fund for FY 2004 – 2005
- V. Discussion: Pension Plan analysis

cc: Metropolitan Library Commission
MLS Administrative Team
MLS Managers and Supervisors
President, MLS Staff Association
Laura Tallant, Staff Association Representative
Ken Culver, President, FBD Consulting, Inc.
Asset Services Company
Bank of Oklahoma, Trustee Services
Library Endowment Trust, Treasurer

METROPOLITAN LIBRARY COMMISSION OF OKLAHOMA COUNTY

LIBRARY RETIREMENT PENSION BOARD

MINUTES

Wednesday, November 3, 2004 at 3:30 p.m.
Belle Isle Library
5501 N. Villa
Oklahoma City, OK 73112
(405) 843-9601

Written public notice of the time, date, and place of this meeting was given to the County Clerk of Oklahoma County, on September 2, 2004. 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, and the Belle Isle Library, 5501 N. Villa, Oklahoma City, on November 1, 2004, in conformity with the Oklahoma Open Meeting Act. § 311.

PRESENT:

Penny McCaleb, Chair, Metropolitan Library Commission
David Greenwell, Vice-Chair, Metropolitan Library Commission
Lloyd Lovely, Director of Finance, Metropolitan Library System
Donna Morris, Executive Director, Metropolitan Library System

EXCUSED:

Hugh Rice, Disbursing Agent, Metropolitan Library Commission
Jim Welch, Deputy Director of Metropolitan Library System for Information Technology

ALSO PRESENT:

Ken Culver, President, FBD Consulting, Inc.
Andrew Junkin, Financial Consultant, Asset Services Company
Cassaundra Frost, Financial Consultant, Asset Services Company
Neil M. McCarthy, OFI Institutional Asset Management
Lori Kane, Executive Assistant

AUDIENCE ATTENDANCE: 5

I. The meeting was called to order at 3:34 pm by Mrs. Penny McCaleb, Chair.

Roll was called to establish a quorum. Present: Greenwell, Lovely, Morris, McCaleb.

II. Mrs. McCaleb presented agenda item II- Approval of Minutes of the August 5, 2004 meeting.

The minutes were approved unanimously as presented.

III. Mrs. McCaleb called on Mr. Neil McCarthy, OFI Institutional Asset Management to present agenda item III.

Mr. McCarthy presented investment data as of October 31, 2004 on the funds OFI Institutional manages for the Pension Plan.

The presentation consisted of a general overview of OFI Institutional organization and the investment team, its investment process, a portfolio analysis/performance, an economic, market, and energy outlook, and a Portfolio Appraisal report.

Mr. McCarthy detailed the portion of the Pension Plan funds managed by OFI Institutional, as of October 31, 2004 as follows:

Stocks	99.7%
Cash Equivalent	0.3%
Market Value	\$3,510,236
Current Yield	1.3%
Estimated Income	\$ 46,296

Mr. McCarthy asked for questions and discussion followed.

IV. Mrs. McCaleb called on Mr. Junkin to present agenda item IV – Quarterly Review of Investments.

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 Board in the form of this quarterly report, based on progress of performance.

Mr. Junkin summarized the Library Retirement Pension Plan fund's review for the third quarter ending September 30, 2004; he stated the Total Market Value

for the Fund at the end of the quarter was \$16,022,123. The total fund return for the quarter was 0.31%, which outperformed the policy index of 0.04.

The asset allocations at the end of the third calendar quarter are Equity at 58.99%; Fixed at 39.65%; Cash at 1.36%. The target allocations are Equity at 60%, Fixed at 39%, and Cash at 1%.

WINDHAM CAPITAL MANAGEMENT/OFI INSTITUTIONAL ASSET MANAGEMENT (Large Cap Growth) outperformed the index for the third quarter and year-to-date.

TODD INVESTMENT ADVISORS (Large Cap Value) underperformed the index for the third quarter and year-to-date.

