



**City of Cincinnati Retirement System
Board of Trustees
Special Meeting**

**July 6, 2009 / 2:30 P.M.
City Hall - Committee Room B**

Call to Order

New Business

1. Board Restructuring Committee Motions: to Hire:
 - A. Pension Fund Manager
 - B. Chief Investment Officer

Adjournment

July 6, 2009

To: Joe Gray, Director, Finance Department
From: Brian Pickering, Chair, CRS Board of Trustees
Subject: *Filling Management Positions in the
Cincinnati Retirement System*

On July 6, 2009 a Special meeting was held by the Board of Trustees to consider two motions submitted by the Board Restructuring Committee. The Board Restructuring Committee is charged with considering the recommendations of the Board Restructuring Resolution and bringing forward specific recommendations to the Board of Trustees. The motions focused on filling the management positions in the CRS.

Following a roll-call vote the following motions passed:

Motion #1:

A national search be conducted by Hudepohl & Associates for a Pension Fund Manager of the Cincinnati Retirement System.

Motion #2:

A national search be conducted by Hudepohl & Associates for a Chief Investment Officer of the Cincinnati Retirement System. The job qualifications are outlined in the attached document.

The Board of Trustees also recommended:

1. The Finance Director consider the placement of a consultant with pension-fund experience to fill the gap until a permanent Pension Fund Manager can be hired.
2. The Board of Trustees be involved throughout the interview and selection process.

CIO Qualifications and Duties

Qualifications:

1. Must have a Masters Degree from an accredited College or University
2. Must have or be working on their CFA (Chartered Financial Analyst) certification working no means level 3 studies in progress
3. Have 5 years experience as CIO or equivalent; preferably with a Pension fund or Endowment
4. Experience in the following areas: domestic equity, fixed-income securities, international equity, international fixed-income securities, cash management, alternative investments, and real estate investments.
5. Must be Bondable

Duties:

1. Assist the Board of Trustees in fulfilling its fiduciary duty as trustee of the funds.
2. Ensure that the Board of Trustees receives competent, professional advice regarding its investment decisions from the chief investment officer, the chief investment officer shall demonstrate an ability to oversee, structure, and evaluate institutional investment portfolios.
3. Coordinate asset allocation with the investment advisor for all asset classes and subclasses.
4. Supervise, evaluating, and monitoring the investment portfolio and associated investment activities in coordination with investment advisors.
5. Facilitate communication between and among the Board of Trustees, Board committees, employees, beneficiaries, City Council and other outside entities interested in the investment programs of the retirement system.
6. Enhance the Board's ability to make effective, prompt decisions in all matters related to investments and the administration of the investment. (i.e. securities lending)
7. Report as requested by the Board to City Council on financial matters of the fund.
8. And other duties as the Board of Trustees may include

Chief Investment Officer (CIO)

The Chief Investment Officer (CIO)

Qualifications:

- 1. Must have a Masters Degree from an accredited College or University .**
- 2. Must have or be working on their CFA (Chartered Financial Analyst) certification working no means level 3 studies in progress**
- 3. Have 5 years experience as CIO or equivalent. Preferably with a Pension fund or Endowment.**
- 4. Experience in the following areas: domestic equity, fixed-income securities, international equity, international fixed-income securities, cash management, alternative investments, and real estate investments.**
- 5. Must be Bondable**

Duties:

- 1. Assist the Board of Trustees in fulfilling its fiduciary duty as trustee of the funds.**
- 2. Ensure that the Board of Trustees receives competent, professional advice regarding its investment decisions from the chief investment officer, the chief investment officer shall demonstrate an ability to oversee, structure, and evaluate institutional investment portfolios.**
- 3. Coordinate asset allocation with the investment advisor for all asset classes and subclasses.**
- 4. Supervise, evaluating, and monitoring the investment portfolio and associated investment activities in coordination with investment advisors.**
- 5. Facilitate communication between and among the Board of Trustees, Board committees, employees, beneficiaries, City Council and other outside entities interested in the investment programs of the retirement system.**
- 6. Enhance the Board's ability to make effective, prompt decisions in all matters related to investments and the administration of the investment.
(i.e. securities lending)**

7. Report as requested by the Board to City Council on Financial matters of the Fund.
8. And other duties as the Board of Trustees may include.

