

# Minutes of the City of Plano Retirement Security Plan Committee

April 19, 2007

The City of Plano Retirement Security Plan Committee met in regular session on April 19, 2007 at 3:00 pm in the Building Inspections Training Room of the Plano Municipal Center. Committee members present were Steve Doud, Kien Liew, Mark Israelson, Ron Timmons and Denise Tacke. City staff present was Darlene McAndrew from Human Resources. Guests present were Leon Andrus and John Tindall from U.S. Trust.

**1. The meeting was called to order by Chairman Ron Timmons at 3:03 pm.**

**2. General Discussion**

No one asked to speak before the Committee.

**3. Approval of minutes from the January 18, 2007 meeting**

Upon a motion by Member Israelson, seconded by Member Liew, as amended: page 1 section 4 *“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.”* As amended: page 1 section 4 *“Upon a motion by Member Doud, seconded by Member Liew the Committee unanimously approved to increase the maximum investment of International equities to 15%.”*

As amended: page 3 section 6: *“The amount of the benefit adjustment is not known.”* The January 18, 2007 minutes were unanimously approved.

**4. Quarterly appraisal report by U.S. Trust**

Leon Andrus provided a RSP Summary regarding the investment performance for the first quarter of 2007. The current asset allocation as of March 31, 2007 has 2% in cash, 28% in fixed income, 56% domestic equities, 10% international and 4% in real estate.

Stocks for the first quarter of 2007 are up 1.8% and the S&P up .7%. REIT's doing well surprisingly despite issues in the real estate market. The bonds were up 1.6 % and continue to do well. The total plan portfolio is up 1.8% in the first quarter, slightly below the target return of 2.2%. Small cap stocks added were Cabot Microelectronics and Andrew Corp. Webex was up 63% since it will soon be acquired by Cisco for \$57/share. Small cap stocks up around 20% on average. Regarding international stocks, we sold BP and Ishares funds that were country specific, Taiwan and Japan. We added Ishares of the emerging markets and EAFE. Added Aegon, an international insurance company. Also added were Morgan Stanley and American International group to the portfolio. Trimmed Lowe's and Tiffany a bit. International continues to do well up 4.8% in this quarter. We are now overweight in Energy stocks instead of underweighted.

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Total Small Cap stocks are at 8.4% within the low end range of our guidelines of 5%-20%. Total Large Cap stocks are at 61.1% slightly above the high-end range of our guidelines of 40%-60%. Total Medium Cap stocks are at 30.5% within the mid-range of our guidelines of 25%-40%.

The housing market shows total home sales dropped dramatically as housing permits have come way down. Sub prime lending with home loans issued to low quality buyers. Borrowers with poor credit quality, no equity in homes, are more likely to default on loans. It is now tougher for people to get credit to buy a home than in the past, so this could lead to a slower rebound in housing but any weakness should be manageable. No severe recession should be caused by this. The economy will slow as payrolls are coming down. Businesses are cutting down on hiring temporary help. Durable goods orders are slowing. Forecasting 1.7 % GDP Growth for now. The expectation is that this will slow the economy but should not have a recession.

World GDP shows the United States at 21% at end of 2005, with China at 15-16% and the U.S. becoming a smaller piece of the total. The growth occurring internationally is allowing the environment to be a little better than a decade ago when the U.S. economy was weak and international growth was too small to have much of an impact. With international much larger and growing faster, this should keep the U.S. out of a recession.

John Tindall discussed the bond portfolio summary indicating there was not a lot of activity in the 1<sup>st</sup> quarter. The maturity distribution for this quarter is: 42% in 0-3 years, 25% in 3-5 years and 33% in 5-10+ years. The current bond portfolio breakdown quality by rating for this quarter is: 53% in AAA, 25% in AA, 22% rated A.

