



## City of Cincinnati Retirement System Board of Trustees Meeting

### Agenda

September 2, 2021 / 2:00 P.M.  
City Hall, Council Chambers and via Zoom

#### Members

Tom Gamel	John Juech
Bill Moller	Betsy Sundermann
Don Stiens	Kathy Rahtz
Mark Menkhaus Jr.	Erica Winstead

#### Administration

Paula Tilsley  
Renee Kabin  
Ann Schooley  
Bev Nussman

#### Call to Order

#### Approval of Minutes

- ✚ Meeting Minutes – August 5, 2021

#### Governance Committee Report

- ✚ Report from Committee, September 2, 2021

#### Unfinished Business

- ✚ Outstanding Opinions:
  - K. Rahtz Board Approved Motion, October 3, 2019
    - Item 1. Explain why City's changes to retiree healthcare are permitted under the CSA without Court approval.
    - Item 2. Explain why the Board cannot retain outside counsel on matters which the Solicitor's Office will not give counsel.
- ✚ Search for Executive Director
- ✚ Board's Annual Report to Council – Draft

#### New Business

- ✚ Asset/Liability Study Presented by Cheiron
- ✚ Remote Public Meetings - Guidance

#### Informational

- ✚ July 2021 Monthly Investment Report
- ✚ 115 Health Care Trust Funding Policy
- ✚ Pending Board Items: Fiduciary Performance Audit.

#### Adjournment

**Next Meeting:** Thursday, October 7, 2:00 P.M. City Hall, Council Chambers and via Zoom



**City of Cincinnati Retirement System  
Board of Trustees Meeting  
Minutes  
August 5, 2021 / 2:00 P.M.  
City Hall – Council Chambers**

**Present**

Bill Moller, Chair  
Tom Gamel, Vice Chair  
Mark Menkhaus, Jr.  
Kathy Rahtz  
Don Stiens  
Betsy Sundermann

**Absent**

John Juech  
Erica Winstead

**Staff Present**

Paula Tilsley  
Renee Kabin  
Linda Smith  
Bev Nussman  
Keva Eleam

**CALL TO ORDER**

The meeting was called to order at 2:18 p.m. and a roll call of attendance was taken.

**APPROVAL OF MINUTES**

T. Gamel made a motion to approve the minutes of the June 10, 2021 Board of Trustees meeting.  
K. Rahtz seconded the motion to approve. Roll call votes follow:

Mr. Moller– Y  
Mr. Gamel – Y  
Mr. Menkhaus, Jr. - Y  
Ms. Rahtz - Y  
Mr. Stiens – Y  
Ms. Sundermann –Y

The motion to approve minutes of the June 10, 2021 Board meeting passed.

**Investment Committee Report**

The Investment Committee report contains three items needing Board approval. Due to being underweight on infrastructure and to assist with diversification of the infrastructure portfolio, the Investment Consultant recommended to invest \$50 million in the Ullico Infrastructure Taxable Fund, L. P., and add an additional \$8 million to JP Morgan Infrastructure Fund to take advantage of a reduction in fees tied to reaching the \$100 million investment level.

**Board Action**

The Board moved to invest \$50 million in the Ullico Infrastructure Taxable Fund, L.P. to diversify the infrastructure portfolio, and to add \$8 million to the balance invested in JP Morgan's Infrastructure Fund. A roll call vote was taken. Roll call votes follow:

B. Moller -Y  
T. Gamel – Y  
M. Menkhaus, Jr. - Y  
K. Rahtz – Y  
D. Stiens – N  
B. Sundermann – Y

The motion to invest \$50 million in the Ullico Infrastructure Taxable Fund, L.P. and to add \$8 million to the JP Morgan Infrastructure Fund passed.

**Board Action**

The Board moved to decrease downside risk by investing in defensive equity through the Neuberger Berman S&P 500 PutWrite Strategy. Fifty percent of the allocation to AQR's Risk Parity Fund is to be invested in the Neuberger Berman S&P 500 PutWrite Strategy. Roll call votes follow:

B. Moller – Y  
T. Gamel – Y  
M. Menkhaus, Jr. - Y  
K. Rahtz – Y  
D. Stiens – Y  
B. Sundermann -Y

The motion to move fifty percent of the risk parity portfolio to the Neuberger Berman S&P 500 PutWrite Strategy passed.

The Board further approved certain asset movements to rebalance the portfolio in concordance with the Investment Policy. The details of the rebalance were presented by the Finance Manager and represent the motion.

A roll call vote was taken and the results of the vote follow:

B. Moller – Y  
T. Gamel – Y  
M. Menkhaus, Jr. – Y  
K. Rahtz – Y  
D. Steins – Y

The motion to move \$12.9 million to cash, comprised of \$3.4 million from DFA Emerging Markets Small Cap, \$5 million from NTGI ACWI Ex-US and \$4.5 million from Russell 1000 Value; and to move \$23 million from NTGI Russell 3000 to NGTI Aggregate Bond Fund passed.

The Investment Committee moved to approve the 2<sup>nd</sup> Quarter Investment Report. A roll call vote was taken and the results follow:

B. Moller – Y  
T. Gamel – Y  
M. Menkhaus, Jr. – Y  
K. Rahtz – Y  
D. Steins – Y  
B. Sundermann – Y

### **UNFINISHED BUSINESS**

#### **✚ Outstanding Opinions:**

Rahtz Board Approved Motion, October 3, 2019

- Item 1. Explain why City's changes to retiree healthcare are permitted under the CSA without Court approval.
- Item 2. Explain why the Board cannot retain outside counsel on matters which the Solicitor's Office will not give counsel.

L. Smith reported there is no update.

#### **✚ Executive Director Search**

B. Moller reported that Paula Tilsley, Executive Director, agreed to stay on while the search for her replacement continues. Additional applicants have been identified and are moving through the process.

#### **✚ Board's Annual Report to Council**

The final report did not make it to Council before summer break, so the report is being referred back to the ad-hoc subcommittee. Trustees are advised to send any additional comments or revisions to P. Tilsley, and the next targeted date to present it to Council is mid-September.

### **NEW BUSINESS**

#### **✚ Fort Washington PE Fund X Extension**

Ft. Washington requested a 60-day extension on their Private Equity Fund X. The Board Chair, Investment Consultant and Vice Chair coordinated to approve the extension per the Investment Policy.

#### **✚ CSA Agreed Order**

B. Moller explained the Board is not a party to the Collaborative Settlement Agreement but the negotiated items in the Agreed Order recently submitted to the court relating to the repayment of approximately \$4.5 million in Current Employee Class attorney's fees by retired Current Employee Class members over a 20-year period has a budget impact on CRS.

D. Steins asked if there is a safeguard to ensure employees who are not part of the Current Employee Class do not have fees withheld from their pensions. P. Tilsley responded that members who are not part of the Current Employee Class will not be impacted by fee collection when they retire.

Another item that may have a budget impact is the revised point system related to healthcare premiums. P. Tilsley advised that the Agreed Order is on hold by the court and the effective dates in the Order no longer apply. Any future changes are dependent on court approval.

#### **✚ Future Board Meeting Methods of Participation**

P. Tilsley explained Ohio's governing body did not extend remote meeting rules for state and municipal governing bodies as of July 1, 2021. Cincinnati City Council took action allowing City

Boards and Commissions to continue to meet remotely. CRS requested clarification from the Law Department on certain language in the ordinance. B. Moller stated a preference for in-person meetings but acknowledged other factors may dictate the need for remote meetings.

## **INFORMATIONAL**

### **✚ Governance Committee**

B. Moller reported a change in Chair of the Governance Committee from D. Steins to M. Menkhaus due to D. Steins' increased job responsibilities. D. Steins thanked M. Menkhaus for agreeing to take over as Chair.

### **✚ Fiduciary Policy Renewal**

P. Tilsley provided an update on the renewal of the Fiduciary Policy for the system. The coverage and carriers remained the same with primary coverage at \$5 million with Chubb and excess coverage at \$2 with Hudson Insurance Company.

### **✚ 2nd Quarter Budget Update**

B. Nussman requested an increase in the line item titled "Data Processing Expenses" to \$30,000 due to delayed billing from City to implement remote work capabilities due to the pandemic in 2020.

#### ***Board Action***

T. Gamel made a motion to increase the budget for data processing expenses to \$30,000 as requested by staff. D. Stiens seconded the motion. Roll call votes follow:

B. Moller – Y  
T. Gamel – Y  
M. Menkhaus, Jr. – Y  
K. Rahtz – Y  
D. Stiens – Y  
B. Sundermann – Y

The motion to increase the budget to \$30,000 for data processing expenses passed.

### **✚ 2nd Quarter DROP report**

D. Stiens had a question about forfeited interest and if it applies to participants who exit DROP before two years. P. Tilsley answered yes.

B. Moller observed that the program does not appear to be cost-neutral and asked if there was any way to determine that for certain. P. Tilsley stated that the cost impact of the DROP requires an actuarial analysis and this is an item discussed in the CSA.

### **✚ 115 Health Care Trust Funding Policy**

P. Tilsley reported there are no updates.

P. Tilsley reminded the Board that Cheiron will present the Asset Liability study at the next Board meeting on September 2<sup>nd</sup>. B. Moller emphasized how important this study is due to the length of time that has passed since it was last conducted.