Additionally:

1. The chief investment officer shall serve at the pleasure of the Board, shall report directly to the Board, and may be removed by a majority vote of the Board.

Chief investment officer

From Wikipedia, the free encyclopedia

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The **Chief Investment Officer (CIO)** is a job title for the board level head of [investments](#) within an organization. The CIO's purpose is to understand, manage, and monitor their organization's portfolio of [assets](#), devise strategies for growth, act as the liaison with the investment community, and recognize and avoid serious risks, including those never before encountered.^{[1][2][3]}

Resolution

8/5/08

Version V

BE IT RESOLVED That The Retirement Division be removed from the Department of Finance and Established as its own Department; and that The Cincinnati Retirement System Retain And Compensate Top Employees Of The Fund At Fair Market Value, That Proper Staffing Levels Be Established And That A Management Succession Plan be Implemented

Whereas, the Trustees of The Cincinnati Retirement System have fiduciary duties of Loyalty, Prudence, and Care; to act solely in the interests of the Plan Participants; safeguard pension funds; oversee the investment of those funds; and oversee the administration of the plan; and

Whereas, the Board of Trustees has a need for unbiased and independent information and opinions from top fund Staff; and

Whereas, the Board of Trustees has a significant need for a staff whose resources are unencumbered; and a work load that is reasonable and specialized; and

Whereas, studies of pension fund failures in other cities attribute improper staffing levels and inadequate salaries as core issues in these failures (inadequate pay prevents the hiring and retention of highly skilled staff); and

Whereas, a clear and immediate succession plan is not in place should key staff quit, retire or otherwise not be able to fulfill their duties;

Now therefore be it;

Resolved: That following the enactment of any required legislative changes to the Cincinnati Municipal Code, the Board of Trustees of the Cincinnati Retirement System hereby recommends that City Council remove the Retirement Division from the Finance Department and establish a separate Retirement Department which shall include but not be limited to the following positions:

- #1 Executive Director
- #2 Chief Financial Officer/Chief Investment Officer/ Assistant Director---new hire
- #3 Benefits / Plan Manager
- #4 Executive Assistant to Director
- #5 All required support and Administrative Staff

with the Board of Trustees making recommendations regarding candidates for the positions of the Retirement Director, CFO/CIO, and Benefits/Plan Manager, in compliance with all Human Resources Department and Civil Service Commission requirements, with the final selections for such positions made by City Manager.

Resolved: That The Board of Trustees of the Cincinnati Retirement System shall commission a salary study for the following positions: Executive Director, Chief Financial Officer, Benefits Manager, Executive Assistant to Director and that said salaries be comparable to Pension Funds with assets of 2-5 billion dollars; and

Be it further resolved: That the Board of Trustees recommends that salaries for Retirement Staff be properly adjusted based on that study and that the Executive Director, Benefits Plan Manager and Executive Assistant to the Director retain their current positions and that the position of CFO/CIO be filled as soon as possible; and

Be it further resolved: Following the establishment of the necessary employment positions, the Board of Trustees recommends implementation of the following. A succession is now established: should the Executive Director be unable to fulfill his duties, the CFO/CIO shall assume those responsibilities, and that should both the Executive Director and CFO/CIO be unable to fulfill their duties, that the Benefits Manager/Plan Manager shall assume the duties of the Executive Director, until such time as The Board of Trustee selects a replacement; and

Be it further resolved: That the Board of Trustees request an RFP be issued by the Solicitor's Office for legal services related to outside counsel, open to firms specializing in public pension funds, to assist the Solicitor's Office in its representation of the Retirement System.

June 25, 2009

To: Cincinnati Retirement System Board of Trustees
From: Board Restructuring Committee
Subject: *Filling Management Positions in the Cincinnati Retirement System*

The Cincinnati Retirement System's (CRS) Board Restructuring Committee is charged with considering the recommendations of the Board Restructuring Resolution (copy attached) and bringing forward specific recommendations to the Board of Trustees for consideration.

The following motions were passed at the June 25, 2009 meeting of the Board Restructuring Committee. The Committee requests these motions be considered and approved at the earliest possible time.

Motion #1:

A national search be conducted by Hudepohl & Associates for a Pension Fund Manager of the Cincinnati Retirement System.

