



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

**October 5, 2023 / 2:00 P.M.
City Hall, Council Chambers and via Zoom**

Members

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

CRS Staff

Karen Alder
Jon Salstrom

Law

Ann Schooley
Linda Smith

Call to Order

Public Comment

Approval of Minutes

- 📄 Meeting Minutes – September 14, 2023

Report from Governance Committee

Informational – Staff Report

- 📄 Marquette Investment Report
- 📄 Fiduciary Audit
- 📄 Investment Consultant
- 📄 DROP Actuarial Analysis Peer Review Update
- 📄 Disabled Adult Children Ordinance Update
- 📄 Healthcare Funding Policy

Old Business

New Business

- 📄 Board & Committee Meetings Schedule '24

Adjournment

Next Meeting: Thursday, November 2, 2023, 2:00 P.M. City Hall Council Chambers and via Zoom

**City of Cincinnati Retirement System
Board of Trustees Meeting Minutes
September 14, 2023 / 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members

Bill Moller, Chair
Tom Gamel, Co-Chair
Kathy Rahtz
Mark Menkhaus Jr.
Monica Morton
John Juech
Tom West
Seth Walsh
Aliya Riddle

Administration

Karen Alder
Jon Salstrom

Law

Ann Schooley
Linda Smith

CALL TO ORDER

Chair Moller called the meeting to order at 2:01 p.m. and a roll call of attendance was taken. Trustees Moller, Gamel, Rahtz, Menkhaus, Morton, and Juech were present. Trustee West joined at 2:05 p.m. Trustee Walsh was absent.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Approval of the minutes of the Board meeting of July 13, 2023, was moved by Trustee Gamel and seconded by Trustee Juech. Chair Moller clarified one minor item that did not require any Board action. On the Report from Investment Committee, the second bullet, Ft. Washington Way should be the Ft. Washington Fund. The minutes were approved by unanimous roll call vote.

Report from Benefits and Performance Evaluation Committees

Benefits Committee

Trustee Gamel explained there was a motion to change the survivor benefits moving forward from monthly payments to a lump sum. The motion was made by Chair Moller and no second was necessary. The motion was approved by unanimous roll call vote.

Performance Evaluation Committee

Trustee Rahtz explained the two motions that were made by the Performance Evaluation Committee.

- Motion to approve the Executive Director performance evaluation period to be the anniversary year. The motion was made by Chair Moller and no second was necessary. The motion was approved by unanimous roll call vote.
- Motion to approve the format previously approved by the Board for the performance evaluation of the Executive Director, to continue to be used. The motion was made by Chair Moller and no second was necessary. The motion was approved by unanimous roll call vote.

Informational – Staff Report

Marquette Investment Report

Chair Moller referenced the July Investment Report in the packet and asked if there were any questions. There were no questions or discussion.

2nd Quarter Demographic Report

Chair Moller referenced the 2nd Quarter report in the packet and asked if there were any questions. There were no questions or discussion.

Futures Commission Update

Chair Moller explained the Futures Commission was created by the mayor to look at the city's financial situation in the long-term. The Commission requested a meeting and information regarding the Retirement System. Director Salstrom gave typical information about the Retirement System's financial status.

The Commission's consultant, Ernst & Young, had an actuary present at the meeting and asked Chair Moller and Director Salstrom a series of questions that were answered accordingly. Chair Moller emphasized the Board's incremental increase plans to fully fund the pension trust between now and 2045.

Procurement Update (RFPs for Investment Consultant, Fiduciary Audit)

Director Salstrom stated he is hopeful of starting to work with Funston Advisory Services next week for the completion of the Fiduciary Audit.

Director Salstrom informed the Board that the contract is being finalized with the Investment Consultant, Marquette. The only thing changing is the term, not the scope of the contract. He is hopeful to have that finalized in the next few weeks and executed before the end of the year.

DROP Actuarial Analysis Peer Review Update

Chair Moller reminded the Board that Foster and Foster was hired through the city to do an analysis of the DROP program and their perception was whether the DROP program was cost neutral, which they determined it was. There is a report from a few years ago from Cheiron that used actual information that stated the DROP program increased the liability of pension trust by \$11 million.

