

# Minutes of the Board of Trustees City Of Cincinnati Retirement System May 3, 2007

The Chairperson called the meeting to order at 2:00 p.m. with the following members present:

Marijane Klug, Chairperson  
Kathy Creager (proxy for Joe Gray, Secretary)  
David Rager (proxy for City Manager Dohoney)  
Gina Marsh (proxy for John Cranley, Council Member)  
Donald Beets  
Michael Fehn  
Michael Rachford  
V. Daniel Radford  
Brian Pickering  
Jason Barron (proxy for Mayor Mallory)

## Member/s Absent

Margaret Allen, Civil Service Representative

Staff present: John Boudinot, CRS Executive Director, Keith Giles, Supervisor of Pension Plans, John Walsh, Investment Officer, Linda Johnson, Board Recorder, Roshani Hardin, Assistant City Solicitor. Also present were the Actuarial Consultants, Gary Dickson and Tom Hackman of Mercer Human Resource Consulting.

Ms. Klug called for a motion to approve the minutes of the April 5, 2007 Board Meeting, and asked if there were any changes. Mr. Beets called for 2 omissions to be included in the minutes; 1) a roll call vote for Mr. Rager's motion; and 2) The Anthem rebate. Ms. Klug requested the minutes be amended to include the changes. A motion was made to approve the minutes as amended by Mr. Rager, seconded by Mr. Rachford and carried by the Board.

## BENEFITS COMMITTEE

Mr. Pickering reported that the Benefits Committee met on Thursday April 26, 2007, and presented the following report to the Board:

1. Application for Ordinary Retirement - May 2007 Total - 5

NO.	NAME	DEPARTMENT
40652	Michael Miller	Law
45070	Lawrence Powers	University of Cincinnati
45246	Faheemah Muhamad	University Hospital
48510	Steven Langheim	Health
57146	Janet Foster	Water Works

2. Application for Deferred Retirement - Total -

NO.	NAME	DEPARTMENT
55144	Kathleen P. Brune	Finance

3. Application for Ordinary Death Benefit: Total - 2

NO.	NAME	DEPARTMENT
58683	Marian B. Johnson	Parks
49658	David W. Washington	Water Works

4. Application for Ordinary Disability Retirement: Total - 1

NO.	NAME	DEPARTMENT
46906	Carlithea Corbin	Recreation

5. Application for Ordinary Retired Deaths: Total - 7

Mr. Pickering moved that the Board accept the report of the Benefits Committee. The motion was made by Mr. Fehn, seconded by Mr. Rachford and unanimously carried by the Board.

**SECRETARY'S REPORT**

Ms. Creager (proxy for the secretary) reported that as of March 31, 2007, the asset level of the fund was \$2.64 billion, a year-to-date increase of 0.8%. The asset allocation of the investment portfolio as of March 31, 2007 was as follows:

<b>Current Asset Allocation:</b>	<b><u>Target</u></b>	<b><u>Actual</u></b>
• Domestic Equity:	43.5 %	52.3 %
• International Equity:	17.0 %	17.8 %
• Fixed Income:	17.0 %	27.8 %
• Private Equity:	5.0 %	0.8 %
• Real Estate:	7.5 %	0.0 %
• Infrastructure:	5.0 %	0.0 %
• Long/Short Equity:	5.0 %	0.0 %
• Treasury Cash:	<u>0.0 %</u>	<u>1.3 %</u>
	100.0 %	100.0 %

Ms. Creager commented that the actual allocation to U.S. equities and fixed income are well above target, but these are the assets that will be used to fund the

investments in the new asset classes. Ms. Creager informed the Board that the first allocation of \$6 million was just forwarded to Piper Jaffrey, and an allocation of about \$9 million will be forwarded to Fort Washington in the near future.