B. Moller recommended a Governance Committee convene next month if no pressing Benefits Committee issues come up. D. Stiens asked trustees present for any assistance they could provide in completing the Governance Manual and to also ask those not currently present if they are able to lend any assistance.

With no other business before the Board D. Stiens made a motion to adjourn. M. Menkhaus, Jr. seconded the motion. Roll call votes follow:

B. Moller - Y  
T. Gamel – Y  
M. Menkhaus – Y  
K. Rahtz – Y  
D. Stiens – Y  
B. Sundermann - Y

The motion to adjourn passed. Meeting adjourned at 3:09 P.M.

DRAFT

# Cincinnati Retirement System



## Asset Liability Study



September 2, 2021

Presented by  
Janet Cranna, FSA, EA, MAAA  
Kevin Woodrich, FSA, EA, MAAA  
Margaret Tempkin, FSA, EA, MAAA



Classic Values, Innovative Advice



- Risks that Pension Plans Face
- Purpose of Asset Liability Study
- Deterministic Projections
- Stochastic Projections

# Risks that Pension Plans Face



- Investment Risk
- Interest Rate Risk
- Credit Risk
- Longevity
- Assumption Risk
- Liquidity Risk
- Currency Risk
- Anti-selection
- Diversification
- Contribution Risk
- Funding Ratios
- Asset Allocation



- Political
- Public Media
- Transparency Risk
- Public Perception
- Fraud
- Regulatory



- What risks can the Board largely manage?
  - Actuarial assumptions/methods
  - **Investment Risk**

# Purpose of Asset Liability Study



- Understand the impact that a range of possible investment scenarios has on the projected long-term financial position of the Retirement System.
- Based on this analysis, the Board will better understand the **investment risks** the System faces based on its current asset allocation.

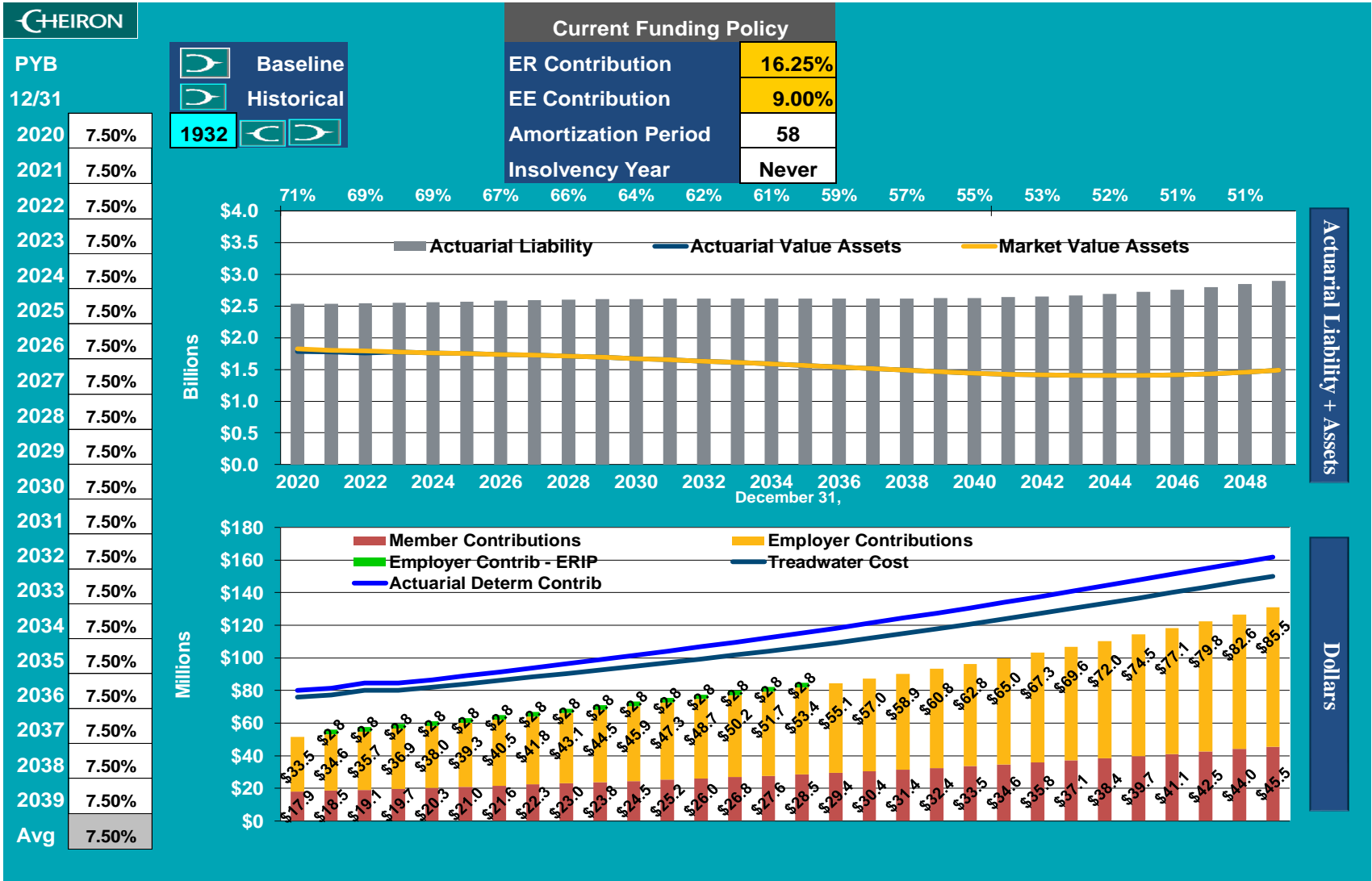


- Questions to ask
  - What will the funded status of the System look like in the future?
  - Will the System run out of money?
- How are these questions best answered?
  - Deterministic projections
  - Stochastic projections



- A SINGLE outcome based on a SINGLE set of investment returns
- All other assumptions are assumed to be realized
  - Mortality
  - Retirement rates
  - Termination rates
  - Salary growth
  - Etc.

# Deterministic Projections - Pension



Funded status shown above bars is Actuarial Value of Assets divided by Actuarial Liability.

# Deterministic Projections - Pension



Assumed 2021 Investment Return*	Projected Insolvency Year	Projected Year to be 100% Funded
15.0%	None	2055
7.5%	None	2078
0.0%	None	>2128
(7.5%)	2045	None
(15.0%)	2040	None

\* Assumed 7.5% per year for 2022 and thereafter.

# Deterministic Projections - HW



H-scan OPEB

## Stress Testing



Increase in trends

0.00%

### Health Trends

Pre-Med  
Post-Med

Starting Trend	2nd Year	3rd Year	Ultimate Trend	Years to Ultimate
7.47%	7.20%	6.93%	4.00%	13
8.18%	7.86%	7.53%	4.00%	13

Active Population Change  
Average Salary Increases

0.00%  
3.25%

Valuation Year  
Discount Rate  
PAYGo continues until  
Then change to  
% of pay above PAYGo  
Actuarial Amort. Years  
Expected Return on Assets

Gasb 74->	2020	2020	Budgeted	0.00%	30	7.50%
	7.50%					

Depletion Test

Total or Closed Payr  
Open or Closed  
2021 Return

Total  
Open  
7.50%

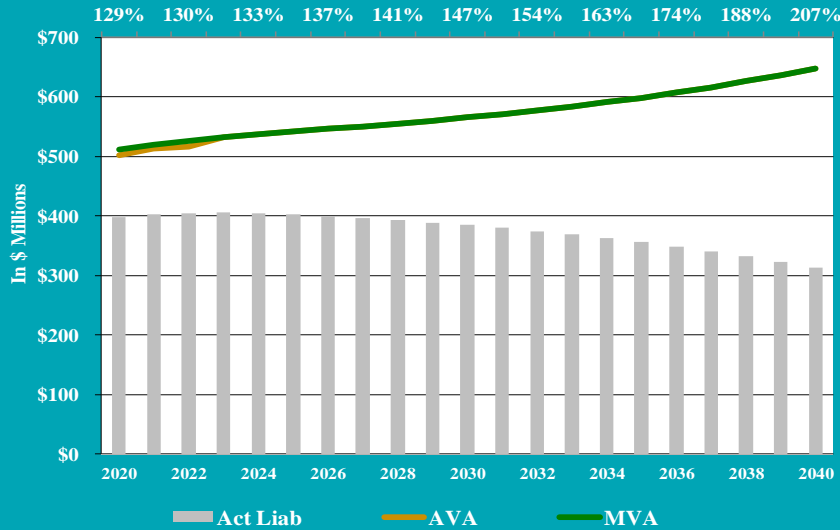
Valuation Method  
Investment Return

EAN  
7.50%

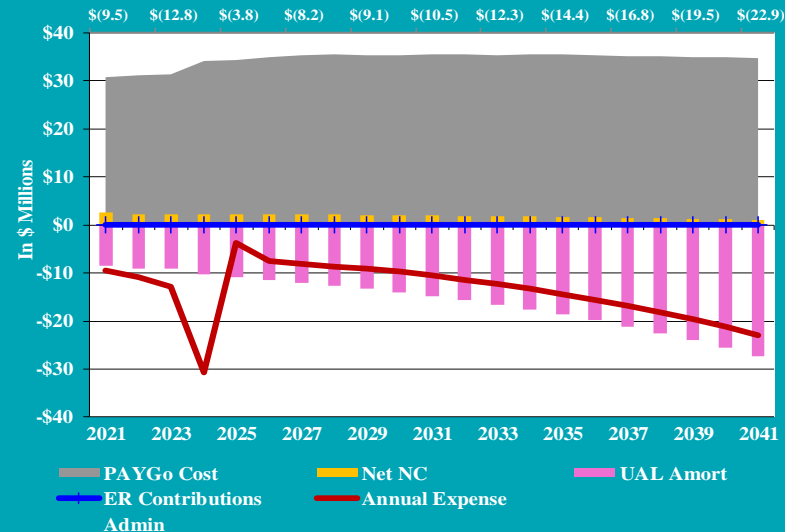
Group To Show:

