



# City Of Cincinnati Retirement System Board of Trustees Meeting

## Minutes

October 2, 2008 / 2PM  
Committee Room B

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

Present:

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

Staff present:

John Boudinot  
Keith Giles  
Cheryl Volk – Recorder

Absent

M. Rachford

**BOARD MINUTES**

Minutes from September 5, 2008 Board meeting were submitted for approval. Motion was made by B. Pickering and seconded by D. Radford to approve the minutes as submitted. Motion was carried by the Board.

**BENEFITS COMMITTEE REPORT**

B. Pickering submitted the following information for review and approval:

- Minutes: September 5, 2008
- Purchases of Out of State and Federal Service – Proposed Ordinance. Copies of the proposed Ordinance were provided to the Board at the September 5, 2008 meeting.

***Board Action***

Motion was made by B. Pickering and seconded by M. Fehn to approve the Benefits Committee report and the proposed Ordinance. Motion was carried by the Board.

## SECRETARY REPORT

J. Walsh provided the following report:

<b>July 31, 2008</b>				
<b>Asset Valuation</b>				
December 31, 2007	\$ 2.69	Billion	\$ 2,685,340.00	
<b>July 31, 2008</b>	\$ 2.41	Billion	\$ 2,414,189.00	
YTD Increase (Decrease)	-10.10%			
<b>Current Asset Allocation</b>	<b>12/31/07 Actual</b>	<b>7/31//08 Actual</b>	<b>Target</b>	<b>Pending Allocations</b>
Domestic Equity	52.9%	45.6%	43.5%	
International Equity	17.6%	18.1%	17.0%	9/24/2008 <b>Piper Jaffray Private Equity III</b> <b>\$2,000,000</b>
Fixed Income	28.1%	20.7%	17.0%	
Private Equity	0.7%	8.4%	5.0%	
Real Estate	0.0%	6.5%	7.5%	
Infrastructure	0.0%		5.0%	9/29/2008 <b>Mesirow International Real Estate</b> <b>\$600,000</b>
Long / Short Equity	0.0%		5.0%	
Treasury Cash	0.7%	0.7%	0.0%	9/30/2008 <b>Prudential - PRISA III (Real Estate)</b> <b>\$2,396,124</b>
	100.0%	100.0%	100.0%	

<b>August 31, 2008</b>				
<b>Asset Valuation</b>				
December 31, 2007	\$ 2.69	Billion	\$ 2,685,340.00	
<b>August 31, 2008</b>	\$ 2.40	Billion	\$ 2,404,362.00	
YTD Increase (Decrease)	-10.46%			
<b>Current Asset Allocation</b>	<b>12/31/07 Actual</b>	<b>8/31//08 Actual</b>	<b>Target</b>	<b>Pending Allocations</b>
Domestic Equity	52.9%	44.2%	43.5%	
International Equity	17.6%	19.7%	17.0%	
Fixed Income	28.1%	20.1%	17.0%	
Private Equity	0.7%	3.0%	5.0%	
Real Estate	0.0%	6.5%	7.5%	
Infrastructure	0.0%	0.0%	5.0%	
Long / Short Equity	0.0%	5.4%	5.0%	
Treasury Cash	0.7%	0.1%	0.0%	
	100.0%	100.0%	100.0%	

## INVESTMENT COMMITTEE

J. Walsh outlined the proactive steps the Investment Committee has taken in managing and protecting the CRS investments. The third-quarter stock-market losses for September were the worst in stock-market history. The Investment Committee took the following actions:

- ✚ Currently the cash sweep fund is Bank of New York Mellon (BONY) Collective STIF. The CRS Investment Consultant, Brett Christenson, recommended changing the cash sweep fund to the BONY Government STIF.

### ***Board Action***

Motion was made by J. Walsh and seconded by B. Pickering to change cash sweep fund from BONY Collective STIF to BONY Government STIF. Following a brief discussion, the motion was passed by the Board.

- + Regarding the Securities Lending Program: Due to heightened risk, B. Christenson recommended capping and suspending the securities lending program.

### ***Board Action***

J. Walsh made a motion to approve capping and suspending the Securities Lending Program. The suspension will remain in place until further action is taken by the Board. Motion was seconded by M. Fehn and following a discussion, the motion was passed by the Board.

