



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

October 4, 2012 / 2:00 P.M.

City Hall – Committee Room B

Present:

Madelynn Matlock, Chair
Bill Partridge, Vice Chair
Don Beets
Mark Berliant
Mike Fehn
Chris Meyer
Bev Nussman
Mike Rachford
Susan Robinson
Roger Sims
Tom West

Staff Present:

Paula Tilsley
Cheryl Volk

The meeting was called to order at 2:05 P.M.

ELECTION COMMITTEE

A meeting of the Election Committee was held following the employee election ballot count. Bev Nussman and Tom West were declared the winners of the election.

<u>Candidates Name</u>	<u>Votes</u>
Bev Nussman	255
Tom West	220
Bryan Schmitt	208
Jeffrey Zistler	179
Scott Ryan	154
Steve Kallay	95
Brian Wogenstahl	78

Valid ballots were returned - 460

Duplicate Ballots issued 2

OATH OF OFFICE

The newly elected Trustees Bev Nussman and Tom West were introduced to the Board of Trustees. Christine Zimmer, Assistant City Solicitor, administered the Oath of Office to Bev Nussman and Tom West and the two reappointed Trustees, Roger Sims and Susan Robinson. The committee assignments were disseminated.

UNFINISHED BUSINESS

Board members received hard copies of the 12/31/2011 Cavanaugh Macdonald's Actuarial Valuation Report. Additionally, the Board reviewed the transmittal that was submitted to the Mayor and City Council outlining the investment returns, Annual Required Contribution (ARC), and the recommendation from the Board that City Council take the necessary steps to meet the employer funding requirements as detailed in the report. On May 14, 2102, P. Tilsley made a presentation to the Budget and Finance Committee on the key findings of the valuation report.

The Board discussed the ARC and the Board's duty to communicate the annual obligation to City Council. M. Fehn's motion to submit a written motion to City Council citing the ARC be paid in 12 equal payments was tabled.

Board Action

M. Fehn made a motion to approve the 12/31/2011 Valuation Report. R. Sims seconded the motion and following a roll-call vote, the motion passed. The 12/31/11 Valuation Report was approved.

D. Beets	Yes
M. Berliant	Yes
M. Fehn	Yes
M. Matlock	Yes
C. Meyer	Yes
B. Nussman	Abstained
B. Partridge	Yes
M. Rachford	Yes
S. Robinson	Yes
R. Sims	Yes
T. West	Abstained

LEGAL UPDATE

Aaron Herzig, Deputy City Solicitor

The consolidated lawsuits of Harmon, Bock, and Sunyak vs City of Cincinnati was amended. The suit has added the Board of Trustees as a defendant. The City will continue to defend the City and the Board in the lawsuit. The Board will be updated as necessary.

BENEFITS COMMITTEE

The CRS and the Benefits Committee initiated a project with Aon Hewitt, a human resources consulting firm, to analyze the disability retirement program.

Aon Hewitt performed an analysis of the current state of the disability retirement program. The analysis included a review of the municipal code language and current administrative processes; discussions with Dr. Hogle, the acting Medical Director for the Cincinnati Retirement System (CRS); a demographic analysis of members receiving disability retirement benefits; and prevalent practices in the area of disability retirement benefits in other states and municipalities.

The Benefits Committee and Aon Hewitt have met multiple times and have engaged in lengthy and detailed discussions on program design and administration, opportunities with Medicare coordination, external vendor services, and the availability and impact of other employee benefits. The Benefits Committee expects to present final recommendations to the full Board in the next couple of months.

INFORMATIONAL ITEMS

- ✚ Retiree Open Enrollment
 - Health care enrollment for retirees ends November 16, 2012. Healthcare enrollment packets were mailed to all retirees. This year, retirees who want their elections to remain the same for year 2013 do not need to return an enrollment form.

- ✚ Community meetings
 - Three healthcare information sessions are scheduled for retirees to learn more about their healthcare benefits and the enrollment process. Some of the topics include the prescription drug plan, dependent eligibility, Power of Attorney, and Beneficiary information. Representatives from Anthem, Risk Management, and Retirement will host the events. Dates and locations:
 - Madisonville Recreation Center - October 12th 10:00 A.M. – 12:00 P.M.
 - Dunham Recreation Center – October 15th – 12:30 P.M. – 2:30 P.M.
 - Hartwell Recreation Center – October 17th – 6:00 P.M. – 8:00 P.M.

- ✚ Governance Committee. CRS is in discussions with Aon Hewitt to analyze the Governance Manual. Committee will meet and report when appropriate.

- ✚ Farewell gift baskets were mailed to the homes of Brian Pickering and Karen Alder. Karen and Brian asked P. Tilsley to convey their thanks to the Board.

MISCELLANEOUS

The floor was opened for discussion. Board members were invited to raise topics or issues for the Board's consideration.

- ✚ M. Rachford made a motion that CRS provide a written explanation for terminating the loan program. M. Fehn seconded the motion. Following a discussion, the Board agreed to include in the minutes the reasons supporting the discontinuation of the loan program. By action of City Council, no new member loans could be applied for on and after September 29, 2010.

Termination of the loan program was based on several factors:

- Participant loans from qualified retirement plans are subject to the rules and regulations of the Internal Revenue Code. If the rules are not applied accordingly, the retirement plan's qualified status can be jeopardized and fines imposed.

- In general, the Internal Revenue Code requires that members repay the remainder of an outstanding loan within 90 days of separation from service. Complications arise when members separate from service unexpectedly due to illness, leave of absence, layoff, and other termination. In many cases, the member experiences an unmanageable financial burden.

- The IRS considers the balance of the unpaid loan as a taxable distribution in the year of default and the member is issued a 1099. This is an additional financial burden to the member.
- If the member fails to pay-off the loan within 90 days as required, any retirement benefit due immediately or in the future (deferred benefit) is actuarially and permanently reduced based on the value of the unpaid loan amount. This reduces the retirement security of affected members.
- When a member dies in service, the loan balance is deducted from their contributions before a check is issued to the beneficiary.
- At the time CRS stopped allowing new loans, there were \$12 million in outstanding loans that were being subsidized by \$120,000/year given that the loan rate was 1% lower than the assumed rate of return for investments.
- The loan program took an equivalent of 1 full-time staff member to administer the program. This approximated an annual cost of \$75,000 (salary & benefits).
- For the reasons stated above, it is very uncommon for a defined benefit plan to include a loan provision.

No other topics were raised for discussion. Having no further business, M. Berliant made a motion to adjourn the meeting. The motion was seconded by C. Meyers and the motion passed. Meeting was adjourned at 3:15 P. M.