



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

August 4, 2011 / 2:00 P.M.
City Hall – Conference Room 115

Present:

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

Staff Present:

Paula Tilsley
Don Beresford
Cheryl Volk
Christine Zimmer

Absent

Brian Pickering

The meeting was called to order at 2:10 P.M.

APPROVAL OF MINUTES

K. Alder made a motion to approve the July 7, 2011 Board of Trustee minutes. R. Sims seconded the motion and the motion passed. Minutes were approved as submitted.

INVESTMENT COMMITTEE REPORT

C. Meyer provided the following report:

- ✚ Investment Committee minutes from July 7, 2011
- ✚ Report from August 4, 2011 meeting:
 - Recommendation for changes in target allocation
 - Increase the target allocation for Shenkman Four Points program from 1.5% to 3%
 - Increase Core Fixed Income (PIMCO and Blackrock) target from 6% to 7% each.
 - 2nd Quarter Report 2011:
 - Market Value \$2.13 billion
 - Total fund return + 1.0% for the quarter, outperforming its policy benchmark, which returned +0.8%. Over the trailing 12 months, the CRS returned +21.9% underperforming the policy benchmark of +24.0%.

- The following target allocations approved by the July 7, 2011 Board of Trustees have been scheduled for the end of August 2011:
 - Increase DFA target to 5%
 - Reduce Mondrian and Harding Loevner targets to 5.5% each.

Board Action

C. Meyer made a motion to remove all monies in Shenkman Capital's High Yield Fixed Income fund (a 3.5% allocation) and reallocate as follows:

- Increase the target allocation for Shenkman Four Points program from 1.5% to 3%
- Increase Core Fixed Income (PIMCO and Blackrock) target from 6% to 7% each.

M. Fehn seconded the motion and the motion passed.

PENDING BUSINESS

✚ Federal Early Retirement Reinsurance Program (ERRP) and CRS 401H Account

Certain retiree medical expenses for the 2011 plan year are eligible for reimbursement under the Federal Early Retirement Reinsurance Program. A mid-year tabulation of the claims submitted through June 2011, identified a 4% increase in claims as compared to June 2010. If the trend continues, and year-end claims exceed the claims submitted in 2010, the CRS will not be required to direct the same dollar amount of employer contributions to the 401(h) account as was contributed in year 2010, to maintain its eligibility for ERRP reimbursement.

✚ Dental/Vision Funding Issues for 2012

The retiree health care changes will take effect January 1, 2012. Retirees who choose to enroll in the dental and vision plans will have the premiums deducted from their monthly pensions. P. Tilsley highlighted some of the issues identified with the implementation of the dental/vision plans. CRS is working with Wells Fargo to develop funding rates for the dental and vision programs.

✚ Continuing Education for Trustees

Suggested topics for continued education:

- Actuarial evaluation/asset liability matching
- Asset allocation and investment management – focus on rate of return assessment and risk budgeting
- Upcoming GASB changes and effects on funding levels
- Pension administration process with focus on budgeting and oversight.

Possible resources:

- CRS Consultants
- CRS Actuaries
- CRS Accountants
- Local experts
- Local or area conferences

✚ Cavanaugh Macdonald will present the Actuarial Experience Study at the Board meeting, September 8, 2011.

M. Fehn to research feasibility of Cincinnati hosting the IFEBP (International Foundation of Education, Benefits, Compensation) annual CAPP program, (Certificate of Achievement in Public Plan Policy).

NEW BUSINESS

Tier Structure

Effective January 1, 2012, the Modified PPO will be eliminated and all affected members will move to the 80/20 PPO Plan. The eligibility requirements for the Carve-Out plan will be tightened and members who no longer qualify for this plan will be moved to the 80/20 PPO plan. Additionally, CRS will no longer reimburse members for Medicare Part B Premiums and no longer provide subsidized dental/vision coverage.

In response to these changes, CRS has developed a revised tier structure for 2012 health care benefits that more equitably distributes the cost of coverage to the members and appropriately considers the impact of Medicare eligibility. The new tier structure would be as follows with additional price combinations for Medicare eligible members. The same tier structure would be used for dental/vision premiums. Rates will be based on retiree claims experience.

- Single
- Single + Spouse
- Single + Child(ren)
- Single + Spouse + Child(ren)

Medical plan participation figures (number of heads) as of June 2011:

- 80/20 PPO 1080
- Modified 80/20 3840
- Carve-Out PPO 2535

Board Action

C. Meyer made a motion to approve the new tier structure for the healthcare and dental/vision plans that will more equitably distribute the cost of coverage to the members. Motion was seconded by B. Partridge. Following a roll-call vote, the motion was passed.

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

PRIOR SERVICE PURCHASE

Recently, the Retirement Office has received several requests for service purchase of ineligible time. Following a denial of the requests, some members have contacted OPERS in an effort to by-pass the CRS eligibility criteria and request transfer of time into OPERS. P. Tilsley provided the Board an overview of the eligibility criteria and administrative process.

Active members of the Cincinnati Retirement System (CRS) may re-purchase prior City of Cincinnati service credit if:

- It was earned prior to July 1, 1991 only as a full time permanent employee of the City of Cincinnati for which pension contributions were paid to the Cincinnati Retirement System; or
- It was earned after July 1, 1991 as an employee of the City of Cincinnati for which pension contributions were paid to the Cincinnati Retirement System; and
- The member received a refund of their CRS pension contributions for that period of employment service.

A cost calculation will be prepared and mailed to the member upon receipt of their signed application for the purchase of eligible prior City of Cincinnati service. Members must repay the amount of the withdrawn CRS

pension contributions, plus interest from the date of withdrawal, in order to obtain this prior service credit. The purchase of prior service credit must be completed prior to retirement.

Employment service in part-time, seasonal, student or co-op positions held prior to July 1, 1991 IS NOT ELIGIBLE for the purchase of prior service credit. Applications for ineligible service will not be accepted by the Retirement Office nor approved for purchase through OPERS.

The CRS Board of Trustees supports the administration's handling of service purchase requests for eligible and ineligible time.

LEGAL UPDATES

C. Zimmer, Assistant City Solicitor, provided the following legal updates. Sunyak and Bates cases - Have been combined and moved to Federal Court

- ✚ AFSCME lawsuit – The City has filed a motion to dismiss
- ✚ Gamel Case – Pending. The City awaits disposition
- ✚ Diana Frey – The City has received a temporary injunction to prevent payment of Ms. Frey's pension benefits.

INFORMATIONAL ITEMS

- ✚ IceMiller amended the IRS Determination Letter and resubmitted it to the IRS.
- ✚ The search continues to replace the resigned Board Trustee, Constance Cooper. Board members to forward their recommendations to the Board Chair.

C. Meyer made a motion to adjourn the meeting. M. Fehn seconded the motion and the motion passed. Meeting was adjourned at 3:35 P.M.