



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

June 4, 2009 / 2:00 PM
Committee Room B

The Chairperson confirmed a quorum and called the meeting to order: 2:05 PM

Present:

Brian Pickering, Chair
Dave Rager, Vice Chair
Jason Barron
Donald Beets
Miles Lindahl
Michael Fehn
Jack Walsh
Michael Rachford
Dan Radford
James Robinson

Staff present:

John Dietz
Joe Gray
Cheryl Volk – Recorder

Absent

Bryan Schmitt

ELECTION RESULTS

M. Fehn provided a report from the Election Committee which included a review of the election process. The Employee Trustee Election results are as follows:

Mike Rachford 630

Board Action

M. Fehn made a motion to accept the election results and certify Mike Rachford as the newly elected Employee Member of the Board of Trustees for a four-year term. D. Beets seconded the motion and the motion was passed. Christine Zimmer administered the Oath of Office.

BOARD MINUTES

D. Rager made a motion to accept the minutes from the Special meeting of the Board of Trustees, May 21, 2009. M. Fehn seconded the motion. M. Lindahl abstained. The motion passed and the minutes were accepted as submitted.

NEW BUSINESS

Cincinnati Retirement System Pension Fund Manager Position

Joe Gray, Finance Director is working with Hudepohl in the search of a Pension Fund Manager for the Cincinnati Retirement System (CRS). Both internal and external candidates will be considered. J. Gray will serve as interim Pension Fund Manager.

Actuary Report

The Board received the Cavanaugh Macdonald responses to the questions submitted previously by the Board. The Trustees requested additional time to review the responses. The Board Chair requested a Special Meeting of the Board to address the Cavanaugh Macdonald information, the unfunded liability, and the City Council recommendations.

Board Action

M. Fehn made a motion to accept the Cavanaugh Macdonald Actuary Report and forward the report, including the required annual contribution rate, to City Council. D. Radford seconded the motion and following a Roll Call Vote, the motion passed.

J. Barron	Yes
D. Beets	Yes
M. Fehn	Yes
M. Lindahl	Yes
B. Pickering	Yes
M. Rachford	Yes
D. Radford	Yes
D. Rager	Yes
J. Robinson	Yes
J. Walsh	Yes

BENEFITS COMMITTEE

M. Rachford provided the Benefits Committee Report:

- Minutes: April 2, 2009
- Minutes: April 30, 2009
- Committee is currently addressing the CRS Loan Process
- Elizabeth Christy: Disability Application Approved

Board Action

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

Benefits Committee Motion

Benefits Committee submitted a communication regarding the November 24, 2008 motion from City Council: "Securing the Future of the Cincinnati Pension System" (health-care benefits for re-employed City Retirees). The Committee identified several issues with the City Council motion and provided recommendations for revisions. The Committee requested the Board's approval of the Benefits Committee motion and to forward the motion to City Council for consideration.

Board Action

M. Rachford made a motion that that the motion as cited below be approved and be forwarded to City Council for consideration:

The Retirement Board Benefits Committee has reviewed Council Document #200801414 (Securing the Future of the Cincinnati Pension System) dated November 24, 2008 regarding Health Care benefits for re-employed City Retirees. The Retirement Board believes that this motion can not be implemented in a manner that will provide cost savings for the Cincinnati Retirement System (CRS) primarily based on the included "hold harmless" clause. The motion was as follows:

WE MOVE that the Administration implement the following eligibility criteria for retirement health care benefits:

- 1. If a city retiree or their spouse is employed after retiring, the retiree or their spouse must enroll in that employer's health plan if the employer offers a health plan to other employees in similar positions.*
- 2. The city will coordinate benefits as secondary payer with the retiree or spouse's employer healthcare insurance, in order to hold their benefits harmless.*
- 3. If the employer offers health care coverage and the retiree or their spouse does not enroll in it, then the Cincinnati Retirement health benefits will be suspended as long as the retiree or their spouse refuses to enroll in the employer's health coverage plan.*

The Benefits Committee has reviewed this Motion with Mr. Chuck Haas, City Risk Manager and the Retirement Division. We assume that the purpose of the "hold harmless" clause is to assure that the re-employed retirees would not have to pay any additional out of pocket cost for their medical benefits. This would be accomplished by having their current employer be the primary provider and the CRS would become secondary. For example, if the retiree does not pay a monthly premium under their current CRS Health Care Plan but pays \$100 (for example) per month premium for the employer provided plan then the CRS would have to reimburse the retiree the \$100 per month. The monthly reimbursements would effectively negate any cost savings of the CRS being the secondary health care plan.

