



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

**July 12, 2018 / 2:00 P.M.
City Hall – Committee Room B**

Present

Tom Gamel, Chair
Bill Moller, Vice Chair
Christopher Baucom
Mark Berliant
Don Beets
Steven Dietrich
Chris Meyer
Don Steins
Tom West

Administration Present

Paula Tilsley
Cheryl Volk
Ann Schooley

Meeting was called to order at 2:05 P.M.

APPROVAL OF MINUTES

B. Moller made a motion to approve the June 7, 2018 minutes with revisions. T. Gamel seconded the motion. B. Moller recommended a revision under 2017 Valuation/Retiree Health Benefits, add the following sentence: "City has not budgeted a contribution at this time and is waiting on the court to decide what it will be." T. Gamel requested addition of the following sentence under the same topic: "Most other plans are not pre-funded." Final revision: Referring to the City's annual contributions, insert the word minimum in sentence, "...annual *minimum* contribution of \$2 million..." Following discussion, the motion passed. M. Berliant abstained from the vote. Minutes were approved with revisions.

GOVERNANCE COMMITTEE

Committee updated the Governance Review Schedule and will submit recommendations for approval to the next meeting of the Board of Trustees August 2, 2018.

CAVANAUGH MACDONALD PRESENTATION OF PRE- AND POST-CSA ACTUARIAL PROJECTIONS

Cavanaugh Macdonald attended the meeting via conference call. Per the Board's request, they provided a review of pension projections since implementation of the Collaborative Settlement Agreement. The actuarial projection time lapse began with the 12/31/14 valuation before the Collaborative Settlement Agreement (CSA) to current 12/31/2017. All projections assumed market rate of return for all years at 7.5%. All projections graphed the following metrics from 2014 to 2045:

- Funding ratio
- Actuarial value of assets
- Unfunded accrued liability

T. Gamel requested similar projections for the 115 Health Care Trust Fund. Provide for the August 2, 2018 Board of Trustee meeting.

PERFORMANCE MEASURE RECOMMENDATION – AUDIT SCOPE CHANGE

Discussion Summary

1. Current Performance Measures
Task 1: Audit – “Work with the Board to hire an independent auditor and complete a financial audit of CRS.”
2. Review of the Comprehensive Annual Financial Report - 6/30/17 (CAFR)
 - a. CRS is included in the City's basic financial statements
 - b. State Auditor has provided a “clean” opinion on the CAFR
 - c. State Auditor does not provide an opinion regarding reviewed internal controls
 - d. Confirms that as a fiduciary fund, CRS is not available to support City programs
 - e. There is no separate financial audit for CRS as it is considered part of the City's financial reporting.
3. Both the City Finance Department staff and CRS staff confirmed that the State Auditor's scope was comprehensive and that the scope has expanded since 2015 (see related Management Letter).
4. A review of other public pensions revealed a different type of audit – the Fiduciary Performance Audit – which identifies strengths and weaknesses and makes comparisons with best practices. Rather than a financial focus, the scope evaluates the following areas:
 - a. Governance and Administration
 - b. Organization Structure
 - c. Investment Policy and Oversight
 - d. Legal Compliance
 - e. Risk Management
 - f. Management Information Systems.
5. Two State of Ohio pension systems recently participated in Fiduciary Performance Audits (SERS, OPERS)

Conclusion

Given the improved scope of the financial audit, the Board would be better served by a Fiduciary Performance Audit which focuses on areas more under the Board's control. Such an audit should provide the Board with an assessment of how well it performs its responsibilities, controls, and oversight. B. Moller recommended Fiduciary Audit every 5 years to meet industry standards. Explore the scope and cost of entity that specializes in Fiduciary Audits.

Board Action

B. Moller made a motion to consider Fiduciary Audit every 5 years to meet industry standards. C. Meyer seconded the motion and the motion passed. M. Berliant abstained from the vote. Consider Fiduciary Audit every 5 years.

ACTUARIAL RFP INFORMATION

Board was provided sample questions for the actuary applicants and information about ProVal PS, the interactive modeling application for financing pension and OPEB benefits.

CRS PRESENTATION TO CITY COUNCIL

CRS Administration and Board to present a CRS investment and valuation overview to City Council. C. Meyer, C. Baucom, B. Moller, T. Gamel, Cavanaugh Macdonald actuaries, Marquette Associates, and P. Tilsley will make a presentation in September following the summer recess. CRS requested the date of the second meeting in September. Board to be updated.

SPOUSAL AUDIT

CRS to perform a Retiree Spousal Audit for completion before the end of the year. CRS waiting for response from Horan.

115 HEALTH CARE TRUST FUNDING POLICY

Judge Barrett and the parties to the Collaborative Settlement Agreement are actively negotiating a 115 Health Care Funding Policy.

MSD NEGOTIATIONS

No updates.

Having no further business, D. Stiens made a motion to adjourn. C. Meyer seconded the motion and the motion passed. Meeting was adjourned at 3:15 P.M.