



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

February 2, 2023 / 2:00 P.M.
City Hall, Council Chambers and via Zoom

Members

Bill Moller, Chair
Tom Gamel, Vice Chair
Kathy Rahtz
Mark Menkhaus, Jr.
Monica Morton
John Juech
Tom West
Seth Walsh

Staff

Michael Barnhill
Ann Schooley
Linda Smith

Call to Order

Public Comment

Approval of Minutes

- Meeting Minutes – January 12, 2023

Report from Investment Committee

Informational - Executive Director's Report

- 4th Qtr. Demographic Report
- 4th Qtr. DROP Report
- 4th Qtr. Budget Report
- Procurement Update (RFPs, Revision of Rules)
- Status of Board Letters Approved at Jan. 2023 Meeting
- Survivor Benefits Analysis Update
- NCPERS Communications Summit

Old Business

- Legal Opinions Discussion Update
- Status of Disabled Adult Children Ordinance
- Committee Assignments - Update

New Business

- Disability Application (Documents in Board's Portal)
- Executive Session re Disability Application

Adjournment

Next Meeting: Thursday, March 2, 2023, 2:00 P.M. City Hall Council Chambers and via Zoom



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
January 12, 2023/ 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members Present

Bill Moller, Chair
Tom Gamel, Vice Chair
Mark Menkhaus, Jr.
Kathy Rahtz
John Juech
Monica Morton
Tom West

Administration

Mike Barnhill
Ann Schooley
Linda Smith
Bev Nussman

CALL TO ORDER

Chair Moller called the meeting to order at 2:01p.m. and a roll call of attendance was taken. Trustees Moller, Gamel, Menkhaus, Rahtz, Juech, Morton and West were present.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Approval of the minutes of the Board meeting of December 1, 2022, was moved by Trustee Gamel and seconded by Trustee Juech. The minutes were approved by unanimous roll call vote.

Report from the Benefits Committee

Trustee Gamel provided the report from the Benefits Committee.

The Committee unanimously approved the following motion regarding the City’s proposed health funding policy:

MOTION: The Healthcare 115 Trust Funding Policy shall include the following provisions:

1. The Healthcare 115 Trust shall achieve full funding of at least 100% at the end of the term of the Collaborative Settlement Agreement (CSA) to provide the healthcare benefits for CRS eligible members (and their eligible spouses and children) covered by the Collaborative Settlement Agreement.

2. The City shall contribute the annual Actuarially Determined Contribution (ADC) into the Healthcare 115 Trust that is necessary to achieve full funding of at least 100% at the end of the term of the CSA.
3. If the funding ratio (defined as the AVA divided by AL) is at or below 95% in any calendar year, the City shall, within one (1) calendar year from the date that the annual Actuarial Valuation report is submitted to the CRS Board of Trustees, or eighteen (18) months after the end of the Actuarial Valuation calendar year being evaluated (whichever is earlier), contribute to the 115 Trust the funding amount necessary to achieve at least 100% funding at the end of the CSA term, based on the annual Actuarial Valuation.
4. At the end of the CSA term if there is a fund balance in the Healthcare 115 Trust, the balance shall be used to provide healthcare benefits for eligible members (and their eligible spouses and children) during their lifetimes.

The approved motion provisions shall be sent to the City Manager from the CRS Board in letter format, signed by the Board Chair, with copies to the Mayor and Council members. The letter shall include an introduction that references the goal of the CSA to fund the trust at actuarially appropriate levels to provide healthcare benefits.

The Board approved the Committee's action by unanimous roll call vote.

Informational – Executive Director's Report

Director Barnhill provided the following report:

- The November investment report showed YTD performance of -7.2%. December was a negative return month as well. CRS will probably end the year around -10% or -11%. Trustee Moller observed that CRS remained ahead of its benchmark. Director Barnhill provided additional caution around the lag in reporting returns of illiquid asset classes. Other public systems are marking down the performance of their real estate portfolios in advance of the appraisal process to reduce the need for re-balancing their portfolios. Director Barnhill stated that while this is happening elsewhere, he recommended not following this approach, and to await reporting of the lagged appraisal-based results.
- Staffing update. CRS recently made an offer to fill the vacant Administrative Specialist position, which was accepted. The next step is to post and fill the Member Counselor position, hopefully in February.
- Actuary update. Cheiron provided a letter setting out an updated "Schedule of Funded Ratios" showing a scenario that would result in full funding of the pension trust by 12/31/2045. Because of the investment losses in 2022, to achieve this goal would require annual 1.5% increases in the City's contribution rate (this is triple the recommended annual rate increase from a year ago). This projection is based on an estimate of the 2022 investment return of -10%, and will be updated when the 2022 investment performance is finalized.