Bank of Oklahoma's invested **Mutual Funds** performed as follows:

FRANKLIN TEMPLETON (Small Cap Growth) outperformed the index for the third quarter and year-to-date.

NEUBERGER BERMAN (Small Cap Value) underperformed the index for the third quarter yet has outperformed year-to-date.

AMERICAN ADVANTAGE (International Large Cap Value) underperformed the index for the third quarter and year-to-date.

iSHARES (Core International Index) outperformed its index for the third quarter but has underperformed year-to-date. An indexed fund works to mimic the index of its universe, and for this fund the index benchmark is the Morgan Stanley Core International Europe, Australasia and the Far East (MSCI EAFE.)

The **Fixed Income** managed by BOK underperformed the index for the third quarter yet has outperformed year-to-date.

Based on the third quarter review ASC has recommended that they notify Todd Investment Advisors that it will be placed on a two-quarter performance watch. Questions and discussion followed.

Mr. Lloyd Lovely moved to accept the recommendation of ASC to notify Todd Investment Advisors that they will be on a two-quarter performance watch. Mr. David Greenwell seconded. No further discussion. Motion passed unanimously.

V. There being no further business, the meeting was adjourned at 5:04 p.m.



Donna Morris, Executive Director
(Secretary)

METROPOLITAN LIBRARY SYSTEM

PENSION PLAN

ANNUAL VALUATION

JULY 1, 2004



INTRODUCTION

This report contains a detailed description and the results of a valuation of the Metropolitan Library System Pension Plan as of July 1, 2004. 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, 2004 through June 30, 2004 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, most recently amended effective April 1, 1997 on March 11, 1997 and restated December 12, 2002.

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

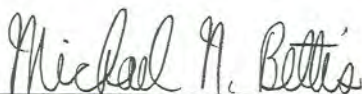
Asset Information: This valuation was based upon asset values provided to us by Bank of Oklahoma, N.A.

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:

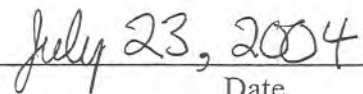
1. Current plan assets (market value)	16,144,193
2. Present value of accrued benefits	14,061,334

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 115%.

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, A.S.A.
Actuary



Date

CONTRIBUTION REQUIREMENTS

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, 2005, the amount is \$ 1,573,250. The estimated employee contributions for the 2004 plan year are assumed to be \$ 218,147.

ACTUARY'S COMMENTS

The Employer's dollar amount normal cost has increased from \$ 1,374,555 last year to \$ 1,511,529 this year. The Employer normal cost percentage has increased from 20.33% in the prior valuation to 21.45% in the current valuation.

The plan's market value investment rate of return for the year ending June 30, 2004 was approximately 10.81%. The plan's actuarial value investment rate of return for the year ending June 30, 2004 was approximately 1.12%. This compares to an assumed rate of return of 7%. This produced a loss of approximately \$ 964,000. The overall experience loss was approximately \$ 1,127,000. This loss includes part of the previously unrecognized investment losses that were incurred during the past four years.

The average salary increase for participants included in both the current and prior year valuation was approximately 4.82%. The actuarial assumption for salary increases was 5% for the prior year.

METROPOLITAN LIBRARY SYSTEM
PENSION PLAN
STATEMENT OF NET ASSETS
JULY 1, 2004

ASSETS

Cash:

Cash on Hand \$0

Money Market 243,131

Receivables:

Employee Contribution 0

Accrued Income 101,924

Due from Brokers 0

Government Securities 5,162,218

Corporate Obligations 997,595

Equities 9,647,590

Total Assets 16,152,458

LIABILITIES:

Benefit Payments 0

Due to Brokers 8,265

Total Liabilities 8,265

NET ASSETS \$ 16,144,193

METROPOLITAN LIBRARY SYSTEM
PENSION PLAN
STATEMENT OF INCOME
JULY 1, 2003 THROUGH JUNE 30, 2004

INCOME

Contributions

Employer \$ 1,430,683

Employee 215,415

Investment Income:

