



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

March 4, 2010 / 2:00 PM
Committee Room B

Meeting was called to order at 2:00 PM

Present:

Brian Pickering, Chair
David Rager, Vice Chair
Jason Barron
Donald Beets
Michael Fehn
Miles Lindahl
Kathy Creager
Michael Rachford
James Robinson
Bryan Schmitt

Staff present:

Paula Tilsley
John Dietz
Cheryl Volk

BOARD MINUTES FEBRUARY 4, 2010

M. Rachford made a motion to approve the minutes. D. Beets seconded the motion and the motion passed. Minutes were approved.

BENEFITS COMMITTEE

M. Rachford provided the following Benefits Committee Report:

- ✚ Benefits Committee Governance Report – submitted at the February 4, 2010 Board meeting
 - Report was accepted by the Board
- ✚ Minutes: February 4, 2010
- ✚ Disability Report:
 - Gerald Meyer The Benefits Committee accepted the Medical Director's report and denied the Disability Appeal.

Board Action

M. Rachford made a motion to accept the Medical Director's report and to deny the disability Appeal of Gerald Meyer. B. Schmitt seconded the motion and following a unanimous roll-call vote, the motion passed.

SECRETARY REPORT

J. Walsh provided the following report:

Board of Trustees Secretary Report			
Month Ending: January 31, 2010			
Asset Valuation			
December 31, 2009	\$ 2.00	Billion	\$ 1,998,378
January 31, 2010	\$ 1.96	Billion	\$ 1,959,566
YTD Increase (Decrease)	-1.94%		
Current Asset Allocation	12/31/09 Actual	1/31/10 Actual	Target
Domestic Equity	42.9%	31.1%	29.5%
International Equity	16.5%	21.3%	21.0%
Fixed Income	20.3%	20.1%	17.0%
Private Equity	4.3%	4.5%	5.0%
Real Estate	8.6%	5.4%	7.5%
Infrastructure	1.0%	2.4%	5.0%
Long / Short Equity	6.2%	14.3%	15.0%
Treasury Cash	0.2%	0.9%	
	100.0%	100.0%	100.0%

INVESTMENT REPORT

J. Walsh provided the following report:

- ✚ February 4, 2010 Investment Committee minutes

- ✚ Report from March 4, 2010 meeting
- ✚ 4th Quarter Executive Summary for 2009: End of Quarter Portfolio Market Value: \$1.98 billion.
 - Overview of the 4th Quarter Executive Summary to continue at the next meeting of the Investment Committee: April 1, 2010.

 - CRS Securities Lending:
Consideration for Bank of New York (BONY) to cover 25% of Securities Lending losses after settlement of bankruptcy court. In exchange for covering those losses, the CRS would sign a 3-year securities lending contract with BONY.
B. Christenson to obtain a copy of the current agreement. Committee to discuss BONY contract at next meeting.

The current securities lending guidelines permit investments of collateral in commercial paper, asset backed securities, and overnight repurchase agreements. Recent investing has been limited to overnight repurchases and money market instruments. The Investment Committee voted to remain limited to overnight repurchases/money market instruments with the current cap on amount of securities loaned.

- Shenkman Capital Management
The Investment Committee considered the Shenkman Four Points product and their offer of a fee reduction for investing in the new product. The Committee requested a search of other managers who might offer similar products. B. Christenson to report.
- Bartlett & Company
Jason Kiss, Sr., Portfolio Manager and James Miller, CEO, provided a presentation followed by a question and answer session.
- Opus Capital Management
Kevin Whelan, V.P. Portfolio Manager and Katrina Howard O’Leary, Business Development provided a presentation followed by a question and answer session.

FUNDING RATIO REPORT

The Board discussed the issue of using outdated figures in the development of the monthly funding ratio report. Because other options are available for portraying the fund’s financial health, the Board agreed to discontinue the monthly Funding Ratio Report and remove the topic from the agenda.

LEGAL UPDATES

R. Hardin, Chief Council, City Solicitor Office, provided the following updates:

- Gamel vs City of Cincinnati case. The City remanded the case back to the Federal Judge. No questions were raised.
- Anthem Case: Mell et. al. vs City of Cincinnati; Federal District Court, Southern District of Ohio. The Judge ruled in favor of the City.

TASK FORCE

P. Tilsley provided an update on the Task Force:

- ✚ Pension benefits remain the primary concern of the Task Force
- ✚ Several options will be submitted to Council
- ✚ Communicating effectively with stakeholders is crucial
- ✚ Ed Koebel and Eric Gary of Cavanaugh Macdonald continue to attend the meetings via conference call.