Trustee Moller expressed a concern about the timing of the City's budget process, in relation to finalizing the 2022-based Schedule of Funded Ratios.

Trustee Moller made the following motion, seconded by Trustee Menkhaus: The Board recommends the City Administration adopt an incremental funding rate increase as a budget strategy and that the

Board provide Scenario A from the January 4, 2023 Cheiron letter to assist the City administration in the construction of its next budget. The motion passed unanimously on roll call vote.

- Actuary update (continued). Cheiron is working on completing the Experience Study and 2022 Actuarial Valuations. These will be presented at the Board's March and May meetings respectively.
- City Budget Process. Timeline in the meeting packet.
- Procurement Update. CRS is awaiting approvals from the City Manager's office so that it can obtain templates from the City procurement office to start the drafting for Investment Consultant and Fiduciary Audit RFPs.

Director Barnhill reported that following review of the CRS procurement authorities, there is a gap in the legal guidance for CRS procurement. Director Barnhill has worked with the City Manager's office, and believes that the gap should be filled by specific legal guidance (either an amendment to AR 23 or an amendment to the City Municipal Code) that comprehensively covers CRS procurement. He proposes to adopt the Ohio PERS model for procurement which authorizes the Board to adopt its own process for selection of investment managers; and then categorizes the remaining contracts into long-term contracts (like healthcare, custodian, and information system) for which RFPs are conducted on a 10yr cadence, and shorter-term contracts (like investment consultant and actuary), for which RFPs are conducted on a 6yr cadence.

- Executive Director Evaluation. Trustee Rahtz requests that the evaluation form be completed and returned to her. Director Barnhill will follow-up on the deadline for that. Trustee Moller explained the process going forward including a Board discussion of the results. Trustee Moller asked for legal advice regarding whether that discussion could be in executive session. Ms. Schooley responded that the Board could go into executive session so long as the discussion pertained to compensation or continued employment.

New Business

2023-2024 Committee Assignments

Trustee Moller took the results of the Board member survey and assembled the committee assignments. Nearly everyone is on 4 committees. Trustee Moller noted that Trustee Cramerding has just resigned, and is to be replaced by Council Member Seth Walsh, who is slated to be confirmed this week. The committee assignments will be updated following confirmation.

2023 Strategic Plan

Trustee Moller introduced the draft 2023 strategic plan in the Board's meeting packet. The plan is for members to direct comments on the draft to Trustee Rahtz and Director Barnhill, and it will be taken up at the next meeting of the Performance Evaluation Committee. Director Barnhill noted that the first part of the plan is identical to last year (Trustee Goals and Responsibilities). Some of the objectives are new (i.e., increase City contribution rate). Director Barnhill noted that he has proposed objectives for each committee. Draft objectives will be included for committee consideration in each committee's agenda for upcoming committee meetings. This approach was inspired by recommendations for how Board work should be handled in recent fiduciary performance audits of peer systems.

Legal Opinions

Trustee Rahtz requested discussion about the recent opinions from the Law Department. Ms. Schooley advised that executive session was not available for discussion of these opinions. Ms. Schooley suggested

the Board could vote to waive the attorney-client privilege, and then discuss the opinions in open session. But the Law Department recommends against that approach. Another option is that Board members could forward questions to Director Barnhill which could then form the basis for additional written legal opinions. Another option is for a group of fewer than a majority of members to meet with the Law Dept. to ask questions, but that such discussion could not include deliberation or voting.

Trustee Moller suggests that Board members review the opinions and forward questions to Director Barnhill. The Board can consider discussion or making the opinions public at a later date. Board members can also reach out to the Law Dept. to ask questions. Trustee Rahtz said that approach was satisfactory and that she would reach out to the Law Dept. with her questions. Ms. Rahtz expressed disappointment in the time it took to render the opinions and that two of the opinions were not new work product.

Adjournment

Following a motion to adjourn by Trustee Menkhaus and seconded by Trustee Morton, the Board approved the motion by unanimous roll call vote. The meeting adjourned at 2:39 PM.

Meeting video link: <https://archive.org/details/crs-board-1-12-23>

Next Meeting: February 2, 2023 at 2:00 p.m.

