



City Of Cincinnati Retirement System Board of Trustees Meeting

**May 5, 2016 / 2:00 P.M.
City Hall – Committee Room B**

Present

Chris Meyer, Chair
Christopher Baucom
Don Beets
Bill Moller
Bev Nussman
Susan Robinson
Ely Ryder
Roger Sims
Christopher Smitherman
Jack Walsh
Tom West

Staff Present

Paula Tilsley
Cheryl Volk

Meeting was called to order at 2:06 P.M.

APPROVAL OF MINUTES

E. Ryder made a motion to approve the April 6, 2016 minutes. B. Moller seconded the motion and the motion passed. Minutes were approved.

INVESTMENT COMMITTEE REPORT

S. Robinson provided the following report from the May 5, 2016 meeting:

Brett Christenson, Managing Director & COO, Marquette Associates provided the following information:

- ✚ 1st Quarter 2016 – Market Value of Assets \$2.12 Billion
- ✚ As of March 31, 2016 - YTD Return (Net of Fees) +1.1%
 - Committee requested future reports include an historical look at fund performance as of the inception date of CRS participation in each fund.

Infrastructure Search

Marquette conducted an open-end Infrastructure search in response to maintaining the target allocation to infrastructure as the current closed-end funds, Alinda and Macquarie, enter distribution mode. It was agreed to focus on open-end funds going forward to improve overall Fund liquidity.

The research of the four funds included fund performance, asset management, distribution, liquidity, locks, and fees. IFM, JP Morgan, Ullico, and Axium were considered. Marquette recommended an initial allocation to either IFM or JP Morgan as they are the most established funds at this time.

Committee chose IFM with an initial commitment of \$50 million.

Board Action

S. Robinson made a motion to hire IFM with initial commitment of \$50 million. C. Baucum seconded the motion and the motion passed. Hire IFM with initial commitment of \$50 million.

Asset Allocation Study

The analysis included the Committee's request for average 10-year annual volatility for Real Estate and Private Equity. The study provided 5 portfolios including annualized 10-year projected returns and risk scorecards.

Committee considered Portfolio D with modifications to the class of Hedge Funds to retain the benefits of liquidity and low fees. Committee chose the revised Portfolio D which mirrors the current asset allocation model with the following changes/confirmation:

- Distribute the 5% of Multi-Strategy Hedge FoF. Move 2.5% to U.S. Equity and 2.5% to Real Estate Core. (Fintan Multi-Strategy Hedge FoF to be terminated.)
- Distribute the 5% of Hedged Equity. Move 2.5% to Private Equity and 2.5% to Infrastructure. (ABS Hedged Equity Fund to be terminated.)
- Keep 5% allocation in Risk Parity.

Board Action

S. Robinson made a motion to approve Portfolio D with a 5% allocation of Hedged Equity Fund to Risk Parity. B. Moller seconded the motion and the motion passed. Portfolio D was approved with inclusion of Risk Parity.

WCM

WCM, U.S. Equity Small-Cap Value continues to underperform and Marquette recommended terminating WCM and allocating the assets to Northern Trust Russell 2000 Value Index Fund currently in place.

Board Action

C. Smitherman made a motion to terminate WCM and transfer the assets to Northern Trust Russell 2000 Value Index Fund. B. Moller seconded the motion and the motion passed. Terminate WCM and transfer the assets to Northern Trust Russell 2000 Value Index Fund.

Blackrock

BlackRock Strategic Income Opportunities Fund launched a new share class called K Shares. The fees for the K Shares are 55 basis points compared to the current 66 basis points. Marquette recommended the Committee consider moving into the new BlackRock Strategic Income Opportunities Fund K Shares. Committee approved moving the Blackrock Strategic Income Opportunities Fund assets into the K Share Fund.

Board Action

S. Robinson made a motion to move the Blackrock Strategic Opportunities Fund assets into the K Share Fund. B. Moller seconded the motion and the motion passed. Move the Blackrock Strategic Income Opportunities Fund assets into the K Share Fund.

