

Minutes of the City of Plano Retirement Security Plan Committee

January 18, 2007

The City of Plano Retirement Security Plan Committee met in regular session on January 18, 2007 at 3:00 pm in the Building Inspections Training Room of the Plano Municipal Center. Committee members present were Ron Timmons, Kien Liew, Mark Israelson and Steve Doud. City staff present were Darlene McAndrew from Human Resources, Tom Muehlenbeck, City Manager, and Rod Hogan Executive Director. Guest present was Leon Andrus from U.S. Trust.

1. The meeting was called to order by Chairman Ron Timmons at 3:05 pm.

2. General Discussion

There were no outside speakers

3. Approval of minutes from the October 19, 2006 meeting

Upon a motion by Member Liew, seconded by Member Israelson, as amended on page 2 paragraph 2, verbiage changed from shares to dollars. As amended on participant ratifications rollovers to indicate monthly distributions, the October 19, 2006 meeting minutes were unanimously approved.

4. Discussion and approval of investment policy as it relates to purchase of international stocks

Investment objectives and policies were distributed by Mr. Andrus of U.S. Trust. The Investment Objective for the Retirement Security Plan (RSP) is to achieve an average annual rate of return equal to or above the targeted rate of return as determined by the Retirement Security Plan Committee for the aggregate investments over a period of three to five years.

Currently the plan is utilizing a maximum 10% of the assets towards International equities. Mr. Andrus recommends that we increase these equities to 15% which will allow more flexibility to the portfolio. Based on the City of Plano RSP Investment Objectives and Policies, *"International equities may comprise up to 15% of the total assets of the RSP. Any allocation to international equities will count as part of the maximum allowed equity allocation of 75% of the assets of the RSP."*

Upon a motion by Member Doud, seconded by Member Liew the Committee unanimously approved to increase the maximum investment of International equities to 15%.

5. Quarterly Appraisal Report by U.S. Trust

Mr. Andrus provided an RSP Summary regarding the investment performance for the third quarter of 2006. The current asset allocation as of December 31, 2006 has 4% in cash, 29% in fixed income, 54%

Minutes of the City of Plano Retirement Security Plan Committee

January 18, 2007

domestic equities, 10% international and 3% in real estate. Cash built up to 4%, a bit high for the Plan but provides some more opportunity to invest this liquidity.

Investment Returns show an underperformance for most of the first half of the year. The Plan was underweight in energy early on and overweight in healthcare. Later in the year energy was increased and healthcare was decreased. This provided more balance to the portfolio.

Looking at much broader asset classes, real estate investment trusts have done well. The bonds have done well with interest rates low and we met our target return at 8.75%.

International stocks continue to do well and are up 27% for the quarter. Member Doud asks if the MSCI World Equity Net is international or global. Per Mr. Andrus, this includes the U.S. Mr. Andrus will separate for future reference.

Total Small Cap stocks are at 7.1% within the low end range of our guidelines of 5%-20%. There were two changes, Gentex was sold and replaced with CARBO Ceramics. Small Cap stocks have not kept up with the indexes. Joseph Banks hurt the portfolio. Dycom Industries underperformed. Total Large Cap stocks are at 62.3% within the high-end range of our guidelines of 40%-60%. Total Medium Cap stocks are at 30.6% within the mid-range of our guidelines of 25%-40%.

Common Stock Diversification shows where we added to energy holdings, are above in healthcare and pared down over time, looking to still reduce healthcare going forward. Perhaps shift from healthcare to financials as a potential opportunity in the coming year. Healthcare and technology performed poorly last year while energy performed well.

Some fourth quarter transactions took place as some bonds matured. Intermediate term bonds were purchased to mature by 2009, 2010 and 2011. The purchase of CARBO Ceramics, an Irving based company and world leader in ceramic proppants, which are used in the hydraulic fracturing of natural gas and oil wells. A no debt company, a small company and great exposure. Weyerhaeuser was also a purchase, which may form a real estate investment trust with their timber assets. Sold was the World Bank of Scotland and Gentex with a small profit.

Bonds matured and shifted monies to a 5-10 year range keeping the quality of portfolio strong with 51% AAA, 25% AA, 24% A ratings. Maturity

Minutes of the City of Plano Retirement Security Plan Committee

January 18, 2007

distribution at 40% for 0-3 years last month, reduced to 38% now, and increased 3-5 year range to 26% up from 15%.

The Federal Funds rate versus the 2 year Treasury Note and 10 year Treasury Bond on page 15 show an inverted curve which is a better return now in the short term rather than the long term. There is less focus on the 0-3 year maturation date in case interest rates come down. The economy is improving and most likely the feds are not lowering rates until another economic weakness. Several bonds matured on January 15, 2007 and we need to reinvest. No more maturities due until August which gives time to determine investment changes.