Secretary

Demographic Report for the CRS Board

	12/31/2021	1st Quarter (3/31/2022)	2nd Quarter (6/30/2022)	3rd Quarter (9/30/2022)	4th Quarter (12/31/2022)
Total F/T Active Employee Members <i>(Does NOT include DROP participants)</i>	2931	2922	2955	2997	3018
Total Payees <i>(includes retirees, optionees in pay status, and Survivors - does NOT include DROP participants)</i>	4216	4193	4180	4166	4160
Number of Retiree & Optionee Deaths YTD <i>(includes Optionees who died and were not in pay status)</i>	213	55	102	153	206

Total Payees includes payees receiving multiple benefits AND Rehired Retirees. For example, a retiree who is receiving another benefit as an optionee is counted twice. This count does not correlate directly to the number of pensioners depicted in the Annual Actuarial Valuation due to differences in accounting for new retirees, deceased pensioners, DROP participants, and payees receiving multiple benefits.

Pensioner count is based on payroll date 1 day after end of quarter

	12/31/2020	1st Quarter (3/31/2021)	2nd Quarter (6/30/2021)	3rd Quarter (9/30/2021)	4th Quarter (12/31/2021)
Total F/T Active Employee Members <i>(Does NOT include DROP participants)</i>	2839	2799	2843	2923	2931
Total Payees <i>(includes retirees, optionees in pay status, and Survivors - does NOT include DROP participants)</i>	4119	4231	4229	4233	4216
Number of Retiree & Optionee Deaths YTD <i>(includes Optionees who died and were not in pay status)</i>	230	76	117	164	213

	12/31/2019	1st Quarter (3/31/2020)	2nd Quarter (6/30/2020)	3rd Quarter (9/30/2020)	4th Quarter (12/31/2020)
Total F/T Active Employee Members <i>(Does NOT include DROP participants)</i>	2993	3004	2943	2861	2839
Total Payees <i>(includes retirees, optionees in pay status, and Survivors - does NOT include DROP participants)</i>	4063	4054	4055	4047	4119
Number of Retiree & Optionee Deaths YTD <i>(includes Optionees who died and were not in pay status)</i>	174	60	122	163	230

Cincinnati Retirement System
DROP Quarterly Report for 2022

Totals at 12/31/2021	Q1	Q2	Q3	Q4	2022	Life of Plan Participation
Participants						
Beginning	194	190	187	183	194	
New Participants	354	6	7	5	1	373
Withdrawn Participants	-160	-10	-10	-9	-11	-200
Remaining	194	190	187	183	173	173
DROP Balance						
Opening Balance					\$ 23,780,761	
In-Flows to DROP						
Deferred Pension Payments	\$ 41,401,282	\$ 2,307,248	\$ 2,235,254	\$ 2,220,800	\$ 2,119,300	\$ 8,882,602
Member Contributions*	\$ 5,867,528	\$ 366,798	\$ 298,366	\$ 347,512	\$ 312,101	\$ 1,324,777
Interest Payable	\$ 1,281,844	\$ 93,213	\$ 100,044	\$ 150,785	\$ 203,913	\$ 547,955
Subtotal	\$ 48,550,654	\$ 2,767,259	\$ 2,633,664	\$ 2,719,097	\$ 2,635,314	\$ 10,755,334
Out-Flows from DROP						
Disbursement of Accounts	\$ (23,268,506)	\$ (1,824,701)	\$ (2,005,118)	\$ (1,367,015)	\$ (2,482,020)	\$ (7,678,854)
Transfers to Pension Trust						
Participant Fees*	\$ (1,465,352)	\$ (91,668)	\$ (74,593)	\$ (86,880)	\$ (78,026)	\$ (331,167)
Forfeited Interest	\$ (36,035)	\$ (1,625)	\$ -	\$ (4,310)	\$ (5,935)	\$ (41,970)
Subtotal	\$ (24,769,893)	\$ (1,917,994)	\$ (2,079,711)	\$ (1,453,895)	\$ (2,564,356)	\$ (8,015,956)
Change To DROP Quarterly		\$ 849,265	\$ 553,953	\$ 1,265,202	\$ 70,958	\$ 2,739,378
Ending DROP Liability	\$ 23,780,761				\$ 26,520,139	\$ 26,520,139

* Member Contributions equal 9% of pensionable compensation with 25% of collected amount transferred to Pension Trust as fees for participation in the DROP program.

