



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

November 6, 2008 / 2:00 PM
Council Chambers

The Chairperson confirmed a quorum and called the meeting to order: 2:12PM

Present:

Dave Rager-Chair
Brian Pickering, Vice-Chair
Donald Beets
Michael Fehn
V. Daniel Radford
James Robinson
Bryan Schmitt
John Walsh
Michael Rachford
John Cranley

Staff present:

John Boudinot
Keith Giles
Cheryl Volk – Recorder

Absent

Jason Barron

BOARD MINUTES

Minutes from October 2, 2008 Board meeting were submitted for approval. Motion was made by B. Pickering and seconded by M. Fehn to approve the minutes as submitted. Motion was carried by the Board.

NEW BUSINESS

1. R. Hardin, Chief Counsel introduced John Curp, who has served as the new City Solicitor since September 2008.
2. Ice Miller, LLP, was hired as outside council to the Retirement Board. They were requested to address the legal aspects of B. Pickering's recommendation to allocate all employee and employer contributions to the Pension Fund. Katrina Clingerman, of Ice Miller LLP, addressed the following issues:
 - Closing Agreement with IRS regarding the Section 401(h) matter. The closing agreement establishes a maximum amount of 25% of contributions to be designated for the Qualified Medical Benefits Account, whereas The Cincinnati Municipal Code (CMC) § 203-121 defines "all or a portion of the fund" for the medical plan. Since the CMC reference is not clearly defined, a nominal amount would be all that is required to maintain compliance. The code could be amended to reflect a different approach or for more clarification.

An actuarial calculation is made to determine the percentage of contributions deposited to the pension and healthcare funds. The CRS Actuary, Cavanaugh Macdonald Consulting will provide the recommendation for 2008. Board has final decision for split of contributions.

- The IRS Determination Letter confirms that the plan is in compliance. Currently there is a five-year filing cycle: Public funds are assigned the third year – Cycle C. Ms. Clingerman recommended adhering to Cycle C. CRS has the option to defer to Cycle E. If we opt to file in Cycle C, the correction fees will be cut in half. J. Boudinot recommended filing in Cycle C.
 - The filing process includes: Reviewing CMC provisions, assembling compliance check lists, drafting amendments if necessary provisions are not present, assembling a packet describing the plan.

Board Action

M. Fehn made a motion to file a Determination Letter in Cycle C. J. Robinson seconded the motion and the motion passed.

TASK FORCE REPORT

The following representatives of Cavanaugh Macdonald Consulting, LLC presented to the Board:
Ed Macdonald, President
Ed Koebel, Senior Actuary
Alisa Bennett, Senior Actuary.

The consultants answered questions as submitted by the Board in advance. Topics addressed:

- Amortization of unfunded accrued liability
- Smoothing of Assets
- CRS projections (assuming 8% return each year after 2008)
- Total employer rate –ARC – Smoothing 5 years for
- Funding percentage – Employer ARC - smoothing kept at 5 years
- Funding percentage – Employer continue at 17% contribution - amortization 15 years
- Recommendations for Employer Contribution Smoothing Method
- Obtaining Healthcare from other employer or spouses employer – pros and cons
- Impact of joining the Ohio State Retirement Systems RX Pharmaceutical Program by 2009

Summary:

- Recommend not marking to market at this time.
- Maintain the 80%/120% corridor. Recommend no change.
- Although the smoothing and amortization schedules can be increased, the funding level of pension and healthcare fund will continue to decline if employer contributions are not increased as required.
- Recommend increasing smoothing and/or amortization: Three scenarios presented.

J. Cranley noted that a health insurance bid-out was requested by City Council. Mr. Cranley announced that although the city will pay 17% in 2009, City Council must develop a policy that emphasizes and insures a disciplined payment of the Annual Required Contribution to the CRS.

Following the presentation and discussion, the meeting was opened for comments and five audience members commented publicly: Dean Watkins, Marianne Steger, K. Boniface, Denny Davis, Thomas Koch.

Board Action

J. Cranley made a motion for the Board to roll-call vote separately on each item of the short-term recommendations. J. Robinson seconded the motion and the motion was passed.

Task Force Short-Term Recommendations:

1. Recommendation

Increase length of term for actuarial smoothing of gains and losses from 5 years to 10 years.

Roll-Call Vote

The motion failed to reach a majority vote with 5 No votes and 5 Yes votes.

Motion Failed

Donald Beets	YES
John Cranley	YES
Michael Fehn	NO
Brian Pickering	YES
Michael Rachford	NO
Daniel Radford	NO
James Robinson	NO
Bryan Schmitt	NO
Jack Walsh	YES
Dave Rager	YES

2. Recommendation

Change amortization of actuarial accrued unfunded liability from 15 years to 30 years.