Interest 235,203

Dividends 155,549

Accruals 29,845

Unrealized Gains 1,358,450

Realized Gain (170,512)

Miscellaneous Income 241

Total Income 3,254,874

EXPENSES

Lump-Sum Benefits 12,186

Monthly Income Payments 587,792

Trust Fees 37,332

Investment Management Fees 51,844

Interest Expense and Foreign Tax 3,412

Total Expenses \$692,566

NET INCOME 2,562,308

Beginning Assets, July 1, 2003 13,581,885

Ending Assets, June 30, 2004 16,144,193

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

EFFECTIVE DATE	JULY 1, 1969
VALUATION DATE	JULY 1, 2004
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

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

MAXIMUM SALARY MAXIMUM CURRENT SALARY: \$ 200000
MAXIMUM PROJECTED SALARY: \$ 200000

TYPE OF ANNUITY LIFE AND 2 YEARS CERTAIN

ACCRUED BENEFIT FRACTIONAL RULE BASED ON SERVICE.
FULLY ACCRUED AFTER 32 YEARS.
EFFECTIVE DATE: JULY 1, 1969

VESTING SCHEDULE	YR.	%	YR.	%	YR.	%
	---	---	---	---	---	---
	1	0	3	0	5	100
	2	0	4	0	6	100
	VESTING BASED UPON TOTAL SERVICE					

TOP HEAVY STATUS THIS PLAN HAS BEEN DETERMINED NOT TO BE
TOP-HEAVY FOR THE CURRENT PLAN YEAR

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

ACTUARIAL ASSUMPTIONS

PRE-RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: GAM83 (MALE)
- (C) FEMALE MORTALITY: GAM83 (FEMALE)
- (D) SALARY SCALE: 5%
- (E) TURNOVER: T5

POST RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: GAM83 (MALE)
- (C) FEMALE MORTALITY: GAM83 (FEMALE)
- (D) MALE SETBACK: -1 YEARS
- (E) FEMALE SETBACK: -4 YEARS

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

07-21-2004

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

CURRENT LIABILITY

PRE-RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: GAM83 (MALE)
- (C) FEMALE MORTALITY: GAM83 (FEMALE)
- (D) SALARY SCALE: 5%
- (E) TURNOVER: T5

POST RETIREMENT

- (A) INTEREST: 7%
- (B) MORTALITY: GAM83 (MALE)
- (C) FEMALE MORTALITY: GAM83 (FEMALE)
- (D) MALE SETBACK: -1 YEARS
- (E) FEMALE SETBACK: -4 YEARS

07-21-2004

ACTUARIAL FUNDING METHOD

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.

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

VALUATION AS OF 07/01/04

PARTICIPANT COUNT FOR FORM 5500:

(a) ACTIVES		(b) RECEIVING BENEFITS	53
(i) FULLY VESTED	134	(c) ENTITLED TO FUTURE BENEFITS	13
(ii) PARTIALLY VESTED	0		
(iii) NONVESTED	75	(d) SUBTOTAL [(a)(iv)+(b)+(c)]	275
(iv) TOTAL	209	(e) BENEFICIARIES	0
		(f) TOTAL [(d)+(e)]	275

METROPOLITAN LIBRARY SYSTEM PENSION PLAN
7/1/04
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	1	0	0	0	0	0	0	0	0	2	17612	35224
25-29	2	3	3	2	0	0	0	0	0	0	0	10	28265	282649
30-34	1	2	2	6	0	1	1	0	1	0	0	14	25958	363419
35-39	2	1	1	0	4	3	3	2	6	1	0	23	33651	773963
40-44	3	2	2	4	2	2	0	0	3	3	0	21	33781	709393
45-49	3	0	3	4	2	0	4	1	7	16	0	40	34587	1383472
50-54	1	3	3	3	1	3	4	4	6	13	0	41	37118	1521855
55-59	0	1	0	3	0	1	1	2	11	13	5	37	42292	1564801
60-64	0	0	1	2	0	1	1	0	2	5	2	14	36092	505288
>64	0	0	0	2	0	1	1	1	0	2	0	7	36092	252647
TOTALS	13	12	16	26	9	12	15	10	36	53	7	209	35372	7392710