**City of Cincinnati Retirement System
Cash Flow Budget Analysis - as of December 31, 2022**

	<u>Budget 2022</u>	<u>Actual 2022</u>	<u>% of Budget Utilized</u>	<u>Difference Budget v Actual</u>
Office Staff	1,806,000	1,656,523	92%	149,477
Office Expenses	131,000	104,313	80%	26,687
Training and Travel	61,500	23,156	38%	38,344
Data Processing	428,800	388,035	90%	40,765
Professional Fees	411,650	313,559	76%	98,091
Other	7,000	3,260	47%	3,740
Fiduciary Insurance	98,000	96,959	99%	1,041
Operating				
Budget Total	<u>2,943,950</u>	<u>2,585,805</u>	<u>88%</u>	<u>358,145</u>
Member				
Cost	<u>230,944,000</u>	<u>216,971,971</u>	<u>94%</u>	<u>13,972,029</u>
Contributions	<u>60,661,000</u>	<u>64,443,827</u>	<u>106%</u>	<u>3,782,827</u>
Net Investment				
Returns	<u>184,288,654</u>	<u>(216,487,362)</u>		<u>(400,776,016)</u>

2022 CRS CASH FLOW BUDGET

I. OPERATING EXPENSES	2022 BUDGET	% Cost of Operations	2022 Actual	Difference Budget v Actual
<u>A Office Staff</u>				
1. Salaries & Wages	1,270,000	43.14%	1,125,447	144,553
2. Fringe (35%)	466,000	15.83%	464,434	1,566
3. Temporary Services	70,000	2.38%	66,642	3,358
A. Total Office Staff	1,806,000	61.35%	1,656,523	149,477
<u>B Office Expenses</u>				
1. Office Improvements	28,000	0.95%	17,561	10,439
2. Equipment / Purchase and Rent	11,000	0.37%	3,163	7,837
3. Supplies	2,300	0.08%	1,816	484
4. Printing and Postage	89,700	3.05%	81,773	7,927
B. Total Office Expenses	131,000	4.45%	104,313	26,687
<u>C Training and Travel</u>				
1. Training/Travel Board	32,500	1.10%	1,055	31,445
2. Training/Travel Staff	29,000	0.98%	22,101	6,899
C. Total Training and Travel	61,500	2.08%	23,156	38,344
<u>D Data Processing Expenses</u>				
1. Pension Gold Hosting and Modifications	186,000	6.32%	182,110	3,890
2. Pension Gold Annual License Fee	140,000	4.76%	137,338	2,662
3. Regional Computer Center (ETS)	3,000	0.10%	2,815	185
4. Hardware and Software for PCs	40,000	1.36%	15,208	24,792
5. Other	59,800	2.03%	50,564	9,236
D. Total IT Expenses	428,800	14.57%	388,035	40,765
<u>E Professional Services</u>				
1. Actuarial Fees	178,000	6.05%	127,919	50,081
2. Consulting Fees	95,650	3.25%	44,930	50,720
3. Legal Services	110,000	3.74%	108,632	1,368
4. Retiree Locator Fees	3,000	0.10%	550	2,450
5. Treasury, Accounts and Audits	25,000	0.85%	31,528	(6,528)
E. Total Professional Services	411,650	13.99%	313,559	98,091
<u>F Other Expenses</u>				
1. Board Meeting Expenses	2,500	0.08%	0	2,500
2. Membership and Subscriptions	4,500	0.15%	3,260	1,240
F. Total Other	7,000	0.23%	3,260	3,740
<u>G. Insurance</u>				
Fiduciary Insurance	98,000	3.33%	96,959	1,041
G. Total Insurance	98,000	3.33%	96,959	1,041
Total Operating Costs	2,943,950	100.00%	2,585,805	358,145

FY2022 annual expenses paid in CY2022

2022 CRS CASH FLOW BUDGET				
(Continued)	2022 BUDGET	% Cost of Operations	2022 Actual	Difference Budget v Actual
II. MEMBER BENEFITS EXPENSES				
A. Pensions	195,800,000	84.78%	187,006,955	8,793,045
B. Return of Contributions	2,874,000	1.25%	2,582,506	291,494
C. Death Benefits	670,000	0.29%	480,000	190,000
D. Medical	31,600,000	13.68%	26,902,510	4,697,490
Total Benefit Costs	230,944,000	100.00%	216,971,971	13,972,029
	2022 BUDGET	% of Contributions	2022 Actual	Difference Budget v Actual
III. CONTRIBUTIONS				
A. City Contributions @16.25%	38,100,000	62.81%	41,413,004	3,313,004
B. Employee Contributions (9.0%)	20,460,000	33.73%	20,990,981	530,981
C. Retiree Medical Premiums	2,351,000	3.87%	2,232,102	(118,898)
D. Transfers In (Out) Reciprocity	(250,000)	-0.41%	(192,260)	57,740
Total Contributions	60,661,000	100.00%	64,443,827	3,782,827
IV. NET INVESTMENT RETURNS				
A. Gross Returns	193,580,654		(209,217,040)	(402,797,694)
B. Investment Expenses				
1. Custodial Fees	232,000		200,401	31,599
2. Investment Consultant	235,000		235,000	0
3. Investment Management Fees	8,825,000		6,834,921	1,990,079
Total Investment Expenses	9,292,000	0.36%	7,270,322	2,021,678
Net Investment Returns (Budget 7.5%)	184,288,654		(216,487,362)	(400,776,016)
NET CHANGE IN FUND BALANCE	11,061,704		(371,601,311)	(382,663,015)
Net Assets Beginning Balance	2,575,518,715	1/1/2022	2,575,518,715	
Net Assets Ending Balance Projected	2,586,580,419	3/31/2022	2,203,917,404	