Roll-Call Vote

Motion Passed with 6 Yes votes and 4 No votes

Motion Passed

Donald Beets	YES
John Cranley	YES
Michael Fehn	NO
Brian Pickering	YES
Michael Rachford	NO
Daniel Radford	NO
James Robinson	YES
Bryan Schmitt	NO
Jack Walsh	YES
Dave Rager	YES

3. Recommendation for City Council to Consider

- A. Replace Pre-September 2007 retiree medical plan with a Modified PPO for existing retirees.
- B. Carve-Out of the Modified PPO for pre-September 2007 retirees who are 70 years of age or older; 30 or more years of service credit with CRS; annual benefit of \$20,000 or less.

Roll-Call Vote

Motion failed to pass with 4 No votes, 3 Yes votes, 3 Abstained

Motion Failed

Donald Beets	NO
John Cranley	NO
Michael Fehn	ABSTAINED
Brian Pickering	YES

Michael Rachford	NO
Daniel Radford	ABSTAINED
James Robinson	NO
Bryan Schmitt	ABSTAINED
Jack Walsh	YES
Dave Rager	YES

BENEFITS COMMITTEE REPORT

M. Rachford submitted the following report for information:

- Benefits Committee Minutes: October 2, 2008
- Benefits Committee approved a Proposed Motion for Service Credit Purchase for Leave of Absence. A Request for Legal Services was submitted. The Document to be submitted to the Board when finalized.
- Out of State Purchase Ordinance referred from City Council back to Finance Committee.
- Medical Records Retention Policy has been approved by the Benefits Committee for the Retirement Division.

Board Action

Motion made by D. Radford and seconded by J. Robinson to accept the Benefits Committee Reports. Motion was passed.

SECRETARY REPORT

J. Walsh provided the following report:

Asset Valuation				
December 31, 2007	\$ 2.69	Billion	\$ 2,685,340	
September 30, 2008	\$ 2.21	Billion	\$ 2,208,433	
YTD Increase (Decrease)	-17.76%			
Current Asset Allocation	12/31/07 Actual	9/30/08 Actual	Target	Pending Allocations
Domestic Equity	52.9%	45.3%	43.5%	
International Equity	17.6%	16.8%	17.0%	11/4/2008 Blue Chip IV \$750,000
Fixed Income	28.1%	19.9%	17.0%	
Private Equity	0.7%	2.9%	5.0%	
Real Estate	0.0%	7.5%	7.5%	
Infrastructure	0.0%	1.0%	5.0%	11/10/2008 Piper Jaffray LBO III \$1.5 Million
Long / Short Equity	0.0%	5.8%	5.0%	
Treasury Cash	0.7%	0.8%	0.0%	
	100.0%	100.0%	100.0%	

INVESTMENT COMMITTEE

J. Walsh provided the following report from the November 6, 2008 Investment Committee:

- ✚ Managers Placed on Alert Status
 - Montag & Caldwell has become owned by the Belgian Government.
 - Allegiant Asset Management is owned by National City which was acquired by PNC Financial Service Group Inc. PNC also is a partial owner of Blackrock.

- ✚ Shenkman Capital Management

The Investment Committee invited Shenkman Capital Management, a High Yield Fixed Income Manager, to make a presentation to the committee. A question and answer session followed. Kim Hekking and Mark Flanagan presented the following report:

- Firm Profile and Update
- Profile of the High Yield Market
- Performance
- Portfolio Review

✚ Investment Committee recommended increasing asset allocations to Shenkman from Pimco and Blackrock.

✚ At the closing of the third quarter, CRS market value: \$2.17 Billion. The Total Fund returned -8.7% for the quarter.

✚ Securities Lending Program

Due to the Lehman Brothers bankruptcy, the CRS will have a financial loss in the securities lending pool managed by BONY Mellon. The anticipated timeframe for determination of the actual value of the loss is approximately one year.

GOVERNANCE COMMITTEE

✚ The Governance Committee will meet December 4, 2008 – following the Board meeting. D. Radford encouraged members to submit agenda items for consideration.

RESOLUTION: CRS BOARD STAFF

Discussion tabled until next Board meeting - December 4, 2008.

LEGAL ISSUES

Update provided by Chief Counsel, R. Hardin:

- Disability appeal: Langhorst – Court of Appeals dismissed Langhorst’s mandamus action. The administrative appeal of the Retirement’s Board decision remains pending. A briefing will be provided when available.
- Perkins: Magistrate ruled in city’s favor in the city’s administrative appeal. Mr. Perkins has 15 days to file objections to the Magistrate’s Decision.
- Bates Suite: The case is in the discovery phase.

CRS ACTIVITY 2008

OCTOBER

1. Application for Ordinary Retirement:	Total: 6
2. Application for Deferred Retirement:	Total: 0
3. Enrollment of New Members:	Total: 38
4. Ret. of Contrib. & Death Benefit:	Total: \$ 105,932
5. Loans to Members: 22 members	Total: \$ 242,777
6. Operating Expenses:	Total: \$ 3,326,984 + (\$58,955 from Sept)
7. Purchase of Military Service Credit:	Total: \$ 0

Motion made by B. Pickering and seconded by J. Walsh to adjourn. Motion passed and the meeting was adjourned: 4:50 PM.