STATUS	NUMBER IN GROUP	M	F	SUMMARY			TOTAL SALARY	EXCESS SALARY
				AGE	AVERAGE SERVICE	SALARY		
ACTIVE	184	41	143	47.3	11.1	36232	6666673	149262
NEW ENTRANT	16	6	10	38.3	0.7	23752	380030	0
ACT. - FROZ.	0	0	0	.0	.0	0	0	0
POSTPONED	9	1	8	64.8	18.3	38445	346006	12446
TOTALS	209	48	161	47.4	10.6	35372	7392708	161708

680

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

REPORT AS OF 07/01/2004

EMPLOYEES ELIGIBLE FOR EARLY RETIREMENT WITHIN 18 MONTHS

	EARLY		CURRENT
	RETIREMENT		ACCRUED
EMPLOYED	DATE	STATUS	BENEFIT
06/04/1984	07/01/2004	ACTIVE	1,956
09/18/1978	09/01/2002	ACTIVE	2,221
07/01/1982	07/01/2002	ACTIVE	3,476
09/13/1982	10/01/2002	ACTIVE	2,131
11/22/1982	12/01/2002	ACTIVE	2,503
05/27/1980	06/01/2000	ACTIVE	1,940
07/19/1982	08/01/2002	ACTIVE	1,940
08/01/1972	09/12/1998	ACTIVE	3,822
05/06/1985	08/01/2005	ACTIVE	1,221
07/08/1985	08/01/2005	ACTIVE	1,724
01/04/1984	02/01/2004	ACTIVE	1,217
09/16/1980	05/01/2004	ACTIVE	1,977
11/04/1975	08/25/1998	ACTIVE	1,885
01/22/1985	02/01/2005	ACTIVE	1,244
09/01/1976	06/01/2004	ACTIVE	1,596
09/06/1977	09/28/2000	ACTIVE	4,140
11/01/1984	11/01/2004	ACTIVE	841
06/01/1969	11/16/1999	ACTIVE	6,359
01/16/1984	02/01/2004	ACTIVE	2,340
10/01/1973	08/13/1998	ACTIVE	1,933
05/21/1984	06/01/2004	ACTIVE	1,987
02/16/1982	03/01/2002	ACTIVE	3,086
10/01/1978	10/01/2004	ACTIVE	2,733
02/01/1977	09/15/1999	ACTIVE	4,094
07/01/1982	07/01/2002	ACTIVE	1,912
01/01/1973	06/28/1997	ACTIVE	5,576
09/13/1982	10/01/2002	ACTIVE	1,132
06/03/1974	12/17/1995	ACTIVE	2,599

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

REPORT AS OF 07/01/2004

EMPLOYEES ELIGIBLE FOR NORMAL RETIREMENT WITHIN 18 MONTHS

	NORMAL		CURRENT
	RETIREMENT		ACCRUED
EMPLOYED	DATE	STATUS	BENEFIT
01/01/1978	09/01/2001	ACTIVE	2,562
08/20/1981	06/01/2002	ACTIVE	1,231
09/16/1996	10/01/2001	ACTIVE	429
09/22/1997	02/01/2004	ACTIVE	419
10/13/1997	11/01/2002	ACTIVE	348
10/31/1988	12/01/2005	ACTIVE	821
10/30/2000	11/01/2005	ACTIVE	234
08/24/1987	12/01/2001	ACTIVE	1,829
10/05/1998	11/01/2004	ACTIVE	282
09/01/1971	03/01/2004	ACTIVE	3,460
09/25/2000	10/01/2005	ACTIVE	243
07/17/2000	08/01/2005	ACTIVE	257
04/04/1966	09/01/2004	ACTIVE	2,875
09/04/1984	12/01/2005	ACTIVE	1,014
01/02/1981	02/01/2005	INACTIVE	1,242