At a prior Board meeting, an expenditure of \$16,000 was approved for Cheiron to update their report with actual information. Since then, the city has decided to ask Foster and Foster to update their report based on actual information. Director Salstrom spoke with Foster and Foster and explained the different approach between their report and Cheiron's and articulated the Board's dilemma in comparing the two. He was scheduled to have a call with Foster and Foster the following day to discuss whether a memo

highlighting and explaining the differences in the report compared to Cheiron's would be efficient or if they would do a whole new analysis.

Chair Moller expressed his confusion on the city's position; if they are wanting the Foster and Foster analysis rerun and if the city would pay for it. Ms. Alder responded that the city is not opposed to Foster and Foster rerunning the report, but waiting for more information from them to see what they are willing to do and if it is sufficient.

Chair Moller suggested to the Board that this be kept on the agenda and get an update at the next Board meeting. Trustee Gamel agreed, and no other Board members objected.

Disabled Adult Children Ordinance

Director Salstrom explained that this ordinance was presented to the Budget and Finance Committee meeting and on the schedule for the following Monday. He was hopeful it would be finalized the following week.

Healthcare Funding Policy

Chair Moller asked if there was an update on the Healthcare Funding Policy which Director Salstrom indicated there was no update at that time.

Old Business

CRS CY2022 Annual Report

Chair Moller explained that the report went to Council and the Budget and Finance Committee last Monday. Chair Moller and Director Salstrom were in attendance to discuss the report. There was no formal presentation due to the Committee seeing most of the information already, however, they did go over the recommendations in the report with the council members. Chair Moller explained the importance of the incremental annual increase plan that they provided and hopeful the council members will try to resolve this issue in anticipation of the next budget cycle.

New Business

Chair Moller explained that there will be a training for the Board after the next session as a refresher on the Board compliance concepts provided by the Law Department. Because it is an educational session, it is not part of the Board agenda and will take place once the Board meeting is adjourned.

Chair Moller explained that staff is taking a preliminary look at potentially moving the Board and Committee meetings to room 115 on the first floor of City Hall. Chair Moller personally felt that this may be a better place to hold the meetings than in Council Chambers.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Morton. The Board approved the motion by unanimous roll call vote. The meeting adjourned at 2:49 p.m.

Meeting video link: <https://archive.org/details/crs-board-9-14-23>

Next Meeting: Thursday, October 5, 2023 at 2:00 p.m. – City Hall Council Chambers and via Zoom

Secretary

DRAFT



Cincinnati Retirement System

City of Cincinnati
Retirement System
Executive Summary
August 31, 2023

Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,302,245,587
Net Cash Flow	-\$12,830,128
Net Investment Change	-\$38,626,255
Ending Market Value	\$2,250,789,204

Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
Total Fund Composite	2,250,789,204	100.0	100.0	0
Fixed Income Composite	376,574,031	16.7	22.5	-129,853,540
Private Debt Composite	38,092,128	1.7	3.0	-29,431,548
U.S. Equity Composite	656,493,614	29.2	28.5	15,018,691
Non-U.S. Equity Composite	406,120,518	18.0	18.0	978,461
Volatility Risk Premium Composite	59,620,915	2.6	2.5	3,351,185
Real Estate Composite	186,332,074	8.3	7.5	17,522,884
Infrastructure Composite	257,772,760	11.5	10.0	32,693,840
Private Equity Composite	257,557,386	11.4	8.0	77,494,250
Total Cash Equivalents	12,225,777	0.5	--	12,225,777