Ms. Creager also submitted the following report:

1. Resolution for Enrollment of New Members - Total: 91
2. Resolution for Return of Contribution & Deaths of Pensioned Members  
Total: 31 - Amount: \$231,018.44
3. Resolution for Loans to Members - Total: 87 Amount: \$940,023.37
4. Resolution for Deaths of Pensioned Members - Total: 15
5. Resolution of Military Service Credit Prior to Membership - Total: 4

The Secretary submitted the following vouchers for payment:

<b>PAYEE</b>	<b>AMOUNT</b>
Mae Consulting Inc. - Professional Services Rendered	\$225.00
Sheakley Vocational Services, LLC - Professional	\$692.20
Printing Services - Charges for the month of April 2007	\$3,502.33
John T. Walsh - Reimbursement for Conference Expenses	\$150.00
City Facility Management - Charges for services	\$1,421.69
Treasurer of State - Employer withholding Tax	\$500.00
Lee Personnel Inc. - Temporary Personnel Services	\$631.60
Mercer Human Resource Consulting - Actuarial Services	\$61,963.00
ABS Business Products, Inc. - Monthly Rental Billing	\$418.50
Finance Dept. Accounts & Audits - Cinsy Billing for January 2007	\$8,388.48
Fifth Third Bank - Custodial Fees	\$50,000.00
Mae Consulting Inc. - Professional Services Rendered	\$90.00
Sheakley Vocational Services, LLC - Professional Services Rendered	\$290.70
Wells Fargo Insurance - Fiduciary Liability	\$39,950.00
Lee Personnel Inc. - Temporary Personnel Services	\$454.68
Elegant Fare Inc. - Investment Com. & Board of Trustees Luncheon	\$114.60
John K. Boudinot - Tuition Reimbursement	\$2,075.00
Osterman Cron - Professional Services Rendered	\$485.08
Business Information Solutions Inc. - Storage of CRS files	\$78.72
Finance Dept. Accounts & Audits - Cinsy Billing for February 2007	\$7,283.34
Michael Rachford - Reimbursement for Conference Expenses	\$252.00
Millennium Business Systems - Payment for Services for Fax machine	\$206.67
Osterman Cron - Professional Services Rendered	\$722.12
Levi Ray & Shoup - Professional Services Rendered	\$132,018.11

Division of Accounts & Audits – Payment for Cinsy Billing Mar 2007	\$12,086.71
Cheryl Volk – Reimbursement for office supplies	\$119.84
Ohio State Teachers Retirement System – Reciprocity Transfers	\$31,421.26
Ohio Police & Fire Pension Fund – Reciprocity Transfers	\$51,132.49

The Secretary reported that at the close of business April 30, 2007, there was in the Treasury to the credit of the Retirement System, the amount of \$13,589,495.23.

Ms. Klug moved that the board accept the Secretary’s report. The motion was made by Mr. Rager, seconded by Mr. Rachford and carried by the board.

**INVESTMENT COMMITTEE**

Mr. Rager reported that the Investment Committee met prior to the Board meeting and interviewed three Investment Managers for a Core Real Estate mandate. The firms interviewed were JP Morgan; Morgan Stanley; and Blackrock. The Committee ultimately decided on allocating \$65 million to JP Morgan and \$65 million to Morgan Stanley. This decision was carried unanimously by the Committee. Mr. Radford moved that the board accept the report of the Investment Committee and allocate a \$65 million investment to both JP Morgan and Morgan Stanley’s core real estate funds. The motion was seconded by Mr. Beets and unanimously carried by the Board.

Mr. Rager also indicated that the Committee will be interviewing four Value Added Real Estate Investment Managers at the June meeting and the Committee will be bringing a recommendation to the Board.

**GOVERNANCE COMMITTEE**

Mr. Rager reported that the Governance Committee continues to work on consolidating all the different rules, regulations, policies, etc. into one governance manual. Mr. Rager presented the first 10 pages of the manual for the Board’s review, which spells out the Charter for the Retirement System Board of Trustees. Mr. Rager indicated that he wanted the Board to review this section for discussion at the June Board meeting. Mr. Rager stated that the Governance Committee will be bringing additional pieces of the manual over a period of months to be discussed at each Board meeting until the manual is complete.

Mr. Boudinot also noted that there are 4 charters in the manual and that this section of the Charter if approved would be that the Board Chair would only serve 2 consecutive (2-year) terms. Some discussion evolved and the consensus was that this item will be enacted upon at the next Board Meeting.