CRS Budget Analysis	2017	2018	2019	2020	2021	2022
Operating Costs Budget	\$2,623,270	\$2,433,950	\$2,401,100	\$2,608,600	\$2,711,600	\$2,943,950
YOY Difference		-7.22%	-1.35%	8.64%	3.95%	8.57%
Op Costs Budget %	0.1205%	0.1040%	0.1139%	0.1134%	0.1162%	0.1143%
Operating Costs Actual	\$1,945,423	\$2,041,291	\$2,160,943	\$2,292,033	\$2,223,863	\$2,585,805
YOY Difference		4.93%	5.86%	6.07%	-2.97%	16.28%
Actual to Budget Under/Over %	-25.84%	-16.13%	-10.00%	-12.14%	-17.99%	-12.17%
Investment Fees Actual	\$13,726,916	\$12,487,952	\$9,317,661	\$8,942,769	\$8,950,392	\$7,270,322
Op Costs Actual %	0.09%	0.09%	0.10%	0.10%	0.10%	0.10%
Inv Fees Actual %	0.63%	0.53%	0.44%	0.39%	0.38%	0.28%
Total Costs Actual	\$15,672,339	\$14,529,243	\$11,478,604	\$11,234,802	\$11,174,255	\$9,856,127
Total Costs Actual %	0.72%	0.62%	0.54%	0.49%	0.4790%	0.3827%
BOY Assets	\$2,177,815,562	\$2,339,372,610	\$2,108,566,453	\$2,300,097,384	\$2,332,895,227	\$2,575,518,715

2023 PENSION COMMUNICATIONS SUMMIT

January 23 – 24
Renaissance Washington, DC Hotel
Washington, DC

FINAL AGENDA

MONDAY, JANUARY 23

- 7:00 AM – 6:30 PM Registration
Anacostia Ballroom Foyer
- 5:30 PM – 6:30 PM Joint Legislative Conference & Communications Summit
Networking Reception
Potomac Ballroom Salon 2

TUESDAY, JANUARY 24

- 7:00 AM – 5:00 PM Registration
Anacostia Ballroom Foyer
- 7:00 AM – 8:00 AM Joint Legislative Conference & Communications Summit Breakfast
Potomac Ballroom Salon 2
- 8:00 AM – 5:15 PM Pension Communications Summit General Session
Anacostia Ballrooms D/E
- 8:00 –8:45 Transitioning to Digital-First Member Communications
Speaker: Joe DeAnda, CalPERS
- Overview of transition from print to digital-first
 - Lessons learned along the way
 - Optimizing your email strategy

8:45 – 9:30 A Data-Driven Approach to Improving Member Engagement

Speaker: Olivia Applegate, SBCERA

- How to benchmark member engagement
- Using surveys to improve your member communications
- What you can learn from your communications metrics
- Strategies for ongoing optimization

9:30-10:30 Utilizing Videos and Multimedia Content to Reach Your Members

Speakers: Christina Perea, Public Employees Retirement Association of New Mexico and Christian Palmer, Arizona PSPRS

Moderator: Lizzy Lees, NCPERS

- Discuss the value of producing educational videos for members
- How to maximize content using video (i.e. putting webinars on YouTube, video clips on other social media channels, etc.)
- Various approaches to video (in-house vs. working with a vendor) with examples
- Measuring success (metrics, reactions from members)

10:30 AM–10:45 AM Networking Break

10:45–11:30 Advocacy Case Study: How Alaska PERS/TRS Received a \$3B Contribution

Speaker: Mike Barnhill, Cincinnati Retirement System

- Strategies for working with various stakeholders
- Tips for effective negotiations with policy makers
- How to message with different audiences
- Lessons learned along the way

11:30–12:15 Developing a 360 Communications Plan and How to Measure its Impact

Speaker: Patrick von Keyserling, COPERA

- Benefits of an editorial calendar
- Developing an integrated communications strategy
- Maximizing your content

