



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

February 4, 2021 / 2:00 P.M.
City Hall, Council Chambers via Zoom

Members

Tom Gamel	John Juech
Bill Moller	Betsy Sundermann
Don Stiens	Kathy Rahtz
Mark Menkhaus Jr.	Erica Winstead

Administration

Paula Tilsley
Renee Kabin
Ann Schooley
Bev Nussman

Call to Order

Approval of Minutes

- ✚ Meeting Minutes – November 5, 2020 (Revised)
- ✚ Meeting Minutes – January 7, 2021

Investment Committee Report

- ✚ Report from Committee, February 4, 2021

Unfinished Business

- ✚ Outstanding Opinions:
 - K. Rahtz 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.
- ✚ Board of Trustees Annual Report to Council
- ✚ Administrative Code Amendment, Article XV "Retirement System"
- ✚ Ongoing Board Training – Actuarial and Investment Concepts
- ✚ Search Firm RFP for Executive Director Position Update

New Business

- ✚ Governance Committee, March 4, 2021
- ✚ ERIP Tracking Reports by Administration

Informational

- ✚ DROP Report
- ✚ Demographic Report
- ✚ 115 Health Care Trust Funding Policy
- ✚ Pending Board Items: Asset/Liability Study - July Board Meeting; Fiduciary Performance Audit; CRS Board Goals & Objectives; Election Appeals Language

Adjournment

Next Meeting: March 4, 2021, 2:00 P.M., City Hall, Council Chambers



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
November 5, 2020 / 2:00 P.M.
City Hall – Council Chambers**

Present

Bill Moller, Chair
Tom Gamel, Vice Chair
John Juech
Mark Menkhaus, Jr.
Kathy Rahtz
Don Stiens
Erica Winstead

Absent

Betsy Sundermann

Staff Present

Paula Tilsley
Renee Kabin
Ann Schooley
Kate Burroughs

The agenda was taken out of order to accommodate a Governance Committee meeting of the whole. The meeting was called to order at 2:20 p.m.

Governance Committee

Board Chair called to order the Governance Committee to discuss the proposed amendments to Article XV of the City’s Administrative Code, currently being held by City Council’s Budget & Finance Committee Chair until November 9.

Discussion ensued regarding Section B, page 3 that states “each may serve up to 3 terms.” T. Gamel would like to eliminate term limits due to the difficulty in obtaining candidates willing to serve. E. Winstead asked for an alternate recommendation. B. Sundermann commented that twelve consecutive years is longer than most to serve on a board and agreed with keeping the limit to 2 consecutive terms.

Upon additional discussion regarding expanding the length of a vacated unexpired term to ten months, the concern is that it exposes the Board to more risk of not having a quorum in which to conduct business. Suggestion would be to expand to eight months instead of ten.

Regarding section 7 on contracting with actuary, add “Board shall retain *and approve* an actuary under the City contracting process.” (Additions in italics.)

K. Rahtz questioned the necessity of keeping language related to staggered terms of the Board, since that has been established and is no longer needed. A. Schooley clarified that it is simply to make it consistent with language in the CSA.

Committee Action

K. Rahtz made a motion to hold the submittal of changes to Council’s Budget & Finance Committee in order to work directly with City Administration regarding preferred revisions, pending the approval to extend the hold request.

J. Juech seconded the motion. T. Gamel voted no. The motion passed.

Request City Administration to request Administrative Code amendments be held by Council's Budget and Finance chair in order to work directly with City Administration to pursue the changes discussed.

Having no further business, K. Rahtz made a motion to adjourn. J. Juech seconded. The motion passed. Governance Committee adjourned at 2:44 p.m.

APPROVAL OF MINUTES

T. Gamel made a motion to approve the minutes of the October 8, 2020 Board meeting. M. Menkhaus Jr. seconded. Following a vote, the motion passed. Minutes of the October 8, 2020 meeting approved.

NEW BUSINESS

B. Moller explained for newer trustees that the disability applications normally are presented to the Benefits Committee. In the interest of time, it is on the full Board agenda.

Board Action

T. Gamel made a motion to approve the disability of L. Thomas. Motion seconded by E. Winstead. Following a vote, the motion passed.

Disability application of L. Thomas approved.

T. Gamel made a motion to approve the disability application of M. Faulkner. M. Menkhaus Jr. seconded the motion. Following a vote, the motion passed.

Disability application of M. Faulkner approved.

Investment Committee Report

Bev Nussman read a summary of the four motions approved by the Investment Committee.

