

**City of Cincinnati Retirement System
Governance Committee**

**City Council Chambers and via Zoom
January 11, 2023 – 1:00 PM**

AGENDA

Members

Mark Menkhaus, Jr. (Chair)
Tom Gamel (Vice Chair)
John Juech
Bill Moller
Kathy Rahtz
Seth Walsh
Aliya Riddle

CRS Staff

Jon Salstrom

Law

Linda Smith


Call to Order

Public Comment

Approval of Minutes

 October 5, 2023

Old Business

 Review 2023 CRS Board and Governance Objectives

New Business

 Discuss draft of 2024 CRS Board and Governance Objectives

Adjournment

Next Meeting: May 2, 2024, City Council Chambers and via Zoom

**City of Cincinnati Retirement System
Governance Committee Meeting Minutes
October 5, 2023/ 12:00 P.M.
City Hall – Council Chambers and remote**

Board Members

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

Administration

Jon Salstrom

Law

Ann Schooley
Linda Smith

Call to Order

The meeting was called to order at approximately 12:02 p.m. by Chair Menkhaus and a roll call vote of attendance was taken. Committee members Menkhaus, Gamel, Juech, Moller, Walsh, and Riddle were present. Trustee Rahtz was absent.

Public Comment

No public comment.

Approval of Minutes

Approval of the minutes of the July 13, 2023, meeting was moved by Trustee Gamel and seconded by Trustee Juech. The minutes were approved by unanimous roll call vote.

Old Business

Committee Charters / Ad Hoc meeting policy discussion

Chair Menkhaus explained that there are edits to the committee charters that have already been approved to accommodate changes in the rules for special meetings of the Board and the notices that pertain to them.

Director Salstrom referenced the approved charters in the packet and noted the edits to include changes that will accommodate the new rule for special meetings and to reference the 115 Healthcare Trust where necessary.

Trustee Gamel motioned to edit the procedures for amending all charters from being directed to the Executive Director to being directed to the Executive Director and/or the Chair. Chair Menkhaus seconded the motion. The motion was approved by unanimous roll call vote.

457 Plan Fiduciary Oversight

Director Salstrom explained to the Committee that the 457 Plan is the Deferred Compensation Plan offered to the City of Cincinnati employees in addition to the Defined Benefit Plan. The 457 Plan has two options, Mission Square and Nationwide. He explained the purpose of this is to look at whether the 457 Plan and its administrators should fall under the purview of the Board and what discretion the Board would have over implementing and monitoring these plans. There is also the question of whether it makes sense to have the investment consultant look into these plans and if it would cost a fee. Also, if the Board is responsible for paying for the oversight or if it is outside their purview.

Chair Menkhaus asked Director Salstrom for background information related to the CSA or any other governing documents and if they provide authorization for the Board to have oversight of the 457 Plans. Director Salstrom explained that they do not specifically state the Board should oversee the 457 Plans.

Director Salstrom answered many questions and explained to the Trustees that if the Board were to take on fiduciary oversight of the 457 plans, there is potential for additional liability. With his knowledge in investment and research, he does not see the current 457 plans in the scope of being too costly or improperly monitored, although, there is always risk of that in the future. He explained that if the Board had concerns about the cost associated with any given fund, without the direct authority to make changes to the plan, they would lobby the city administration to make changes to the 457 Plan. The administration would then have to present the change to Mission Square and Nationwide. Director Salstrom explained that both administrators have been exemplary, and he is seeking more coordination with the providers to help City of Cincinnati employees gain a better understanding of what each plan means and what they offer. There have been no voiced concerns from any Board members regarding the current 457 plans. He explained that he cannot give a specific performance rating for each administrator because they are monitored on the underlying funds that they each offer, which is hundreds of funds. He explained that from what they can see, the administrators are performing in line with the expectations. Director Salstrom explained that he does not know the exact percentage of index providers at Nationwide has, but Mission Square has approximately 80%. Director Salstrom explained the Cincinnati Retirement System oversees both administrative plans for the employees of the city. They meet regularly with each administrator and so the discussion is to see if the Board wants to have an investment consultant look into the administrators and meet once or twice a year. He explained that if the Board were seeking a new 457 plan, an RFP would need to be created.