12:15 PM –1:15 PM Networking Lunch

Potomac Ballrooms Salon 2

- 1:15–2:15 Telling Your Fund’s Story: Developing Compelling External Narratives
Speakers: John Myers, CalPERS and Debra Cope, Cope Financial PR
Moderator: Christian Palmer, Arizona PSPRS
- Where to start with developing your organization’s external messaging
 - Strategies for producing evergreen content
 - What is a compelling story for the media?
 - Tools for producing timely and relevant content
 - Media dos and don’ts
 - Intro to crisis communications
- 2:15 – 3:00 Crisis Communications: Lessons Learned During the Highland Park Shooting
Speaker: Michelle Holleman, Chicago Teachers’ Pension Fund
- How can you prepare for the unexpected?
 - Establishing internal and external communications protocols
 - The role of the media during a crisis
- 3:00 PM –3:15 PM Networking Break
- 3:15–4:15 Managing Resources and Optimizing Communications for Small Teams
Speakers: Elizabeth Althoff, Missouri LAGERS; Deb Stewart, NYCERS; and Jonathan Yost, Oregon PERS
Moderator: Olivia Applegate, SBCERA
- Strategies for keeping organized and maintaining efficiencies
 - Training colleagues on communications best practices
 - How team responsibilities have evolved since COVID-19
- 4:15 – 5:15 Facilitated Open Discussion
- Ask questions and learn from peers during a facilitated open discussion
- 5:30 PM – 7:00 PM Communications Summit Happy Hour
City Tap Penn Quarter DC
Located next door to the Renaissance at 901 9th Street NW



ADVOCACY

RESEARCH

EDUCATION

National Conference on Public Employee Retirement Systems
The Voice for Public Pensions

Advocacy Case Study: How Alaska PERS/TRS Received a \$3B Contribution



Alaska PERS/TRS Background

- State + 159 munis/other, 57 school dists (36.8k retirees; 34.2k actives)
- Funding hit hard
 - 1990s: Alleged actuarial malpractice
 - 2000-2001: Dot-Com downturn
 - 2006: Legislature closed DB plan to new employees
 - 2008-2009: Great Financial Crisis
 - 2009: Legislature fixed PERS employer contr. at 22%; TRS at 12.56%; balance of ADC/ARC to be paid from general fund
- But oil!
 - Prices topped out in 2008: \$134/barrel; \$100+/barrel 2011-2014
 - Oil tax regime changed (ACEs); brought huge new revenues

Alaska PERS/TRS Background

- Political Change:
 - Gov. Palin resigned 2009
 - Lt. Gov Parnell succeeded, won his own term as Gov. (2010-2014)
 - New Governor: Sean Parnell (R)
 - Gov (R); Senate (R); House (R)
- December 2010 Numbers
 - Alaska PERS/TRS Funded Ratio: **50.2% (FV); \$13.7B AUM**
 - Unfunded liability: **\$12.1B (\$17,040/person)**
 - Constitutional Budget Reserve balance: **\$9.2B**

Alaska PERS/TRS Background

- 2011: Administration Goal—fix PERS/TRS funding
- 2012: Alaska Retirement Management Board of Trustees unilaterally shifted to “level dollar” amortization
 - Dramatically increased amount of legislative GF assistance.
 - Actuarial projections suggested would soon be \$1B/yr. (up from \$200mm)
- EOY 2013: Governor Parnell goal to appropriate \$x billion from CBR to Alaska PERS/TRS

Alaska Stakeholders

- Governor/Administration
 - Goal: “fix” PERS/TRS funding, budget predictability
- Senate Finance
 - Various members with various goals
 - Chair: support the Governor, allocate most or all to TRS
 - Vice-chair: use all excess reserves to completely eliminate state obligations; dramatically decrease budget; allocate most or all to TRS, pension only
- Legislative Finance and House Finance
 - Stretch out UAL amortization as long as possible (“rolling 50+”); close to pay-go; preserve state assets

Alaska Stakeholders

- Other Legislators
 - Many members have individual ideas of other ways to spend state excess reserves
- Municipalities
 - Decrease statutory contribution rate of 22%
- Organized Labor
 - Increase funding for PERS and TRS
 - Different views as to allocation between PERS and TRS
- Board of Trustees
 - Vocal trustees wanted closed 18 yr amortization term (closed DB system); level dollar amortization

Governor's Advocacy Team

- Deputy Commissioner, Dept of Administration
- Chief Budget Analyst, Office of Management and Budget
- Chief Investment Officer, Department of Revenue (Treasury)