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

VALUATION AS OF 7/1/2004

DETERMINATION OF SMOOTHED MARKET VALUE

	July 1,			
	2000	2001	2002	2003
Fair Market Value	13,466,171	13,200,765	12,813,064	13,581,885
Contributions	890,606	1,122,731	1,155,266	1,646,098
Benefit Payments	(515,863)	(592,250)	(633,194)	(599,979)
Interest at 7.0%	951,930	940,464	910,776	982,160
Subtotal	1,326,673	1,470,945	1,432,848	2,028,279
Expected Value end of plan year	14,792,844	14,671,710	14,245,912	15,610,164
Fair Market Value end of plan year	13,200,765	12,813,064	13,581,885	16,144,193
Gain(Loss)	(1,592,079)	(1,858,646)	(664,027)	534,029
Interest on Contribution	28,188	37,643	38,266	53,968
Weighted Benefit Payments	(269,860)	(303,322)	(348,630)	(322,000)
Smoothed Market Value				16,144,193
			4/5	(427,223)
			3/5	398,416
			2/5	743,458
			1/5	318,416
				17,177,260
Market Value Range				
Minimum				12,915,354
Maximum				19,373,032

METROPOLITAN LIBRARY SYSTEM PENSION PLAN

VALUATION AS OF 7/1/2004

SUMMARY OF ACTUARIAL VALUATION

1 Total Present Value of Benefits	32,991,342
2 Actuarial Asset Value	17,177,260
3 Present Value of Future Employee Contributions	1,919,759
4 Present Value of Future Normal Cost = 1 - 2 - 3	13,894,323
5 Average Tempory Annuity Factor	9.192228
6 Normal Cost @ Beginning of Year	1,511,529
7 Normal Cost @ 1/31/2005	1,573,250
8 Current Compensation	7,046,702
9 Normal Cost % = 6/8	21.45%

METROPOLITAN LIBRARY SYSTEM'S CONTRIBUTION TO PENSION FUND FY 2004-2005

The Metropolitan Library System's contribution to the pension fund each year is based on the recommendation of the plan administrator, FBD Consulting Inc. This year the recommended amount is \$1,573,250 an increase of \$142,552 over last year's contribution.

The Administration recommends that the Metropolitan Library System's contribution to the pension fund be \$1,573,250 payable by February 1, 2005 as recommended by the actuary. The Metropolitan Library Commission has approved an amount of \$1,573,250 in the Fiscal Year 2004-05 budget for this contribution.

PROPOSED ACTION:

That the Metropolitan Library System's contribution to the pension fund for FY 2004-05 shall be \$1,573,250 payable by February 1, 2005.

Retirement Plan Study

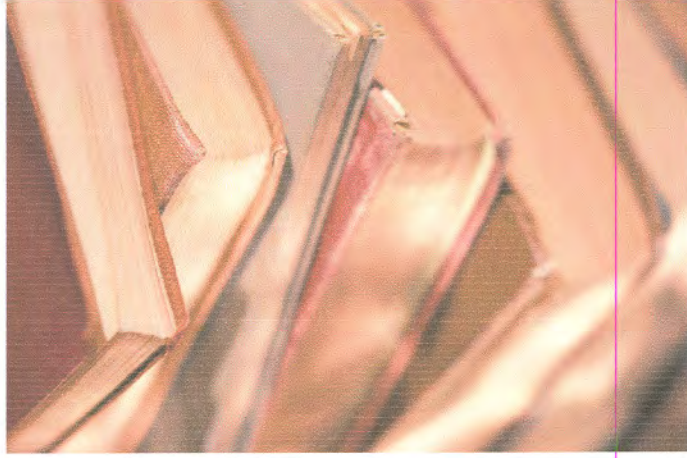


Metropolitan Library System

MLC - Library Retirement Pension Board meeting November 10, 2004
MLS - Retirement Plan Study