Total

Assets and Liabilities



Plan Expense and Funding  
Fiscal Year Ending



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September 2, 2021

# Deterministic Projections - HW



Assumed 2021 Investment Return*	Projected Insolvency Year	Projected Year to be 100% Funded
15.0%	None	2021
7.5%	None	2021
0.0%	None	2021
(7.5%)	2045	2021
(15.0%)	2040	None

\* Assumed 7.5% per year for 2022 and thereafter.

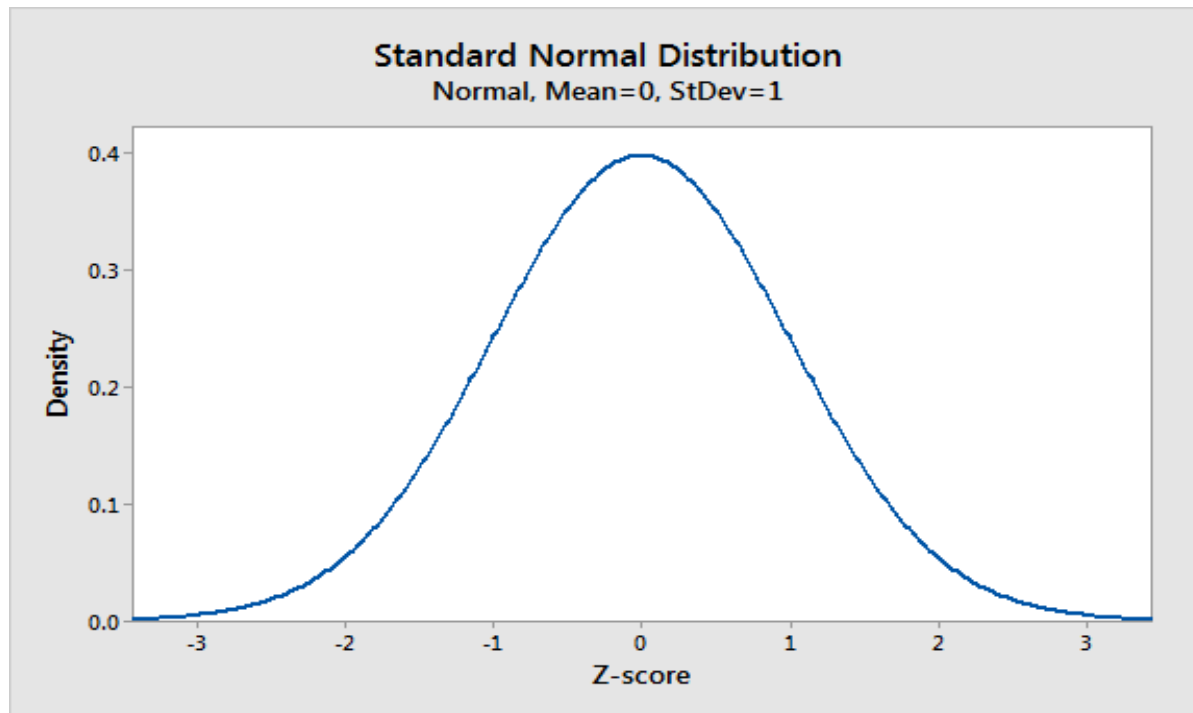


- MANY outcomes based on MANY modeled sets of investment returns
  - Based on investment consultant's expected return and standard deviation (risk) of portfolio
- Allows Boards to evaluate the **probability** of an event occurring
  - What is the probability of being at least X% funded in the future?

# Portfolio Expectations



- Marquette's investment expectations of portfolio adopted November 2020
  - Expected geometric return of 7.93% and standard deviation of 11.55%



# Stochastic Projections



# Stochastic Projections - Pension



AVA Funding Ratio

Show PDF

Run Current

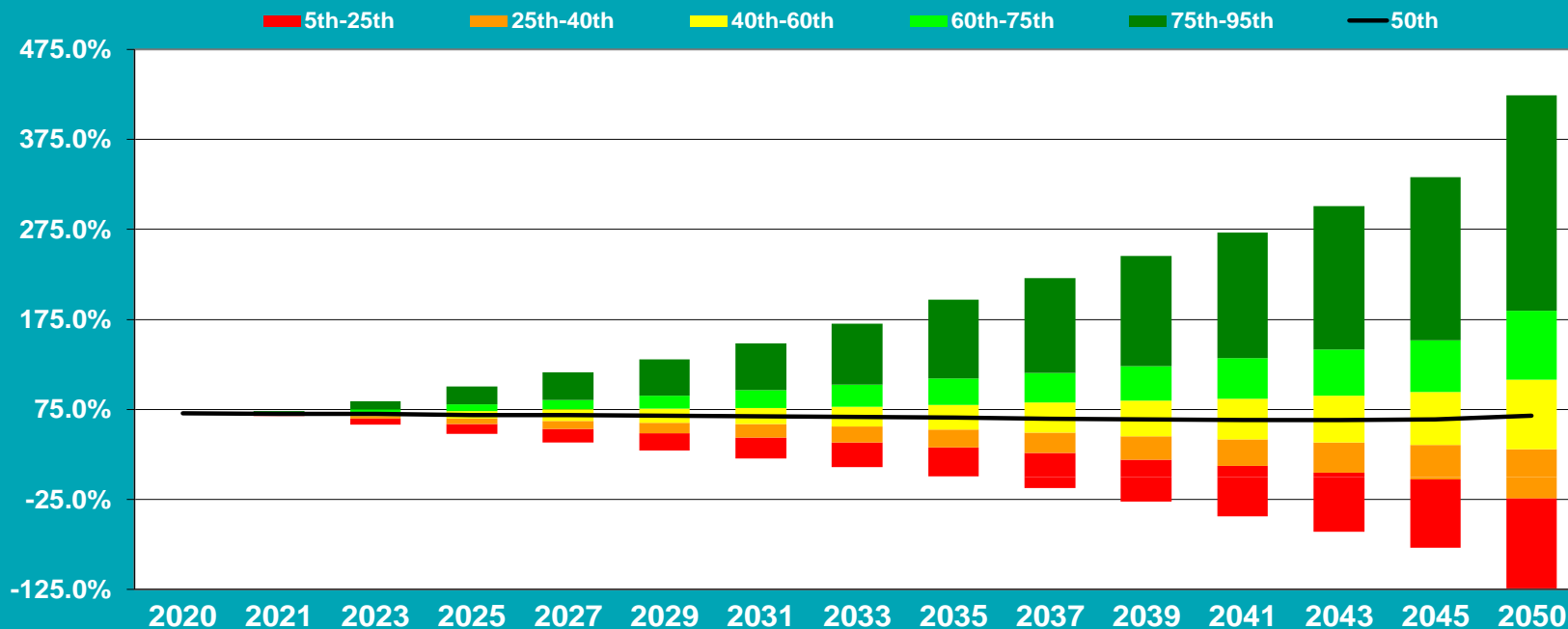
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Show Compare

Scenarios 2,500

## AVA Funding Ratio



	Geometric Return	Standard Deviation	Fixed ER Cont Rate*								
Current	7.93%	11.55%	16.25%								Complete
Baseline	7.93%	11.55%	16.25%								Complete

