



**City of Cincinnati Retirement System  
Performance Evaluation Committee Meeting  
Minutes  
December 1, 2022/ 12:00 P.M.  
City Hall Council Chambers and via Zoom**

**Board Members Present**

Kathy Rahtz, Chair  
Tom Gamel, Vice Chair  
Bill Moller  
Mark Menkhaus, Jr.  
Tom West

**Administration**

Mike Barnhill

**Law Department**

Ann Schooley

**Call to Order**

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

**Approval of Minutes**

Approval of the minutes of the meeting of September 1, 2022, was moved by Trustee Moller and seconded by Trustee Gamel. Trustee Moller requested a clarification to the minutes that the City Manager's Office has not requested input and recommendations from the Board on the draft Health Funding Policy that was previously circulated. Director Barnhill responded that he would make that clarification. The minutes, as amended, were approved unanimously by roll call vote.

**Unfinished Business**

**Review of Progress on Board's 2022 Objectives**

Director Barnhill provided a status update on each the Board's 2022 objectives. The objectives and current status of each are detailed in the Committee's meeting packet. Highlights:

- Item #2: Establish Fiduciary Audit Scope. Director Barnhill shared that following the last meeting of the Committee he discussed this item with Rick Funston, a provider of fiduciary audit services with substantial experience. Mr. Funston recommended that CRS consider a phased approach to a fiduciary audit, similar to what Milwaukee County Employment Retirement System recently did. Phase 1 would focus on governance issues:
  - Review policies, charters and practices

- Develop governance profile
- Conduct 360 degree governance self-assessment survey
- Analyze results
- Preliminary discussion document
- Discuss preliminary findings, conclusions, and recommendations with Board

This approach cost \$85,000 in 2018. Director Barnhill will propose a \$100k budget item for the CY2023 budget to cover this.

Director Barnhill presented the Executive Summary from the Milwaukee Phase 1 Fiduciary Audit, as well as the list of “Leading Practices” for retirement systems the size of Milwaukee County. Director Barnhill observed that Milwaukee County ERS and CRS were of similar size and structure with similar issues. Director Barnhill suggested that it was likely that a fiduciary audit of CRS would result in a recommended list of leading practices similar to the Milwaukee County list.

Trustee Gamel asked if the cost for all phases of the audit in Milwaukee County cost \$85,000. Director Barnhill clarified that the \$85,000 covered only Phase 1.

Trustee Moller asked about the procurement process. Director Barnhill explained that an RFP under the City’s procurement process would need to be prepared and issued. Director Barnhill also explained that the City can access contracts procured by the State of Ohio Administration Department. He checked the database for the current open state contracts, and found one fiduciary audit contract, but it was for a non-retirement system purpose, and it expires on 12/31/2022. Director Barnhill further explained that the fiduciary audits of the state systems that were conducted in 2022, were likely done through an RFP conducted by the Ohio Retirement Study Council, and thus not available for CRS to access.

Trustee Moller asked about the scope of the RFP. Director Barnhill explained that he would use the scope from the Milwaukee County ERS Phase 1 fiduciary audit as the scope.

Trustee Gamel moved, and Trustee Moller seconded, a motion for the Board to conduct a fiduciary audit with the same scope as the Milwaukee County ERS Phase 1 fiduciary audit. The committee passed the motion by unanimous roll call vote.

- Item #3. Prepare and present CRS orientation to City stakeholders. This is an ongoing item with a new City manager and new council members.
- Item #4. Prepare and provide trustee training plan. This is also ongoing. Other fiduciary audits suggest that the Executive Director has the responsibility to ensure regular training of trustees.
- Item #6. Develop CRS handbook for active and retired members. Hope to publish the active handbook soon; have started providing mid-career training to active members. Yesterday provided training to Group F active members.
- Item #8. Develop and implement CRS website content to provide timely, complete and easily accessible info. The Trustee, Financial and CSA pages have been overhauled. New pages for a director Blog and retirement resources have been added. The site needs further updating and revision. Director Barnhill has identified a staff resource to work on this in 2023.