Other State pension plans have established programs or rules requiring their re-employed retirees to pick up a larger portion of their health care costs by requiring their employers to be the primary insurer or allowing them to participate in the pension plan provided health care based on the average annual cost. This annual cost will vary based on the plan and family members covered. In this case, the state re-employed retirees are not "held harmless" and they are very likely to pick up a greater share of their health care costs since they are employed and offered health care. This arrangement provides cost savings for the state pension plan since the employer or retiree is required to pick up a greater portion of the health care cost.

Since the cost structure of health care plans are significantly different it is difficult to develop a policy that is fair to all re-employed retirees. A few of the questions raised by the Benefits committee that should be considered in policy revisions for health care benefits for re-employed retirees are as follows:

- Should less than full time re-employed retirees be excluded (especially when health care cost is proportionally higher than for full time employees)?*
- Should there be an exclusion for low wage earners?*
- What about two retired spouses and one re-employed?*
- Clarify the intent of the "hold harmless" provision in the Council motion?*

Health care policy changes could be implemented for re-employed retirees that would provide cost savings to the CRS but ultimately these policies would require the re-employed retirees to pick up a greater portion of their health care costs. The Board is willing to look further at changes to re-employed retiree health care but we would appreciate City Council providing further direction based on the issues raised above.

D. Rager seconded the motion and following a Roll Call Vote, the motion passed.

J. Barron	Yes
D. Beets	Yes
M. Fehn	Yes
M. Lindahl	unavailable for vote
B. Pickering	Yes
M. Rachford	Yes
D. Radford	Yes
D. Rager	Yes
J. Robinson	Yes
J. Walsh	Yes

Eligible Dependent Family Members Draft Ordinance

Benefits Committee revised the draft ordinance and submitted the final version to the Board for approval.

Board Action

M. Rachford made a motion to approve the draft ordinance. M. Fehn seconded the motion. Following a discussion, a Roll Call Vote was called and the motion passed:

J. Barron	Yes
D. Beets	Yes
M. Fehn	Yes
M. Lindahl	Yes
B. Pickering	Yes
M. Rachford	Yes
D. Radford	Yes
D. Rager	Yes
J. Robinson	No
J. Walsh	Yes

INVESTMENT COMMITTEE

J. Walsh provided the following report from the Investment Committee: May 7, 2009 Investment Committee minutes. The CRS pension fund as of April 30, 2009: \$1.76 Billion. The fund as of May 31, 2009: \$1.82 Billion

Updates on the April 2009 Investment Report

- U.S. Economic Environment
- Fixed Income Market Environment
- U.S. Equity Market
- International Equity Market
- Hedge Fund Market
- Market Values
 - Recommendation to reduce equity portfolios and increase long/short. To discuss at future meeting.
- Annualized Performance (Gross of Fees)
- Private Equity Infrastructure as of 3/31/09
- Asset Allocation Study planned
- CRS Guidelines for Global Investment Performance Standards (GIPS) Compliance Audit Results
- Blackrock Financial Management

- Amon Johnson and Lynette Vanderwarker, Blackrock presented a 20-minute overview of their investment firm followed by a question and answer session.

Board Action

M. Lindahl made a motion to accept the Investment Committee Report. M. Fehn seconded the motion and the motion passed.

FUNDING RATIO REPORT

J. Gray to provide a monthly report.

PENDING BUSINESS

Fiduciary Liability Insurance

The Board Chair will meet with C. Haas, Risk Management Director and representatives from our Insurance Company regarding continuance of liability insurance for the Board of Trustees. Board will be updated when information available.

Service Purchase for Leave of Absence Draft Ordinance

The Board of Trustees approved the draft ordinance at the May 2, 2009 meeting. Per request from the Law Department, the Human Resources Director reviewed the document and determined the language was appropriate from the Human Resources perspective. Administration to send ordinance to City Council for consideration.

SECRETARY REPORT

J. Walsh provided the following report:

<p>Board of Trustees Secretary Report</p> <p>Month Ending: April 30, 2009</p>				
Asset Valuation				


LEGAL UPDATES

Bates Case: Pending. Will go to trial if no settlement.

IRS LETTER

J. Walsh provided the Board with an update concerning the IRS tax bill. The final bill for Form 945 through 2008 tax year and Form 1099R through 2001- 2005 tax years: \$48,415.25 due May 29, 2009.

INFORMATIONAL ITEMS

 CRS Activity 2009	May	June
1. Application for Ordinary Retirement:	Total: 1 added	1
2. Enrollment of New Members:	Total: 83	
3. Ret. of Contrib. & Death Benefit:	Total: \$ 178,277	
4. Loans to Members: 28 members	Total: \$ 257,972	
5. Operating Expenses:	Total: \$ 210,835	

J. Walsh made a motion to adjourn. Motion was seconded by M. Lindahl and the motion passed. Meeting was adjourned 3:50 P.M.