## ELECTION COMMITTEE

Mr. Beets reported that the Election Committee has been steadily meeting and had only one more item to resolve before they vote on all of the recommendations. Mr. Beets indicated that once the guidelines are established, it will be included with the Board Agenda and forwarded for recommendation to the Board.

Ms. Klug indicated there was one item for the Election Committee to review that was left on the table at the May meeting, regarding a motion that read; if an active member is no longer an active member, then the CRS would go to a re-election at that time. Ms. Klug presented some draft language for a motion for the Elections Committee to review, that amends the previous motion. Ms. Klug indicated that the language of this motion is more in line with what the Election Committee has, and would like this item returned for discussion at the June meeting. Mr. Beets asked if this item was referred to the Law Dept. for an opinion, which Ms. Klug replied yes, and referred to Ms. Hardin for clarification. Ms. Hardin stated that this item could apply to active members serving on the Board. It would be a positional requirement for employee members to maintain in an active employee status. Mr. Radford inquired if the Board can change this rule, or does Council need to be involved? Ms. Hardin the Board has the authority to make this rule apply to current members of just to prospective employee members.

## PLAN DESIGN WORK GROUP

Mr. Pickering reported the there has been no new business this month, but plan to hold the next meeting on Wednesday May 9, 2007 at 3:00 p.m. in Committee Room B.

## NEW BUSINESS

Ms. Klug announced that Gary Dickson and Tom Hackman of Mercer Human Resource Consulting were on hand to present the report on the Actuarial Valuation for December 31, 2006 to the Board.

### Actuary Report

Highlights of the 2006 actuarial report reviewed by Mr. Dickson were as follows:

- 1) Mr. Dickson commented that he was pleased to learn that the Board reduced the investment return assumption as he had been recommending that for a few years.
- 2) The number of active - full time participants (3,286) continues to fall due to fewer working members in the closed groups as well fewer number of

- City employees. The number of retirees (4,541) has remained relatively steady.
- 3) The reduction in the return assumption and the adoption of the results of the experience study resulted in a significant change to the valuation of the CRS. Due primarily to these two changes, the recommended total contribution rate for 2008 is 46.01% (7.30% employee and 38.71% employer). Without these two assumption changes, the total contribution rate would have been around 29%.
  - 4) Mr. Dickson commented that although the assumption changes substantially increase the recommended contribution rate, the changes provided a more realistic picture of the financial health of the CRS and the necessary contribution rate.
  - 5) The funding level of the CRS is 88% based on actuarial value of assets and about 91% based on market value of assets. Mr. Dickson indicated that the funding level is probably better than most public pension pensions and would be about average if compared to a corporate plan.
  - 6) Mr. Dickson commented that he would not be concerned with this funding level if healthy contributions are made to the fund. However, the funding level would continue to decline if the recommended contribution rates are not maintained.
  - 7) The unfunded liability increased in 2006 from \$127 million to \$346 million. This unfunded liability will be amortized over 15 years. Of the total 46% recommended contribution rate, about 24.5% is to pay down the unfunded liability and 21.5% is the normal cost.
  - 8) The investment return on the actuarial value of assets was 14.19%, resulting in an actuarial gain of about \$130 million. Because investment gains and losses are smoothed over a five-year period, only \$26 million of the gain was recognized in the 2006 valuation. The remaining \$104 gain will be reflected over the next four valuations.
  - 9) Medical claims data was better than expected as costs per participant only increased by about 2.5%. This resulted in an actuarial gain of about \$20 million.
  - 10) The gain from lower than expected medical costs was largely offset by changes made to the medical assumptions as the future cost of providing prescription drugs was increased over the prior assumed trend.

As requested by the CRS Board, Mr. Dickson also provided the results of a solvency test. The solvency test is a projection of how long benefits could be paid from the fund until the fund runs out of money. The solvency test assumes no contributions are made to the fund and the fund earns an 8% return each year. Under this scenario, the CRS would be expected to run out of money in 2032.

## ADJOURNMENT

Ms. Klug moved for a motion to adjourn. The motion was made by Mr. Rachford, seconded by Ms. Creager and carried by the board. The meeting was adjourned at 3:45 p.m.