Private Equity Allocation Model

The actual and projected annual capital calls/distributions for the eleven private equity managers was reviewed. Ft. Washington FoF IX was identified as an exceptional fund that had recently closed yet offered a 10% discount and grandfathered fees to existing clients.

Committee approved the commitment of \$50 million to the Ft. Washington FoF IX. The commitment is contingent upon obtaining the same fee arrangement that applies to previous CRS/Ft. Washington investments, and securing a 10% discount for early investors.

Board Action

S. Robinson made a motion to commit \$50 million to the Ft. Washington Fund IX contingent upon obtaining grandfathered fees and 10% discount. B. Moller seconded the motion and the motion passed. Commit \$50 million to the Ft. Washington Fund IX contingent upon obtaining grandfathered fees and 10% discount.

MOTIONS

E. Ryder Motion Dated December 3, 2015

E. Ryder submitted a motion to the December 3, 2015 Board meeting where it was tabled until after a legal review could be obtained. The motion stated, "All items for action by the Board of Trustees of the Cincinnati Retirement System at a Board meeting must be submitted at least seven days in advance of the meeting and include all supporting documents. The Board Chair may waive this requirement on request by the administration showing good cause for the waiver.

Contemporaneously with such requests, copies must be sent electronically to all Board members. Further, all action items, including supporting documents, shall be deemed public records at the time of their submission to the Board Chair. Board members may address comments on action items to the Chair, copies to all other Board members and to the administration. Any comments received from Board members or the public shall be similarly distributed and deemed public records. Effective January 1, 2016."

The motion was resubmitted today for the Board's consideration. The Board restated its recommendation from the December 5, 2015 meeting that submission of items to the Board at least seven days in advance should be considered a guideline rather than a rule. All information can be posted on the Retirement web site as it becomes available except propriety trade secrets and attorney/client privilege information. Administration to verify with Marquette that no proprietary materials are contained in their quarterly reports.

T. Nestor and R. Hardin provided a legal opinion regarding the statements: "Board members may address comments on action items to the Chair, copies to all other Board members and to the administration. Any comments received from Board members or the public shall be similarly distributed and deemed public records." T. Nestor cautioned Board members from communicating with each other via email about Board business. Discussing business outside of a public forum could be perceived as a violation of the Open Meetings Act. The Solicitor's Office recommends Board members refrain from emailing each other about Board business. Conduct the discussions in the Board or Committee meeting, in an open forum.

E. Ryder withdrew his motion in lieu of the Retirement Office implementing the practice of posting Board information on the Retirement web site as soon as it becomes available.

E. Ryder Motion Dated January 7, 2016

E. Ryder submitted a motion to the January 7, 2016 Board meeting where the motion was tabled until after a legal review could be obtained. The motion stated, "Unless explicitly requested by the Board of Trustees

of the Cincinnati Retirement System in its request for advice from the Solicitor that the Solicitor's response be privileged and confidential, the Board waives any such claim. Further, such responses shall be subject to the Board's requirements for the timely submission, distribution and publication of items for action by the Board.

Provided however, if the Solicitor is of the opinion that the disclosure of such advice would be adverse to the best interests of the Cincinnati Retirement System, the Solicitor shall explain his or her reasons to the System's Executive Director and the Chair of the Board. If and only if the Executive Director and the Chair concur, the Solicitor's response shall be designated as privileged and confidential. In that event the Board may override such designation and declare it to be public record."

The motion was resubmitted today for Board consideration. T. Nestor and R. Hardin, Solicitor's Office, provided a document dated May 5, 2016, from the City Solicitor regarding the Open Meetings Act. The document is protected under the Attorney/Client Privilege. T. Nestor and R. Hardin advised the Board against prospectively waiving their Attorney/Client Privilege as stated in E. Ryder's motion. The Board currently has the ability to waive an Attorney/Client Privilege with a majority vote.