- + Investment Committee requested B. Christenson to recommend parameters for action should an investment crisis necessitate immediate action. The investment committee will take action on the recommended parameters and if approved, will be incorporated into the Investment Policy.
- + Alert Status:
  - o Blackrock remains on Alert since January 3, 2008
  - o PIMCO placed on Alert due to underperformance. B. Christenson informed the committee that although PIMCO has been placed on Alert, they are the second strongest (to Shenkman) in Fixed Income.
- + Investment Committee to select Investment Managers to attend future Investment Committee meetings. The High Yield Fixed Income Manager, Shenkman will attend the meeting November 6, 2008.
- + Proposed changes to Statement of Investment Policy. The updated policy to be provided to all Money Managers.
  - o Reference to AIMR standards replaced with GIPS compliance
  - o The combined holdings of non-EAFE countries, excluding Canada, stocks and convertible bonds shall not exceed 30% of the portfolio at market shall not exceed 30% of individual international portfolios (increased from 20%)
  - o Manager listing updated with benchmark indexes

### ***Board Action***

J. Walsh made a motion to accept the recommended changes to the Investment Policy. D. Beets seconded the motion and the motion was passed by the Board.

- + B.Christenson presented a review of the asset allocation conducted by Marquette Associates. B. Christenson proposed the following changes to the asset allocation based on the outcomes of the Portfolio Options Risk Scorecard which quantitatively ranks the Current Portfolio and proposed "Risk Optimal" portfolios. B. Christenson recommended Portfolio C. He recommended that transition to Portfolio C be accomplished opportunistically and over the next 12 months. The Macro asset allocation may implemented in three stages.

## **GOVERNANCE COMMITTEE**

- The Governance Committee plans to meet on November 6, 2008.

## **TASK FORCE REPORT**

M. Fehn voiced the following objections concerning the Task Force and the subsequent report:

1. One of the members of the Task Force is a Pension Manager of Cincinnati Bell and Cincinnati Bell has a contract with Buck Consultants as their Actuary.

2. The process of “smoothing” can mask deficiencies.
3. Increasing amortization to 30 years will push responsibility to others.

**Board Discussion:**

- Board requested Cavanaugh Macdonald to assess the Task Force report and attend the November 6, 2008 Board meeting for discussion.
- Law Dept to research the 2001 letter prepared by Squire Sanders Dempsey.

**Board Conclusions:**

- Board to review the Task Force Report and submit their opinion to the City Council.

**RESOLUTION: CRS BOARD STAFF**

Following a conference call September 23, 2008 with D. Rager and J. Boudinot, Gary Hudepohl of Hudepohl & Associates, agreed to attend the Board of Trustees meeting to discuss the search for a Chief Investment Officer for the CRS. Mr. Hudepohl outlined the market patterns for successful searches for Chief Investment Officers. He also explained the heightened responsibilities of the Chief Investment Officer. The position requires a professional with exceptional education and experience. Considering the responsibilities of the Chief Investment Officer, market compensation is required.

Members will continue to address aspects of the Resolution at the monthly Board meetings.

**ANTHEM REBATES**

D. Beets inquired as to the status of the Anthem Rebates. J. Walsh explained the rebates were credited against the city’s total healthcare bill. It was a decision made years ago by a previous Administration. Board will be updated as information is available.

**ALLOCATE FUNDS WITH TRUST FUND**

B. Pickering presented a recommendation to allocate all contributions to the Pension Fund. Tabled until November 6, 2008.

**LEGAL ISSUES**

No legal updates.

**CRS ACTIVITY**

<u>CRS Activity</u>	<u>October 2008</u>
1. Application for Ordinary Retirement:	Total: 3
2. Application for Deferred Retirement:	Total: 0
3. Enrollment of New Members:	Total: 51
4. Ret. of Contrib. & Death Benefit:	Total: \$ 222,053
5. Loans to Members: 18 members	Total: \$ 219,771
6. Operating Expenses:	Total: \$4,657,829
7. Purchase of Military Service Credit:	Total: \$ 92,640

Motion made by B. Pickering to adjourn the Board meeting. Motion seconded by M. Fehn and motion was carried by the Board. Meeting was adjourned: 4:15PM.