The short end of the portfolio has a little higher exposure than the long end of the portfolio. This is an attractive place to be at this time. Based on Leon's macroeconomic discussions we are at a slowing environment and expect GDP to fall to 1.7% this year. The leading indicators, claims for unemployment insurance, ISM manufacturing and non manufacturing indices fall below 50 points and there is less inflation in the pipeline. At the last Federal Open Market Committee meeting the words 'economic firming' was removed from their outlook. The short end of the U.S. Treasury Yield Curve from 2004-2006 increased from 1% to 5 ¼% as the Fed increased interest rates. This says that the 3 and 6 month treasury are yielding more than the 2-3 year maturities which means it is an inverted yield curve. The first reduction in interest rates could take place in June or July by a quarter percentage point with further reductions later in

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the year. The ten year treasury could come down to 4.35% from the current 4.65% obtaining a normalization of the yield curve picture as illustrated on page 19. Interest rates from 3 months to 3 years would come down dramatically. This means the 0-3 year sector is probably going to see the better price appreciation. As the interest rates come down it will allow us to extend maturities out in the portfolio. The 0-3 year area is attractive today.

**5 Ratification of payment to Gabriel, Roeder, Smith & Company for professional services rendered Feb 2007**

Upon a motion by Member Israelson, seconded by Member Doud, the Committee unanimously ratified payments to Gabriel, Roeder, Smith and Company.

**6 Ratification of payment to US Trust for October 1, 2006 to December 30, 2006**

Upon a motion by Member Israelson, seconded by Member Liew, the Committee unanimously ratified payments to US Trust.

**7 Ratification of payments to participants:**

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

<b>PARTICIPANT PAYMENTS</b>		
<b>April 19, 2007</b>		
Name	Amount	Payment Method
Arthaud, Michael	\$832.16	Lump Sum
Bealke, Elaine	\$935.72	Monthly
Benoit, Linda	\$399.49	Monthly
Berry, Steve	\$301.39	Monthly
Boatwright, Charles	\$269.02	Monthly
Brown, Stacy	\$3,122.95	Rollover
Corey, Robert	\$483.20	Monthly
Crane, Robert	\$138.14	Monthly
Dudley, Robert	\$349.00	Monthly
Everett, Joe	\$668.13	Monthly
Harrison, Steven	\$413.04	Monthly
Hinds, Ralph	\$407.30	Monthly
Holloway, Harold	\$451.99	Monthly
Justice, Jack	\$574.18	Monthly
Killion, Jesse	\$458.76	Monthly

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Lackey, Billy	\$276.75	Monthly
Marksberry, Peggy	\$436.62	Monthly
Meeks, Billy	\$299.21	Monthly
Mendoza, Reyes	\$293.74	Monthly
Norris, Ronny	\$295.96	Monthly
Owen, Kirk	\$693.84	Monthly
Petty, James	\$1,528.03	Lump Sum
Rich, Charles	\$290.26	Monthly
Sheperd, Jeremy	\$611.01	Lump Sum
Smithheart, Ronald	\$751.97	Monthly
Stamm, Mark	\$325.78	Monthly
Watson, Marcus	\$2,586.03	Rollover
Welsch, Lynn	\$380.13	Monthly
Wilson, Sandra	\$532.98	Monthly
Zander, Liston	\$11,500.58	Rollover

**8 Update on Actuary Bid**

A matrix was sent to the purchasing department who will then apply a fee formula. The next step is for the RSP Actuary Bid Committee to determine if there is a clear leader for selection or if groups need to do presentations. There were 5 bid submissions, 1 did not meet specifications. Our current contract with Gabriel, Roeder, Smith is extended monthly as needed. The Committee hopes to conclude business within the next two months before the RSP meeting.

**9 Update on Comerica Bank Transition**

A smooth transition thus far, with their headquarters relocating to Dallas. In mid-May there is a forum that Darlene McAndrew will attend. July 1, 2007 is the transition date. City of Plano will work with Comerica completing a dummy run in June to ensure a smooth transition.

**10 Items for future discussion/action on future agendas**

**11 Adjournment**

Committee adjourned at 4:13pm

Respectfully Submitted,

Christine Donald  
Plan Secretary