Performance

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	-1.7%	3.8%	7.3%	7.0%	8.7%	6.5%	7.5%	8.7%	May-85
Target Benchmark	-1.7%	3.7%	7.4%	6.7%	7.3%	6.5%	7.5%	--	May-85
Fixed Income Composite	-0.6%	-0.3%	2.7%	0.5%	-1.9%	1.5%	2.6%	5.0%	Nov-95
Bloomberg US Aggregate TR	-0.6%	-1.1%	1.4%	-1.2%	-4.4%	0.5%	1.5%	4.2%	Nov-95
Private Debt Composite	0.0%	2.9%	7.8%	13.4%	--	--	--	2.4%	Sep-20
Bloomberg US Aggregate TR	-0.6%	-1.1%	1.4%	-1.2%	-4.4%	0.5%	1.5%	-4.5%	Sep-20
U.S. Equity Composite	-2.4%	8.6%	14.3%	12.2%	13.3%	8.4%	10.7%	9.3%	Feb-89
Russell 3000	-1.9%	8.5%	18.0%	14.8%	9.8%	10.2%	12.2%	10.5%	Feb-89
Non-U.S. Equity Composite	-4.4%	4.0%	8.9%	12.3%	5.6%	2.8%	4.6%	5.6%	May-93
MSCI ACWI ex USA	-4.5%	3.8%	8.8%	11.9%	4.0%	3.3%	4.4%	--	May-93
Volatility Risk Premium Composite	-0.5%	3.5%	12.1%	12.4%	--	--	--	2.8%	Jan-22
CBOE Put Write Index	-2.3%	1.7%	11.6%	12.3%	11.1%	5.3%	7.1%	3.5%	Jan-22
Real Estate Composite	-0.4%	-1.7%	-4.4%	-9.0%	8.2%	6.6%	8.8%	5.7%	Aug-07
NFI-ODCE	0.0%	-1.0%	-6.1%	-10.9%	7.0%	5.3%	7.5%	4.7%	Aug-07
NPI	0.0%	-0.7%	-3.7%	-6.9%	6.6%	5.7%	7.6%	6.2%	Aug-07
Infrastructure Composite	-0.2%	2.8%	5.0%	9.1%	9.7%	8.6%	7.7%	8.3%	Aug-08
3 Month T-Bill +4%	0.8%	2.3%	5.8%	8.4%	5.6%	5.6%	5.1%	4.8%	Aug-08
Private Equity Composite	0.0%	2.7%	4.3%	3.3%	19.1%	14.8%	13.9%	8.8%	Jul-93
Burgiss Global All Private Equity	0.0%	1.2%	2.8%	1.1%	20.1%	16.6%	15.9%	15.5%	Jul-93

DISCLOSURE

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EXHIBIT A SCOPE OF SERVICES

Contractor shall complete a Fiduciary Audit of the current state of CRS and a governance review in accordance with the Fiduciary Audit Workplan attached hereto as Exhibit A - Appendix 1 and incorporated herein by reference. The Fiduciary Audit shall include each of the following:

A. Review of Current CRS Charters, Governance Policies and Practices

1. Contractor shall confer with CRS to identify relevant governance documents and provide CRS with a list of documents for its review in order to assess and evaluate each of the following areas:

a. Legal and regulatory framework, to include but not necessarily be limited to:

- i. Governance structure;
- ii. Funding policies and mechanisms;
- iii. Fiduciary responsibilities and authorities;
- iv. Oversight authorities;
- v. Statutory authority/limitations;
- vi. Trustee qualifications and selection criteria;
- vii. Investment limitations;
- viii. Non-economic investment requirements;
- ix. Resource authorities (budget, staffing, and compensation);
- x. Custodian and selection of custodial bank;
- xi. Selection of external auditor;
- xii. Selection of external actuary;
- xiii. Selection of outside counsel;
- xiv. Transparency requirements (open meetings laws, public records laws, contracting, reporting);
- xv. Trustee indemnification;
- xvi. Plan participation requirements; and
- xvii. Member eligibility and benefit calculation requirements;

b. Governance framework, to include but not necessarily be limited to:

- i. Powers reserved for the Board of Trustees;
- ii. Direct reports to the Board of Trustees;
- iii. Delegations to staff and third parties;
- iv. Role of Board of Trustees officers;
- v. Board of Trustees committee structure;
- vi. Board of Trustees and committee charters;
- vii. Use of advisory boards;
- viii. Board of Trustees focus on strategy;
- ix. Access to information and reporting to the Board of Trustees;
- x. Board of Trustees performance;
- xi. Board of Trustees self-assessment;
- xii. Board of Trustees onboarding and continuing education;
- xiii. Board of Trustees time commitments;