Phase 1: Define Proposal (Fall 2013)

- Worked with actuary to develop spectrum of proposals (dozens)
- 1 day background session with Senate Finance Chair and staff
- Presented to Governor and Alaska Retirement Management Board
- ARMB identified permissible spectrum
 - Ruled out proposals that had amortizations that were too long
 - Continued to support level dollar and closed 18yr amortization term
- Balance of CBR has now grown to **\$11.6B**; UAL is **\$12.7B**
- Governor chose \$3B + 25yr flat dollar amortization: wanted long term budget predictability; tilt allocation to PERS

Phase 2: Begin Advocacy (Jan-Feb 2014)

- Define approach: Constructive Engagement
 - “I want to be in the room on the last day.”
 - Basically, avoid antagonizing legislative stakeholders
 - What can I do to add value to other stakeholders so they will want me in the room on the last day?
- Listen
- Express Respect
- Find a champion in both legislative houses
- Developed 1 page flyer with simple message and explanation
- Met with various legislators; Testified at finance hearings

Phase 3: Waiting and Conflict (Mar-Apr 2014)

- After first efforts, literally nothing happened
- No traction, little interest, no movement, widespread pessimism
- Multiple advocates walking the halls with offsetting advocacy
 - 1 Trustee making independent efforts
 - Labor quiet, but generally aligned with Administration
 - Munis want reduction in contribution rate
- Trustee Board confrontation with Legislative Finance
- Executive session debate for House members between Deputy Commr and Legis Finance director (and beer after...)

Phase 4: End of Session...Many Open Issues

- Amount: \$3B or \$4B?
- Allocation: even split, pro rata (tilt to PERS), tilt to TRS
- Allocation: pension or OPEB?
- Amortization methodology: level dollar, level % of pay, rolling open, flat dollar?
- Amortization term: 18, 25, 30 or 50?
- Amortization: layered or closed?
- Employer contribution rate: stick with 22% or give relief?

Phase 5: Crunch Time (Apr 2014)

- End of session scheduled for April 20 (Easter Sunday)
- Friday April 18 -- Suddenly, new requests for scenarios
- Actuary ready to go (on a holiday weekend!!)
- Three scenarios provided to legislative leadership on Saturday morning April 19

Phase 6: Closing the Deal

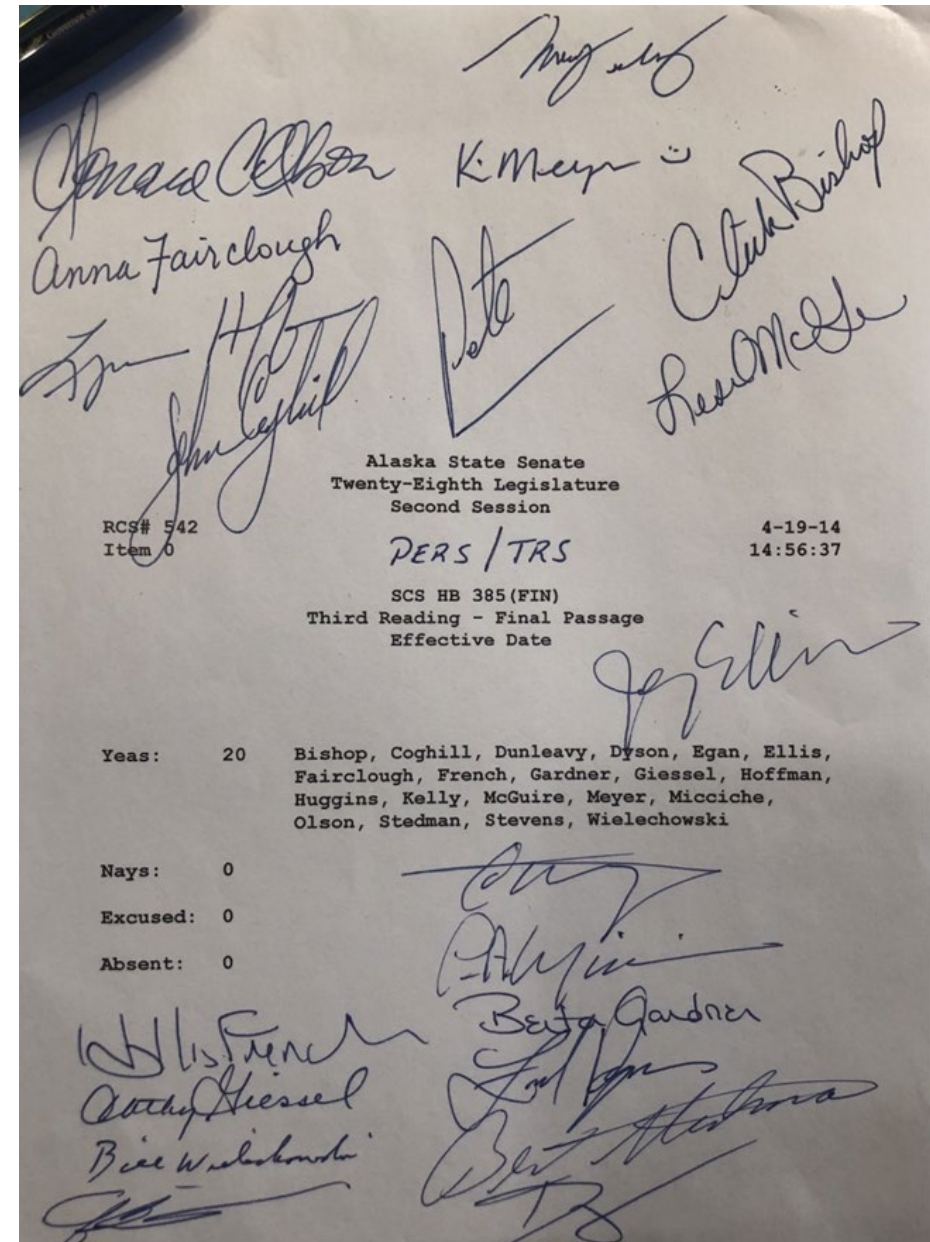
- Main players (4): Governor, Senate Finance chair and vice chair, House Finance chair
- Governor wants flat dollar
- House Finance chair wants much longer amortization; not flat or level dollar
- Senate Finance chair wants a deal
- Senate Finance vice chair wants \$4B, tilted to TRS