provided by: **FBD**
CONSULTING
I N C

Metropolitan Library System Pension Plan



OPTIONS

Option 1: Continue Current Plan With No Changes

Date	% of Payroll Contribution	Contribution	Assets
July 1, 1999	9.93%	\$489,447	\$12,764,389
July 1, 2000	11.12%	\$576,077	\$13,466,171
July 1, 2001	15.63%	\$890,203	\$13,200,765
July 1, 2002	14.23%	\$913,424	\$12,813,064
July 1, 2003	20.33%	\$1,374,555	\$13,581,885
July 1, 2004	21.45%	\$1,511,529	\$16,144,193

Note 1: Employer Normal Cost of Payroll has increased 116.01% from '99 to '04

Note 2: Contributions have increased 208.80% from '99 to '04

Note 3: Assets have increased 26.48% from '99 to '04

Note 4: Liabilities have increased 63.86% from '99 to '04

Option 2: Tweak Current Plan

- ◆ Increase Employee contribution from 3% post-tax to 5% pre-tax (previously the employee contribution was 5%).

Paycheck Examples *			
Gross Pay \$1,000.00 (Federal W/H) (State W/H)			Gross Pay \$1,000.00 (5% EE Contribution Pre-Tax)
Net Check (3% EE Contribution Post-Tax)			Taxable Income (Federal W/H) (State W/H)
Take Home Pay			Take Home Pay
* Ignore Social Security W/H as it is neutral.			

B. Increase Normal Retirement Age from 62 to 65.

Option 3: Freeze the Accrual in Current Plan AND Start New Plan

Projected Benefit at Age 62

\$1000 Monthly

Accrued Benefit as of today

\$600 Monthly

Freezing the accrued benefit means that the monthly benefit of \$600 will not increase and will be paid at Age 62

Note: No contribution is projected based on 07-01-2004 census and asset data

Start new plan in which Employer and the Employees contribute a fixed percent of the Employees' salary

Option 4: Split and Start

Continue the current plan for employees 45 and older
and implement the previously mentioned “tweaks”

AND

Freeze the accrual of the monthly benefit in the
current plan for employees less than age 45

Note: Funding for the current plan would decrease
approximately 40% based on 07-01-2004 census
and asset data.

Option 4: Split and Start (Continued)

AND

Start new plan for employees less than age 45 in which Employer and the Employees contribute a fixed percent of the Employee's salary.

Note: Newly hired Employees would be covered under the new plan regardless of their age.

Next Steps

- Additional input from Pension Board
- Identify cost associated with each option
- Approximate length of time to identify cost will be 30 days

