



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

February 3, 2011 / 1:00 P.M.
City Hall – Committee Room B

Present:

Madelynn Matlock, Chair
Bill Partridge, Vice-Chair
Karen Alder
Don Beets
Mark Berliant
Mike Fehn
Chris Meyer
Brian Pickering
Mike Rachford
Roger Sims

Staff Present:

Christine Zimmer
Roshani Hardin
Paula Tilsley
Cheryl Volk

The Chair called the meeting to order at 1:05 P.M.

Approval Of Minutes

Correction requested regarding the results of a roll-call vote. The motion for changing the Cost of Living Adjustments (COLA) from 2% to 3% failed and the vote should reflect 4-6. Additionally, a typo was noted on the first page.

Board Action

M. Rachford made a motion to approve the minutes with amendments. B. Pickering seconded the motion and the motion passed. Minutes were approved with amendments.

M. Fehn made a motion to reconsider the motion for changing the COLA from 2% to 3%. M. Rachford seconded the motion. A review and discussion of the Board's New Plan Design preceded a vote on the motion. Following a roll-call vote, the motion failed 5-6.

Karen Alder	Yes
Don Beets	No
Mark Berliant	No
Constance Cooper	No
Mike Fehn	Yes
Madelynn Matlock	No
Chris Meyer	Yes
Bill Partridge	No
Brian Pickering	Yes
Mike Rachford	Yes
Roger Sims	No

Legal Opinions

The City Solicitor's Office responded to the requests for two legal opinions concerning the retirees' COLA and the City's obligation to make their annual required contribution.

- Can the Cincinnati Retirement System (CRS) maintain legal action against the City of Cincinnati?
 - No. The CRS was created by City ordinance which established the structure of the Board (pursuant to Article XV of the Administrative Code) and the governing regulations of the pension system (pursuant to Chapter 203 of the Municipal Code). As established, the CRS is a component of the City of Cincinnati municipal corporation and does not constitute a separate legal entity with the capacity to sue or be sued.

- Can the CRS obtain independent legal representation separate from the City Solicitor's Office?
 - No. The City Charter requires the City Solicitor to serve as the attorney and legal counsel for the City, including its council, officers, and boards. The Ohio Supreme Court has held that where a city charter provides for representation of the city by its law director in all lawsuits, the city has no authority to provide for the hiring of outside counsel, in place of the law director, to act on behalf of the city in particular litigation, unless the law director is ill, absent, or otherwise disqualified from acting.

New Board Plan Design

Eric Gary and Ed Koebel, Actuaries for Cavanaugh Macdonald, attended the meeting via conference call. The following report was presented:

- An overview of the new plan design for pension and health care
- Solvency Projections – pension and health care
- Costs of individual plan changes
- Impact of changes using alternate long-term investment returns
 - 8.00% (current basis for valuations)
 - 7.50%
 - 7.00%

Discussion and Recommendations

- Inform City Council of the dire consequences if the City does not make the Annual Required Contribution as stipulated in the Cincinnati Municipal Code (CMC)
- Notify City Council of the Board's intent to analyze and possibly lower the System's current 8% assumption rate

Board Action

K. Alder made a motion to include the following language in the Board's formal motion. That the City enforce the provisions currently in the CMC §203.83 and §203.93. The CMC stipulates the City's annual funding obligation equals the Annual Required Contribution as specified in the year-end actuarial report. C. Meyer seconded the motion and following a unanimous roll-call vote, the motion passed.

Karen Alder	Yes
Don Beets	Yes
Mark Berliant	Yes
Constance Cooper	Yes
Mike Fehn	Yes
Madelynn Matlock	Yes
Chris Meyer	Yes
Bill Partridge	Yes
Brian Pickering	Yes
Mike Rachford	Yes
Roger Sims	Yes

Board Action

M. Matlock made the motion that the Board's New Plan Design be submitted to City Council for action. M. Berliant seconded the motion. Following a roll-call vote, the motion passed 6-5.

Karen Alder	No
Don Beets	No
Mark Berliant	Yes
Constance Cooper	Yes
Mike Fehn	No
Madelynn Matlock	Yes
Chris Meyer	Yes
Bill Partridge	Yes
Brian Pickering	No
Mike Rachford	No
Roger Sims	Yes

The Cincinnati Retirement System (CRS) Investment Consultant, Marquette Associates, Inc.

Brett Christenson, Managing Director, provided the following report via conference call:

4th Quarter 2010 Report: Market Value of \$2.09 billion. Over the trailing 12 months, the CRS returned +13.6%, underperforming the policy benchmark, which returned +14.2%.

- Investment Manager Status Report
- Market Values as of 12/31/10
- Asset Allocation vs Peers
- Calendar Year Investment Manager Performance
- Annualized Investment Manager Performance
 - Fixed Income
 - Blackrock has outperformed for the past two years. Recommend removal from alert status
 - Shenkman has underperformed for the past two years. Recommend placement on alert status.
 - International Equity, DFA, watch for performance improvement

Board Action

M. Fehn made a motion to remove Blackrock from alert status and place Shenkman on alert. K. Alder seconded the motion. Following a roll-call vote, the motion passed 10-1.

Karen Alder	Yes
Don Beets	Yes
Mark Berliant	Yes
Constance Cooper	Yes
Mike Fehn	Yes
Madelynn Matlock	Yes
Chris Meyer	No
Bill Partridge	Yes
Brian Pickering	Yes
Mike Rachford	Yes
Roger Sims	Yes

Securities Lending Review

- Securities Lending Earnings History (July 2003 – present)
- Global Securities Lending Holdings Report
- The proposed 3-year agreement between the CRS Board of Trustees and the Bank of New York Mellon (BNYM). The original 3-year support agreement would be retroactive to January 15, 2009. BNYM to provide estimated loss coverage of 25% for Lehman Brothers default if the CRS Board signs a 3-year agreement.

Board Action

C. Meyer made a motion to approve the 3-year contract with BNYM to cover 25% of CRS losses from Lehman Brothers. M. Berliant seconded the motion. Following a roll-call vote, the motion passed.

Karen Alder	Yes
Don Beets	Yes
Mark Berliant	Yes
Constance Cooper	Yes
Mike Fehn	Yes
Madelynn Matlock	Yes
Chris Meyer	Yes
Bill Partridge	Yes
Brian Pickering	Yes
Rachford	Absent for vote
Roger Sims	Yes

Asset Allocation and Asset Liability Study

- B. Christenson will conduct an asset allocation study when the 12/31/10 valuation is completed. CRS Actuary, Cavanaugh Macdonald will conduct the asset liability study.

Investment Policy

B. Christenson to review the Investment Policy prior to the next Board meeting and recommend updates as needed. Next Board meeting scheduled for March 3, 2011.

Board Action

M. Berliant made a motion to adjourn the meeting. The meeting was adjourned at 3:55 P.M.