NEW BUSINESS

- ✚ Independent Board member replacement: The search for a replacement continues.
- ✚ Cumulative Fund Analysis: P. Tilsley provided an overview of the cumulative pension fund analysis report as developed by Cavanaugh Macdonald.
 - As of December 31, 2000, Plan was 114.1% funded and had a \$292.1 million surplus
 - As of December 31, 2008, Plan was 70.5% funded and had a \$871.6 million unfunded accrued liability (UAL)
 - Over the 8 year period, the plan’s UAL has increased over \$1.1 billion

The actuarial experience gain/loss analysis for years 2000–2008 was broken down into 9 categories. The remaining difference is miscellaneous changes such as interest and timing of contributions. The greatest loss of \$573 million was attributed to poor investment returns. The smallest cumulative loss of \$6.9 million was due to the decrease in employer contributions.

- ✚ Board Education
 - M. Lindahl submitted a motion as prepared by Laketa Cole: “That all expenditures made by members of the Cincinnati Retirement System Board require majority support.” L. Cole submitted the following statement in support of the motion: “The Cincinnati Municipal Code designates Retirement Board Members as guardians of the Cincinnati Retirement System. Therefore, it is critical that no one board member have sole discretion over how taxpayer and employee money is spent. If an expenditure by a board member is required, he or she should be required to convince a majority of board members of its necessity (through

collected signatures), similar to the current system adopted by Council, which requires all expenditures have majority support. Given recent events, this sort of watch and oversight is desperately needed.”

K. Creager emphasized the need for oversight and authorization of expenditures. Travel expenditures are scrutinized by State Auditors as they search each record for travel authorizations. Obtaining the Board signatures would indicate the Board is cognizant of the expenditures. The role of the City Finance Department is to consider city policy when determining expenditure approval.

Board Action

M. Lindahl made the motion to requiring majority support, (by obtaining six signatures of board members) to authorize travel expenditures of board members. K. Creager seconded the motion. Following a roll-call vote, the motion was approved.

Roll-call vote:

J. Barron	Yes
D. Beets	No
M. Fehn	No
M. Lindahl	Yes
B. Pickering	Yes
M. Rachford	Abstained
D. Rager	Yes
J. Robinson	Yes
B. Schmitt	Abstained
K. Creager	Yes

K. Creager to provide a copy of the regulations that require oversight of travel. D. Rager recommended the approved motion be referred to the Governance Committee to develop a process for implementation. B. Pickering recommended the Governance Committee report to the Board within sixty days.

- ✚ M. Rachford informed the Board of his travel plans and the expenses he has already dispensed for the Las Vegas NCPERS Annual Conference in May and the Hawaii IFEBP Conference in November, 2010.

Board Action

M. Rachford made a motion that the Board approve his travel requests and the payment of travel expenditures for the NCPERS conference in May and the IFEBP conference in November, 2010. J. Robinson seconded the motion. M. Lindahl requested documentation of the expenses prepaid by M. Rachford before approving the travel requests. M. Lindahl requested the motion be changed to a request for reimbursement of expenses already paid by M. Rachford rather than approval of travel. J. Barron requested a separate motion be made for each trip. M. Rachford indicated he prepaid for the airline tickets for NCPERS and prepaid the airline tickets and conference registration for IFEBP and he restated his original motion.

Following a roll-call vote, the motion for Board approval of M. Rachford’s NCPERS and IFEBP travel request was approved.

Roll-call vote:

J. Barron	Yes
D. Beets	Yes
M. Fehn	Yes
M. Lindahl	No
B. Pickering	No

M. Rachford	Yes
D. Rager	No
J. Robinson	Yes
B. Schmitt	Yes
K. Creager	No

✚ Employee Trustee Election

- B. Schmitt made a motion that ballots for the employee trustee election be mailed via United States Postal Service. B. Pickering recommended the request be addressed by the Election Committee. B. Schmitt withdrew his motion.

Board Action

B. Schmitt made a motion to refer the request for mailing ballots to the Election Committee for consideration. M. Rachford seconded the motion and following a roll-call vote, the motion passed.

Roll-call vote:

J. Barron	Yes
D. Beets	Yes
M. Fehn	Yes
M. Lindahl	Yes
B. Pickering	Yes
M. Rachford	Yes
D. Rager	Yes
J. Robinson	Yes
B. Schmitt	Yes
K. Creager	Yes

✚ Informational Items:

- Cavanaugh Macdonald to provide Task Force update via conference call at the next meeting of the Board of Trustees: April 1, 2010
- P. Tilsley to provide information on CRS audits practices
- Reception for Dan Radford will be held at 1PM on April 1, 2010, City Hall, Room 324.

M. Rachford made a motion to adjourn the meeting. Motion was seconded by M. Fehn and the motion passed. Meeting was adjourned 3:30 P.M.