



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
March 2, 2023/ 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members Present

Bill Moller, Chair
Tom Gamel
Kathy Rahtz
Mark Menkhaus, Jr.
Monica Morton
John Juech
Seth Walsh

Administration

Karen Alder
Bev Nussman
Mike Barnhill, Contractor

Law Department

Linda Smith

CALL TO ORDER

Chair Moller called the meeting to order at 2:11pm and a roll call of attendance was taken. Trustees Moller, Gamel, Rahtz, Menkhaus, Morton, Juech (departed at 2:28pm), and Walsh (departed at 2:38pm) were present. Trustee West was absent.

NEW BUSINESS

Consulting Fee Budget Amendment

Trustee Moller introduced two additions to the 2023 budget: (1) a contract for \$27,000 with EFL Associates to assist with the search for a new executive director; and (2) a transition contract with former director Michael Barnhill for \$60,000 (through the end of 2023).

Trustee Moller explained that the intention is for these additions to be budget neutral, and the intent today is to just move money within the approved budget. CRS staff found savings in the consulting fee and staff salaries budget to offset these two items. Trustee Moller noted that interim director Alder's salary would be paid entirely by the City at no cost to CRS.

Trustee Moller moved, and Trustee Gamel seconded, to approve the proposed changes to the budget. The motion passed on unanimous roll call vote.

Executive Session

Trustee Moller moved, and Trustee Gamel seconded, for the Board to enter executive session to consider a matter related to an application for disability retirement. The motion passed unanimously on roll call vote.

The Board resumed public session without taking action in executive session. Mr. Barnhill stated that he recommended the pending case be returned to the evaluating doctors for consideration of prognosis in conjunction with potential treatment. Trustee Moller stated additional information was needed to determine whether the disability was permanent. Trustee Moller moved, and Trustee Gamel seconded, to return the matter to the consulting physicians for further review. The motion was approved by unanimous roll call vote.

Trustee Moller welcomed Trustee Seth Walsh and Interim Director Karen Alder.

Public Comment

No public comment.

Approval of Minutes

Approval of the minutes of the Board meeting of February 2, 2022, was moved by Trustee Gamel and seconded by Trustee Morton. The minutes were approved by a vote of 5-0, with Trustee Walsh abstaining.

Report from the Performance Evaluation Committee

Trustee Rahtz provided the report from the Performance Evaluation Committee. The Committee considered and accepted the staff annual evaluation of CRS healthcare contractors, Anthem and CVS. The Board approved the Committee's action on unanimous roll call vote.

The Committee also approved the proposed strategic plan and Board and Performance Committee goals and objectives for 2023. The Board approved the Committee's actions on unanimous roll call vote.

Report from the Benefits Committee

Trustee Gamel provided the report from the Benefits Committee. The Committee approved a motion to seek an ordinance to add a new form of survivor benefits in the City Municipal Code. The new benefit, a lump sum of 2/3 of the member's salary at the time of death, would be cost neutral to the system, and would be an optional alternative to the existing benefit that the surviving spouse could elect. The Board approved the committee's action on unanimous roll call vote.

The Benefits Committee also approved conducting a survey of retired members regarding their CRS healthcare benefits. The Board approved the committee's action on unanimous roll call vote.

NEW BUSINESS (continued)

Experience Study--Cheiron

Kevin Woodrich and Janet Cranna from Cheiron Associates presented the results of the 5-year Experience Study of the system. Ms. Cranna explained that the purpose of the study is to review the experience of the actuarial assumptions over the 5-year period (2017-2021) to determine whether adjustments should be made to these assumptions in the future so that they remain reasonable. There are two broad sets of assumptions: demographic and economic.

Mr. Woodrich summarized the results of the study. The system experienced gains from investment, but these gains were offset by liability losses. On the whole the experience was relatively close to the assumptions, but the unfunded liability increased incrementally over the 5-year period.

In terms of demographic experience, Mr. Woodrich noted the following:

- Fewer actives retired than expected (except for during the ERIP period)
- Fewer actives retired early
- Fewer actives with less than 30yrs service retired when expected
- Actives with more than 30yrs of service and younger than 60 retired at a higher rate than expected
- Substantially more actives elected DROP than expected (70% v. 40%)
- More early terminations than expected in a couple of the years
- Very few disability cases
- Healthy retiree mortality was higher than expected (could have been pandemic related)
- Salary increases slightly more than expected
- The incidence of married retirees was less than expected

For the most part, Cheiron proposed to move the demographic assumptions toward (but not all the way to) the experience observed over these five years. Experience related to the global pandemic was given less weight in the analysis. Cheiron recommends that assumptions regarding mortality be slightly more conservative than experienced, and reflect mortality table data for general public employees. The impact of these demographic assumption recommendations increases the liability of the system by about \$35mm, and also increases the normal cost rate of the system's benefits by 0.41%.