- Item #10. Review CRS Department staffing positions and complement. This has been under review for the entire year, and has culminated in a budget request for staffing to be taken up by the Board later today.
- Item #13. Complete the five-year actuarial experience study. Underway, expected to be completed in early 2023.
- Item #15. Prepare an annual financial report for active and retired members. A draft report was completed, but we were unable to get the report audited. The issue relates to the City being on a July 1-June 30 fiscal year, and CRS being on a Jan. 1 – Dec. 31 fiscal year. There are governance and budget issues embedded here.
- Item #16. Review and approve the annual actuarial valuation reports. This was completed in July. Next year the plan is to complete these earlier so they can support the Board’s advocacy for a higher City contribution rate.
- Item #22. Review and make recommendations regarding survivor benefits. Cheiron letter to be presented to the Benefits Committee in January.
- Item #25. Review current customer service practices and identify strengths and opportunities for improvements. CRS staff began answering the phones live in October; all staff attended customer service training; CY2023 budget includes funding for a new staff to sit at front desk to greet members and answer phone live, as first line of call pick-up. Director Barnhill shared the call pick-up metrics from October. Will share the call metrics for November at a later meeting.
- Item #26. Review and prepare analysis and recommendation on disabled adult child healthcare. Director Barnhill’s memo was completed in May. The Law Department is working on an ordinance; Ms. Schooley advised Director Barnhill that the draft ordinance is nearly done. Trustee Gamel asked about the reason for delay in drafting the ordinance. Ms. Schooley responded that there is a draft and it is being reviewed. Director Barnhill further explained that one of the three families at issue is now completely resolved, and the disabled adult child is enrolled in CRS retiree health insurance.
- Item #27. Security and risk review; HIPAA; SOC 1 Type 2 audit of LRS; internal control review all cashflows; evaluate CRS and Finance workflows and approvals. This item has prompted Director Barnhill to adopt a comprehensive risk matrix approach to help identify risks and be intentional about how mitigate those risks. The specific items listed here have all been addressed.

Trustee Moller asked for a footnote on the Director Evaluation form that lists the Board’s goals and responsibilities from the Strategic Plan. Trustee Rahtz concurred with the request.

Trustee Moller asked about whether a change from calendar to fiscal year would be onerous. Director Barnhill shared the view of the CRS Finance Manager that a transition would definitely take some effort. But CRS has completed implementation of its new general ledger software (Acumatica) which may ease the burden somewhat.

Trustee Moller asked about the timing of such a transition. Director Barnhill explained that there are other considerations, including the timing of the actuarial valuations and the impact of a “stub” year (the 6 month transition period). Director Barnhill expressed his view that it’s fundamentally a governance issue and the pros and cons should be evaluated in some detail by the Governance Committee. He recommended against any accelerated approach to a project like this.

### Evaluation Form for Executive Director

Trustee Rahtz took up the director evaluation form, with the addition of footnotes, for discussion. Trustee Menkhaus expressed satisfaction with the form. Trustee Gamel asked about the process for completing the form. Trustee Rahtz explained that the time period for evaluation is calendar year 2022. Trustee Rahtz requested that Director Barnhill provide a self-evaluation by January 16. Then Board members would complete their evaluations and send to Trustee Rahtz to compile the score and bring back to the entire Board. Goal to finalize the evaluation at the March meeting. Ms. Schooley advised that the process makes sense, but cautioned that Board members should complete the form independently, to comply with the Open Meetings Act rules. Trustee Moller asked if the Board could discuss the evaluation in executive session. Ms. Schooley stated she will review the law and confirm at a later date.

Trustee Moller expressed concern with elements of the form where the Board does not have information, like interactions with CRS staff (coaching, evaluations). Trustee Moller asked Director Barnhill if he would provide information to the Board on these items. Director Barnhill agreed that he could do that. He also shared a process called the “360 evaluation” process, where staff who report to a director can be included in the evaluation process and also provide input.

Trustee Moller moved, and Trustee Gamel seconded, to approve the director evaluation form with the addition of a footnote reflecting the Board’s goals and responsibilities. The Committee approved the motion by unanimous roll call vote.

Trustee Gamel moved, and Trustee Moller seconded, to approve the process proposed by Trustee Rahtz for conducting the evaluation of the director. The Committee approved the motion by unanimous roll call vote.

### **New Business**

#### Staff Evaluation of Board Contractors

Director Barnhill presented the annual staff evaluations of the CRS actuary (Cheiron) and the CRS investment consultant (Marquette), as required by Board Rule 22. The evaluation documents are in the committee meeting packet. The rating given was “exceeds expectations” (3 point scale) for both vendors.

