



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

August 6, 2009 / 2:00 PM
Committee Room B

The Chairperson confirmed a quorum and called the meeting to order: 2:08 PM

Present:

Dave Rager, Vice Chair
Jason Barron
Donald Beets
Laketa Cole
Michael Fehn
Jack Walsh
Dan Radford
James Robinson
Bryan Schmitt

Staff present:

Cheryl Volk – Recorder

Absent

Brian Pickering
Michael Rachford

BOARD MINUTES

May 7, 2009

B. Schmitt made a motion to approve the minutes. J. Robinson seconded the motion and the motion passed. Minutes were approved.

June 4, 2009

D. Radford made a motion to approve the minutes. B. Schmitt seconded the motion and the motion passed. Minutes were approved.

July 6, 2009 – First Special Meeting

J. Walsh made a motion to approve the minutes. B. Schmitt seconded the motion and the motion passed. Minutes were approved.

July 6, 2009 – Second Special Meeting

B. Schmitt made a motion to approve the minutes. J. Walsh seconded the motion and the motion passed. Minutes were approved.

BENEFITS COMMITTEE

D. Beets provided the Benefits Committee Report:

- Minutes: May 28, 2009
- Minutes: June 4, 2009
- The recommendation regarding Re-employed Health Care Motion was submitted to the June 17, 2009 Finance Committee.
- Eligible Dependents Ordinance was approved by City Council on June 24, 2009
- Review of CRS Loan process
- Consideration for applying a fee when filing a disability appeal

Board Action

D. Beets made a motion to accept the Benefits Committee Report. M. Fehn seconded the motion and the motion passed. Benefits Committee report accepted.

Disability Report

Disability Application approved by the CRS Medical Director

- Glenn Moll

Board Action

D. Beets made a motion to approve disability application for Glenn Moll. M. Fehn seconded the motion and the motion passed. Disability approved.

Disability Application approved by the CRS Medical Director

- Sylvonna Bedford

Board Action

D. Beets made a motion to approve disability application for Sylvonna Bedford. M. Fehn seconded the motion and the motion passed. Disability approved.

Disability Application. Request for approval of application for member who died prior to completion of application process.

- Mark McKinney

Board Action

D. Beets made a motion to approve disability application for Mark McKinney. L. Cole seconded the motion and the motion passed. Disability approved.

SECRETARY REPORT

J. Walsh provided the 2nd quarter 2009 Performance Report:

Total Fund Return +11.9%

2nd Quarter Asset value \$1.81 billion which is down from \$1.83 billion at beginning of 2009.

End of July 2009 assets were \$1.9 billion.

**Board of Trustees
Secretary Report**

Month Ending: May 31, 2009

Asset Valuation				
December 31, 2008	\$ 1.83	Billion	\$ 1,831,513	
May 31, 2009	\$ 1.82	Billion	\$ 1,824,876	
YTD Increase (Decrease)	-0.36%			
Current Asset Allocation	12/31/08 Actual	5/31/09 Actual	Target	Pending Allocations
Domestic Equity	42.9%	43.1%	43.5%	
International Equity	16.5%	17.9%	17.0%	
Fixed Income	20.3%	17.8%	17.0%	
Private Equity	4.3%	4.1%	5.0%	
Real Estate	8.6%	7.3%	7.5%	
Infrastructure	1.0%	2.6%	5.0%	
Long / Short Equity	6.2%	6.2%	5.0%	
Treasury Cash	0.2%	1.0%	0.0%	
	100.0%	100.0%	100.0%	

**Board of Trustees
Secretary Report**

Month Ending: June 30, 2009

Asset Valuation				
December 31, 2008	\$ 1.83	Billion	\$ 1,831,513	
June 30, 2009	\$ 1.81	Billion	\$ 1,806,294	
YTD Increase (Decrease)	-1.38%			
Current Asset Allocation	12/31/08 Actual	6/30/09 Actual	Target	Pending Allocations
Domestic Equity	42.9%	43.1%	43.5%	
International Equity	16.5%	17.9%	17.0%	
Fixed Income	20.3%	17.5%	17.0%	
Private Equity	4.3%	4.1%	5.0%	
Real Estate	8.6%	7.1%	7.5%	
Infrastructure	1.0%	2.6%	5.0%	
Long / Short Equity	6.2%	6.6%	5.0%	
Treasury Cash	0.2%	1.1%	0.0%	
	100.0%	100.0%	100.0%	

INVESTMENT COMMITTEE

J. Walsh provided the following report from the Investment Committee: August 6, 2009:

✚ Updates on the 2nd Quarter 2009 Investment Report

- Market Values
- Asset Allocation Review: Discussed Portfolio options for reducing volatility. Investment Committee approved implementation of Portfolio D and to terminate Gradison, a Large-Cap Value Equity Manager. Portfolio D will reduce US equity allocation and increase international equity and long/short equity.
- Review of Asset Allocation Peer Review of Public Funds as of 12/31/08

Board Action

J. Walsh made a motion to approve the asset allocation to Portfolio D. M. Fehn seconded the motion and following a discussion, the motion passed.

