



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
September 7, 2022/ 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members Present

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

Administration

Mike Barnhill
Ann Schooley

CALL TO ORDER

Chair Moller called the meeting to order at 2:04 p.m. and a roll call of attendance was taken. Trustees Moller, Menkhaus, Gamel, Rahtz, Juech, and Cramerding were present.

APPROVAL OF MINUTES

Approval of the minutes of the Board meeting of August 4, 2022, was moved by Trustee Gamel and seconded by Trustee Rahtz. The minutes were approved by unanimous roll call vote.

Report from Performance Evaluation Committee

Trustee Rahtz provided the report from the Performance Evaluation Committee, which met on September 1. Trustee Menkhaus joined the committee, to fill the vacancy created by Trustee Stiens' departure. The Committee reviewed progress on the Board's 2022 goals and objectives:

Item#2: The Committee discussed the pros and cons of doing a fiduciary audit v. a benchmarking project. The Committee requested that Director Barnhill reach out to Rick Funston to discuss a narrower scope fiduciary audit.

Item #9: The City has drafted and circulated a health funding policy for comment. The Board has not commented or provided input on this draft yet.

Item #11: The Committee discussed moving the consideration of the 2023 Budget forward to the December 2022 meeting.

Item #27: New item added concerning a security and risk review.

The Committee approved a motion to make changes to the 2022 Board goals and objectives, which consisted of adjusting some of the timelines and making some clarifications on who is responsible for the objective. The Board approved the Committee's action by unanimous roll call vote.

The Committee discussed the performance evaluation form for the Executive Director. The Committee directed Mr. Barnhill to combine City's form into an evaluation of Board objectives, using a matrix.

The Committee reviewed Director Barnhill's revised proposal under Board Rule 22 to do annual performance evaluations on just the vendors retained by the Board (actuary and investment consultant) annually at the December committee meeting. Director Barnhill also indicated he would provide performance evaluations on the CRS health vendors, even though at this time these vendors are not technically subject to Board Rule 22. The Committee moved and approved this revised proposal. The Board approved the Committee's action by unanimous roll call vote.

Director Barnhill provided a summary of his discussion with Mr. Funston. Mr. Funston shared that he had just completed a fiduciary performance audit of the Ohio Police and Fire system at a cost of \$650,000. Mr. Funston advised that the CRS Board's previous RFP was essentially a cut and paste of the RFP issued by the Ohio Retirement Study Council for the large Ohio pension funds, and thus was a more costly approach. Mr. Funston suggested that CRS instead consider the approach recently used by Milwaukee County, which used a phased approach. Phase 1 cost Milwaukee County \$85,000 in 2018. Director Barnhill circulated the Phase 1 Milwaukee County report for Board consideration.

Informational – Executive Director's Report

Director Barnhill provided the following report:

- CRS staff went to a member's home to help the member complete a direct deposit form and get her retirement checks deposited in the bank. Chair Moller expressed thanks for the CRS staff effort.
- CRS continues to interview applicants for its staff vacancies.
- The Law Dept is working to complete the outstanding opinion requests that have been pending since 2019. The hope is to present them at the next board meeting.
- City Council will take up confirmation of the Mayor's appointment of Sheila Simmons tomorrow.
- All State Auditor management letters related to CRS have been posted on the CRS website. The City's responses to those letters have been requested and will be posted when they are received.
- A draft health funding policy has been circulated. Under the CMC, the Board has the opportunity to provide comment and input before it can be finalized. Trustee Moller suggested that it may be helpful to have the Law Dept comment on the process.
- A draft CRS member handbook has been prepared and is being circulated for comment. The plan is to get it finalized and issued by the end of the year.
- Cheiron has prepared a "Public Plan Tool" that provides statistics on public retirement plans.
- Director Barnhill proposed that the Benefits Committee meet at September 22 at noon. A majority of committee members indicated that they could meet then.
- Chair Moller discussed the Marquette monthly report.

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.

Director Barnhill reported that the Chief Solicitor has agreed to finalize and issue these opinions.