\* Effective 1/1/2022



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September 2, 2021

# Stochastic Projections - Pension



Probability of Over 100%

Show Fans

Run Current

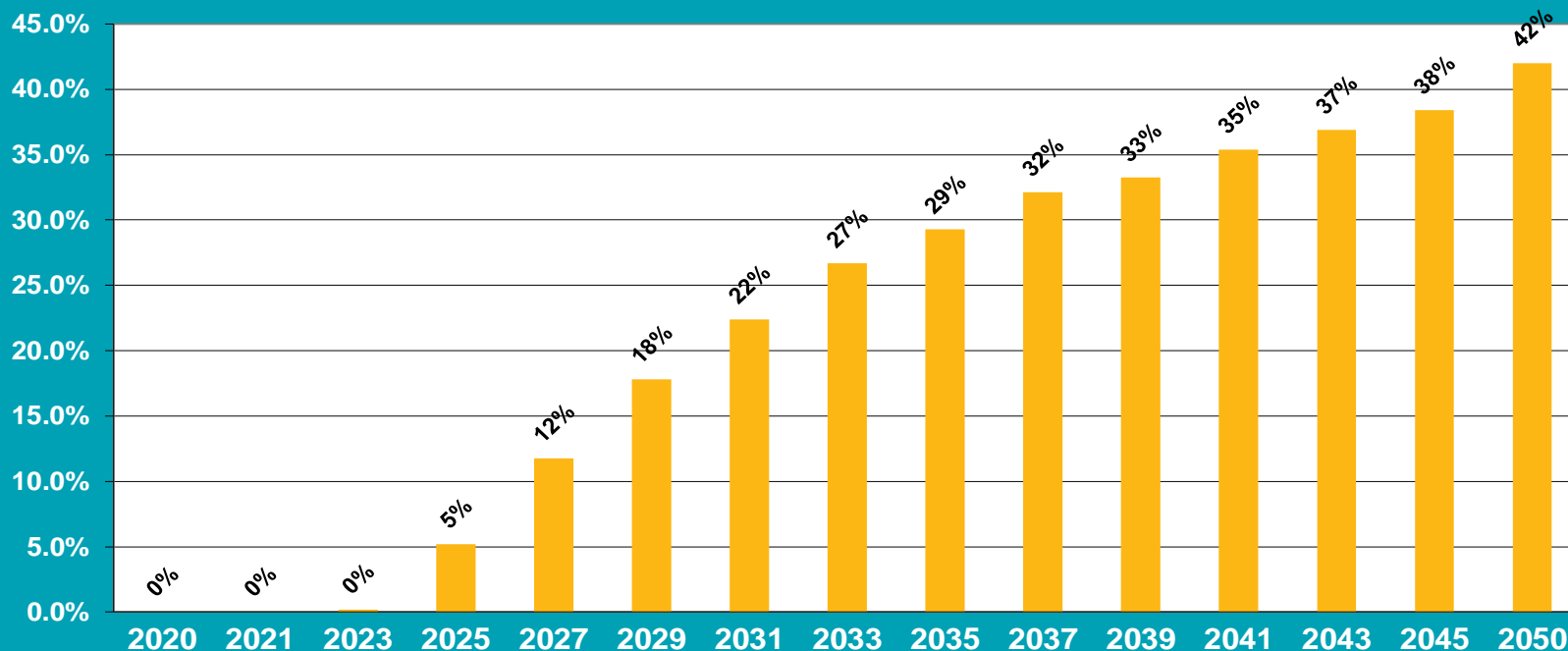
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Show Compare

Scenarios 2,500

## Probability of Over 100%



	Geometric Return	Standard Deviation	Fixed ER Cont Rate*									
Current	7.93%	11.55%	16.25%									Complete
Baseline	7.93%	11.55%	16.25%									Complete

\* Effective 1/1/2022



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September 2, 2021

# Stochastic Projections - Pension



Probability of Insolvency



Show Fans

Run Current

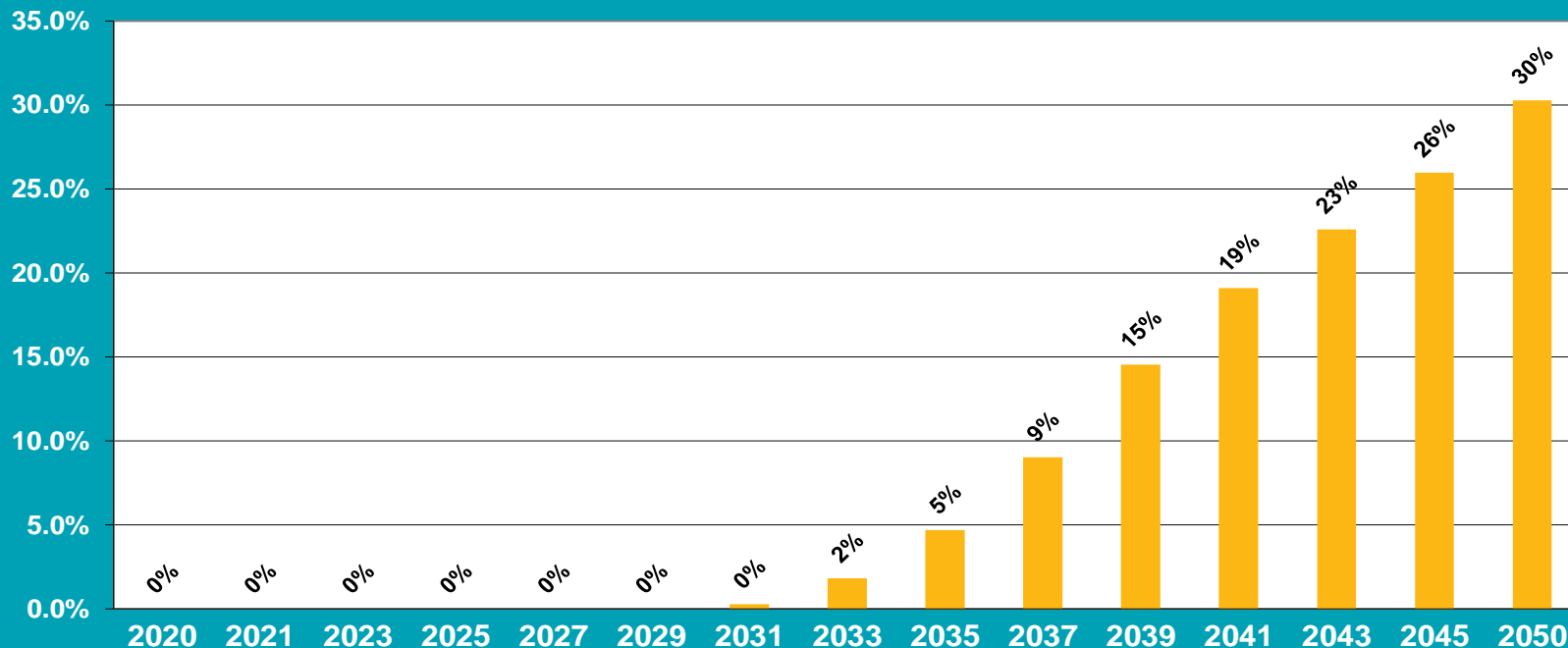
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Show Compare

Scenarios 2,500

## Probability of Insolvency



	Geometric Return	Standard Deviation	Fixed ER Cont Rate*								
Current	7.93%	11.55%	16.25%								Complete
Baseline	7.93%	11.55%	16.25%								Complete

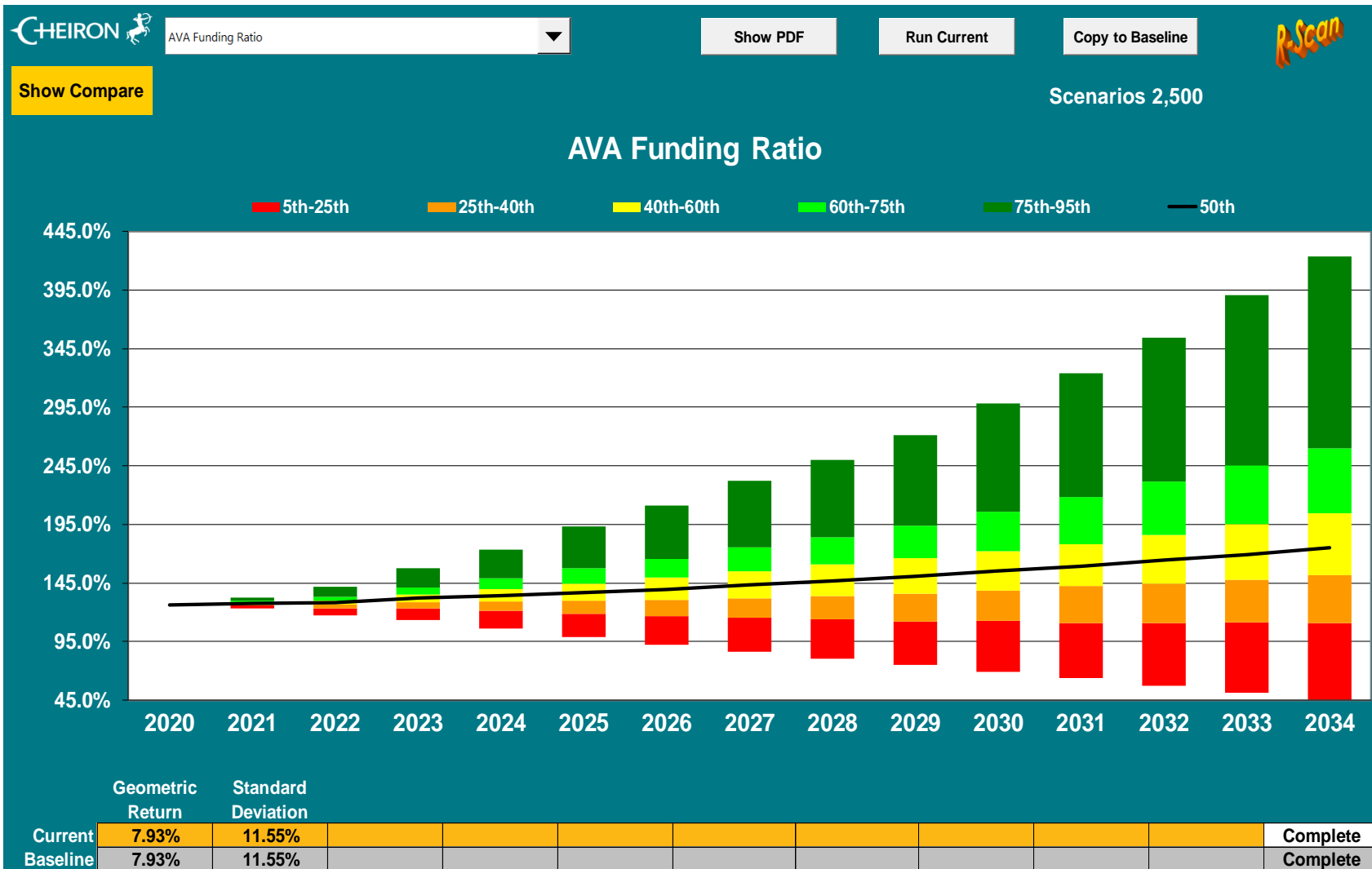
\* Effective 1/1/2022



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September 2, 2021

# Stochastic Projections - HW





- Examples of what stochastic projections can also be used for?
  - Compare alternative asset portfolios
  - Analyze impact of different contribution amounts
    - Next two slides illustrate impact if City were to increase pension contribution rate to 19.25% effective January 1, 2022