Phase 6: Closing the Deal

- House and Senate Finance Chairs Cut a Deal
 - \$2B to TRS; \$1B to PERS (tilt to TRS)
 - Allocated 100% to pension
 - 25-year level % of pay amortization (layered or closed?)
 - No change to 22% employer contribution rate
- Senate Fin. vice chair seeks help from Administration to add \$\$
- I'm in the room on last day! (given msg to transmit to Governor)
- Trustee Board and Munis not in the room
 - Advocacy tactics may have had a role in this

Phase 7: Deal Passes!

- Implementing legislation passed unanimously in both houses



Phase 8: Post-Session Fall Out

- Municipal lobbyist continued advocacy...
- Trustee Board lost power re amortization: level % of pay put in statute
- Lack of statutory clarity on closed or layered amortization
 - took several years to resolve
- 100% allocation to pension not specified in legislation; some of it ended up in OPEB; Vice-chair of Senate Finance frustrated
 - Individual follow-up and apology from me
- But....we got \$3B into PERS/TRS!!! (6/30/15 AUM = \$24.6B)
 - 2014 UAL = \$10.1B; 2015 UAL = \$6.97B
 - 2014 funded ratio = 67.2%; 2015 funded ratio = 77.1%

Working with Different Stakeholders

- Start with same basic message; look for universal appeal (“Keep the Promise”; “Fiscal Responsibility”; 1 page flyer)
- Adapt and tailor: different presentations for different contexts
 - In camera debate before House members
 - Discussion in bar with trustee
- Be ready to do deeper dive...on demand
 - Meeting with Senate Finance Chair and Staff is going to be different than meeting with a member of the Labor Committee
- Listen, acknowledge, give credit...where’s the common ground?

Lessons Learned

- Listen constantly
 - Acknowledge goals of other stakeholders – say it out loud
- Reduced or no information flow allows stakeholders to fill in gaps with their nightmare scenarios...they will assume the worst!
 - Maintain constant flow of communication (7 times in 7 ways) to key stakeholders
- Be patient... advocacy efforts may need to achieve a “tipping point” before they succeed
- Be nice! Easier to catch bees with honey than vinegar
 - Antagonism doesn't work; try to stay above the fray

Lessons Learned

- Be prepared...may need actuary to move quickly. Prepare them well in advance. Some actuaries just may not be able to accommodate over night demands
- Helpful to be a subject matter “translator”: convert jargon!
 - “25yr level dollar amortization” = “25yr house mortgage”
- Never stop expressing thanks and respect
- Consider pros and cons of keeping unaligned stakeholders in the loop
 - But may be difficult to cut a deal with more than 3 principal stakeholders
- Be in the room on the last day, or at least as close to it as you can
 - **You can make the difference!**