

11 EMPLOYEE RETIREMENT AND BENEFIT PLANS

A noncontributory defined benefit retirement plan is maintained for all regular employees of the Company except those of Quest Medical. This plan was amended effective January 1, 1998 to become a cash balance pension plan. The Company's funding policy is to make the annual contributions required by applicable regulations and recommended by its actuary. The Company uses a December 31 measurement date for the plan.

The changes in the plan's projected benefit obligation ("PBO") as of December 31, 2003 and 2002 are as follows (in thousands):

	2003	2002
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation, January 1	\$ 4,170	\$ 4,599
Service cost	214	320
Interest cost	298	307
Amendments	—	(616)
Actuarial (gain)/loss	529	(93)
Benefits paid	(333)	(347)
Benefit obligation, December 31	\$ 4,878	\$ 4,170

In December 2002, the plan was amended to reduce benefit accruals for future service by plan participants by approximately 50 percent. This amendment caused a reduction in the PBO of approximately \$616,000, and is reflected as a reduction in pension expense over the estimated employee service lives.

The changes in the fair value of plan assets, funded status of the plan and the status of the prepaid pension benefit recognized, which is included in the Company's balance sheets as of December 31, 2003 and 2002 are as follows (in thousands):

	2003	2002
CHANGE IN PLAN ASSETS:		
Fair value of plan assets, January 1	\$ 4,383	\$ 4,550
Actual return on plan assets	963	(750)
Employer contributions	400	930
Benefits paid	(333)	(347)
Fair value of plan assets, December 31	\$ 5,413	\$ 4,383
Funded status of plan	\$ 535	\$ 213
Unrecognized actuarial loss	1,941	2,154
Unrecognized prior service cost	(502)	(539)
Unrecognized net transition obligation	(88)	(132)
Net amount recognized as other assets	\$ 1,886	\$ 1,696