CY2021 Draft Annual Report

Director Barnhill reported on the status of the draft. Cheiron has been requested to update its incremental employer contribution rate increase approach for inclusion in the report. Cheiron has advised that the 0.5% annual rate increase approach discussed earlier this year will no longer fully fund the pension trust by 2045, given the investment losses of 2022. Instead, the annual rate increase will need to be 0.75%.

Director Barnhill indicated that a financial report in the form of a "Popular Annual Financial Report" is being prepared by the CRS finance officer, Bev Nussman. Trustee Moller commented that financial reports in this form are written for ease of reading by the public. Mr. Barnhill noted that because the City is on a fiscal year calendar (July 1-June 30) and the CRS operates on a calendar year basis, the PAFR is using unaudited numbers. At some point, the Board may wish to consider getting this report audited, or shift to the City's fiscal year, so that the CRS financial report can use audited numbers.

DROP Actuarial Analysis Funding

Director Barnhill provided background on the DROP issue. The CSA requires an actuarial analysis to determine cost neutrality of the DROP program in its fifth year, which was 2020. A report was done by the CRS actuary in 2020, but it was objected to by employees' class counsel. In an effort to move this issue forward, Director Barnhill worked with the Law Dept to prepare and issue an RFP for an independent actuary to conduct the analysis. Representatives from the retiree class and employee class participated in the RFP process, and had the opportunity to review and comment on the proposals. The RFP committee selected Foster & Foster which submitted a bid of \$17,500 for the work. Director Barnhill explained that this was the low bid. Director Barnhill recommended that the Board agree to pay this cost in an effort to bring this issue to conclusion.

Trustee Moller asked who would monitor the work of the actuary. Director Barnhill explained that the Law Dept is responsible for issuing and supervising the actuary, but that he would probably have a substantial role in monitoring and working with the actuary. Trustee Moller asked how any differences between the Foster report and the Cheiron report would be reconciled. Director Barnhill responded that reconciling the two reports had not been discussed to date, and could be taken up if the issue arises.

Director Barnhill discussed the possibility that Foster could request different data than Cheiron requested. Director Barnhill further observed that the lack of health data consideration by Cheiron was no longer an objection of employee class counsel. Trustee Gamel asked why was there a need to do a second actuarial analysis if there was no longer a dispute related to health care data. Director Barnhill explained that the reason to perform a second analysis was to address the concerns related to actuarial independence and to get to done on the issue. Director Barnhill explained that the process to date included all parties, and that the original process did not. Director Barnhill expressed the view that the cost of this review was worth the investment to get the DROP issue resolved. Trustee Rahtz asked about the initial cost by Cheiron. Director

Barnhill stated he would gather that information and provide it to the Board.

No motion was made to fund the Foster actuarial analysis.

New Business

Consideration of North Sky III LBO Liquidation

Director Barnhill provided background on this matter. This is a private equity investment from 2007 that is in the process of liquidating and distributing its remaining investments. North Sky conducted a final auction and the highest bid amounted to 71.5% of the appraised value. Subsequent to the auction the bidder indicated that it would not be able to close the sale until January 2024. Rather than wait, a North Sky affiliate offered to purchase the assets at that price, so that the Fund could close and make its final distribution in 2022. Marquette provided a letter of recommendation supporting this approach, noting that the impact to the Fund's IRR would be minimal (from 11.07% to 10.97%).

Trustees Moller and Gamel noted that this will free up funds for reinvestment. Trustee Moller moved, and Trustee Gamel seconded, a motion to approve the North Sky liquidation proposal. The motion passed on unanimous roll call vote.

Trustee Gamel asked when will the funds be distributed. Director Barnhill responded that the funds would be distributed by the end of the year.

Amendment to Election Timeline

Director Barnhill explained that the active trustee ballots got into the mail five days late, and so recommended that the remainder of the timeline be extended by five days. Trustee Menkhaus moved, and Trustee Gamel seconded, a motion to extend the remainder of the active trustee election timeline by five days. The motion passed on unanimous roll call vote.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Cramerding, the Board approved the motion by unanimous roll call vote. The meeting adjourned at 2:51 P.M.

Meeting video link: <https://archive.org/details/crs-board-9-7-22>

Next Meeting: October 6, 2022 at 2:00 p.m.



Secretary