



**City of Cincinnati Retirement System
Performance Evaluation Committee Meeting Minutes
December 7, 2023 / 12:00 P.M.
City Hall – Council Chambers and remote**

Members

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

Administration

Jon Salstrom

Law

Linda Smith

Call to Order

The meeting was called to order at 12:10 p.m. by Chair Rahtz and a roll call of attendance was taken. Committee members Rahtz, Gamel, Morton, Walsh, West, and Riddle were present. Committee member Menkhaus was absent due to technical difficulties. Trustee Moller was also in attendance and participated.

Public Comment

No public comment.

Approval of Minutes

Approval of the minutes for the meeting of September 14, 2023, was moved by Trustee Gamel and Seconded by Trustee Walsh and approved by unanimous roll call vote. Chair Rahtz mentioned that these minutes include the IT Security presentation that Director Salstrom provided at the last Performance Evaluation Committee meeting.

Old Business

Update of Fiduciary Performance Audit

Director Salstrom explained that most of the Trustees have been contacted and scheduled an interview with Funston regarding the Fiduciary Performance Audit. Funston has drafted a few documents of recommendations and what CRS looks like vs peers. Director Salstrom does not foresee anything surprising coming from Funston and hopeful it will be considered a positive way to continuously improve. Director Salstrom confirmed with Chair Rahtz that the timeline for the finalized contract is still on track to be finished mid-January 2024.

Review of 4Q'23 Board Objectives

Director Salstrom summarized the objectives of the Board and gave an update on the status of each. Trustee Morton asked if there is a budget for training and Director Salstrom answered yes, there is a budget which will be discussed at the Board meeting. Trustee Morton also asked if there is information on what Foster & Foster is studying on the DROP program. Director Salstrom explained that Cheiron's analysis looked at experience between 2016-2021. Foster and Foster took that experience and extended it out 30 years. Trustee Moller commented that Foster and Foster's analysis was based on actuarial assumptions and needs clarity. Trustee Gamel asked what the timeline is for the contract to be signed which Director Salstrom responded that he is hopeful to have it signed in a week or 2. Trustee Moller suggested that during the presentation by Foster and Foster or prior to, to have an explanation of what the DROP program is, and what it's supposed to do. Trustee Gamel suggested that Foster and Foster list all assumptions being utilized in a document, so everyone understands their analysis and suggestions.

New Business

Planning for '24 Goals and Objectives

Director Salstrom summarized the objectives of the Board and Committees which are mostly updates from the 2023 plan. Chair Rahtz asked if the first Board objective includes looking at the employee contribution and incremental increase. Director Salstrom explained to Chair Rahtz that he believes the first objective should include the employee's contribution and incremental increase. Director Salstrom will speak with Cheiron to see what CRS's liabilities look like and work with them to come up with an updated funded ratio to possibly adjust what the incremental contribution looks like. He explained that he can provide an update at the next Committee meeting. Trustee Moller commented that this all depends on the City's budget development schedule. He explained that the Board needs to update the information and provide it to the City Administration prior to City departments completing their budgets. Director Salstrom will put this on the agenda for January and work with budget to get their schedule and the City Manager's Office to get more information at the end of the year that will allow the Board to get a more accurate incremental rate to propose.

Chair Rahtz commented that the term limit issue is becoming more important, and the Board should consider if action needs to be taken. Trustee Moller commented that this may be something Funston can look at and how other systems do it. Director Salstrom will communicate with Funston on how the Board should determine term structures and limits. Trustee Juech's term is coming up mid-June. Trustee Gamel explained the difficulty of finding members for the Board. Trustee West commented that he believes the Board needs continuity and not limits. Trustee Moller explained term limits and rules were passed by Council.

Chair Rahtz asked for more information and an update on the Futures Commission. Trustee Walsh explained that the Futures Commission was formed through the mayor last year to get outside counsel to investigate the City's finances and its structure and make sure the city is positioned well for the future. Council is still waiting for the commission to come back.

Trustee Morton asked if the independent financial audit is an audit outside of the annual ACFR, and if CRS is included in the ACFR. Director Salstrom explained he is inquiring to see if there's a need to have another annual report that's audited outside of what is done for the ACFR and the state audit. According to the City, the ACFR is sufficient, but he will have Funston compare it to peers and will take cost for additional audit into consideration.

Trustee Moller proposed a few things for the Investment goals and objectives. Trustee Moller commented on the last objective regarding the investments in that trust. Since it is well-funded at this point, there may be alternatives the Board can do that could potentially be less than the 7.5% goal or less than what Marquette projects is CRS's rate of return, in order to reduce the risks. Director Salstrom explained that his objective would be to wait until the actuarial RFP is complete and then tackle this project. Director Salstrom explained to Trustee Gamel that his staff reviews the projection of monthly liquidity needs for the upcoming year and adjusts to market needs.

Director Salstrom explained to Trustee Gamel that he will advise Horan on information regarding Medicare Advantage and will most likely land with the Medicare Advantage RFP for 2025. Trustee Gamel expressed that the Medicare Advantage needs to stay the same according to the CSA and any additions, like optical and dental would be positive additions. Trustee Moller commented that the plan was to come up with a list of benefits that could be purchased by the member. He also commented that long-term care insurance and life insurance benefits are more beneficial to active employees vs retirees. Trustee Moller wants to make sure this is expanded to the whole membership.

Trustee Gamel motioned to approve the 2024 strategic plan; Trustee Morton seconded. The motion was approved by unanimous roll call vote.

2023 CRS Risk Dashboard Update

Director Salstrom explained the 9 risk categories. The only change made from last year's report is elevated personnel. He is looking to fill vacancies to ensure adequate staffing as well as succession planning, which needs to be addressed across a couple of positions. Cyber is not an elevated risk but is prevalent and Retirement needs to continue to be vigilant. Funding is an area of risk for the system and needs to remain high and elevated. Market was moved to medium given to stabilization seen across the market in 2023. Director Salstrom explained to Chair Rahtz that his goal would be to review this in more detail annually but sees no harm in reviewing quarterly as well.

Annual Board Contract Evaluation

Director Salstrom explained that this is the annual evaluation of their investment consultant. He explained that Marquette exceeds expectations and thinks they have done a tremendous job. They have been with the plan since 2007 and Brett Christenson, who is the dedicated consultant, has been with CRS almost as long. There is a strong continuity between Brett, CRS, and the staff. Some considerations Director Salstrom added to the evaluation includes having the asset allocation being more formal every 3 years with more minor adjustments on an annual basis, liquidity management, a more robust peer group, the review of quarterly tolerance bands, and compliance with managers. Director Salstrom explained to Trustee Gamel that the more robust peer group is referring to the number of managers that Marquette compares to for performance rankings. The number has been reduced and Director Salstrom would like to inquire how to obtain a more robust and diversified group of peers. Trustee Gamel asked if there are certain questions that should be asked to Marquette that they are currently missing. Director Salstrom explained that he can work with Marquette to elevate the quarterly updates and increase the education for the Board and staff.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Morton, The Performance Evaluation Committee approved the motion by unanimous roll call vote. The meeting was adjourned at 1:35 p.m.

Meeting video link: <https://archive.org/details/crs-performance-eval-12-7-23>

Next Meeting: Thursday, March 7, 2024, at 12:00 PM

Secretary

A handwritten signature in black ink, consisting of stylized initials and a surname, is written over a horizontal line. The signature is positioned to the right of the word "Secretary" and to the left of another horizontal line.