- Motion 1: Approve the adoption of Portfolio E.
- Motion 2. Authorize the ability to invest an additional \$37 million toward IFM, and an additional \$41 million toward JP Morgan Infrastructure Fund.
- Motion 3. Authorize the ability to amend the Northern Trust Agreement to add the Aggregate Bond Fund, the Russell 3000 fund and the ACWI ex-U.S. fund.
- Motion 4. Authorize the ability to move up to \$80 million from the Black Rock Strategic Income Opportunities fund to the Northern Trust Global Investment Agg Bond fund by the end of January, 2021.

UNFINISHED BUSINESS

Outstanding Opinions

K. Rahtz 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 that the Law department continues to work on these items.

NEW BUSINESS

Committees Assignments

B. Moller informed trustees of chair and vice-chair assignments to the standing Committees, along with the current schedule of Committee and Board meetings for 2021.

Early Retirement Incentive Plan (ERIP): Actuary Analysis, Report to Council, City Reimbursement to CRS for Unbudgeted Actuary Cost

B. Moller began the discussion of the negative actuarial impact of the ERIP on the Pension Trust, requiring an additional contribution of \$2.7 million/year for the next 15 years. Mr. Moller expressed concern that the city has not articulated any plan to pay the additional \$2.7 million annual cost. Mr. Moller also stated that the cost of the actuarial fees to produce the report on behalf of the City was an unbudgeted item that should have come to the Board for approval.

J. Juech outlined commentary from the Budget Director which stated that there were some net new savings due to the fact that the lump sum payouts for ERIP participants would have had to be paid anyway. Departments were required to reduce their budgets due to the implementation of ERIP, and about 50 additional positions were eliminated. Mr. Moller responded by pointing out that the lump sums due to ERIP participants are being paid in the first year, and not later, so City savings needed due to the pandemic are not being realized when they are needed. Mr. Gamel commented that the elimination of 50 additional positions was not actually a part of ERIP. Mr. Gamel pointed out that the expense to the Retirement plan is taking place in the current FY, 2020-21. Mr. Juech responded that he believes the elimination of additional 50 positions is a part of the ERIP, as it was an administrative exercise taken in conjunction with the ERIP planning, and that some of the savings derived from the eliminated positions were planned to be used to increase the employer contributions to CRS in FY 2022.

Board Action

T. Gamel made a motion to send a letter to the City Manager and City Council requesting reimbursement from the City Administration of the unbudgeted ERIP actuarial fees.

Additionally, the City needs to pay the required contributions for the implementation of the ERIP in the amount of \$2.7 million/year for the next 15 years. K. Rahtz seconded the motion. Following a vote, J. Juech voted no. B. Sundermann abstained. The motion passed.

Send a letter to City Administration and City Council, copy to the Mayor, requesting reimbursement from the City for the unbudgeted actuarial fees and to pay the required contributions for the additional liabilities of the ERIP in the amount of \$2.7 million dollars/year for 15 years.

DROP Actuary Analysis Report

B. Moller explained that the DROP program was negotiated under the CSA which provided that it be cost-neutral. Analysis shows the DROP having an additional cost of approximately \$11 million.

Board Action

T. Gamel made a motion to include in the letter being sent to Council and City Administration the concerns regarding the increased liability to CRS, and to request City Administration develop a plan to reimburse CRS for the additional cost of the DROP.

INFORMATIONAL

3rd Quarter Budget Update, DROP Report, Demographic Report

These items were presented for informational purposes; no questions or comments.

115 Health Care Trust Funding Policy

No updates.

B. Moller mentioned an opportunity for an online training session for newer trustees through the website of Marquette Associates, and reiterated the need for an asset/liability study and fiduciary performance audit.

K. Rahtz brought up an issue regarding a letter sent by Anthem to her retiree constituents informing them that access to certain providers may be discontinued in February if negotiations with the physician's group are unsuccessful. P. Tilsley confirmed that this is a common occurrence and often gets resolved near the end of the contract between Anthem and the providers.

Having no further business, T. Gamel made a motion to adjourn. K. Rahtz seconded the motion. Following a vote, the motion passed.
Meeting adjourned at 3:26 p.m.

Next meeting is scheduled for December 3, 2020.



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
January 7, 2021 / 2:00 P.M.
City Hall – Council Chambers**

Present

Bill Moller, Chair
Tom Gamel, Vice Chair
John Juech
Mark Menkhaus, Jr.
Kathy Rahtz
Don Stiens
Erica Winstead

Staff Present

Paula Tilsley
Renee Kabin
Bev Nussman
Ann Schooley

CALL TO ORDER

The meeting was called to order at 2:07 p.m.

APPROVAL OF MINUTES

A motion to approve minutes of November 5, 2020 was made by M. Menkhaus, Jr. The motion was seconded by E. Winstead. K. Rahtz made a friendly motion to revise minutes of November 5, 2020. T. Gamel seconded the motion. Following a vote, the motion passed. Revise minutes of November 5, 2020. Approval of minutes tabled until revisions are received.

