July 12, 2004

The regularly scheduled meeting of the Cleveland County Budget Board was called to order this 12th day of July, 2004, in the conference room of the Cleveland County Fairgrounds, 605 E. Robinson, Norman, Oklahoma, by Chairman Bill Graves. Roll was called by Dorinda Harvey, County Clerk/Secretary and those present were:

Bill Graves, Chairman
F. DeWayne Beggs, Vice-Chairman
Dorinda Harvey, Secretary
Saundra DeSelms, Member
Denise Heavner, Member
Leroy Krohmer, Member
George Skinner, Member

Others present were: Gary Smith, Jim O'Connor, Tammy Howard, Denise Ellison, Jim Conkin and Steve Conkin.

After the reading of the minutes of the regular meeting of June 28, 2004, and there being no additions or corrections, Saundra DeSelms moved that the minutes be approved. Denise Heavner seconded the motion.
The vote was: Bill Graves, yes; F. DeWayne Beggs, yes; Dorinda Harvey, yes; Saundra DeSelms, yes; Denise Heavner, yes; Leroy Krohmer, yes; George Skinner, yes.
Motion carried.

Chairman Graves called for the presentation by Jim O'Connor and Gary Smith, with Retirement Plan Advisors, Inc., on switching 457 Deferred Compensation to Security Benefit Advisor Program.
Jim O'Connor gave the Board information material and briefed the Board on the history of Cleveland County's 457 Deferred Compensation Plan stating that the County had Nationwide and then Nationwide said that they were not going provide local on-site service for plans of less than five million dollars and the County's plan fit into that category, so in 2000 the County elected to add the Prudential 457 Deferred Compensation Plan. Nationwide had some restriction, being in the form of penalties and fees and the employees could only move 20% per year from the fixed account. The Prudential Plan was added and there are about 75 to 80 participating and there are still about 17 still contributing to Nationwide. Now Prudential is going the same way Nationwide went and they are no longer going to offer this to programs of less then one million dollars in assets, but they did say they would continue to provide services to the existing programs, so they are not requiring the County to move. Retirement Plan Advisors went out to look for any company to provide benefits to the small market place and they have been working with Security Benefit Group. They are recommending that the County move the money from the Prudential Plan to Security Benefit for a couple of reasons. Prudential is taking a different approach then Nationwide did and Prudential is going to wave all of the surrender charges. Mr. O'Connor is recommending Security Benefit Program because the fees are very similar to what the County has in their existing program it is the exact fee as the Prudential Program and a lower fee then the

Nationwide Program. Mr. O'Connor went through some of the options that were available. Two things have changed with Security Benefit that didn't exist with Prudential when the County went from Nationwide to Prudential one of those being the interest rate environment has consistently decreased over the last four years. Security Benefit is in the position where they are a big player in the school environment and they are very interested in being in the small plan, government sector market place so much so they are willing to help cover that market value adjustment to move the money from Nationwide. The second thing is there were a few people that had life insurance policies with Nationwide that could not continue that life insurance with Prudential and Security Benefit will allow them to continue it. They are recommending that the County take both the Prudential assets and Nationwide assets and transfer them at the plan level to Security Benefit. Mr. O'Connor explained how this would be done with representative Gary Smith.

Mr. O'Connor stated that Security Benefit Capital Preservation, which is the account that is most like the fixed account of Nationwide, but does not have the same transfer restrictions that Nationwide has. Mr. O'Connor stated that some of the County Employee's are stuck in Nationwide because of the restrictions. Mr. O'Connor stated that there is no need to move the money the County can continue to leave the money at Prudential, but his concern is that Prudential has indicated that it no longer wants to be in this sector. Mr. O'Connor has about four hundred governmental plans that are in this category with assets under one million. Since Prudential made the decision to allow employers to move the money and wave the surrender charges he has already seen fifty-eight of those plans move there assets from Prudential to another company and in most all cases it was to Security Benefit. There will be no fee to transfer, but Nationwide may asset a market value adjustment because that is in their contract but Security Benefit and Retirement Plan Advisors will make up that fee if any to do that transfer and Prudential has agreed to wave their fee. One other benefit that Security Benefit offers that is not available through Prudential or Nationwide is they have developed a portfolio plus program. Because Security Benefit is a registered investment advisor firm they can if the employees chooses to let Security Benefit actually manage their money for them. The employee will be taken through a questionnaire, which asked them about their investors experience and their risk tolerance. Security Benefit will select a model portfolio and once it is selected the employee can tell Security Benefit to manage their money according to the portfolio. There is a one percent fee and a $15.00 administration fee per year.

To do this transfer it has to be a County decision, not an employee decision, in order that there are no charges. Mr. O'Connor explained the time frame that all of this needed to happen.

Chairman Graves called for presentation by Jim Conkin, Conkin & Son Associates, on 457 Deferred Compensation Program.

Jim Conkin handed out a document and stated that he really didn't know what the County currently had and what it's objectives were. Mr. Conkin explained how he got involved with 457 deferred compensation plans and stated that at one time some companies had as many as fifty options and he thinks that was intimidating to employees. The trend is to come back down. Mr. Conkin thinks the key is what you offer, most companies are going to look very similar, they all use the same asset management company and same administration systems. Mr. Conkin told the Board that you could now borrow against a 457, but it has to be paid back within five years. One thing that Mr. Conkin does is offer an investment family, but

they analyze it, they go back in every year and see if those opinions are competitive with their pier group. Mr. Conkin uses Morningstar, which is an independent research company. Morningstar not only looks at performance, but they look at volatility, expenses of the plans, and the tenure of management.
George Skinner asked if Mr. Conkin had a list of the company that he invests the money and the rate of returns.
Mr. Conkin stated that there were so many companies and that he represents about a half dozen providers. The providers all look the same some are more flexible then others.
Steve Conkin stated that being an independent they can work with pretty much any company.
Dorinda Harvey asked if there were fees connected in the transfer of funds from Prudential or Nationwide.
Steve Conkin stated that there might be fees coming from them, and that is regardless of whom the County goes with. It is a contract that the County has with Prudential or Nationwide but a lot of times it is one percent coming out fee. Steve Conkin stated that they would have to look at our agreements to see if there is a charge.
Jim Conkin explained how the charges worked. Mr. Jim Conkin stated that he was pretty sure that the County could transfer the representation to him and Steve simply by directing Prudential to do that unless the County's current provider has some kind of exclusive.
Jim O'Connor with Retirement Plan Advisors stated that they do have an exclusive agreement with Prudential and they could not offer the Prudential Plan. Neither could the Security Benefit Plan be offered.
Jim Conkin stated that maybe what he is talking about is not practical because the County has a contract that won't allow it. Unless you change the entire program and provider and he doesn't know if the County wants to go through that hassle.

George Skinner moved, seconded by Leroy Krohmer, to table discussion, consideration, and/or action on 457 Deferred Compensation Program.
The vote was: Bill Graves, yes; F. DeWayne Beggs, yes; Dorinda Harvey, yes; Saundra DeSelms, yes; Denise Heavner, yes; Leroy Krohmer, yes; George Skinner, yes.
Motion carried.

There being no further business to come before the Board, Leroy Krohmer moved that the meeting be adjourned. George Skinner seconded the motion.
The vote was: Bill Graves, yes; F. DeWayne Beggs, yes; Dorinda Harvey, yes; Saundra DeSelms, yes; Denise Heavner, yes; Leroy Krohmer, yes; George Skinner, yes.
Motion carried.