

Minutes of the City of Plano
Retirement Security Plan Committee

July 15, 2004

The City of Plano Retirement Security Plan Committee met in regular session on July 15, 2004 at 3:00 p.m. in the Building Inspections Conference Room of the Plano Municipal Center. Committee members present were Kien Liew, Karen Rhodes, Ron Timmons, and Mike Busch. Committee member John McGrane was absent. City staff present was Darlene McAndrew from Human Resources, Mark Israelson, Assistant to City Manager, and Executive Director, Rod Hogan. Guests present were Leon Andrus from U.S. Trust, Karen Mann from Bank One, and Roger Arokiam of Gabriel, Roeder, Smith and Company.

I. The meeting was called to order by Chairman Liew at 3:00 p.m.

II. Approval of Minutes

Upon a motion by Member Rhodes, seconded by Member Timmons, the April 15, 2004 meeting minutes were unanimously approved.

III. Quarterly Report by Bank One

Karen Mann stated Bank One's performance system that generates the quarterly report uses trade date instead of settlement date, and their trust reports use settlement date. Therefore, there is a variance in the reports resulting in a difference of \$800.00 from a sale on 6/30 that actually sold on 7/2/04. Next quarter Karen will change the reports to all reflect the settlement date. This \$800 difference can be noted in the Gain (Loss) portion of the report. The market value as of 3/31/04 was \$46,434,215.51, and the portfolio value on 6/30/04 was \$47,684,085.86.

IV. Quarterly Appraisal Report by U.S. Trust

Mr. Andrus reported that the current asset allocation reflects the plan continuing to be at the upper end of the asset allocation range as it relates to equities and at the lower end of the asset allocation range as it relates to bonds. The 2nd quarter

ending 6/30/04 showed the plan's stocks to be up 2.9%. The bonds in the portfolio were down in the quarter, -1.4%, and the total plan for the quarter was up about 1.7%. The small cap stocks have done pretty well. Par Pharmaceutical is down, but that stock was recently purchased. The total small cap stock portfolio value as of 6/30/04 is \$4,655,220. During the 2nd quarter transactions, approximately \$200,000 was put into equities. All shares of the Federal Home Loan Mortgage Corp. were sold. U.S. Trust believes that consumer confidence plays a big part in the economic recovery. The consumer confidence numbers are beginning to improve and U.S. Trust believes they will continue to improve. The plan continues to be positioned for an increasing economic environment, in that we are underweighted in financials, underweighted in consumer staples, over weighted in industrials and information technology, equally weighted in materials, and over weighted in health care. The overall market is still undervalued, and the market is struggling with what 2005 will bring. The market cap guidelines show the plan to have 13% in small caps, 32.6% in medium caps, and 54.4% in large caps, which is within the guidelines. Trustee Liew asked what the outlook for the job market was, and Mr. Andrus responded that they believe employment is going to continue to get better and that unemployment will continue to come down, although probably not as fast as people would like. The bond portfolio shows that we have a very short average life, 2.5 years, which historically is very low. It has worked to the benefit of the portfolio, but as rates move up, we will want to extend maturities. Chairman Liew inquired about what type of risk BBB bonds carried, stating that we currently have 15% BBB bonds. Mr. Andrus stated BBB bonds are investment grade bonds, and we currently have Ford, GMAC, and Household. The next lower grade is BB, and that is non-investment grade, and we are not allowed to own non-investment grade bonds. Guests Andrus and Mann left the meeting.

V. Review of Actuarial Valuation by Roger Arokiam

Roger Arokiam stated that the valuation is done biannually. The primary purpose of the valuation is to determine the City's contribution rate. The last valuation was completed on December 31, 2001, and this evaluation was done as of December 31, 2003. The participant numbers had very little change. The