- xiv. Management of and response to litigation;
 - xv. Enterprise risk oversight; and
 - xvi. Independent reinsurance;
- c. Investment program and operations, to include but not necessarily be limited to:
- i. Investment policies;
 - ii. Setting of the strategic asset allocation;
 - iii. Investment decision-making and authorities;
 - iv. Selection of benchmarks;
 - v. Rebalancing;
 - vi. Liquidity management;
 - vii. Investment management tools;
 - viii. Investment reporting to the Board of Trustees;
 - ix. Middle- and back-office operations;
 - x. Selection and oversight of third-party investment advisors;
 - xi. Investment manager due diligence and oversight; and
 - xii. Investment risk management;
- d. Pension operations, to include but not necessarily be limited to:
- i. Member contact center;
 - ii. Member self-service opportunities;
 - iii. New member enrollment;
 - iv. Member data management and data security;
 - v. Member education and communication;
 - vi. Member statements;
 - vii. Dispute resolution;
 - viii. Adjustments and exception handling;
 - ix. Appeals handling;
 - x. Service credit handling;
 - xi. Regular payment processing;
 - xii. Pension reporting;
 - xiii. Third-party provider compliance monitoring; and
 - xiv. Actuarial reporting practices and valuations;
- e. Administrative Operations
- i. Investment accounting, performance reporting, and fund valuation;
 - ii. Financial accounting operations and reporting;
 - iii. Planning, budgeting, and performance reporting;
 - iv. Recruitment, hiring, and organizational development;
 - v. Employee training and development;
 - vi. Succession planning;
 - vii. Human resources administration;
 - viii. Legal support;
 - ix. Information systems planning, governance, and support;
 - x. Facilities management and support;
 - xi. Procurement;

- xii. Business resumption;
- xiii. Policies and procedures documentation and review; and
- xiv. IT security;

f. Compliance

- i. Ethics compliance;
- ii. Compliance with laws and regulations;
- iii. Policy compliance;
- iv. Compliance with delegations;
- v. Board of Trustees and/or committee operations compliance to charters and policies;
- vi. Contractual compliance;
- vii. Trust and custody compliance;
- viii. Compliance with open meetings laws;
- ix. Disclosure and public records law compliance; and
- x. Compliance with documentation management policies.

- 2. Contractor shall utilize its National Public Pension Policy Repository (“N3PR”), which contains governance and investment policies from more than 75 U.S. state, county, and municipal public retirement systems, to identify existing policies at peer retirement systems for comparison and identification of leading and prevailing practices.
- 3. Contractor shall assess whether the CRS charters and policies are complete and represent leading, prevailing, or lagging policies and practices as compared to appropriate peers and prepare a CRS charter and governance policy review report.

B. Development of a CRS Governance Profile. Develop CRS Governance profile to compare CRS’s current governance structure, policies, and practices to leading, prevailing, and lagging structure, policies, and practices.

C. Design and Administration of a 360° Self-Assessment Survey. Contractor shall design, prepare, and administer a customized, high-level online survey to Board members, staff, and other key stakeholders with CRS oversight, to understand their perspectives on what is working effectively and what can be improved with respect to specific CRS areas, as determined in consultation with CRS.

D. Analysis of Current Structure/Policies/Practices, InGov© Profile and Survey Results

- 1. Contractor shall compare the results of the InGov© profile and self-assessment survey with its independent analysis of each charter, policy, and practice.
- 2. Contractor shall develop a preliminary set of findings, conclusions, and recommendations based on this analysis, identifying areas where CRS’s charters, policies, or practices appear to be leading, prevailing, or lagging those of peer public retirement systems.

E. Preparation of Preliminary Discussion Document and Conduct Validation Interviews

1. Contractor shall prepare a discussion document that summarizes the key conclusions and issues identified that will be distributed to interviewees in advance.
2. Contractor shall conduct video conference interviews with Board members, the City Manager, the City Solicitor, and senior CRS staff to validate its findings and ensure its preliminary recommendations are appropriate.

F. Discuss Preliminary Findings, Conclusions, and Recommendations with the CRS Board

1. Following the individual interviews, Contractor shall prepare a draft final report with findings, conclusions, and recommendations.
2. Contractor shall review the draft final report with senior CRS staff to ensure appropriate understanding of the input received and the practicality of the recommendations and make any necessary corrections to allow for distribution of the report to the CRS Board of Trustees in advance of the meeting at which Contractor is scheduled to make a presentation.
3. Contractor will prepare and present an in-person summary presentation, including a PowerPoint slide deck, at the designated meeting of the Board of Trustees to facilitate discussion during the meeting.
4. Within 14 days following the meeting of the Board of Trustees at which the draft report was discussed, Contractor shall make any final edits and submit the final report to Jon Salstrom, Executive Director of the Cincinnati Retirement System.

G. Contractor's Key Personnel

1. Rick Funston, Contractor's Chief Executive Officer, shall be the overall team leader with responsibility for the Services and their results.
2. Randall Miller, Contractor's Chief Operating Officer, shall be the project manager and the primary contact for the CRS staff managing the project for the City.