# Stochastic Projections - Pension



Probability of Over 100%

Show Fans

Run Current

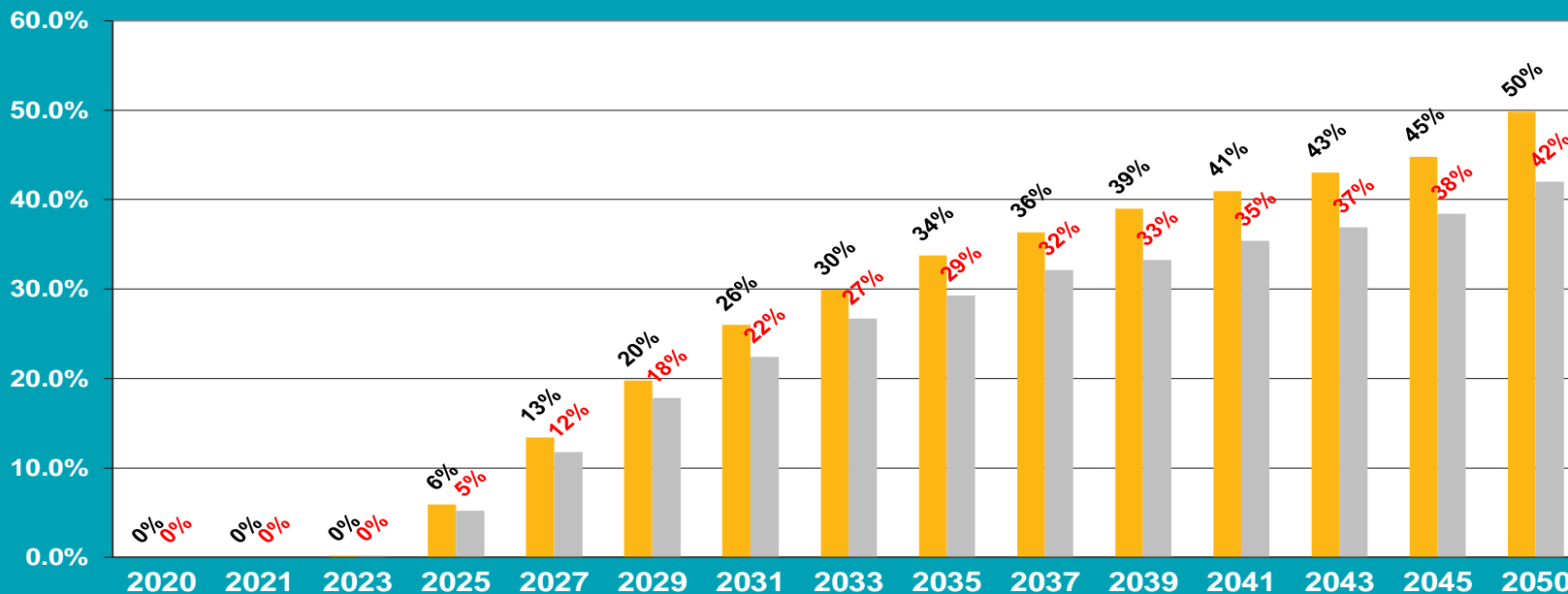
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Show Current

Scenarios 2,500

## Probability of Over 100%



Geometric Return    Standard Deviation    Fixed ER Cont Rate\*

Current	7.93%	11.55%	19.25%													Complete
Baseline	7.93%	11.55%	16.25%													Complete

\* Effective 1/1/2022



# Stochastic Projections Pension



Probability of Insolvency

Show Fans

Run Current

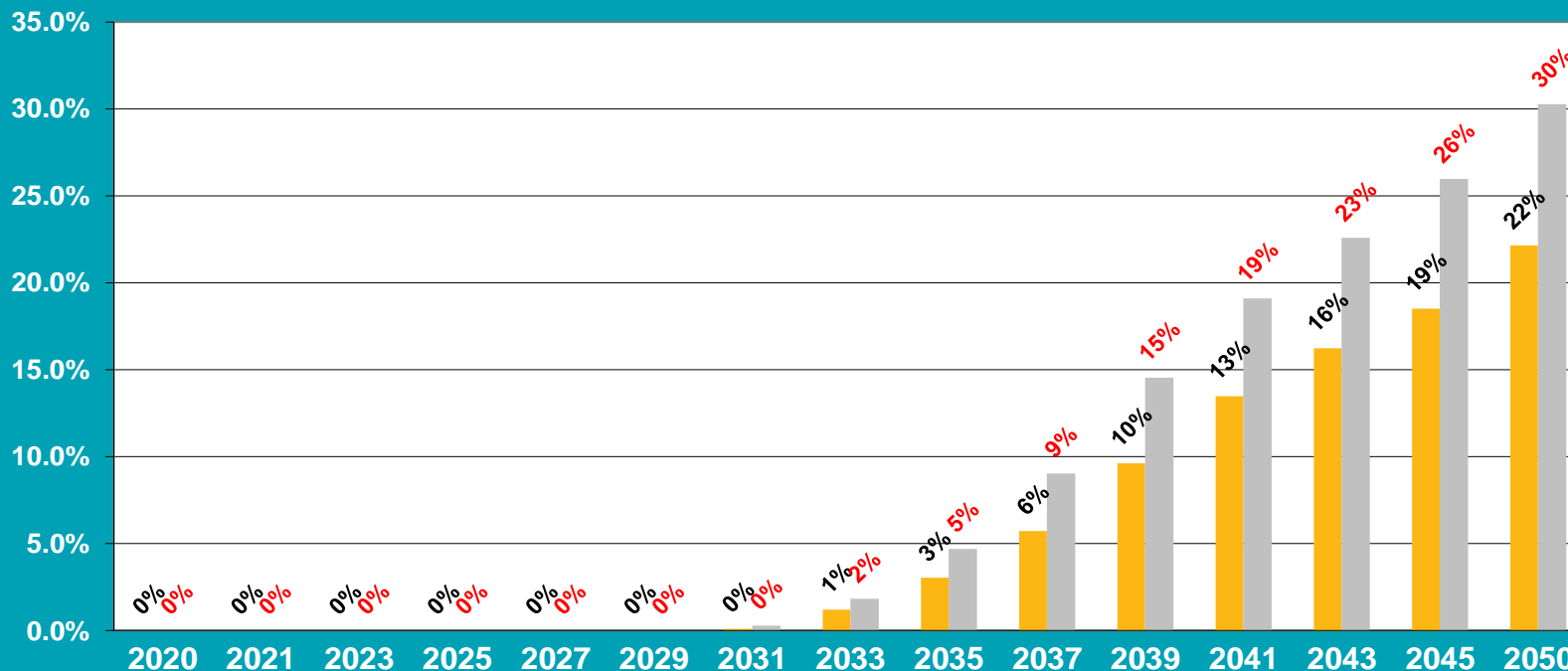
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Show Current

Scenarios 2,500

## Probability of Insolvency



	Geometric Return	Standard Deviation	Fixed ER Cont Rate*								
Current	7.93%	11.55%	19.25%								Complete
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\* Effective 1/1/2022



Classic Values, Innovative Advice

September 2, 2021

# Required Disclosures



The purpose of this presentation is to present the asset liability study for the Cincinnati Retirement System (CRS or System). This presentation is for the use of the Board and System staff.

In preparing this presentation, we relied on information (some oral and some written) supplied by the Cincinnati Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The actuarial assumptions and methods are the same as those used in the preparation of the Actuarial Valuation Reports as of December 31, 2020. The census data provided to us by CRS was as of December 31, 2020.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

Projections in this presentation were developed using *P-Scan*, our proprietary tool for developing deterministic projections to illustrate the impact of changes in assumptions and actual experience (particularly investment experience) on the future financial status of the System.