Trustee Moller commented that the 457 plans are like other retirement plans, and it is up to the participant to invest the funds. When you join the program, funds are deducted from your paycheck through the Finance Department. Retirement is involved with bringing representatives in, to present things to employees, but would not term it as oversight. His concern is that employees, particularly close to retirement, understand what the programs are and what the implications are for retirement. He believes that education is needed because there are minimum distributions required from these programs, which takes some planning. The employees are not taxed when the distribution comes out of their paycheck, but when the retiree receives the funds, they will see the distribution taxed for the first time.

New Business

Board Member Attendance Policy

Director Salstrom drafted a Board Policy, which is included in the packet, for Board and Committee member attendance. He explained that this policy was created to supplement Board Rule X with more specific detail. Chair Menkhaus motioned to adopt the CRS Board and Committee Attendance Policy with the following changes: Addition of examples of “substantial reasons” in bullet point 3 and changing “Governance Committee” to “Executive Director and Board Chair” in bullet point 5. The motion was seconded by Trustee Moller and approved by unanimous roll call vote.

Trustee Moller motioned to clarify Rule X to state that a member who fails to attend at least two-thirds of the Board, regular and special meetings, and committee meetings. The motion was seconded by Trustee Menkhaus and approved by unanimous roll call vote.

Creation of Audit Committee

Director Salstrom explained that this committee would oversee the auditors through their process, review their findings, and make sure they are appropriately addressed. This would be an Ad Hoc committee and will be determined, if necessary, once the fiduciary audit is complete.

Adjournment

A motion to adjourn was made by Trustee Walsh and seconded by Trustee Gamel. The Governance Committee approved the motion by unanimous roll call vote. The meeting adjourned at 12:42 p.m.

Meeting video link: <https://archive.org/details/crs-governance-comm-10-5-23>

Next Meeting: TBD, City Council Chambers and via Zoom

2023 CRS Board Objectives

Board

- Increase contribution rate to 17.75%
- Outreach to City Council and CMO
- Develop CRS Handbook
- Actuarial Experience Study
- Actuary RFP (prepare fall of 2023; issue Jan 2024)

Governance Committee

- Financial Disclosure Policy and forms
- Ethics Policy
- Creation of Audit Committee, possibly from Performance Evaluation
- Charters for Current Committees
- Consider change to Fiscal Year
- Consolidate Governance manual with Board Rules, Policies and Charters
- Trustee Training Policy
- Implement DROP through City Municipal Code
- Evaluate fiduciary governance of 457 plans

Benefits Committee

- Review Horan healthcare plan changes
- Survivor benefits
- Survey retirees regarding benefits
- Consider cafeteria benefit options (LTC, Life Ins, Ins tiered options)

Performance Evaluation Committee

- Finance audit and CRS financial report
- Risk review
- Fiduciary performance audit
- Disaster recovery and business continuity plan

Investment Committee

- Investment consultant RFP
- Asset allocation review; cash allocation
- Investment risk review
- Investment peer universe review
- Investment manager compliance review
- Consideration of investment methods of long-term top quartile peers

<u>Strategic Objectives</u>	<u>Owner</u>	<u>Target Date to Complete</u>	<u>Status/Date Completed</u>
<u>CY 2024 Board Objectives</u>			
Work collaboratively with CMO to update City Contribution rate incrementally for 25-26 Budget	Board, Exec. Director	2Q24	
Complete and publish CRS handbook for active and retired members <i>(E,5,7)</i>	Exec. Director	2Q24	
Continue to Provide the City Administration with input and recommendations regarding the healthcare trust funding policy, as negotiations progress <i>(A,B,C,1,2,11,19)</i>	Board	Q124	
Determine whether CRS should have an independent financial audit <i>(E,1,2,5,7)</i>	Finance Manager	2Q24	
Assist the Mayor and Council in filling appointed member Board vacancies; conduct elections process for two retiree trustees and one active trustee. <i>(C,1)</i>	Board, Exec. Director	as needed, and 1Q 2024	
Actuary RFP (issue Jan 2024)	Executive Director	1Q24	
Review Futures Commission Report WRT items relevant to CRS; plan further objectives as warranted	Board, Exec. Director	2Q24	
Enroll retirees in Member Direct to continue on the path to paperless	Exec. Director	Q224	

