



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

January 13, 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

Absent

Constance Cooper

The Chair called the meeting to order at 1:10 P.M.

APPROVAL OF MINUTES

- M. Fehn requested a revision of the minutes from December 22, 2010 to reflect additional comments and clarification of his report:
 - Include the following written motion from the report:
 - “I would like to make a motion that the Cincinnati Employee Retirement Board hire independent legal counsel to advise us on the means and methods available to collect any and all required City pension contributions that are now due and/or past due. See Cincinnati Municipal code 203-83, 85, 91, 93 and 101 and the following actuarial reports from 2006-7-8-9.” Gina Marsh, Assistant City Solicitor explained to the Board that hiring independent legal counsel was legally prohibited.
 - Include the following recommendation as written in the report:
 - “Develop a written collection of procedures that set the collection of annual required contributions on “automatic pilot.” Collections should occur automatically (with no exercise of discretion from step to step), and chronologically (proceeding on a set time formula). See CMC 203-93 “The Board shall specify the procedures and schedule for employer billings and collection of the amounts payable.”
 - Provide clarification of the motion as introduced by M. Fehn and M. Berliant. The original motion was made by M. Fehn. The motion requested the Solicitor’s Office to build a Chinese Wall, an Ethical Wall, to prevent a conflict of interest and to provide a legal opinion as to the legal obligation of the city to pay its annual required contribution. The motion as restated by Gina Marsh, Assistant City Solicitor: “Does the City have the legal obligation to fund the pension as designated in the Cincinnati Municipal Code (CMC).” Motion was seconded by C. Meyer. The motion passed.

- M. Berliant requested a clarification of the straw vote outcome as follows:
 - Straw vote results – “three members had additional requests for ~~modifying the current recommendations~~ more information before going forward”

Board Action

M. Fehn made a motion to approve the December 22, 2010 Board minutes with amendments. K. Alder seconded the motion and the motion passed. Minutes were approved as amended.

Additions to Proposed Pension Benefit Changes

M. Fehn requested:

1. A legal opinion regarding the ability to change the benefits for vested members. P. Tilsley explained that future benefits can be changed.
2. Any proposal to Council, it shall be made clear that all required actuarial contributions by the City in the past, present, and future are expected to be paid in an approved and timely manner as per CMC, City Charter, all State and Federal regulations.
3. Any proposal to Council shall include a written contribution (collection) procedure.
4. None of the proposed changes to the Pension System should be implemented without an irrevocable commitment by the City to make its required contribution.
5. Proposed changes to pension and healthcare should be made at the same time in one comprehensive coherent package.
6. The City, active employees, and retirees should share equally in the solution
7. M. Fehn referred to earlier comments by the Mayor stating that changes to the pension system should not be viewed as a way for the City to resolve its budget problems.

Legal Opinions

The City Solicitor’s Office acknowledged the Board’s previous requests for two written legal opinions. The City Solicitor’s Office to submit written legal opinions to the Board on February 3, 2011 concerning the retirees’ Cost of Living Adjustments (COLA) and the City’s obligation to make their annual required contribution.

Board’s New Plan Design

M. Matlock, Chair, explained the goal of the Board was to develop recommendations for closing the gap between assets and liabilities, thereby extending the life of the fund. K. Alder requested the final report stipulate more clearly that although future pension benefits may be actuarially reduced, employees with 30 years of service will still be eligible to retire.

Eric Gary and Ed Koebel, Actuaries for Cavanaugh Macdonald, attended the meeting via conference call. The following report was presented for the Board’s new plan design as discussed by the Board on December 22, 2011. The report included:

- An overview of the new plan design for pension and health care
- Solvency Projections – Pension
 - All projections assumed Asset Market Value of \$2.11 Billion as of 12/31/10
 - Three separate 30-year funded ratio projections reflected varied COLA and city contribution rates.
- Solvency Projections – Healthcare
 - Based on seven scenarios
- Cost of Individual Plan Changes
 - Cost savings based on all plan design changes based on 12/31/2009 valuation results
 - Value of individual components
 - Each scenario was based on the new plan design as if that one component was not considered in the final Board Design Package.
 - Components may not be additive

Survivor Benefits and Death Benefits

P. Tilsley provided the following overview:

- Social Security Death Benefits
- Ohio Public Employees Retirement System (OPERS) Death Benefits
- CRS pre-Retirement Spousal and Survivor Death Benefits as stipulated in the Cincinnati Municipal Code (CMC)
 - CMC §203.345 Death Benefit in Service
 - Return of member accumulated contributions
 - 50% of prior 12 months compensation
 - CMC §203.49 Survivor Benefits
 - Applies to active members with at least 18 months of service
 - Table of monthly payments until children reach age 18
 - Spouse receives monthly payment based on age/service criteria.
- Recommendation
 - Eliminate the lump-sum payment of 50% of salary
 - This risk is more appropriately funded through personal life insurance.

Discussions and Recommendations

- K. Alder reported the city contributions in years 1992, 1993, and 1994 were over 5% of general fund revenues. In years 2007, 2008, and 2009, contributions were between 3% and 4% of general fund revenues. The general fund is not what steers the contribution rate. The City chooses how to use the revenues and adjust their contributions.
- Alder recommended city contributions be raised to the same 24% contribution rate as Police and Fire. Members agreed that employees, retirees, and the city should participate equally in the solution. Therefore, the Board’s final recommendations to City Council should include the requirement for an increase in city contributions, and presented as one complete package.
- Members agreed with M. Fehn’s recommendation the Board develop a Collection Policy for designating the City’s specific payment requirements.
- Members reviewed the pension solvency projections reflecting the 2% simple COLA as compared to a 3% simple COLA for actives. C. Meyer suggested changing the recommendation for COLA for actives from 2% to 3% simple.
- Members agreed to reduce pre-retirement spousal and survivor death benefits by eliminating the lump-sum payment of 50% of salary to the survivors. Obtaining personal life insurance would be the appropriate option.
- P. Tilsley to review the pension and healthcare funding issues and the Board’s recommendations with each Council member, prior to Council receiving a formal report.

Board Action

B. Pickering made a motion to amend the recommendations and change the COLA for actives from 2% simple indexed to 3% simple indexed. R. Sims seconded the motion and following a roll call vote, the motion failed 4-6.

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

Board Action

- M. Matlock made a motion to accept the Board’s New Plan Design with the following expansions:
- Require the increase in city contributions to 24% with a focus on the legal requirement for City contributions
 - Submit the pension and healthcare plan design to City Council as one all-inclusive package
 - Eliminate the lump-sum payment of 50% salary to the pre-retirement survivor benefits
 - Include a Collection Policy / Procedure for designating the City’s specific payment requirements

M. Rachford requested the completed report with all amendments be presented for consideration at the next Board of Trustees meeting.

B. Partridge seconded the motion to approve the Board’s New Plan Design with amendments. Following a roll-call vote, the motion failed 5-5.

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

Board Action

M. Matlock made a motion for the report to be submitted to City Council for action even though the Board had a split vote. The Board’s recommendations and the Board’s voting record would be submitted to City Council for review and action as appropriate. B. Partridge seconded the motion and following a roll-call vote, the motion failed 5-5.

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

The Board’s New Plan Design with all recommendations and amendments will be presented to the Board of Trustees for consideration and action on February 3, 2011. The meeting to be called to order at 1:00 P.M., City Hall, Committee Room B.

Board Action

B. Partridge made a motion to adjourn the meeting. M. Rachford seconded the motion. The meeting was adjourned at 3:55 P.M.