For Cheiron, Director Barnhill reported that Cheiron has done a considerable amount of work this year. He has requested that Cheiron complete future valuations earlier in the year, so that they better coincide with the City’s budget schedule. Additionally, Director Barnhill specifically requested that Cheiron examine the “rolling 30 year” amortization in the pending experience analysis and provide a recommendation to the Board. Finally, Director Barnhill requested that Cheiron provide a 30 year projection chart with their future valuations.

Trustee Moller moved, and Trustee Gamel seconded to accept the annual staff evaluation for Cheiron. The Committee approved the motion by unanimous roll call vote.

For Marquette, Director Barnhill reported that Marquette does an excellent job in providing quarterly reporting and providing guidance on meeting CRS liquidity challenges. Looking forward, Director Barnhill recommends a regular review of the CRS asset allocation, and review of CRS investment volatility. Director Barnhill also observed that Marquette does not independently verify compliance by investment managers—compliance is currently self-reported by the investment managers. Trustee Moller suggested that the Board should consider defining what it means by “compliance.” Trustee Moller also

called out the peer universe issue mentioned in the staff evaluation. The number of peers in the Marquette universe has steadily declined over the course of the year, potentially calling into question the value of the comparative performance reporting. These items can be included in the upcoming RFP for investment consultant.

Trustee Moller moved, and Trustee Gamel seconded to accept the annual staff evaluation for Marquette. The Committee approved the motion by unanimous roll call vote.

Director Barnhill proposed to defer the staff evaluation of the CRS health vendors until the March meeting.

#### CRS Draft Risk Dashboard

Trustee Rahtz solicited committee comments on the draft risk dashboard in the committee meeting packet. Director Barnhill shared that he copied this approach to risk evaluation from the City of Austin Employee Retirement System. Trustee Gamel asked about mitigations. Director Barnhill reported that he takes the proposed mitigations for each of the identified risks and adds them to upcoming strategic objectives. He described proposed mitigations for each identified risk.

Trustee Menkhaus asked for more information regarding the physical space risk. Director Barnhill explained why the current CRS office space is relatively difficult for a member with mobility issues to access. However, given the fact that the world transitioned to remote access during Covid, members with mobility issues currently have the means to access CRS remotely. The current focus is to improve remote access for all members.

Trustee Moller observed that the upcoming fiduciary audit could have an impact on this list of risks.

Director Barnhill reported on the specific issues of HIPPA compliance, SOC 1 and 2 compliance, cashflow reviews, and ETS security.

Director Barnhill explained that the ultimate point of the dashboard is to think broadly about what the risks are to CRS, how they can be mitigated, and then use the ideas around mitigation to feed the CRS strategic plan. Trustee Gamel expressed appreciation for this approach.

#### Draft Board CY2023 Objectives

Director Barnhill introduced a list of draft 2023 objectives for the Board to think about over the next few months. The proposed objectives were inspired in part by the risk analysis just discussed, as well as by reviewing fiduciary audit reports from other systems. Director Barnhill shared that the fiduciary audit reports suggest that board committees do the heavy lifting on board projects. So, this list has proposed objectives for board committees to consider. The Governance Committee has several items.

Trustee Moller requested more information on the financial disclosure item. Director Barnhill suggested that the purpose is to deter conflicts of interest and front-running/insider trading related to investment. The best protection for trustees of investment funds is transparency and disclosure, and to have rules in place to prohibit use of non-public information to benefit a personal interest. In the CRS context, much of the portfolio is passively invested, and so the risk of financial impropriety here is low. But it is standard for public institutional funds to have financial disclosure and ethics rules that govern trustees and staff. Director Barnhill suggested that the Board does not need to adopt onerous financial disclosure rules.

CRS Performance Evaluation Committee, 12/1/2022

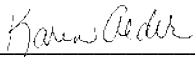
Trustee Menkhaus suggested that this will likely be addressed by the fiduciary audit.

**Adjournment**

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Moller, the Performance Evaluation Committee approved the motion by unanimous roll call vote. The meeting adjourned at 1:32pm.

Meeting video link: <https://archive.org/details/crs-performance-evaluation-comm-12-1-22>

Next Meeting: March 2, 2023, at 12:00pm.



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Secretary