This presentation and its contents were prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This presentation was prepared solely for the Cincinnati Retirement System for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Janet Cranna, FSA, EA, MAAA  
Principal Consulting Actuary

Kevin Woodrich, FSA, EA, MAAA  
Principal Consulting Actuary

Margaret Tempkin, FSA, EA, MAAA  
Principal Consulting Actuary



September XX, 2021

To: Mayor and Members of City Council  
Copy: Paula Boggs Muething, City Manager  
From: Cincinnati Retirement System Board of Trustees  
Subject: State of CRS Pension Trust and Healthcare Trust as of December 31, 2020

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This report is written to provide to the City Council with the state of the Cincinnati Retirement System (CRS) Pension Trust and Healthcare Trust, in accordance with the City's Administrative Code, based on the latest actuary report from December 31, 2020.

Given the current and projected funding positions of the Pension Trust, we recommend that the City Council take action to address the continued downward trajectory of the Pension Trust. In addition, we recommend that the City Council require the City Manager to develop a funding policy for the Healthcare Trust. The Cincinnati Municipal Code requires that the City get "input and recommendations" about the Healthcare Trust funding policy from the CRS Board.

### **Background**

The purposes of the CRS Pension Trust and Healthcare Trust are to provide retirement benefits and healthcare benefits to eligible retired city employees. As of December 31, 2020, there were 2,631 full-time active members, 4,459 pensioners receiving pension payments, and 5,110 pensioners and spouses receiving healthcare benefits.

The CRS Board of Trustees serves as an independent fiduciary on behalf of active and retired members of the retirement system. The Board retains Marquette Associates, an independent investment consulting firm, and Cheiron, a pension and healthcare actuarial consulting firm, both of which specialize in public sector plans. Marquette and the Board have developed and follow a disciplined investment policy that can be found on the CRS website. Cheiron calculates the actuarial value of assets and liabilities and projects the funded status of the Trusts in future years based on professional actuarial standards and practices.

The assumed investment rate of return and discount rate for calculating liabilities is 7.5% per year as prescribed in the CSA. The annualized market rates of return for the past 5 and 10 years as of December 31, 2020 were 8.8% and 8.0%, respectively. As of June 30, 2021, the 5 and 10 year returns were 10.5% and 8.6% respectively. CRS investment performance is at or above the median with peer public defined benefit retirement plans.

The table below highlights the actuarial value of assets, liabilities, and funded ratios.

<u>As of 12/31/20:</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Funded Ratio</u>
Pension Trust	\$1.79 billion	\$2.53 billion	70.5%
Healthcare Trust	\$502 million	\$398 million	126.3%

### **Pension Trust**

The assumptions used in finalizing the CSA projected that the Pension Trust would be fully funded in 30 years if all of the assumptions played out exactly. The status of the annual contributions and distributions is described below:

- The active employees contribute 9% of covered payroll to the Pension Trust as required by the CSA;
- The City contributes only the minimum rate per the CSA of 16.25% of full-time covered payroll to the Pension Trust. (The General Fund represents 37.5% of covered payroll and other non-general funds represent 62.5% of covered payroll.);
- The Actuarially Determined Contribution (ADC) for the Pension Trust, as calculated by the actuary, is the annual employer contribution amount required to bring the Pension to a fully funded status in 30 years. **The ADC as of 12/31/2020 was 33.46% of covered payroll for FYE 6/30/2022 compared to the City’s contribution rate of 16.25%, less than half of the ADC;**
- Benefit payments and expenses have exceeded employer and employee contributions for over a decade placing CRS in the bottom quartile among other public pension funds with negative cashflows. This means that CRS continues to liquidate a relatively large amount of assets to pay for benefits and expenses. This also means that CRS is more dependent on investment returns than most public pension plans.

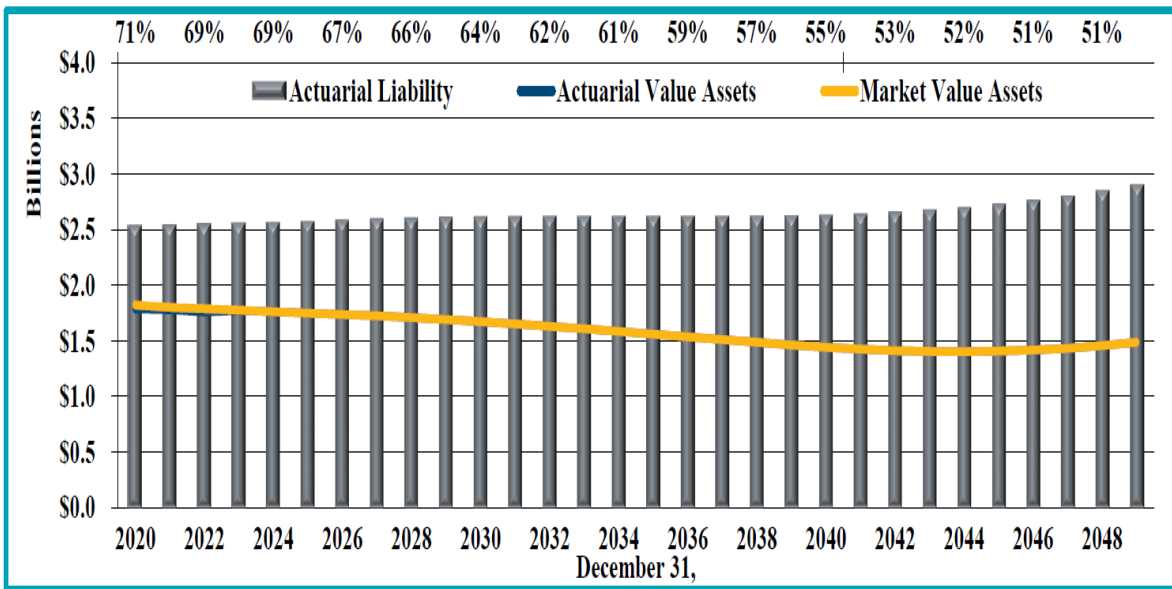
The following events occurred after the CSA was finalized:

- Ordinance 336, which reflects changes made in finalizing the CSA that increased liabilities, was approved by City Council in 2016;
- Revisions to actuarial assumptions (e.g., longer life span of retirees) occurred as recommended by the actuary and approved by the CRS Board;

- Annualized 5-year investment returns (2016 – 2020) were 8.8% as of December 31, 2020 (10.5% as of June 30, 2021) vs. the assumed 7.5%. However, CRS is especially sensitive to the timing of market swings since it continues to liquidate assets when the market drops. This requires more time for the remaining assets to recover from market volatility;
- The City offered an Early Retirement Incentive Plan (ERIP) in 2020 that provided two (2) additional years of service to eligible participants resulting in earlier retirements and higher benefits;
- The DROP is required to be cost neutral according to the CSA, but it has increased the liabilities of the Pension Trust according to the actuary.

**The actuary’s latest revised funding progress for the Pension Trust, which includes the impact of the DROP and the 2020 ERIP, projects an alarming decline in the funded ratio from 70.5% as of 12/31/2020 to 51% in 30 years, reaching a projected unfunded liability of \$1.4 billion.** The graph below reflects the City’s minimum required contributions of 16.25% of covered payroll for 30 years. It also includes the recommended budget’s \$2.7 million contribution per year for the next 15 years to pay for the ERIP liabilities and assumes the CSA benchmark return of 7.5% investment return for all future years.

### Pension Trust

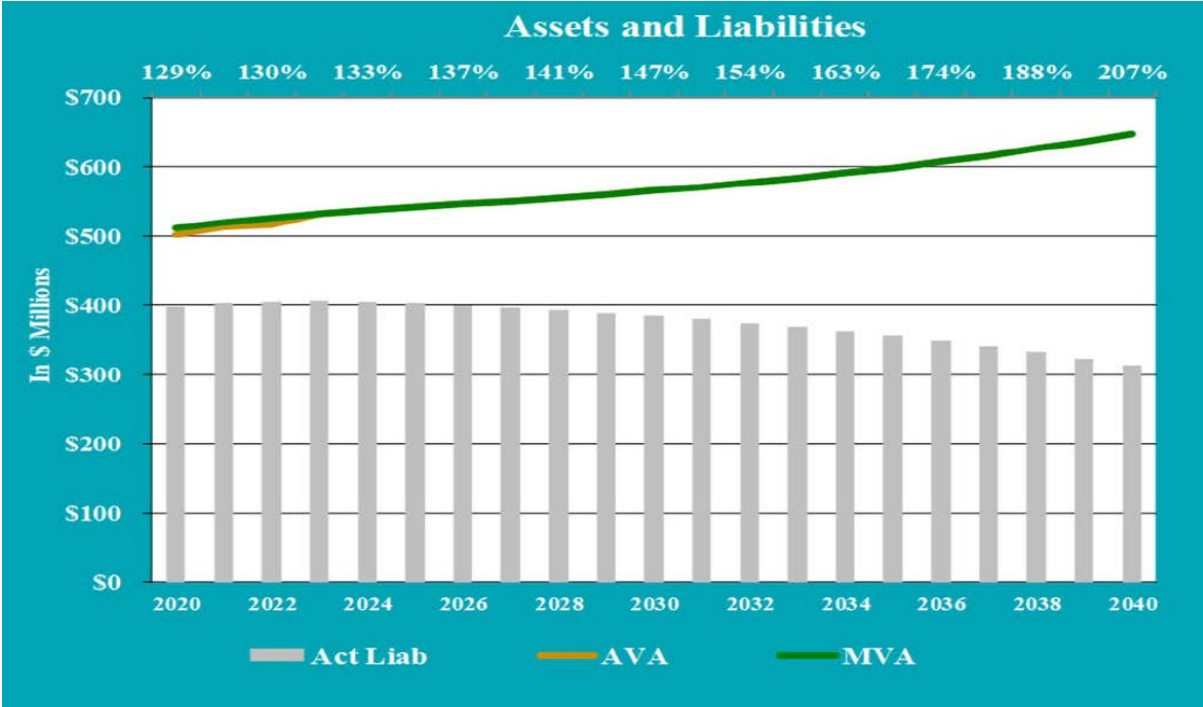


### Healthcare Trust

At the time of the CSA signing, the Healthcare Trust was fully funded, and the City was required per the CSA to establish a funding policy to keep the Trust fully funded over the lifetimes of current and future retirees. Implementation of a full funding policy will assure

that the Healthcare Trust remains fully funded. The City has yet to adopt a Healthcare Trust funding policy as required by the CSA and there have been no City contributions to the Trust since the CSA was signed. In the graph below, the bars represent liabilities and the lines represent the actuarial value of assets (AVA) and the market value of assets (MVA) assets.

