



**City of Cincinnati Retirement System
Board of Trustees
Meeting**

**Agenda
February 2, 2012 / 2:00 P.M.
City Hall - Committee Room B**

Appointed Members

Madelynn Matlock, Chair
Bill Partridge, Vice-Chair
Mark Berliant
Christopher Meyer
Roger Sims

Elected Members

Mike Fehn
Mike Rachford
Brian Pickering
Karen Alder
Don Beets

Call to Order

Approval of Minutes

- ✚ November 3, 2011

Investment Committee

- ✚ Minutes – November 3, 2011
- ✚ Meeting Report – February 2, 2012

Unfinished Business

New Business

- ✚ Budget 2011- 2012
- ✚ Medical trust discount rate
- ✚ CRS participation for new hires
- ✚ Board Elections for elected trustees – terms expire October 1, 2012

Informational Items

- ✚ Special Budget and Finance Committee meeting held December 16, 2011
- ✚ Special City Council meeting scheduled for May 25, 2012

Adjournment

Next Meeting: Thursday, March 1, 2012 - 2:00 P.M. - City Hall – Committee Room B



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

February 2, 2012 / 2:00 P.M.
City Hall – Committee Room B

Present:

Madelynn Matlock, Chair
Bill Partridge, Vice-Chair
Karen Alder
Don Beets
Mark Berliant
Mike Fehn
Chris Meyer
Brian Pickering
Mike Rachford
Roger Sims

Staff Present:

Paula Tilsley
Don Beresford
Cheryl Volk

The meeting was called to order at 2:05 P.M.

INTRODUCTION

On February 1, 2012, Mayor Mallory appointed Susan Robinson to the Board of Trustees of the Cincinnati Retirement System. Ms. Robinson is set to complete the term of Constance Cooper that expires in October 2012. Pursuant to the rules of Council, the appointment will be held one week. Ms. Robinson attended the Board meeting as a visitor and M. Matlock provided an introduction.

APPROVAL OF MINUTES

M. Fehn made a motion to approve the minutes. C. Meyer seconded the motion and the motion passed. The minutes were approved.

LEGAL UPDATE

C. Zimmer, Assistant City Solicitor, provided procedural updates on the following lawsuits filed against the city:

1. Gamel Litigation – concerning changes to the retirees' healthcare benefits. The City prevailed. Case being appealed to the First District Court of Appeals in the State court system.
2. AFSCME lawsuit - concerning the City's annual required contributions. Discovery Phase – summary judgment may be completed in fall 2012.

3. Nick Sunyak lawsuit - concerning changes made to the employees' benefits. Discovery Phase – summary judgment may be completed in fall 2012.

C. Zimmer to provide an update regarding the status of individual board members being named as defendants in the AFSCME lawsuit.

NEW BUSINESS

INVESTMENT COMMITTEE

Chris Meyer provided the following report:

- 4th Quarter Report 2011
 - Market value as of 12/31/11: \$1.97 Billion. The Total Fund returned +5.1% for the quarter, underperforming its policy benchmark, which returned +6.7%. . Over the trailing twelve months, the CRS returned +1.0%, outperforming the policy benchmark, which returned +0.3%.
- ABS announced the sale of a minority stake (45%) in their business to Evercore Partners Inc. The Prudential Real Estate Investors (PREI) announced several leadership changes for PREI and the underlying PRISA and PRECO funds. Because of these changes, both Managers were placed on alert.
- Indexing Core Fixed Income could prove beneficial to saving on manager fees.
- Investment Committee discussed Bank of New York Mellon's (BONY) custodian fees. B. Christenson to research other options for the Board to consider sometime in the future.
- Investment Fees – B. Christenson provided a summary of the Marquette Associates report he presented to the Budget and Finance Committee on December 16, 2011. The investment fees in the aggregate remain very competitive and are lower than the industry norm. Investment fees must be viewed in context with earnings (net of fees) to provide a true perspective.

CRS BUDGET 2011-2012

P. Tilsley submitted the Retirement Department projected Annual Budget for 2012, and reviewed the actual budget for 2011. .

- Controllable Expenses
 - Personnel
 - Office Expenses
 - Training and Travel for Board and Staff
 - Data Processing Expenses
 - Professional Services
 - Investment Expenses
 - Miscellaneous Expenses
 - Fiduciary Insurance
- Uncontrollable Expenses
 - Pension Payments
 - Retiree Health Care Benefits including medical, prescription, dental and vision care expenses. Beginning 1/1/12, the vision coverage is fully insured with the carrier absorbing the claims risk. All other health care coverages remain self insured by CRS. Discussion included the approximate enrollment totals before and after the 2012 retiree healthcare changes:

<u>Coverage</u>	<u>December 2011</u>	<u>January 2012</u>
Healthcare	4200	4200
Dental	4200	2500
Vision	4200	2600

- Total Outflows and Total Inflows

Board Action

M. Berliant made a motion to approve the budget as submitted. K. Alder seconded the motion and the motion passed. The Budget for year 2012 was approved.

MEDICAL TRUST DISCOUNT RATE

P. Tilsley, Executive Director, provided an overview on the current state of the Health Care Trust:

- As of the 12/31/10 Valuation Report, the Health Care Trust was 100% funded.
- No employer contributions will be made to the Health Care Trust beginning with the 2011 plan year and in future years until the Pension Trust is stabilized.
- Premiums paid by retirees for healthcare coverage are directly deposited into the Health Care Trust.
- Proposed changes to the Government Accounting Standards Boards (GASB) Statements 25 AND 27 will impact the method of reporting plan financials.
- The pending GASB requirements, and the Board's decision to lower the expected investment rate of return from 8.0% to 7.5% for the 2011 plan year, underscores the System's need to actively monitor and manage the benefits offered through the Health Care Trust.
- The Board will monitor and consider future changes to the asset allocation model of the Health Care Trust if assets begin to erode beyond expectations.

CRS PARTICIPATION FOR NEW HIRES

The Cincinnati Municipal Code (CMC) authorizes CRS to require all new employees to enroll in CRS.

The CRS Board of Trustees supports the Retirement Department's initiative to require all new eligible employees to enroll in CRS. Enrollment procedure to be effective immediately for all newly hired employees. Current employees who participate in OPERS will not be required to move to CRS during their current period of employment.

ELECTION PROCESS

The terms for elected Board members Brian Pickering and Karen Alder will expire October 2012. The Board was provided an overview of the CRS Election Process for the Employee Election that will be held in September 2012.

DOMESTIC PARTNER BENEFITS

In January 2012, Councilmember Chris Seelbach made a motion that City Administration address the feasibility of providing equal partner pension and healthcare benefits to retirees and to report the legal and fiscal impact of these proposals. Benefits Committee to consider all available data and submit their recommendation to the CRS Board. Due to City Council's schedule, the Benefits Committee should meet the week of February 20, 2012. Members agreed to schedule the Benefits Committee for Thursday, February 23, 2012.

Motion was made by K. Alder and seconded by M. Rachford to adjourn the meeting. Motion was approved and meeting was adjourned at 3:35 P.M.