



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

**July 2, 2020 / 2:00 P.M.
City Hall – Council Chambers**

Present

Tom Gamel, Chair
Christopher Baucom
Steven Dietrich
John Juech

Chris Meyer
Kathy Rahtz
Don Stiens
Betsy Sundermann

Administration Present

Paula Tilsley
Bev Nussman
Renee Tyree
Ashley Pannell, City Solicitor's Office

Absent

Amy Scarlato

The meeting was called to order at 2:05 p.m.

OATH OF OFFICE

The Oath of Office was administered to Appointed trustees, John Juech and Betsy Sundermann.

APPROVAL OF MINUTES

C. Meyer made a motion to approve the minutes from the June 4, 2020 meeting. C. Baucom seconded the motion. B. Sundermann abstained. Motion to approve minutes from June 4, 2020 approved.

UNFINISHED BUSINESS

✚ Outstanding Opinions

K. Rahtz Board Approved Motion, October 3, 2019

- Item 1. Explain why City's changes to retiree healthcare are permitted under the CSA without Court approval. No updates.
- Item 2. Explain why the Board cannot retain outside counsel on matters which the Solicitor's Office will not give counsel. No updates.

INFORMATIONAL

✚ Ft. Washington PE Fund X

Bev Nussman informed the Board the initial investment window for this private equity fund has been extended six months. Per CRS Board Policy, the Board Chair approved the contract request after seeking input from the CRS Investment Consultant and others.

NEW BUSINESS

✚ Investment Policy – Asset Rebalancing

Bev Nussman discussed the need to clarify language in the Investment Policy concerning staff's ability to rebalance the portfolio by moving assets between individual investments versus liquidating portions of investments only. This will allow staff to rebalance more efficiently and timely during very volatile market cycles.

This item was a request from Ms. Nussman to modify the Investment Policy to allow for a process for asset rebalancing by moving assets from one asset class to another without prior approval by the full Board of Trustees. Under current policy, CRS staff is empowered to rebalance only through the monthly drawdown, or by liquidating assets; otherwise, Board approval is needed.

The administration's proposed new process would allow staff, in consultation with the investment management consultant, to come to the Board Chair, Vice-chair and Investment Committee chair, to obtain approval to act outside the timeframe of the monthly Board meeting. The administration would thus be able to react more appropriately and timelier to sudden and drastic market changes without having to resort to unnecessarily liquidating assets.

Mr. Meyer suggested revising the policy to allow staff to take action in consultation with the investment advisor, without consulting the board chair, vice chair and investment committee chair. Referred to the Investment Committee for further discussion and policy development.

✚ Election Rules and Appeals Language

S. Dietrich presented appeals language for inclusion in the Board's Election Rules allowing an unsuccessful candidate to appeal for a recount if the appealing candidate lost by a margin of less than one percent from the next closest candidate. Language also included a mechanism for a candidate to submit a formal protest to be heard by the Board, and the ability of the Board to declare an election void upon determining a protest valid. S. Dietrich suggested the Board further review the Election Rules concerning electronic submissions given the pandemic.

Board Action

S. Dietrich made a motion to add appeals language to the CRS Election Rules. D. Stiens seconded the motion. B. Sundermann abstained. Motion to add appeals language to Election Rules passed.

Board Action

S. Dietrich made a motion to accept clarifying revisions to sections B, D and F of the Election Rules. K. Rahtz seconded the motion. B. Sundermann abstained. Motions to accept revisions to Election Rules passed.

✚ City's Early Retirement Incentive Plan Impact on CRS

There was a lengthy discussion on this topic, with concerns expressed about the impact of the ERIP on plan funding and benefits. Mr. Gamel noted that the ERIP will provide two additional years of service credit and a corresponding increase in benefits to ERIP participants, none of which was incorporated into the pension or healthcare valuations or calculations of the actuarial determined required contributions. Mr. Gamel requested that the actuary attend the next board meeting to address questions and give the Board guidance about the ERIP. The actuary's reports on ERIP prepared prior to ERIP approval by council are very concerning.

Ms. Tilsley suggested postponing meeting with the actuary until after August 31, 2020, which is when the city will know how many and who has elected to participate. The actuary will be able to use that data instead of the assumptions from the earlier reports. They should be able to report in October or November. Mr. Gamel said he plans to revisit this at the September meeting.

Discussion occurred regarding the potential negative impact to the CRS Pension Trust and the Health Care Trust of offering an Early Retirement Incentive Program. Topic to be revisited at a future meeting once more information concerning the impact of the ERIP is available.

Additional points of discussion:

- City Council received the actuary's ERIP report showing that the plan will run out of money under some scenarios before they voted for ERIP.
- The city said they will address funding of ERIP in 2022, but some Board members expressed a lack of confidence the city will address it.
- The city has not made the required contribution for at least the past 12-13 years. If nothing changes the plan is going to run out of money.
- The city may have believed the CSA was going to fully fund the plan, but we now know it is only funding maybe 60-70% of what needs to be funded every year to maintain benefits.
- The actuary's ERIP report uses the 12/31/2019 valuation and does not consider the current economic downturn.
- The 7.5% return assumption, which is fixed in the CSA and does not consider current market conditions, is not realistic and unlikely to be met for at least the next 10 years. Few, if any, other public plans use such a high assumption and no private sector plans do.

Change in Healthcare Trust Liabilities

This item was to discuss the actuary's report on the healthcare trust, which showed the plan went from approximately 98 percent funded in 2018 to approximately 130 percent funded in 2019. Several trustees are puzzled at the actuary's explanation of such a drastic change and would like to meet with the actuary to better understand the change.

Ms. Tilsley suggested postponing to the August meeting when Mr. Moeller returns to the Board, as he had sent several follow up questions to her to be relayed to the actuary. She also discovered information on Anthem's Medicare Advantage rates that needed to be confirmed with further research. If corrections are needed, it would change the actuary's results. Therefore, this item will be revisited at the August meeting.

Executive Director Performance Rating Self-Evaluation

P. Tilsley provided the strategic goals approved by the Performance Evaluation Committee last year. Referred to Performance Evaluation Committee once Committee members are determined.

Monthly Investment Report

C. Baucom and C. Meyer as exiting trustees urged caution to not abandon the value biases that are currently in place as these provide strong defenses against market volatility.

Having no further business, C. Baucom made a motion to adjourn. K. Rahtz seconded the motion and the motion passed.

Meeting adjourned at 2:57 p.m.