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**City of Cincinnati Retirement System
Board of Trustees Meeting Minutes
June 5, 2025 / 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
Seth Walsh
Aliya Riddle
Sonya Morris
Tom West

Administration

Jon Salstrom

Law

Kevin Frank

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, Morton, Walsh, Riddle, Morris and West were present. Trustee Menkhaus was absent.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Trustee Gamel moved to approve the minutes of the Board meeting of May 1, 2025, with suggested changes. The motion was seconded by Trustee Morton. The minutes were approved by unanimous roll call vote.

Report on Performance Evaluation and Benefits Committee

Trustee Rahtz explained that the Performance Evaluation Committee approved a motion to adopt the proposed timeline and process for conducting the Executive Director's annual performance evaluation. No second is needed. The motion was approved by unanimous roll call vote.

Trustee Gamel stated that there were no motions made at the Benefits Committee and there were no items to be discussed.

Informational – Staff Report

Marquette Investment Report

Chair Moller noted that while performance is not strong, it remains consistent with benchmarks, acknowledging ongoing market volatility. Director Salstrom added that the portfolio appears resilient, with April and May estimated returns at 3.3% overall. With equities rebounding, performance is currently on track to meet the assumed annual return rate. However, both expressed caution due to expected continued volatility. Chair Moller commented that achieving the 7.5% annual return goal may be challenging.

Staff Update

The staff Organization chart was reintroduced to the Board as a refresher on the organizational structure and current staffing needs. Operations are primarily driven by two subdivisions:

- Pension Operations
- Healthcare Administration

IT and Finance support the core operations. Focus continues on building out the Member's Counselor role to enhance communication and support for both active and retired members.

Kyle Brown is currently serving as both Division Manager and Acting Member's Counselor. The Administrative Tech position has been filled with the new hire starting in a few weeks. An offer has also been extended for the Administrative Specialist role, which will support the Member's Counselor as well as healthcare and pension operations. The team's strategy is to cross-train staff across all functions to build redundancy. Ashley Hacker, who has excelled in her current Admin Tech role, will transition into the Admin Specialist position, while her current role is being backfilled. Even after these changes, one Admin Specialist position may remain open. Director Salstrom and staff will reassess at that point to determine if it's necessary to fill it or if the workload is manageable as-is. A follow-up with more detail will be provided later.

CRS Dashboards

Operating & Investment Expenses Summary:

Director Salstrom reviewed the operating and investment expenses, noting that the \$3.9 million budgeted (page 10 of the packet) is typically underspent, generally by 11–12 basis points. Currently, it shows 16 basis points. The total budget typically runs around 50 basis points, compared to the national average of approximately 60 basis points as reported by NCPERS. The system generally operates 10–20 basis points below the national average annually. Additional benchmarking data is expected from the upcoming CEM Benchmarking survey. Director Salstrom commended the staff for efficiently and cost-effectively managing pension, healthcare, and member services operations.

Investment Performance

- Returns for the fund were presented over 1-, 3-, and 5-year periods, compared against three benchmarks:
 1. Assumed Rate of Return (7.5%):
 - 1-year and 5-year periods are above the assumption.
 - 3-year period is below the assumption.
 2. Passive Index Benchmark (70/30 public market blend):
 - Fund has lagged this benchmark over all periods due to being underweight U.S. equities, which have performed strongly.

- Expectation that this will reverse during volatile periods.
- 3. Policy Index:
 - Fund is outperforming on 1-, 3-, and 5-year basis, indicating value added relative to strategic allocation.

Demographics

- Data through May reflects trends from the last four calendar years.
- Metrics on active members, retirees, DROP, terminated, and deceased are all in line with expectations.
- Benefit payments and DROP disbursements are normal and not concerning.