FUNDING RATIO REPORT

J. Walsh provide an estimated Funding Ratio Report as of July 23, 2009 on estimated market value of assets:

<u>Estimated Market Value of assets</u>	=	<u>\$1,850,000,000</u>
Actuarial accrued liability (12/31/2008)	=	\$3,369,790,600 = 55%

<u>Estimated Market Value of Assets</u>	=	<u>\$1,850,000,000</u>
Actuarial Accrued Liability (Adjusted for Task Force Changes)	=	\$3,233,171,600 = 57%

PENDING BUSINESS

Cavanaugh Macdonald

Per request of the Board, Cavanaugh Macdonald provided a report outlining the contributions needed to preserve the pension fund. The report reflected the 2009 contributions needed before Task Force changes (2009 City Council approved motions) are implemented and 2009 contributions needed after Task Force changes implemented. Forward report to City Council for information.

Executive Director Search

Hudepohl & Associates are currently conducting a search for an Executive Director of the Cincinnati Retirement System (CRS). Five critical activities of the search have been completed. According to the Search Work Plan which provides a timeline for search activities, interviews could begin September 2009. Board members are to contact B. Pickering if interested in participating in interview process.

Risk Management Report

Chuck Haas, Risk Manager provided the following reports:

✚ Anthem Blue Cross and Blue Shield (BC & BS) Audit

The City and CRS hired the benefits consulting firm Health Data Management, Inc. (HDM) to conduct an audit of Anthem BC & BS. The city administration has reviewed the audit findings with Anthem and based upon the onsite detailed claim sample audit, agrees with Anthem that the majority of HDM error/exception findings are not actual errors or exceptions. At this time, no further action is warranted.

✦ Retiree Healthcare Bids

A total of 6 bids were received in response to the Request for Proposal (RFP) published earlier 2009. Administration intends to determine the most comprehensive and cost-effective program for the CRS and complete the selection process by end of September 2009. Will make recommendations to the Board by October 2009 for potential implementation January 2010.

✦ Audit of Retiree Eligibility

The City and CRS conducted a limited audit of eligibility in January 2006. Administration recommends that a similar audit be performed during the next "Open Enrollment" period. CRS and Risk Management to coordinate initial survey/questionnaire.

✦ Fiduciary Liability Insurance

The Fiduciary Liability Insurance for the CRS Board Trustees (ex-officios only) was renewed for the period July 7, 2009 through July 7, 2010. The coverage was increased from \$5 million to \$7 million. The primary coverage remains with the incumbent insurer The Federal Insurance Company. The \$2 million excess coverage is placed with Ironshore Indemnity Inc.

LEGAL UPDATES

Roshani Hardin, Chief Counsel provided the following report:

✦ Emergency Ordinance – Amending Section 203, Cincinnati Municipal Code (CMC).

Enacting new sections of the CMC to incorporate revisions and new provisions required by various sections of the Internal Revenue Code (IRC) and regulations adopted that are necessary to maintain the qualified status of the City of Cincinnati's retirement system.

- Law Dept to present Ordinance to the Board of Trustees meeting September 3, 2009. Ordinance must pass by City Council by October 31st. Law Department to provide summary for review to the Board one week in advance of meeting.

✦ Leave of Absence Ordinance

- C. Zimmer in process of preparing Ordinance and will present Ordinance at the next meeting of the Board of Trustees September 3, 2009. Law Department to provide summary for review to the Board one week in advance of meeting.

✦ Deferred Retirement Loan Ordinance

Proposed changes submitted to Finance Committee March 2, 2009.

✦ Task Force Changes Approved by City Council

Law Department in process of reviewing. Clarification needed regarding changes associated with AFSCME and CODE collective bargaining. Timeline for implementation: January 1, 2010.

✦ Legal Requirements and Communications

Board requested assurance that legal requirements are met and communications enhanced between Board and Law Department. R. Hardin suggested IceMiller provide periodic reports to Board outlining legal requirements. R. Hardin will request a newsletter or White Paper be provided to Board.

NEW BUSINESS

✦ Deferred Retirement Application

- Gerald Powell who separated from service with the city in year 2000, filed an application for Deferred Retirement in February 2009. The Cincinnati Municipal Code (CMC) requires Deferred Retirement applications be submitted within one year of separation from service.. Mrs. Powell presented to the Board to request approval of the application. D. Rager, Chair referred the matter to the Benefits Committee. The next meeting is scheduled for Thursday, August 27, 2009.

✚ Electronic Funds Transfers (EFT) for Medicare Part D Reimbursements

D. Beets submitted a report referencing years 2007, 2008, and 2009 Medicare Plan D EFT reimbursements. D. Beets has not been able to find the reimbursements reflected on any financial reports for the CRS. Question was raised about whether all the applications were made for reimbursements and how to record appropriately. J. Walsh to follow up with R. Wilson, Senior Accountant for CRS to identify the appropriate process and report at future Board meeting.

✚ Money Loaned from the Retirement Fund to the City of Cincinnati, to Finance the Early Retirement Incentive Program (ERIP)

D. Beets expressed concerns that loaning money from Cincinnati's retirement fund for ERIP