NEW BUSINESS

Brett Christenson of Marquette Associates provided some background and recommendations on the following:

✚ Ft. Washington PE Fund X Request for Investment Period Extension

A six-month extension was requested by the Fund in December with a response time needed before the January Board meeting. Board Chair consulted with Vice Chair and Investment Committee Vice Chair D. Stiens per the Investment Policy regarding the request for extension. Extension was approved.

✚ Ft. Washington PE Funds V and VI

B. Christenson reported that the Funds were offering investors the opportunity to sell their remaining holdings at a discount. The Funds are nearing the end of their lifecycles. The discounted price for each Fund was rather significant and did not reflect the price improvements that had occurred since the valuation date of 6/30/2020. Marquette Associates recommended that the Board keep their positions in these funds to take advantage of the remaining upside, as liquidity is not needed at this time.

Board Action

T. Gamel made a motion to accept the recommendation of Marquette Associates to keep and not sell Ft. Washington PE Funds V and VI. M. Menkhaus, Jr. seconded the motion. Following a vote, the motion passed.

Accept the recommendation by Marquette Associates to keep and not sell the Ft. Washington PE Funds V and VI.

✚ Update on Investment Portfolio and Allocation Changes

B. Christenson reported a return of 8.1% net-of-fees for the month of November. Continued strong returns in December may cause the portfolio to reach its annual target of 7.5% for 2020. The transition from the prior portfolio to the newly adopted Portfolio E (see Nov. 2020 materials) is progressing. Further update and discussion will occur at the February Investment Committee.

UNFINISHED BUSINESS

✚ Outstanding Opinions

K. Rahtz 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 that the Law department continues to work on these items.

✚ Administrative Code Amendment, Article XV "Retirement System"

Board discussed "Version B" of the City's proposed changes to the Administrative Code, Article XV. Version B is in response to the Board's previous input. B. Moller conveyed this version is City Administration's final version to be presented to Council. Items of discussion included 1) whether term limits should apply for consecutive periods only, apply to total terms served, or be eliminated, and 2) concerns over the potential length of time an elected position could remain vacant without triggering an election.

T. Gamel maintains there should be no limits on terms of trustees due to the difficulty in obtaining enough people willing to serve. K. Rahtz concurred and questioned the addition of non-consecutive terms to the three-term limit and how elected trustees completing unexpired terms are considered.

B. Sundermann asserted that term limits should remain as specified in the amendment. E. Winstead concurred. Both stated that term limits support the need for newer, fresher ideas over time and avoids Board stagnation. J. Juech conveyed that a lot of discussion by City Administration went into creating this amendment with an eye toward recruiting those willing to serve as trustees, but ultimately decided on what was in the best interest of the City. D. Stiens agreed with T. Gamel that the fiduciary duty to the members and beneficiaries of the Pension Trust should be the governing factor, but acknowledged the provisions in this amendment have been in effect for a long time and are not in the Board's purview to change.

Board Action

T. Gamel made a motion to recommend modifying Article XV of the Administrative Code to remove the addition of non-consecutive terms to the three-term limit. K. Rahtz seconded the motion.

Following a vote, B. Sundermann and J. Juech voted nay. The motion passed.

Recommend removing the addition of non-consecutive terms to the three-term limit in Article XV.

The second point of discussion involved filling unexpired elected terms. B. Moller stated nine months is a long time for a vacancy and proposes adding the Board's ability to choose an interim replacement

for an elected trustee. Members of the group with the vacancy, actives or retirees, would be able to choose a member to fill the unexpired elected term. A concern was raised of the possibility of the same two trustees trading their seats back and forth to evade term limits.

Board Action

T. Gamel made a motion to accept the recommendation to add the option to name an interim replacement elected trustee to fill an unexpired term with less than nine months remaining. M. Menkhaus, Jr. seconded the motion. Following a vote, B. Sundermann voted nay. The motion passed.

T. Gamel recommended sending a letter to the Budget and Finance Committee to communicate these changes. D. Stiens asked to state in the letter the fact that only two actives serve on the Board and a vacancy for up to nine months can create hardship on the remaining active trustee to serve on every committee. K. Rahtz supported having a Board representative attend the Budget and Finance Committee to answer any questions.

✚ Board's December 16, 2020 Letter to City Manager, Mayor and City Council

B. Moller requested the newest Council Member, Liz Keating, receive a copy of the letter.

✚ Board of Trustees Annual Report to Council

Given recent projections on the impact of the ERIP to the system, T. Gamel, M. Menkhaus, Jr. with the assistance of the Executive Director will draft the Board's Annual Report for Council.

