



**City of Cincinnati Retirement System
Board of Trustees
Meeting**

**Agenda
May 3, 2012 / 2:00 P.M.
Centennial II – Classroom A**

Appointed Members

Madelynn Matlock, Chair
Bill Partridge, Vice-Chair
Mark Berliant
Christopher Meyer
Susan Robinson
Roger Sims

Elected Members

Mike Fehn
Mike Rachford
Brian Pickering
Karen Alder
Don Beets

Call to Order

Approval of Minutes

New Business

- ✚ Cavanaugh Macdonald – Actuaries Eric Gary and Ed Koebel
 - Annual Valuation Report – 2011

Disability Cases

- ✚ Diana Jordan
- ✚ Tyrone Glover

Investment Committee

- ✚ Investment Committee minutes – February 2, 2012
- ✚ Meeting Report – May 3, 2012

Unfinished Business

Informational Items

Adjournment

Next Meeting: Thursday, June 7 – 2:00 P.M. - City Hall – Committee Room B



City Of Cincinnati Retirement System Board of Trustees Meeting

Minutes

May 3, 2012 / 2:00 P.M.
City Hall – Meeting Room 115

Present:

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

Staff Present:

Paula Tilsley
Cheryl Volk

Absent:

Mike Rachford

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

NEW BUSINESS

CRS Annual Valuation Report 2011

Eric Gary and Ed Koebel of Cavanaugh Macdonald presented the Pension and Retiree Health Benefits Valuation Reports for 2011. The purpose of the reports is to provide a summary of the funded status of the System as of December 31, 2011, to determine the employer annual required contribution, and to provide accounting information under Governmental Accounting Standards Board Statements (GASB) No. 25, 27, 43, and 45.

The combined Annual Required Contribution for 2013 for the Pension and Health Care Trusts is 46% of payroll or \$72.7 million. This includes \$10.9 million of Normal Cost benefits earned during the year for pension and health care, \$5 million for the ERIP (Early Retirement Incentive Program in 2007), and \$57 million for the combined accrued unfunded liability.

The investment return on the Market Value of Assets was just under 1% for 2011. The funded ratio, which uses the Actuarial Value of Assets, was 66.8% for the Pension Trust and 102.3% for the Health Care Trust.

Factors worth noting that contributed to the valuation results were the less than expected market return on assets, the change in the long term rate of return and discount rate from 8.0% to 7.5%, and the continued cash flow challenges due to insufficient contributions to the system.

On May 14, 2012, P. Tilsley, B. Partridge, M. Matlock and Eric Gary will make a presentation to City Council summarizing the Pension and Health Benefits Valuation Reports, and the annual required contribution for calendar year 2013.

INVESTMENT COMMITTEE

C. Meyer provided the Investment Committee report:

- ✚ AQR Capital Management –
Michael Mendelson, Principal and Portfolio Manager and Matthew Chilewich, Vice President, presented a report on the investment strategy known as risk parity. Risk parity focuses on managing diversification risk versus equity risk and incorporates a planned capital preservation strategy to avoid significant volatility in times of significant market stress.

Marquette Associates endorsed the risk parity strategy and supplemented the discussion with the Marquette perspective. The committee reviewed the annualized performance of AQR Global Risk Premium from its inception in January 2006 through March 2012.

CRS' investment portfolio currently has 15% allocated to hedge funds, with 7.5% to ABS Global and 7.5% to Common Sense. The committee voted to reallocate a third of the hedge fund assets to AQR Global Risk Premium so that each of the three funds would have a target allocation of 5%.

- ✚ 1st Quarter Report 2012
Market value as of 3/31/12 was \$2.08 Billion. The total fund returned of 7.6% for the quarter, underperforming its policy benchmark of 7.9%. Over the trailing twelve months, the total fund returned 4.5%, outperforming the policy benchmark of 1.4%.

DISABILITY CASES

- ✚ Tyrone Glover- Disability Application
The Board reviewed the medical report submitted by the CRS Medical Director.

Board Action

C. Meyer made a motion to deny the disability application of Tyrone Glover. K. Alder seconded the motion and the motion passed. The disability application was denied.

- ✚ Diana Jordan- Disability Application
The Board reviewed the medical report submitted by the CRS Medical Director.

Board Action

C. Meyer made a motion to deny the disability application of Diana Jordan. K. Alder seconded the motion and the motion passed. The disability application was denied.

CRS PARTICIPATION FOR NEW HIRES

On February 2, 2012, the CRS Board of Trustees approved the Retirement Department's initiative to require all new eligible employees to enroll in CRS.

In April, the Recreation Department requested a limited exception to the rule for certain employees who are hired during the summer months and who are otherwise employed by school systems and participate in an Ohio state retirement system. The Retirement Department recommends that this group of employees be allowed to opt out of CRS participation and continue their participation in another Ohio state program. The Recreation Department employs about 50 of these employees each summer. This will have negligible impact on CRS.

Board Action

C. Meyer made a motion to make a limited exception to the rule for certain employees who are hired during the summer months and who are otherwise employed by school systems and participate in an Ohio state retirement system. R. Sims seconded the motion and the motion passed.

INFORMATIONAL ITEMS

The Board's recommendation to expand the eligibility for certain pension death benefits to Equal Partners went before the Budget and Finance Committee on Monday, April 30, 2012. Retiree health care benefits will not be extended to Equal Partners.

Due to a light agenda and schedule conflicts, the Board cancelled the June and July meetings. The next Board meeting will be held on August 9, 2012. Meeting was adjourned at 4:15 P. M.