**Healthcare Trust**



**Investment Performance**

While the simple conclusion may be to achieve higher returns or “invest our way out of this,” CRS’ investment performance has been solid relative to what the capital markets have provided. At the current level of historically low interest rates and modest economic growth, a 7.5% annualized return is a high hurdle and an optimistic assumption based on the investment consultant’s analysis. Our investment policy and portfolio allocation are already among the more aggressive pension systems in our effort to achieve the 7.5% target with an acceptable level of risk, given the high negative cash flow.

Our portfolio is well diversified across asset class, sector, investment managers and securities. The Board has recently changed the asset allocation as shown below with the goal of full implementation in 2021. The change in allocation is expected to maintain the projected rate of return with less volatility.

<u>Asset Class</u>	<u>Policy %</u>
Total Fixed Income	17.0%
Total U.S. Equity	27.5%
Total Non-U.S. Equity	23.0%
Risk Parity	5.0%
Real Estate	7.5%
Infrastructure	10.0%
Private Equity	10.0%

## **Conclusion**

The CRS Pension Trust and Healthcare Trust are undoubtedly challenged in providing promised retirement benefits. When the Collaborative Settlement Agreement was implemented, the Pension Trust and Healthcare Trust were projected to be fully funded in 30 years.

The Pension Trust is on a downward trajectory toward a 50% funded position in 30 years. The future of the Health Care Trust is also uncertain due to the lack of a funding policy as required by the CSA.

Following are possible solutions to avert these outcomes:

1. Increase City contributions to the Pension Trust above the minimum required amount of 16.25%, as provided for in the CSA. This is less than one-half of the Actuarially Determined Contribution of 33.46% for FYE 2022. For the Healthcare Trust, establish a policy to ensure the trust remains fully funded as required by the CSA;
2. Increase investment performance by increasing risk. Generally, there are several strategies affecting increased investment return. These include using different investment managers, making a riskier asset allocation, and attempting to lower fees. There is little we can do regarding these factors because we believe we have the appropriate managers, the appropriate asset allocation, and fees are already on the low end. With regard to asset allocation, the only way to increase expected returns in the future is to lower the fixed income allocation and add more to stocks or other “riskier” assets. Investment performance has been solid over time and the risk level of the portfolio is already aggressive relative to our peers. We and our investment consultant believe that taking any more risk would be imprudent. Conversely, taking less risk would decrease our chances of achieving the 7.5% target;

3. Reduce benefits. While unpopular and considered the last resort, reducing benefits would require re-opening the CSA; and
4. As the City has done before, explore issuing judgement bonds to reduce the unfunded actuarial liability. As of 12/31/2020, the unfunded actuarial liability for the Pension Trust was \$747 million.

### **Recommendation**

At this time, we recommend the following:

- That City Council immediately increase the City's employer contributions to the Pension Trust;
- That the City Manager develop, and the City Council approve, a funding policy for the Healthcare Trust to ensure that the promises to CRS members will be met well into the future. The Healthcare Trust was well funded as of the 12/31/20 valuation and does not now require an ADC amount but may in the future;
- That the City Manager develop, and the City Council approve, a plan to consistently contribute the Pension Trust ADC in the future. The ADC for FYE 2022 is \$70 million for the Pension Trust.

Immediate action is required. Further delays will result in higher contributions in future years.

cc: Paula Tilsley, Executive Director



**Cincinnati Retirement System**

City of Cincinnati  
Retirement System  
Executive Summary

**July 31, 2021**



## Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,528,027,667
Net Cash Flow	-\$13,139,864
Net Investment Change	\$934,067
Ending Market Value	\$2,515,821,871

## Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
<b>Total Fund Composite</b>	<b>2,515,821,871</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>
Fixed Income Composite	456,694,548	18.2	14.0	104,479,486
Private Debt Composite	1,906,283	0.1	3.0	-73,568,373
U.S. Equity Composite	767,350,975	30.5	27.5	75,499,960
Non-U.S. Equity Composite	577,445,596	23.0	23.0	-1,193,435
Risk Parity Composite	107,479,793	4.3	5.0	-18,311,301
Real Estate Composite	204,089,335	8.1	7.5	15,402,695
Infrastructure Composite	160,399,610	6.4	10.0	-91,182,577
Private Equity Composite	234,637,685	9.3	10.0	-16,944,502
Total Cash Equivalents	5,818,046	0.2	--	5,818,046

## Performance

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
<b>Total Fund Composite</b>	<b>0.0%</b>	<b>2.2%</b>	<b>11.0%</b>	<b>28.1%</b>	<b>10.1%</b>	<b>10.1%</b>	<b>8.7%</b>	<b>9.1%</b>	<b>May-85</b>
Target Benchmark	0.2%	2.0%	9.8%	25.9%	10.9%	10.7%	8.8%	--	May-85
<b>Fixed Income Composite</b>	<b>0.7%</b>	<b>1.9%</b>	<b>1.2%</b>	<b>5.7%</b>	<b>6.3%</b>	<b>5.2%</b>	<b>4.5%</b>	<b>5.8%</b>	<b>Nov-95</b>
BBgBarc US Aggregate TR	1.1%	2.2%	-0.5%	-0.7%	5.7%	3.1%	3.3%	5.1%	Nov-95
<b>Private Debt Composite</b>	<b>0.0%</b>	<b>9.4%</b>	<b>-13.8%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-3.6%</b>	<b>Sep-20</b>
BBgBarc US Aggregate TR	1.1%	2.2%	-0.5%	-0.7%	5.7%	3.1%	3.3%	0.2%	Sep-20
<b>U.S. Equity Composite</b>	<b>0.9%</b>	<b>3.6%</b>	<b>21.9%</b>	<b>50.1%</b>	<b>14.6%</b>	<b>15.2%</b>	<b>13.5%</b>	<b>9.9%</b>	<b>Feb-89</b>
Russell 3000	1.7%	4.7%	17.1%	38.7%	18.1%	17.4%	15.2%	11.1%	Feb-89
<b>Non-U.S. Equity Composite</b>	<b>-1.7%</b>	<b>1.0%</b>	<b>9.9%</b>	<b>33.0%</b>	<b>6.6%</b>	<b>8.4%</b>	<b>5.8%</b>	<b>6.3%</b>	<b>May-93</b>
MSCI ACWI ex USA	-1.6%	0.8%	7.4%	27.8%	7.9%	9.6%	5.4%	--	May-93
<b>Risk Parity Composite</b>	<b>0.0%</b>	<b>3.5%</b>	<b>6.7%</b>	<b>15.3%</b>	<b>9.0%</b>	<b>7.5%</b>	<b>--</b>	<b>5.0%</b>	<b>Jul-12</b>
60% Wilshire 5000/40% BarCap Aggregate	1.5%	3.8%	10.0%	21.9%	13.6%	11.9%	10.6%	10.9%	Jul-12
<b>Real Estate Composite</b>	<b>0.4%</b>	<b>3.9%</b>	<b>6.3%</b>	<b>9.1%</b>	<b>6.0%</b>	<b>6.8%</b>	<b>9.9%</b>	<b>5.4%</b>	<b>Aug-07</b>
NFI	0.0%	2.5%	5.7%	7.0%	4.4%	5.5%	8.5%	4.4%	Aug-07
NPI	0.0%	2.4%	5.4%	7.1%	5.3%	6.0%	8.7%	6.1%	Aug-07
<b>Infrastructure Composite</b>	<b>0.0%</b>	<b>1.5%</b>	<b>4.1%</b>	<b>10.1%</b>	<b>8.0%</b>	<b>5.7%</b>	<b>6.9%</b>	<b>8.1%</b>	<b>Aug-08</b>
3 Month T-Bill +4%	0.3%	1.0%	2.3%	4.1%	5.2%	5.1%	4.6%	4.5%	Aug-08
<b>Private Equity Composite</b>	<b>0.0%</b>	<b>0.0%</b>	<b>9.8%</b>	<b>35.9%</b>	<b>17.0%</b>	<b>15.8%</b>	<b>13.4%</b>	<b>8.6%</b>	<b>Jul-93</b>
Cambridge Associates All PE	0.0%	0.0%	9.9%	38.3%	20.8%	19.5%	15.6%	16.3%	Jul-93

## DISCLOSURE

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August 12, 2021

**To:** Department Directors  
**From:** Paula Boggs Muething, City Manager *PB*  
**Subject:** Cincinnati Municipal Code Chapter 121, "Remote Meetings"

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On June 23, 2021, City Council passed Ordinance No. 298-2021, enacting new Cincinnati Municipal Code Chapter 121, "Remote Meetings," to enable City public bodies (excluding Council or Council committees) to continue to use aspects of remote meetings. The Law Department received numerous questions regarding the specifics on how to hold remote meetings since the passage of this ordinance and has prepared the attached Explainer to provide guidance on this new legislation.

