

**City of Cincinnati Retirement System
Board of Trustees Meeting Minutes
March 6, 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, Menkhaus, Morton, Walsh, Riddle, Morris, and West were present.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Trustee Rahtz moved to approve the minutes of the Board meeting of February 6, 2025. The motion was seconded by Trustee Morris. The minutes were approved by unanimous roll call vote.

Report on Performance Evaluation and Benefits Committees

Chair Moller presented three motions from the Performance Evaluation Committee:

- Motion 1: To adopt the 2025 strategic objectives for the Executive Director. No second needed. The motion was approved by unanimous roll call vote.
- Motion 2: To approve the draft of the performance evaluation used for the Executive Director. No second needed. The motion was approved by unanimous roll call vote.
- Motion 3: To approval the contract assessments of the actuary and healthcare consultant. No second needed. The motion was approved by unanimous roll call vote.

Trustee Gamel explained that the Benefits Committee discussed the ongoing work on the Vision RFP and mentioned that it will hopefully be going out for bid soon. A 2025 health survey will be sent out to

retirees. It is important to encourage all retirees to participate in the survey, as it will help in providing better healthcare for them.

Informational – Staff Report

Marquette Investment Report

Director Salstrom referenced the investment report included in the packet which included data up to January 31st, with asset portfolio weights and performance metrics for 1 month, 3 months, 1 year, and cumulative year. As of January, the fund was up 1.7% for the 1-month period, but it's expected that February might show flat to negative performance with some potential volatility.

Chair Moller stated that on a 1-year basis, the performance is still strong, but the market has been volatile, so it's uncertain how things will unfold moving forward. There's a focus on comparing target allocations to market values. Fixed income and private debt still require additional investments.

Director Salstrom explained that three private equity contracts were approved in November. Dollar amounts were finalized at the January meeting. The Siguler Guff contract is finished, JP Morgan and Timber Bay contracts will close on March 31st, with no anticipated issues. Ongoing work with Fort Washington and a steady flow of private equity funds coming back, though not as quickly as desired, but faster than in previous years. The volatility in the market may slow down private debt drawdowns, but steady progress toward the 6.5% target continues.

Dashboard

Director Salstrom presented the dashboards included in the packet:

These were presented in December for the first time. There's performance data broken down into three benchmarks: 1-year, 3-year, and 5-year performance. The assumed rate of return's main benchmark is the 7.5% return target. Green indicates the outperformance of the 7.5% return and red shows underperformance. Passive benchmark assumes a 70% equity and 30% fixed income allocation. Given the strong performance of equities over the last few years, this benchmark shows underperformance across all three timeframes. Policy benchmark reflects the actual asset allocation. It takes into account whether the allocations are outperforming or underperforming the overall market. It shows outperformance for the 1-year, 3-year, and 5-year timeframes due to specific asset allocation decisions. The goal is to give a visual snapshot of the performance relative to the 7.5% return target.

There is a dashboard detailing benefits and demographics, covering calendar years, typically spanning four years. The Early Retirement Investment Program (ERIP) had 201 participants in 2020, though this number isn't explicitly shown on the page. This context helps explain the rise in retirees, many of whom came from the ERIP. A significant increase in retirees is noted, largely due to the ERIP. For 2024, there is positive growth in the number of active members, which is beneficial for both the city and the plan. Retirees and other related numbers are tracked for 2024. In 2024, the DROP program participation is at its lowest point (104 members), and it's expected to continue decreasing. On the following page, the report shows that the DROP disbursements have reached their highest level, which corresponds to the number of people leaving the program and taking their benefits.

No changes were made to the risk dashboard when it was created a couple weeks ago. Director Salstrom proposed to elevate two risks to high:

- Cybersecurity: due to uncertainties in the market and potential underfunding of departments, cybersecurity could be at a higher risk.

- Market: the uncertainty of the current market and what will happen is a key concern. Legislation was previously classified as low risk but should be elevated to medium. Potential impacts of federal funding policies and their implementation could affect the City of Cincinnati, requiring closer attention.

The asset allocation and liquidity dashboard shows the current asset allocation compared to the policy, highlighting areas of overweight and underweight. The US equity position has been reduced (underweight) while the international equity position has been increased (overweight). This shift is based on the expectation that the US dollar might come under pressure, and international valuations look more attractive, while the US market faces more volatility. There is ongoing effort to fill the gap in fixed income allocation, with some funds coming back from private equity. The portfolio is overweight in private equity, and commitments remain in private debt. The focus is on understanding liquidity in the portfolio, especially in the context of potential market shocks and monthly benefit payments.

Liquidity Buckets:

- Liquid Assets: Funds with daily and weekly liquidity (mainly from public equity and public fixed income).
- Quarterly/Semi-Annual Liquidity: Investments in real estate, infrastructure, and private credit (in evergreen structures).
- Illiquid Assets: Private equity and private debt (funds not accessible for several years).

A look at the expected distributions from illiquid portfolios and how unfunded commitments to private equity impact the overall portfolio. Director Salstrom gave an example of a scenario analyzing how much capital could be called each month based on the total capital called.