✚ Executive Director Search – Request for Proposals (RFP) and Search Committee

The City is preparing an RFP for an executive search firm to assist in selection of a new Executive Director, and includes an expected fee of \$50,000 which is an unbudgeted item. The CSA requires the Board follow the City's purchasing procedures, and provides for the Board's active participation in the selection of an Executive Director.

Board Action

T. Gamel made a motion to approve the City's draft RFP and the additional \$50,000 for the search firm. D. Stiens seconded the motion. Following a vote, the motion passed.

Approve City's RFP and the addition of \$50,000 for the search firm.

A Trustee from each represented group was asked to volunteer to participate in the selection of the search firm and in interviewing Executive Director candidates presented by the firm. B. Moller will represent the Retiree trustees, M. Menkhaus, Jr. will represent the Active trustees, and E. Winstead will represent the Appointed trustees.

✚ Training for New Board Trustees

B. Moller reported on a Zoom training session held on January 5th for new Board members and that all found it helpful and instructive. The next training would be on actuarial reporting if Chieron can participate.

INFORMATIONAL

✚ November 2020 Monthly Investment Report

✚ 115 Health Care Trust Funding Policy

No updates to report.

 **Pending Items: Asset Liability Study**

B. Moller reported that the contract with actuary firm Cheiron and investment consultant Marquette Associates provide for an asset/liability study.

If no objections, B. Moller will ask P. Tilsley to contact both to get an idea of scope and costs to present at the next Board meeting.

Board Action

Having no further business, T. Gamel made a motion to adjourn. D. Stiens seconded the motion and the motion passed. Meeting adjourned at 3:18 p.m.

DRAFT

Cincinnati Retirement System

DROP Quarterly Report for 2020

Totals at 12/31/2019	Q1	Q2	Q3	Q4	2020	Life of Plan Participation
Participants						
Beginning	211	220	219	228	211	
New Participants	272	14	16	19	16	337
Withdrawn Participants	-61	-5	-17	-10	-41	-102
Remaining	211	220	219	228	235	235
DROP Balance						
Opening Balance					\$ 18,532,699	
In-Flows to DROP						
Deferred Pension Payments	\$ 21,576,275	\$ 2,513,117	\$ 2,578,773	\$ 2,554,629	\$ 2,645,285	\$ 10,291,804
Member Contributions*	\$ 3,072,282	\$ 343,602	\$ 317,502	\$ 388,054	\$ 358,020	\$ 1,407,178
Interest Payable	\$ 741,721	\$ 78,732	\$ 102,418	\$ 39,684	\$ 39,812	\$ 260,646
Subtotal	\$ 25,390,278	\$ 2,935,451	\$ 2,998,693	\$ 2,982,367	\$ 3,043,117	\$ 11,959,628
Out-Flows from DROP						
Disbursement of Accounts	\$ (6,064,566)	\$ (459,762)	\$ (1,862,283)	\$ (1,458,725)	\$ (1,398,440)	\$ (5,179,210)
Transfers to Pension Trust						
Participant Fees*	\$ (768,084)	\$ (85,042)	\$ (79,377)	\$ (97,016)	\$ (89,508)	\$ (350,943)
Forfeited Interest	\$ (24,929)	\$ (543)	\$ (5,010)	\$ (1,199)	\$ (860)	\$ (7,612)
Subtotal	\$ (6,857,579)	\$ (545,347)	\$ (1,946,670)	\$ (1,556,940)	\$ (1,488,808)	\$ (5,537,765)
Change To DROP Quarterly		\$ 2,390,104	\$ 1,052,023	\$ 1,425,427	\$ 1,554,309	
Ending DROP Liability	\$ 18,532,699				\$ 24,954,562	\$ 24,954,562

* Member Contributions equal 9% of pensionable compensation with 25% of collected amount transferred to Pension Trust as fees for participation in the DROP program.

Demographic Report for the CRS Board

	12/31/2019	1st Quarter (3/31/2020)	2nd Quarter (6/30/2020)	3rd Quarter (9/30/2020)	4th Quarter (12/31/2020)
Total F/T Active Employee Members <i>(Does NOT include DROP participants)</i>	2993	3004	2943	2861	2839
Total Payees <i>(includes retirees, optionees in pay status, and Survivors - does NOT include DROP participants)</i>	4063	4054	4055	4047	4119
Number of Retiree & Optionee Deaths YTD <i>(includes Optionees who died and were not in pay status)</i>	174	60	122	163	230

Total Payees includes payees receiving multiple benefits. For example, a retiree who is receiving another benefit as an optionee is counted twice. This count does not correlate directly to the number of pensioners depicted in the Annual Actuarial Valuation due to differences in accounting for new retirees, deceased pensioners, DROP participants, and payees receiving multiple benefits.