covered payroll also did not increase dramatically. The normal cost is relatively stable. This is the cost of one year's service accrual. Actuarial accrued liability is the liability that the plan has accumulated for all the past service of the participants. Over the past two years this has increased by approximately 7 million dollars. The present actuarial assets have increased by five million dollars. Unfunded actuarial accrued liability is whether the asset is substantially higher than the liability or not. It is reflected as being over funded by 4.8 million, about 11%. The contribution rate was determined to be 2.7%. This is primarily because of the asset loss. Since the pension plan is long term, it is standard procedure to fund it for anywhere from 20 to 40 years. The investment return rate is 8%, which is standard. Inflation assumption is 4%. The new contribution rate of 2.7% will commence January 1, 2005. Member Rhodes stated that the City has budgeted for the increase, and the City does have a balanced budget. Roger also noted that the market value as of December 31, 2003, approximately 46 million dollars, is adjusted by a 5 year deferred investment which reflects a higher asset value being used in the actuarial value of the plan assets. The plan paid \$1,454,928 over the past two years in benefit payments. In looking at the benefit dollars spent for disabled retirees, Chairman Liew would like to look into researching if we can find a better rate for disability benefits versus using this plan. Member Rhodes asked who qualifies for total and permanent disability. Darlene McAndrew stated that a person's disability does not have to be work related to qualify. They have to fill out paperwork and send it to their physician to complete, and then it goes before a review board of the insurance company to determine if they qualify. Chairman Liew requested that Darlene McAndrew determine what the City's pension policy is for disabled employees and what will the plan pay a disabled employee at retirement age. Darlene noted that Roger Arokiam and she discussed the benefit of reviewing the plan document once a year to make sure everyone interprets the plan equally, and that the calculations are being calculated accurately, according to the plan. Chairman Liew asked that Roger Arokiam give the committee a proposal of what would need to be done to achieve this goal and what the cost would be. The committee is in agreement that the plan needs to be reviewed.

VI. Discussion Regarding Annual Statements

Darlene McAndrew stated that the process to obtain annual statements begins with the City furnishing the actuary employee information. The actuary does an initial analysis and returns to the City with possible questions, and responses are determined and eventually the annual statements are produced. A problem was experienced this year related to hire dates for rehires. Approximately ten statements of rehired employees were determined to be inaccurate. These employees appeared on the list this year with a hire date prior to 1/1/03, but they were not on the list last year. This was due to "adjusted hire dates". Ms. McAndrews and Mr. Arokiam agreed not to reprint the statements due to the small amount of people affected. The problem has been fixed, and Darlene noted that the City's Technology Services department has initiated a new program to deal with this issue in the future. Darlene proposed to the committee that they approve Gabriel, Roeder, Smith to invoice us \$6,421.64 to cover the expenses for the extra work involved in resolving this issue. Trustee Rhodes made a motion to approve the \$6,421.64 payment to Gabriel, Roeder, and Smith. Trustee Timmons seconded the motion, and it was unanimously approved. Darlene McAndrew stated the City is now providing Retirement Education classes to our employees to help educate them about this program as well as other retirement programs.

VII. Ratification of Payment to U.S. Trust

Upon a motion by Member Timmons, seconded by Member Rhodes, the Committee unanimously ratified payment to U.S. Trust in the amount of \$25,965.00 for services rendered for the period beginning April 1, 2004 through June 30, 2004.

VIII. Ratification of Payment to Gabriel, Roeder, Smith & Company

Upon a motion by Member Rhodes, seconded by Member Timmons, the Committee unanimously approved payment to Gabriel, Roeder, Smith & Company in the amount of \$5,100.00 for March 2004 and \$6,300.00 for April 2004.

IX. Ratification of Payment to Participants

Upon a motion by Member Rhodes, seconded by Member Timmons, the Committee unanimously ratified payment to the following participants:

NAME	
Alvarez, Jose	
Baum, Walter	
Berry, Evelyn	
Bryant, April	
Certain, Dorris	
Cook, Joe	
Dunham, Bradford	
Johnson, Mary	
Ludwig, Lydia	
Mallar, Kathy	
McLaine, Steven	
Powell, Pamela	
Story, Joseph Lee	
Total	\$16,776.14

X. Other Business

The update on total and permanent disability was addressed under item V. of this meeting's agenda. Roger Arokiam noted that he will distribute information to the committee concerning GASB 43 and 45, which will be effective as of December 2005.

X. Adjournment

Chairman Liew inquired about the investment policy review meeting that was to occur prior to this meeting. Darlene McAndrew said she would follow-up with Trustee McGrane concerning this issue along with the free performance analysis of the fund by Steve Liddell. Chairman Liew adjourned the meeting at 4:45 p.m.

Respectfully submitted,

Cathy Persons
RSP Plan Secretary