Motion #2:

A national search be conducted by Hudepohl & Associates for a Chief Investment Officer of the Cincinnati Retirement System. The job qualifications are outlined in the attached document.

Motion (Document #200801378)- Approved 6/10/09
(Retiree Healthcare Coverage)

- Replace the Pre-September 2007 retiree medical plan with a Modified PPO for existing retirees.
 - \$1,000 out of pocket limit on prescription drugs
 - \$100 deductible
 - \$1,000 limit on medical out-of-pocket
 - Prescription Drug Tiers: \$5 generic, \$15 brand, \$30 non-formulary
 - Retirees will pay no premiums
 - Eliminate the traditional indemnity plan.
 - Establish a carve-out group to mitigate some of the financial stress caused by the Modified PPO for pre-September 2007 retirees.
 - Revise the coordination of benefits paid by the City Retirement System and Medicare for retirees over 65 years old.
 - Retirees since September 2007 will remain on a healthcare plan similar to current employees.
-

Motion (Document #200801380) – Approved 6/10/09
(Increased Pension contribution rates)

Increase the employee contribution rate ½% per year for four years. The employee contribution rate will increase from 7% to 9% from 2009 to 2012

Motion (Document #200801381) – Approved 6/10/09
(New Member Retirement Eligibility)

- For Future employees hired on or after January 1, 2010
 - Increase the age for normal retirement from 60 to 65.
 - Increase the age for early retirement from 55 to 60.
 - Add the minimum age of 55 to retirement with 30 or greater years of service.
 -

Motion (Document #200801413) - Approved 6/10/09
(Retiree Healthcare Carve Out provisions)

Establish a carve-out group, as recommended by the Task Force for Retirement Security, to mitigate some of the financial stress caused by the Modified PPO for pre-September 2007 retirees. The carve-out would be expanded from the Task Force for Retirement Security's recommendation to include all disability retirees and retirees who are 65 years of age or older, with 30 or more years of service credit with the Cincinnati Retirement System, and an annual benefit of \$30,000 or less. This group will receive the following changes to the modified PPO.

- Reduce the deductible from \$100 to \$0
- Reduce the maximum medical out-of-pocket from \$1000 to \$500
- Reduce the maximum prescription drug out-of-pocket from \$1000 to \$500
- As with all proposed changes to the retiree plan, there would be no premium cost for the retiree.

Motion (Document #200801453) – Approved 6/10/09
(Additional Retiree Healthcare Carve Out provisions)

retirees who are 65 years or older, have less than 30 years of service credit with the Cincinnati Retirement System, and can prove that their annual gross income is less than \$30,000 by submitting a copy of their Federal Income Tax Form 1040.

any current retiree with an annual gross income below 50% of the Median Household Income for one individual as found on the City of Cincinnati's CDBG Income Eligibility Form (\$23,500 for 2008), as verified by a copy of the retirees Federal Income Tax Form 1040, will not be subject to any change in their current retiree health care plan.

Motion (#200900902) – Approved 6/17/09
(Task Force Reconvene)

We move that the Cincinnati Retirement System Task Force re-convene with members as follows, with former members of the Task Force considered first to determine their willingness to serve again:

- The City Manager
- The Chairperson of the Retirement Board
- A representative from AFSCME
- A representative from CODE
- A City retiree with understanding of the program
- The Chair (or Vice Chair if the Chair should designate) of City Council's Finance Committee
- A maximum of six community members appointed by the Mayor with input from Council based upon their expertise in the areas of investment, actuarial projections, and/or pension systems.

The Task Force will be asked to study current trends in both public and private retirement programs, to analyze the City's ability to pay for currently-provided benefits to current and future Retirees, and to report to Council its recommendations on further changes to the Retirement system to resolve the unfunded liability. Given the complexity of pension plans, financing and costs, the Task Force will retain an independent consultant with knowledge and expertise in restructuring public sector pension plans to ensure the long-term stability of the Cincinnati Retirement System. The consultant will be chosen from a list agreed to by members of the Task Force. A super majority of the Task Force will agree to accept the conclusions of the consultant prior to submission to the Mayor and Council. The Task Force will submit its recommendations to the Mayor and City Council by March 1, 2010.