Member Liew discussed news of U.S. Trust being sold. Mr. Andrus confirmed that U.S. Trust was sold to Bank of America and the transition should take place in the second quarter of 2007. Mr. Andrus stated there would be no known changes in asset management and things should be business as usual this year with the portfolio staffing. Member Timmons inquired if this change would cause any conflict with our policy. The Plan is paid out of the Trust and there is no bid on their services; therefore there is no conflict. Mr. Liew inquired about a back up to Mr. Andrus. Mr. Andrus will introduce Mr. John Tindle in our next meeting.

6. Ratification of payment to Gabriel, Roeder, Smith & Company for professional services rendered November 2006

Discussions from a year ago began regarding wording in the Plan document that did not agree with the actuarial tables back to 1998. The legal department has been working with an outside department to determine if there is an issue and if so, what needs to occur. We do need to file a correction with the IRS. The recalculations were correct that Mrs. McAndrew had completed, verified via Gabriel, Roeder, Smith professional services rendered November 2006. There will be approximately 300 recalculations. Mrs. McAndrew has identified a list. The City of Plano will have to go to files to locate the calculations, going back to 1998 including the lump sums. For those who retired, we have to bring it to today's dollars, and bring it current to COLA. We are not going to ask those who owe us to pay. We may not be able to locate them. The 1998 tables have been applied since January 1999. The calculations were used on the proper actuarial tables. And the Mortality tables were not updated. The written policy must be with the current practice. We have been practicing one thing and need to agree with our tables in our Plan document. Some may have received a lower benefit and must amend the Plan and must make the correction according to outside legal counsel. The amount of the benefit adjustment is not known until the 300 calculations are complete. Based on the sample calculations, costs were

Minutes of the City of Plano Retirement Security Plan Committee

January 18, 2007

minimal. One individual overpaid by approximately \$100. The intent was to update the Plan document from 1998 but that did not occur, based on Mrs. McAndrews' research. The Plan was amended as of Jan 2006 to reflect current data so the Plan document is now in line with the tables. Upon motion by member Liew, seconded by Member Israelson the committee unanimously approved payment to Gabriel, Roeder, Smith & Company in the amount of \$1,150.00 for professional services rendered November 2006.

7. Ratification of payment to TEXPERS for yearly membership dues

Upon motion by member Israelson, seconded by Member Liew the committee unanimously approved payment to TEXPERS in the amount of \$291.96 for yearly membership dues.

8. Ratification of payments to U.S. Trust for June 30, 2006- September 30, 2006

Upon a motion by Member Israelson, seconded by Member Liew, the Committee unanimously approved payment to U.S. Trust \$30,183.65 for June 30, 2006 to September 30, 2006.

9. Ratification of payments to participants:

Upon a motion by Member Israelson, seconded by Member Liew, the Committee unanimously ratified payments to the following participants:

PARTICIPANT PAYMENTS		
January 18, 2007		
Name	Amount	Payment Method
Ayers, Mary	\$319.98	Monthly
Baker, Myron	\$3,771.68	Lump Sum
Blanton, James	\$160.88	Monthly
Burney, Debbie	\$319.98	Monthly
Dudley, Robert	\$349.00	Monthly
Eastham, Ronnie	\$154.56	Monthly
Harrison, Steven	\$413.04	Monthly
Hinds, Ralph	\$407.30	Monthly
Hughes, Jackie	\$333.95	Monthly
Justice, Jack	\$574.18	Monthly
Lindsey, Farida	\$99.67	Monthly
Mefford, Shaun	\$721.91	Lump Sum
Marrufo, Paul	\$523.80	Lump Sum

**Minutes of the City of Plano
Retirement Security Plan Committee**

January 18, 2007

Owen, Kirk	\$693.84	Monthly
Pearson, Gary	\$482.80	Monthly
Pierce, Steven	\$2,871.96	Lump Sum
Pilkington, Rebecca	\$8,768.91	Rollover
Ratcliff, Tami	\$3,736.11	Lump Sum
Rohde, Andy	\$141.16	Monthly
Stibbens, Neil	\$5,117.65	Rollover
Welsch, Lynn	\$380.13	Monthly
Willis, Jeffrey	\$163.62	Monthly

10. Best Value Bid update

Comerica won the bid. Mrs. McAndrew will call them Tuesday since it is up to council on Monday. We will move forward. Our contract expires with Gabriel Roeder in February 2007. Once bids come in, Mrs. McAndrew will schedule a meeting for those who agree to participate in the bid selection. Member Liew will provide some names of those who may participate.

11. Election of Vice Chairman

Member Liew nominates Member Doud seconded by Member Israelson. The committee unanimously approved Steve Doud as Vice Chair.

12. Items for future discussion/action on future agendas

13. Adjournment

Committee adjourned at 4:10pm

Respectfully Submitted,

Christine Donald
Plan Secretary