METROPOLITAN LIBRARY SYSTEM

ANALYSIS OF PENSION EXPENSES

<u>Fiscal Year</u>	<u>Pension Expense</u>	<u>Budget Before Reserves</u>	<u>Pension to Total</u>	<u>Actual Payroll (101 & 102)</u>	<u>Pension to Salaries</u>
1974-75	60,000	2,088,159	2.87%	1,004,455	5.97%
1975-76	65,000	1,940,035	3.35%	1,028,407	6.32%
1976-77	60,000	2,054,797	2.92%	1,085,583	5.53%
1977-78	64,800	2,130,308	3.04%	1,186,975	5.46%
1978-79	101,400	2,353,357	4.31%	1,271,038	7.98%
1979-80	106,977	2,462,584	4.34%	1,351,453	7.92%
1980-81	115,600	2,836,877	4.07%	1,521,320	7.60%
1981-82	139,058	3,231,528	4.30%	1,782,769	7.80%
1982-83	214,000	5,309,885	4.03%	2,540,646	8.42%
1983-84	237,588	6,585,673	3.61%	2,848,979	8.34%
1984-85	230,000	7,376,199	3.12%	3,066,696	7.50%
1985-86	180,000	8,151,532	2.21%	3,289,862	5.47%
1986-87	195,000	8,686,336	2.24%	3,795,936	5.14%
1987-88	200,000	8,929,471	2.24%	4,399,547	4.55%
1988-89	210,000	9,089,172	2.31%	4,321,307	4.86%
1989-90	306,000	9,597,027	3.19%	4,418,794	6.92%
1990-91	277,000	9,188,607	3.01%	4,573,803	6.06%
1991-92	269,000	8,922,772	3.01%	4,606,147	5.84%
1992-93	130,000	8,686,651	1.50%	4,582,788	2.84%
1993-94	280,000	10,136,458	2.76%	4,645,404	6.03%
1994-95	320,000	10,512,846	3.04%	4,880,333	6.56%
1995-96	470,000	11,383,355	4.13%	5,019,139	9.36%
1996-97	465,288	12,017,282	3.87%	5,208,570	8.93%
1997-98	519,532	12,878,319	4.03%	5,627,464	9.23%
1998-99	521,101	13,939,575	3.74%	5,959,148	8.74%
1999-00	509,433	16,429,645	3.10%	6,465,830	7.88%
2000-01	717,955	18,080,334	3.97%	6,941,681	10.34%
2001-02	926,553	20,955,864	4.42%	7,960,789	11.64%
2002-03	950,772	23,682,989	4.01%	8,445,997	11.26%
2003-04	1,430,683	23,757,927	6.02%	9,386,024	15.24%
2004-05	1,573,250	24,473,874	6.43%	10,003,516	* 15.73%

retire\history %

*Budget, not actual 10/27/04

MEMO

To: Lloyd Lovely
Penny McCaleb
Donna Morris
Jim Welch
Ken Culver
David Greenwell
Hugh Rice

From: Andrew Junkin, CFA

Subject: Actual Performance versus Index Fund performance

Date: November 2, 2004

Per the request of the Board, our firm has prepared an analysis comparing the actual monthly returns for the Library plan to a portfolio of index funds¹. The analysis covers the time period from December 1995 through September 2004. The asset allocation changed twice during the time period (September 2001 and September 2003) and was reflected in the analysis.

Several assumptions were made. Contributions were assumed to have occurred at the beginning of the respective month. The portfolio was rebalanced when contributions or distributions were made. Therefore, no more than three months passed at any one time before rebalancing occurred.

Performance for the indexed portfolio and the actual Library portfolio are given in the following table:

	Indexed Portfolio	Actual Portfolio
1 Year	10.9%	9.5%
2 Year	14.3%	11.3%
3 Year	6.5%	8.6%
4 Year	2.6%	3.2%
5 Year	4.5%	3.7%
Since Inception	8.2%	6.8%

The use of style specific account managers began in September 2001. The results of that change are reflected in the 3-Year performance figure. The actual portfolio outperformed the indexed portfolio by 210 basis points. However, from the beginning period to the ending period, both portfolios began with \$7,396,300. The indexed portfolio ended with a value of \$19,053,557 versus the actual portfolio value of \$16,022,123.

In conclusion, the majority of the difference in market values can be attributed to the period prior to the introduction of the style specific managers. If you have any question, please feel free to contact either Cassaundra Frost or me.

ⁱ Index funds used:

Cash – 3 mo T bill

Large Cap Core – Schwab 1000 Inv

Large Cap Growth – iShares R1000 Growth

Large Cap Value – iShares R1000 Value

Small Cap Value – Vanguard Sm Cap VI Indx (from July 1999 to September 2004); the Russell 2000 Value index was used for previous months as no index fund could be found

Small Cap Growth – Vanguard Sm Cap Gr Indx (from June 1999 to September 2004); the Russell 2000 Growth index was used for previous months as no index fund could be found

International – Schwab Intl Indx Inv

International Growth – MSCI EAFE Growth Index

International Value – MSCI EAFE Value Index

Fixed Income – Fidelity US Bond Index