Risk Dashboard (Page 15)

- Cybersecurity and market volatility risks elevated from medium to high:
 - Cybersecurity requires ongoing vigilance.
 - Market volatility anticipated due to policy uncertainty and economic conditions.
- Personnel risk may be downgraded from high to medium soon, as staff has stabilized and is performing well.
- No change made in this report, but may be updated next cycle.

Asset Allocation & Liquidity

- Allocation remains generally in line with policy:
 - Underweight in U.S. equities and fixed income.
 - Overweight in non-U.S. equities and private equity.
- Liquidity analysis (through May):
 - Portfolio remains resilient, even in stress scenarios.
 - Monthly cash flow needs are manageable (0.93% of liquid portfolio).
 - Portfolio can withstand a 10–20% equity drawdown without affecting pension benefit payouts.
 - 3-month drawdown scenario shows sufficient liquidity (3.27%).

Compliance Dashboard (Page 18)

- Investment policy and asset allocation were reviewed in May 2025.
- No compliance issues related to tax, operations, budget, or vendors.

Budget Dashboard (Page 19)

- Reviewing data through Q1 of CY 2025:
 - Expenses for office staff are under budget due to vacancies.
 - Data processing expenses are under but expected to increase as vendor projects complete.
 - Legal expenses are ahead of budget due to multiple outside counsel contracts (e.g., Siguler Guff, JP Morgan).
 - Fund insurance not yet recorded (typically paid in Q3 or Q4).

- Overall, operating expenses remain below budget and are expected to normalize by year-end.
- Operating expense ratio budgeted at 16 basis points but typically ends much lower (9–12.5 basis points historically).

Credit Service Purchase Update

There was no update to provide at this time. Director Salstrom will follow up with the Board once a formal update is available.

Fiduciary Audit Recommendations Update

Director Salstrom provided an update on key initiatives included in the summary of recommendations:

1. Governance Manual
 - A major recommendation was to consolidate all governance structures into a single manual.
 - The manual is currently with a graphic designer and will be presented in final form to the Governance Committee in July.
 - A few policy decisions still need to be finalized, but the overall structure is complete.
2. CEM Benchmarking Survey
 - The contract with CEM has been finalized, and the kickoff meeting is complete.
 - Surveys are underway for both pension administration and investment operations.
 - Preliminary data should be available in 4–5 months, with a full presentation from CEM expected by year-end.
 - Results will help refine staffing, IT, and other operational recommendations.

Old Business

No Old Business to discuss.

New Business

CRS Board Annual Report to Council

Chair Moller presented the CRS Board Annual Report, which is required annually by ordinance and follows the format used in the prior year. The report includes:

- Updates on funding ratios for both the pension trust and healthcare trust.
- Historical overview of CRS annual rates of return, showing strong performance relative to peers.
- A recommendation to incrementally increase the employer contribution rate by 0.8% annually, with the goal of reaching 100% funding by 2045. This increase should become City policy and be incorporated into the bi-annual budgeting process.
- A commitment to actively participate in future discussions related to the Futures Commission.
- Continued coordination with City Administration on implementing fiduciary audit recommendations.

Motion: Trustee Gamel moved to approve the report; Trustee Rahtz seconded.

Outcome: The motion was approved unanimously by roll call vote.

An email from the State Auditor was included in the meeting packet to provide reassurance regarding the oversight of the CRS Pension Trust and likely the Healthcare Trust. While the City's audit opinion does not explicitly address CRS, the auditor confirms that CRS is reviewed as part of the broader City audit, as evidenced on the last page of the correspondence.

This inclusion addresses a Funston recommendation for an external audit. The Board has determined that a separate external audit is not necessary, as CRS is already covered under the City's audit, and this email supports that conclusion.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Morris. The Board approved the motion by unanimous roll call vote. The meeting was adjourned at 2:35 p.m.

Meeting video link: <https://archive.org/details/crs-board-6-5-25>

Next Meeting: Thursday, July 10, 2025, at 2:00 p.m. – City Hall Council Chambers and via Zoom

Secretary