Trustee Moller requested the actuarial impact for each proposed assumption change.

In terms of economic experience, Ms. Cranna observed that the system's 7.5% earnings assumption was achieved over the 5-year time frame. Ms. Cranna noted however that investment returns have historically been quite volatile, and that volatility has continued. Over the time period 2005-2021, the annualized return is 6.55%, which is less than the assumption.

Ms. Cranna compared various investment consultant projections regarding the CRS portfolio. The system's consultant, Marquette, projects a 8.04% annualized return. But other consultants are more conservative with Horizon and Callan suggesting the system would earn less than 7.5% (5.21% and 6.72% respectively). Mr. Woodrich noted that some of these consultants have materially increased their capital market projections over the past few months.

Ms. Cranna presented a chart showing the change in public pension system's investment return assumptions over time. Basically the chart shows the median assumption steadily dropping over time to 7.0%. Today the majority of systems have investment assumptions of 7% or less. Cincinnati's real rate of return assumptions are likewise higher than most systems (real rate of return equals the investment earnings assumption minus the inflation assumption).

Ms. Cranna presented the impact of changing the investment return assumption:

- 7.25% increases the accrued liability by \$62.3mm
- 7.0% increases the accrued liability by \$127.2mm

Trustee Moller noted that while the CSA requires use of 7.5% as the earnings assumption, the Board is could recommend a different rate in the exercise of its fiduciary duty.

Mr. Woodrich next showed projections of system funding over the next 30 years, taking into account the estimate of a -10% return in 2022. With the current 7.5% earnings assumption, proposed changes to the demographic assumptions, and continued City contributions of 16.25%, Cheiron projects the system will be insolvent by 2051. Reducing the investment return assumption to 7.25% and 7% results in advancing projected insolvency to 2048 and 2046 respectively.

Trustee Moller observed that one bad investment year (2022) can make a big difference—it has introduced the real possibility of insolvency into the system.

Ms. Cranna advised that one of the rules that actuaries must abide by (Actuarial Standards of Practice No. 4) has recently been amended. In the preparation of the actuarial valuations for CY2023, Cheiron will be required to implement those rule changes, which will likely result in reporting the liability and recommended contribution rate calculated with a much lower investment assumption, and use of a more reasonable amortization methodology and term.

Trustee Moller thanked Cheiron for the presentation, and noted that the Board has lost quorum and therefore cannot take action on the proposed assumption changes at today's meeting. Trustee Moller expressed his desire to update the recent letter the Board sent to the City Manager, Mayor and City Council members to reflect the information Cheiron presented today.

The Board discussed scheduling a special meeting soon for the purpose of taking up the proposed assumption changes recommended by Cheiron.

Staff Information Report

Mr. Barnhill provided the following report:

- January Investment Report. Positive monthly returns, but 1 year return remains negative.
- RFPs. The City Manager has approved the DEI waivers for the Investment Consultant and Fiduciary Audit RFPs. Drafting for these will start soon.
- NCPERS 2023 Survey. This item is in the board packet. It's a survey of public pension systems practices and metrics.

Old Business

Legal Opinions Discussion Update

Trustee Rahtz reported that she has scheduled a meeting with the Solicitor's Office on March 7 to discuss the recent opinion from the Law Department.

Status of Disabled Adult Children Ordinance

Mr. Barnhill reported that the draft remains under review.

Other

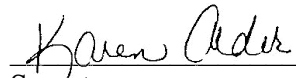
Trustee Menkhaus requested that the status of negotiations between Anthem and Christ Hospital be added to the agenda for the next Board meeting.

Adjournment

Following a motion to adjourn by Trustee Morton and seconded by Trustee Rahtz, the Board approved the motion by unanimous roll call vote. The meeting adjourned at 2:56pm.

Meeting video link: <https://archive.org/details/crs-board-3-2-23>

Next Meeting: April 6, 2023 at 2:00 p.m.

A handwritten signature in cursive script, appearing to read "Karen Alder", is written above a horizontal line.

Secretary