Replacement Motion

E. Ryder agreed to "withdraw the motion provided that it's understood that the Board will immediately take up a second motion, a replacement motion, to waive the Attorney/Client Privilege with respect to the May 5, 2016 document from the City Solicitor regarding the Open Meetings Act." T. Nestor and R. Hardin reiterated that in general, attorneys advise clients not to waive an Attorney/Client Privilege as the documents contain confidential information. The motion was not seconded and the motion failed.

E. Ryder asked the Board to reconsider the previous motion since the replacement motion had failed.

Board Action

B. Moller seconded the motion and following a roll call vote, the motion failed.

Roll-Call Vote

C. Meyer	No
C. Baucom	No
D. Beets	Yes
B. Moller	No
B. Nussman	No
S. Robinson	No
E. Ryder	Yes
R. Sims	No
C. Smitherman	No
J. Walsh	No
T. West	No

INFORMATIONAL ITEMS

Board Reforms

The approved Board reforms were provided to Board members. There were no questions.

Transfer of Service Credit Agreement

The March 3, 2016 meeting of the Board of Trustees adopted the same procedures as OPERS concerning the requirement that the member must retire from the retirement system in which the member has the most service credit at the time the member submits the service transfer/purchase application. OPERS added language to include CRS in the proposed statute amendment. OPERS expects the approved verbiage of the Bill to be available early summer 2016 and possible implementation of the Bill by Spring 2017.

Health Care Consultant Request for Proposal (RFP)

Aon Hewitt Consultants was selected to provide health care consulting services to CRS. Aon Hewitt was selected for its expertise with public organizations and retiree health care benefits, particularly in the area of Medicare Part D prescription programs.

Pharmacy Benefit Manager (PBM) Request for Proposal

Aon Hewitt will assist CRS conduct a search for a Pharmacy Benefit Manager (PBM) to provide retiree prescription coverage. The RFP will focus on a PBM who has robust experience in providing commercial coverage to pre-65 retirees with a special emphasis on Medicare Part D/Employer Group Waiver Plans (EGWP) for Medicare eligible retirees. The current companies Optum (pre-65) and United Healthcare (EGWP) will be invited to submit a proposal. A final decision is expected by late summer with an effective date of January 1, 2017.

Trustee Election Update

Election timeline was reviewed. Elections open June 14, 2016 and close July 5, 2016. Ballots will be counted by July 12, 2016.

OTHER BUSINESS

D. Beets raised questions concerning the following items:

Poverty COLA

When will the Poverty COLA be implemented? CRS is working with City Solicitor's Office concerning implementation of Poverty COLA. Methods for income verification are still being considered. The benefit will be administered retroactively.

Prescription Coverage Issues

Why has UHC notified some retirees of the denial of certain muscle relaxants drugs? P. Tilsley explained that Medicare Part D Plans are subject to more rigorous rules. Medicare, AARP and other organizations have identified certain medications to be riskier for the older population. To manage these risks, Medicare Part D Rx plans require that certain drugs be subject to prior authorization, quantity limits or step therapy rules. Medicare also provides multiple levels of appeal for participants, to provide additional options in certain circumstances. Prescription coverage for pre-65 participants are not subject to all of the same limits as Medicare Part D programs.

Transfer of Funds to the 115 Retiree Health Care Trust

Were the funds transferred into the 115 Trust? P. Tilsley and B. Moeller confirmed that in accordance with the CSA, funds from the 401(h) health care account were transferred to the 115 Retiree Health Care Trust effective December 31, 2015, less those funds that were moved to the Pension plan, per the CSA.

T. West asked for an update on the DROP

DROP

The active plaintiffs are consulting with an outside actuary to confirm the data previously provided by CRS actuaries, Cavanaugh Macdonald. CRS will notify the population when DROP is finalized.

Having no further business, R. Sims made a motion to adjourn. Motion was seconded by B. Moller and the motion passed. Meeting was adjourned at 3:25 P.M.