



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
June 9, 2022/ 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members Present

Bill Moller, Chair
Tom Gamel
Mark Menkhaus, Jr.
Kathy Rahtz
Don Stiens
John Juech
Jeff Cramerding

Administration

Mike Barnhill
Ann Schooley

CALL TO ORDER

Chair Moller called the meeting to order at 2:11 p.m. and a roll call of attendance was taken. Trustees Moller, Menkhaus, Gamel, Rahtz, Stiens, Juech, and Cramerding were present. Trustee Winstead was absent.

NEW BUSINESS

2021 Actuarial Valuations

Trustee Moller introduced the CRS actuarial firm, Cheiron, and noted that the draft 2021 valuations had not been circulated to the Board yet. The presentation slides summarizing the valuations are in the Board packet.

Kevin Woodrich and Janet Cranna from Cheiron presented the 2021 pension actuarial results. The funding for the pension plan improved from 70.5% to 71.6% (actuarial value of assets) or 78.2% (market value of assets). The population levels were relatively unchanged. Net cashflow continues to be negative, more than -7.5%, which is among the lowest of peer systems. City contributions continue to be well below both the actuarial determined contribution, and the “treadwater rate” (the amount of contribution required to keep the funding level from declining further). Mr. Woodrich explained that investment gains and loss are smoothed over a 5 year period. Ms. Cranna explained the actuarial valuation process. She reported that market investment returns for 2021 were 18.06%, but using 5yr smoothing, the actuarial return is reduced to 10.55%. The investment gains resulted in the actuarial determined employer contribution rate being reduced

from 33.46% to 32.9%. Of this, 12.1% represents the normal cost rate, and 1.34% represents the ERIP rate.¹ The unfunded liability decreased from \$746.6mm to \$728.3mm. Trustee Moller observed that the City's contributions are approximately half of the actuarially determined contribution rate. Ms. Cranna said that as a result, Cheiron expects the system's unfunded liability to increase going forward. Trustee Menkhaus requested a comparison of our ADC to peer ADCs. Ms. Cranna responded that it is difficult to make an apple to apples comparison. Mr. Barnhill added that NCPERS and Boston College collect public pension data on unfunded liabilities, and would bring back peer information to the Board. Mr. Woodrich presented a series of charts showing the impact of the 2021 investment returns on the projections for the system, as well as a projection showing the impact of a 2022 loss of 7.5%. If the 2022 return is -7.5%, and all assumptions prove correct, it would take over 100 years for the system to reach full funding. If the 2022 return is -15%, the projection shows that the system becomes insolvent in 2045. The point of these charts is to illustrate the large range of the impact of investment volatility on the system.

Ms. Cranna advised the Board that ASOP 4 has been revised and will go into effect for the CY2023 actuarial valuations. She summarized the changes to the actuarial rule, including calculation of the unfunded liability with a risk-reduced rate of return assumption (low-default risk obligation measure).

Trustee Stiens inquired whether the actuaries should use the return assumption estimated by the system's investment consultant, Marquette. Mr. Woodrich indicated that the Marquette return assumption is more of a short-term estimate, as opposed to the actuarial return assumption. Mr. Woodrich said it could provide results with a longer-term assumption provided by Marquette. Mr. Barnhill observed that the next actuarial experience study will take up the issue of the investment return assumption.

Gaelle Gravot and Margaret Tempkin from Cheiron presented the 2021 healthcare (Other Post-Employment Benefits) actuarial results. Ms. Gravot reported on changes to the participation rate assumptions—the actuaries expect that retiree participation in the health plans will be higher than expected going forward. The funding of the health plan improved from 126% to 145% (or 158% on a market value of assets basis). Ms. Gravot observed that 2020 and 2021 were unusual in that there were pandemic-related health claims, but these were offset by substantial deferral of care. Ms. Tempkin reported that the value of healthcare assets grew by \$62mm. Normal cost for the plan (the amount to collect to pay for benefits accruing during the year) is \$2.6mm. Note, the system does not collect this because the plan is overfunded. The plan had a net actuarial gain of \$36mm attributed primarily to health care claims and projected claim trends being less than expected. Ms. Tempkin presented projections slides showing that the health plan is expected to remain overfunded under various scenarios, including a -10% loss in 2022. Mr. Barnhill requested a chart showing the projection for time periods after 2045. Ms. Tempkin indicated that they will next turn to rate-setting for the 2023 year; this is the process for computing the rate for purposes of determining the retiree premium share amounts.

Trustee Moller stated that the Board would take up approval of the 2021 valuations at the next Board meeting.

¹ *Secretary note:* Since the actuary is including the ERIP rate calculation in its ratemaking process, and the City is paying that amount, the current rate of employer contribution is therefore $16.25\% + 1.34\% = 17.59\%$. We are expecting the next ERIP payment on 7/24/2022. With the passage of the amendment to the City's stabilization fund ordinance, that rate may increase further in the future. I will keep the Board posted on this.

APPROVAL OF MINUTES

Approval of the minutes of the Board meeting of May 5, 2022, was moved by Trustee Rahtz and seconded by Trustee Gamel. The minutes were approved by unanimous roll call vote.

REPORT FROM PERFORMANCE EVALUATION COMMITTEE

Trustee Rahtz summarized the Performance Evaluation Committee meeting. The Committee reviewed progress on the 2022 Board objectives. The Committee approved the addition of a new objective related to security and risk review. The Committee also discussed CRS Rule 22 and its application to the various CRS contracts. The committee concluded that the contract list presented by Director Barnhill needs additional work (it needs to be narrowed to only those specified contractors “retained” by the Board).

