



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

### **Minutes**

August 9, 2012 / 2:00 P.M.  
City Hall – Committee Room B

#### **Present:**

Madelynn Matlock, 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  
Bill Partridge

The meeting was called to order at 2:01 P.M.

#### **MINUTES**

M. Berliant made a motion to approve the March 13, 2012 Board of Trustee minutes. R. Sims seconded the motion and the motion passed. Minutes were approved.

M. Berliant made a motion to approve the May 3, 2012 Board of Trustee minutes. K. Alder seconded the motion and the motion passed. Minutes were approved.

#### **UNFINISHED BUSINESS**

##### **Doug Dennis, Attorney from Frost, Brown, and Todd, LLC**

D. Dennis was invited to the Board meeting to address the AFSCME lawsuit pending against the City and the individual Board members. The AFSCME lawsuit falls under the purview of the Board's fiduciary insurance company CHUBB, and CHUBB selected Frost, Brown, and Todd LLC to represent the Board collectively. According to the 'conflict of interest' definition as cited in the Ohio Revised Code 102.02b, Board member(s) who are also AFSCME members, must recuse themselves from Board discussions or decisions relative to the AFSCME lawsuit.

### Aaron Herzig, Deputy City Solicitor

Mr. Herzig provided an update on the AFSCME lawsuit. The law firm Grayden Head, and Ritchey, LLC, represents the City of Cincinnati in the AFSCME lawsuit. The court date is scheduled for November 2012.

Member's discussed the 2011 Valuation Report as presented to the May 3, 2012 Board of Trustees, and the Cincinnati Municipal Code's (CMC) requirement that the board certify the amount of the employer contribution necessary to pay the retirement system.

### ***Board Action***

M. Fehn submitted a written motion "that the Board of Trustees approve and certify in accordance with §203.101 of the CMC the amount of the employer contribution payable to the Retirement Fund based on the 12/31/2011 Cavanaugh Macdonald actuarial report." B. Pickering seconded the motion. Following discussion, the members asked for time to verify the percentages and dollar amounts cited in the written motion as compared to the 2011 Valuation Report. A vote was not taken.

M. Berliant made a motion to table M. Fehn's motion until the figures can be confirmed. A report containing the Annual Required Contribution (ARC) was presented to the Budget and Finance Committee on May 14, 2012 and some members thought repeating the communication was unnecessary. Suggestion was made to submit the narrative of the motion reflecting the action of the Board. M. Berliant removed his motion to table M. Fehn's motion.

M. Fehn repeated his written motion that referenced the CMC §203.93 and cited the percentages of payroll and the dollars owed for the ARC. The motion was not seconded.

The 2011 Valuation Report was presented at the May 3, 2012 Board meeting. Members agreed that the ARC must be communicated to Council. A copy of the report that was presented to the Budget and Finance Committee on May 14, 2012 will be provided to Board members for their information. Aaron Herzig stated that the CMC does not mandate a timeline for the Board to communicate the Valuation Report's ARC to the City.

M. Berliant made a motion to table further discussion of the 2011 Valuation Report and the communication to the City Council until Board members can verify figures and confirm the Board's previous communication to Council. R. Sims seconded the motion and the motion passed. Discussion of the 2011 Valuation Report and ARC was tabled until the September 6, 2012 meeting of the Board of Trustees.

### Equal Partner Benefits

On March 13, 2012 the CRS Board of Trustees approved recommendations for presentation to City Council concerning changes to the beneficiary designation language for CMC § 203.45 Death Benefit in Service (Return of Member's Contributions), and CMC §203.47 Retirement Death Benefit (\$5,000 Death Benefit Groups A, B, & C). The proposed language would broaden the definition of Beneficiary..

### **Current Language**

***Beneficiary is limited to:*** spouse, children, parents, niece, nephew, brother, sister, grandparent, grandchild, uncle, aunt, cousin, member of decedent's household for at least one year prior to decedent's death who was dependent on decedent for support, member's estate, or a trust established on behalf of any of the above.

## **Proposed Language**

Beneficiary can be: a person, trust, estate, or other legal entity.

## **Board Action**

C. Meyer made a motion to approve the new CMC beneficiary designation language. M. Fehn seconded the motion. The motion passed and the new beneficiary designation language was approved.

## **INVESTMENT COMMITTEE**

C. Meyer provided the Investment Committee report:

- + The Statement of Investment Policy was updated to incorporate the recent changes in asset allocation and rebalancing as previously approved by the Investment Committee.
  
- + CRS Securities Lending  
The Investment Committee will construct a separate work-group to meet with Bank of New York Mellon (BONY) to review the securities lending program and the custodial fees arrangement. The work-group will make recommendations to the Investment Committee for their consideration at the November 1, 2012 meeting.
  
- + 2<sup>nd</sup> Quarter Report  
Market Value of Assets - \$2 Billion  
As of June 30, 2012 – Fund returned +4.8% YTD  
Three Managers were removed from Alert status due to improvement in performance or organizational stability
  - o Blackrock
  - o ABS Global
  - o Morgan Stanley
  
- + Marquette Associates will present an Asset Allocation study in November and the Investment Committee agreed to consider asset allocation changes at that time.

## **NEW BUSINESS**

Governmental Accounting Standards Board (GASB) Rules 67 and 68 - New Pension Accounting and Reporting Standards

GASB is concerned with how state and local governments report accounting and financial information. GASB's authority extends only to accounting and financial reporting - not to funding. Cavanaugh Macdonald Actuaries Eric Gary and Ed Koebel attended the meeting via conference call to present the GASB changes.

The reasons for the changes:

- Improve consistency and transparency
- Enhance decision usefulness of pension information
- Assist users in evaluating accountability and inter-period equity related to pensions

The report outlined the current standards and the new standards:

- Revised Statement 25 (now 67) Financial Reporting for Pension Plans – applies to pension plans issuing separate financial reports for fiscal years beginning after June 15, 2013

- Revised Statement 27 (now 68) Accounting and Financial Reporting for Pensions - applies to employers for fiscal years beginning after June 15, 2014
- The changes in timing for valuation dates, measurement dates, and reporting dates
- The changes impact reporting for pension benefits only, not retiree health benefits. Current reporting standards for OPEB (GASB 43/45) remain in place. GASB does have an OPEB revision project underway, and the current schedule indicates final statements are to be issued in June of 2014.

The Board will continue to work closely with Cavanaugh Macdonald on the new GASB standards.

### **INFORMATIONAL ITEMS**

- ✚ The CRS engaged Aon Hewitt to assist in the analysis of the disability retirement program. The Benefits Committee will have their initial project meeting with Aon Hewitt on August 23, 2012.
- ✚ Employee election of Trustees
  - The election for two employee represented Board Trustees will open August 20, 2012 and close September 17, 2012. The Election Committee will conduct the ballot count on September 20, 2012. New trustees will be sworn-in at the October 4, 2012 Board of Trustees meeting.

### ***Board Action***

M. Berliant made a motion to adjourn. Motion seconded by B. Pickering and the motion passed. Meeting was adjourned at 4:15 P. M.