<u>Ongoing Objectives</u>			
Prepare and present CRS orientation to City Stakeholders (City Mgr, Mayor, V. Mayor, Council Fin. Chair; new Councilmember(s), Budget and Finance Committee) <i>(C,D,1,5,7)</i>	Board, Exec. Director	Ongoing (1Q, 3Q each year)	
Prepare and provide trustee training plan, including training policy and curriculum; monitor and update implementation <i>(A,B,C,D,1,2,3,10,12,13)</i>	Board, Exec. Director	Ongoing	
Evaluate existing member communications (newsletters; website; other) to identify improvements <i>(E,5,7)</i>	Exec. Director	Ongoing	
Prepare and approve the 2025 CRS budget <i>(A,B,D,4,16)</i>	Board, Exec. Director	4Q Annually	
Review and approve the annual Actuarial Valuation (2023) Reports <i>(B,1,2,12,13)</i>	Board	2Q 2024	
Provide quarterly report on implementation of Board changes to its Investment Policy <i>(A,B,1,2,3,11)</i>	Board	Ongoing	
Keep the Board well- informed about important developments and issues <i>(F,5)</i>	Exec. Director	Ongoing	
Prepare and submit the annual CRS report to City Council <i>(C,D,5,7,20)</i>	Board, Exec. Director	3Q Annually	
<u>CY 2024 Investment Committee Objectives</u>			
Mark a formal Asset allocation review every 3 years with annual review of market conditions, opportunities and liquidities needs and risks	Board	2Q24 (annually review)	1Q23
Quarterly review of Market volatility and Investment risk/concentrations	Board, Exec. Director	Ongoing	1Q23
Quarterly update on investment return peer ranking	Board, Exec. Director	Ongoing	2Q23

Review of liquidity needs; Cash overlay	Exec. Director	2Q24	
Monitor investment manager compliance	Board, Exec. Director	Ongoing	
Monitoring tolerance bands	Exec. Director	Ongoing	
Investment Contract governance; approval authority; standardized review of terms	Exec. Director	3Q24	
Complete the five-year actuarial experience study; act on recommendations <i>(B,C,D,1,2,11,12,13)</i>	Board, Exec. Director	Ongoing, (last completed Q2 23)	
Explore the potential of De-risking health plan	Board, Exec. Director	3Q24	
<u>CY 2024 Governance Committee Objectives</u>			
Ethics Policy	Board, Exec. Director	2Q23	2Q23
Trustee Training Policy	Board, Exec. Director	2Q23	2Q23
Role for Exec Dir recommendation in the Disability Rules?	Board, Exec. Director	2Q23	3Q23
Amend in Board disability rules to implement CMC 180 day timeline for abandonment of application	Board, Exec. Director	2Q 23	3Q23

Creation of Audit Committee, possibly from Performance Eval Comm	Board, Exec. Director	1Q24	
Charters for Current Committees	Board, Exec. Director	3Q23	3Q23
Consider Change to Fiscal Year	Board, Exec. Director	3Q23	2Q23
Evaluate Fiduciary Governance of 457 Plans	Exec. Director	3Q23	4Q23
Financial Disclosure Policy and Forms	Board, Exec. Director	1Q24	
Consolidate Governance Manual, Board Rules and Policies	Board, Exec. Director	2Q24	
Implement DROP through City Municipal Code (if cost neutral)	Board, Exec. Director	4Q24	
Trustee City email accounts is leading practice	Exec. Director	4Q24	
Delegation document to Exec Dir (covering CMC references to Board that are delegated to staff)	Exec. Director	4Q24	
<u>CY 2024 Benefits Committee Objectives</u>			
Review Horan healthcare plan changes summary	Board, Exec. Director	1Q23	1Q23

Survivor Benefits: CMC Ordinance XXX	Board, Exec. Director	2Q23	Target 1Q 24
Survey retirees re benefits	Exec. Director	2Q 23	3Q23
Healthcare RFP - review potential for implementing a plan for offering cafeteria benefits options (LTC, Life Ins, Ins tier options) for retirees	Exec. Director	1Q24	
<u>CY 2024 Performance Evaluation Committee Objectives</u>			
2024 Strategic Plan	Board, Exec. Director	1Q24	
Review of staff evaluations of Board contractors	Board, Exec. Director	4Q23 and 1Q 2024	
Fiduciary Performance Audit: Review audit and implement Board-approved recommendations	Board, Exec. Director	1Q24	
Disaster Recovery and Business Continuity of Operations Plan: Update and enhance written plan; prioritize issues	Exec. Director	1Q24	