The Board approved the Committee’s adoption of a new 2022 Board objective related to security and risk review by unanimous roll call vote.

REPORT FROM ELECTIONS COMMITTEE

Trustee Juech summarized the Elections Committee meeting. The Committee declared Kathy Rahtz to be the winner of the retiree seat; she was the only candidate to file.

With respect to the active seat, no candidates filed. Subsequent to the closing of nominations, various active employees expressed interest in running for this seat. The Committee voted to re-start the election process and directed CRS staff to adopt a new elections timeline for the active seat to start as soon as practicable.

The Board approved the Committee’s actions by unanimous roll call vote.

Informational – Executive Director’s Report

Mr. Barnhill provided the following report:

- Market Update. YTD returns are -7%. Equity markets are volatile.
- Passage of Emergency Executive Session Ordinance. The City Council passed an ordinance authorizing the CRS Board to meet in executive session to consider matters that involve confidential information, including health information. Mr. Barnhill expressed thanks to Trustee Cramerding and the Law Department for moving the ordinance so quickly.
- HIPAA Update. Following a disclosure of protected health information by the Risk Management division, CRS has participated in a city-wide effort to ensure compliance with HIPAA confidentiality and security mandates. This involved all staff participating in HIPAA training as well as completion of a lengthy questionnaire. CRS will continue to work on improving confidentiality and security for all of its confidential information.
- Stale-Dated Checks. CRS will start posting a list of stale-dated checks on its website.
- NCPERS Chief Officer Summit. Mr. Barnhill is attending an NCPERS meeting of public pension chief executive and chief investment officers. He will report back at the next meeting.
- CRS Reporting Requirements. Mr. Barnhill proposed a consolidated report format for the Board’s consideration. Trustee Moller observed that some of the CRS reporting requirements have undefined terms and requested information on best practices might be in terms of system reporting.
- 457 Plan Auto-Enrollment Legislation. The Ohio legislature passed a statute last year that requires automatic enrollment of state public employees in a 457 plan.

UNFINISHED BUSINESS

Outstanding Opinions:

Board Approved Motion, October 3, 2019

- Item 1. Explain why City's changes to retiree healthcare are permitted under the CSA without Court approval.
- Item 2. Explain why the Board cannot retain outside counsel on matters which the Solicitor's Office will not give counsel.

A. Schooley reported there is no update.

NEW BUSINESS

CRS Budget Update Items. Mr. Barnhill reported on a number of budget related items discussed in a memo in the Board's packet.

Position Upgrades. Mr. Barnhill is seeking to upgrade four positions that would have a budget impact of \$14k in 2022. The upgrade of these positions would not require a budget amendment for 2022 because of current vacancies. It will likely have an impact on the budget in 2023. The purpose of the upgrades to improve retention as well as recognize that the upgrades are warranted based on the functions the positions are responsible for. The Board discussed whether HR requires an analysis to be performed prior to a position upgrade. Trustee Juech observed that retention issues are widespread. Trustee Rahtz asked about the ongoing costs. Mr. Barnhill responded that ongoing increased costs would be \$28k, plus associated benefit costs. Trustee Gamel expressed concern about upgrading positions for the purposes of retention. Trustee Moller made a motion to approve the position upgrades contingent on an HR analysis of the positions at issue. The HR analysis would not be a classification study, but an analysis of the specific position. The motion was seconded by Trustee Rahtz and approved by the Board unanimously by roll call vote.

Extending Temporary Staff by 8 weeks. Since there is no budget impact here, the Board treated this as an information item that did not require action.

Horan Healthcare Consulting Proposal. The Risk Management Division has offered CRS access to its health care consulting contract with Horan. Mr. Barnhill summarized the consulting proposal submitted by Horan with a cost of \$51,650. The primary purpose of the contract is to evaluate stop loss insurance for the pre-65 health plan. Additional areas of consulting include (a) a disruption analysis from a member experience perspective when they transition from the active plan to the pre-65 plan to the medicare advantage plan, (b) other potential insurance options, including long term care, and (c) access to the open enrollment portal used by the City for active employees. This item would be an increase to the Board approved budget.

Trustee Rahtz moved, and Trustee Gamel seconded, to increase the professional services budget by \$51,650 to retain Horan. Trustee Gamel asked about the value add to the contract. Mr. Barnhill responded that stop loss insurance should be considered for the pre-65 health plan because the small pool of participants exposes the 115 Health Trust to claim spikes. The other items are also value add, and are on the list because these issues have been raised as concerns by various stakeholders.

The Board approved the motion by unanimous roll call vote (Trustee Juech left the meeting and did not vote).

Legal Counsel. Mr. Barnhill reported that he has had conversations with the Chief Solicitor about dedicating resources in the form of part or full time general counsel for CRS, and whether the Law Dept. would be willing to retain outside fiduciary counsel for the Board. The Chief Solicitor responded that the Law Dept is willing to consider both, contingent on CRS paying for the services. Mr. Barnhill sought direction from the Board as to whether to continue the discussions with the understanding that CRS would have to pay for these services. The Board discussed details regarding whether the general counsel would be full time or part time, and how it should be paid for. Trustee Moller suggested that the discussions be continued, and that Mr. Barnhill return with further details including costs.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Rahtz, the Board approved the motion by unanimous roll call vote. The meeting adjourned at 4:32 P.M.

Meeting video link: <https://archive.org/details/crs-board-of-trustees-6-9-22>

Next Meeting: July 14, 2022 at 2:00 p.m.

A handwritten signature in black ink, reading "Michael Barnhill". The signature is written in a cursive, flowing style.

Secretary