The compliance dashboard is to ensure proper compliance and documentation across the investment program and operations. The dashboard will be updated through the end of the year. Everything is in compliance as of now.

The biggest change on the budget dashboard is under budgeting in office staff due to staffing vacancies. Christine Roberts' retirement and Kyle Brown covering dual roles (Members Counselor and Division Manager) led to significant savings in office staff expenses. With data processing, the OnBase project was put on hold due to staff transitions (Christine Roberts' retirement, Keith filling Christine's role, and Justin moving into Keith's role). The project is still in the budget for this year but has not been fully executed. There was an overage in professional fees, especially in legal fees. Increased legal contract work and actuary services for scenario analysis contributed to the over budgeted amount.

Fiduciary Audit Recommendations Update (MOU follow up report)

A report has been shared with the trustees, which includes a breakdown of the recommendations from the Funston performance audit. Light gray areas reflect updates since the last meeting.

Items 1.1 and 1.2 (Regulatory) have been reviewed, but the current governance structure might limit progress on these.

Items 1.4 and 1.5 are marked as complete. Next steps include confirming whether a retiree can sit on the Evaluation Committee and ensuring the RFP process for vendor contracting is solid. The Board prefers to select vendors, with the city contracting directly, rather than contracting with vendors themselves. The Executive Director's performance evaluation process has been reviewed and remains

the same as last year. Trustees have provided input, and the process with the city administration will continue.

Item 2.11 (Audit Committee) is marked as complete, with a review to take place in a year. Trustee Morton will lead a working group on the annual report and will address the need for an audit committee.

Item 4.4 involves the start of the CEM Benchmarking survey next month. The survey will benchmark the organization against peers in investment, administration, and staffing.

Item 5.1 (Succession Planning) is a priority. The staff is working on ensuring the right people and training are in place for the next 3-5 years, creating redundancies to maintain operations in case of retirement or absences. A formal succession planning policy will be added to the governance manual.

Item 5.4 (ETS) is an ongoing collaboration to ensure system security.

The MOU follow-up report was included in the packet to remind everyone of the progress. Funston recommendations are being highlighted and organized into 5 broad categories. The goal is to establish a memorandum of understanding (MOU) with city administration. It's been decided that it's more effective to work through the recommendations one by one. Efforts are underway to work with procurement and contracting to get approvals, email signoffs, and proper documentation in place. The objective is to create a formal written agreement between the Board and city administration.

Old Business

Term Limits Ordinance (Board of Trustee-Role Promotion Memo)

Chair Moller explained the three components related to the Term Limits Ordinance: the ordinance itself, a cover letter explaining the ordinance, and a memorandum attached to the cover memo discussing how to increase participation for those interested in running for the Board.

The Board approved changes to the ordinance during the last meeting. The key change is that interim appointments won't be limited by days or months, but an election should take place as soon as possible.

When the ordinance was previously discussed in Council Committee, there was a question about what the Board is doing to increase participation. The committee members wanted to see a clear plan, so it will be important to include that in the upcoming discussion if the ordinance is brought back to Council.

Chair Moller made a motion to approve the Term Limits Ordinance, the cover memo, and the memorandum that encourages participation (to be attached to the cover memo). The motion was seconded by Trustee Rahtz and approved by unanimous roll call vote.

Currently, 25 nomination signatures are required for Board nominations, but there has been a discussion about reducing the requirement to 15 signatures. This change is especially beneficial for retirees. Chair Moller made a motion to reduce the nomination signature requirement to 15 for both active members and retirees. The motion was seconded by Trustee Morton and approved by unanimous roll call vote.

New Business

Board of Trustees Letter to Council on City Contribution Rates (Cheiron-Schedule of Funded Ratios)

The Board has approved a recommendation several times in the past regarding the actuarial funding plan. The system is required to be 100% funded by 2045 (as outlined in the CSA). The recommendation is to ask the actuary to determine the incremental increase each year to achieve 100% funding by 2045. This is called the annual multi-year incremental increase methodology, which has been recommended to the Mayor and City Council several times. The Board suggests that the city follow this scheduled funding ratio for budgeting purposes, and that the funding ratios should be updated bi-annually to align with the city's bi-annual budget.

City Council is currently working on its budget policy, and the goal is to present this recommendation to the Mayor and Council for consideration within that policy. Chair Moller made a motion to approve the report and send it to the Mayor and Council as shown in the packet. The motion was seconded by Trustee Menkhaus. The motion was approved by unanimous roll call vote, with Trustee Walsh abstaining.

Adjournment

Following a motion to adjourn by Trustee Morris and seconded by Trustee Morton. The Board approved the motion by unanimous roll call vote. The meeting was adjourned at 2:44 p.m.

Meeting video link: <https://archive.org/details/crs-board-3-6-25>

Next Meeting: Thursday, April 3, 2025, at 2:00 p.m. – City Hall Council Chambers and via Zoom

Jon Salstrom

Secretary