Attachments

## **City of Cincinnati Solicitor's Office - CMC Chapter 121, "Remote Meetings." Explainer**

On June 23, 2021, City Council passed Ordinance No. 298-2021, enacting new Cincinnati Municipal Code Chapter 121, "Remote Meetings," to enable City public bodies (but not Council or Council committees) to continue to use aspects of remote meetings. If a City public body chooses to use remote meetings, our local law has some requirements to ensure transparency.

Our local law requires the public body to provide access to its meetings "commensurate" with how the meeting is being conducted. CMC Section 121-5(d). Being "commensurate" does not mean being identical, so common sense can be used to adjust for each situation. Remote meetings offer opportunities for greater participation and public access but require additional advance planning as well. Below are some examples to help guide the decision-making process.

### **In Person**

- If a public body meets solely in person, the public body does not need to provide remote access and must allow the public to attend in person.

### **Videoconference**

- If a public body meets solely via videoconference, the body must provide electronic means for the public to be able to listen to and observe the meeting live. Permissible examples are if a public body meets solely via Zoom and livestreams the meeting via CitiCable or YouTube/Facebook Live.
- If a public body meets in person and also allows a member or members to participate via videoconference, the public body must permit members of the public to be present in person and via videoconference. The public—whether in person or remote—must be able to hear and observe the remote member (*i.e.*, the remote member must have a screen in the room).
- Please see the note below about public comment.

### **Teleconference**

- If a public body meets solely via teleconference, the body must provide electronic means for the public to be able to listen to the meeting live. Permissible examples include sharing the teleconference line or broadcasting the teleconference live via a separate technology (CitiCable, Zoom, YouTube, etc.).
- If a public body meets in person and also allows a member or members to participate via teleconference, the public body must permit members of the public to be present in person and via teleconference. The public—whether in person or calling in—must be able to hear and observe the remote member (e.g., the remote member must be audible in the room).
- Please see the note below about public comment.

### **Public Comment**

- If a public body does not typically allow public participation or comment, it need not add public participation or comment just because it is meeting remotely. But remember that the public must be able to hear and observe the meeting in real time if there is any remote participation by the public body members.
- If a public body typically has a segment of a meeting that includes public participation or comment, public remote access must be commensurate with member remote access. One

permissible example is having the public attend a meeting using the Zoom waiting room function where they are admitted into the main Zoom room for public comment periods only. The remainder of the meeting that does not involve public participation or comment may continue by another means—*e.g.*, livestreaming on CitiCable or YouTube—that allows the public to see and hear, but not otherwise participate in, the meeting.

The Ordinance authorizes the City Manager to develop regulations necessary to carry out the purposes of the Ordinance.

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Under current public health orders, you may hold a traditional in person meeting as in the past. In that case, your previous notice language should be your template.

If you choose to hold a hybrid in person and videoconference or videoconference only meeting, as allowed by Ordinance No. 298-2021, you may use the template language below for the required notice. You can adapt this language to the particular arrangements and technology your meeting uses.

Both templates assume that your meeting includes public participation but can be adapted if that is not the case.

A non-emergency remote or hybrid meeting requires at least 24 hours' notice to the public, though a longer notice period is highly recommended. If holding a remote or hybrid meeting, you should allow remote participants, if any, a reasonable amount of time to submit a request to share questions and comments in response to the final agenda.

#### **Hybrid In Person AND Videoconference**

Pursuant to Chapter 121 of the Cincinnati Municipal Code enacted by Ordinance 298-2021, the \_\_\_\_\_ will hold its meeting on \_\_\_\_\_, 2021, in person and via videoconference. Members of the public may attend the meeting in person or view it in real time on CitiCable or by livestreaming the meeting at [www.cincinnati-oh.gov/media](http://www.cincinnati-oh.gov/media). Public comments and questions may be shared by attending the meeting in person; if a member of the public wishes to comment or ask a question via videoconference, the person must submit a request to do so at least \_\_ hours in advance of the meeting at the following email address: \_\_\_\_\_@cincinnati-oh.gov. Please indicate whether your comment or question is general or related to a specific agenda item. You will receive a reply email containing instructions for participation via videoconference. Further details regarding remote viewing or participation may be found at the following link: \_\_\_\_\_.

#### **Videoconference ONLY**

Pursuant to Chapter 121 of the Cincinnati Municipal Code enacted by Ordinance 298-2021, the \_\_\_\_\_ will hold its meeting on \_\_\_\_\_, 2021, via videoconference. Members of the public may view the meeting in real time on CitiCable or by livestreaming the meeting at [www.cincinnati-oh.gov/media](http://www.cincinnati-oh.gov/media). If a member of the public wishes to comment or ask a question, the person must submit a request to do so at least \_\_ hours in advance of the meeting at the following email address: \_\_\_\_\_@cincinnati-oh.gov. Please indicate whether your comment or question is general or related to a specific agenda item. You will receive

a reply email containing instructions for participation via videoconference. Further details regarding remote viewing or participation may be found at the following link:

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EMERGENCY

City of Cincinnati

MSS

*AWB*

An Ordinance No. 298

-2021

**MODIFYING** Title I, "Council and Corporation Miscellany," by enacting new Chapter 121, "Remote Public Meetings," of the Cincinnati Municipal Code, to allow public bodies of the City, except Council and its committees, to conduct public meetings remotely.

WHEREAS, the experience gained over the past year under emergency measures suspending some aspects of the Ohio Open Meetings Act has shown that both the public and required attendees benefit from the ability to attend public meetings remotely using modern communications technology; and

WHEREAS, using widely available technology to increase public access to and public participation in such meetings is desirable because it increases transparency regarding the operations of local government; and

WHEREAS, allowing remote attendance by members of public bodies at such meetings increases flexibility and encourages public service by decreasing the burden associated with such service, especially when meetings extend beyond the regular workday; now, therefore,

BE IT ORDAINED by the Council of the City of Cincinnati, State of Ohio:

Section 1. That new Chapter 121, "Remote Public Meetings," of Title I, "Council and Corporation Miscellany," of the Cincinnati Municipal Code, is hereby enacted as follows:

Sec. 121-1. - Definitions.

For purposes of this chapter, the words and phrases defined in this chapter shall have the meanings ascribed to them unless a different meaning is clearly indicated by the context.

Sec. 121-1-H. - Hearing.

"Hearing" means an administrative hearing or other hearing at which a person may present written or oral testimony on a matter before a public body.

Sec. 121-1-M. - Meeting.

"Meeting" has the same meaning as ascribed in O.R.C. § 121.22.

Sec. 121-1-P. - Public Body.

**“Public body” has the same meaning as ascribed in O.R.C. § 121.22, and includes those boards, commissions, and institutions created by the city’s charter or by ordinance, except that it does not include the council or any of its committees or subcommittees.**

**Sec. 121-3. – Remote Open Meetings Allowed.**

**Members of the city’s public bodies may hold and attend meetings and may conduct and attend hearings by means of teleconference, video conference, or any other similar technology.**

**Sec. 121-5. – Effect of Remote Attendance.**

**During any open meeting or hearing of a public body at which members of the public body appear remotely by means of teleconference, video conference, or any other similar technology, all of the following shall apply:**

- (a) Any resolution, rule, determination, vote, or formal action of any kind shall have the same effect as if it had occurred during an open meeting or hearing of the public body held pursuant to O.R.C. § 121.22.**
- (b) Members of a public body who attend meetings or hearings by means of teleconference, video conference, or any other similar technology shall be considered present as if in person at the meeting or hearing, shall be permitted to vote, and shall be counted for purposes of determining whether a quorum is present at the meeting or hearing.**
- (c) Public bodies shall provide notification of meetings and hearings held under this section to the public, to the media that have requested notification of a meeting, and to the parties required to be notified of a hearing, at least twenty-four hours in advance of the meeting or hearing by reasonable methods by which any person may determine the time, location, and the manner by which the meeting or hearing will be conducted, except in the event of an emergency requiring immediate official action. In the event of an emergency, the public body shall immediately notify the news media that have requested notification or the parties required to be notified of a hearing of the time, place, and purpose of the meeting or hearing.**
- (d) The public body shall provide the public access to a meeting held under this section, and to any hearing held under this section that the public would otherwise be entitled to attend, commensurate with the method in which the meeting or hearing is being conducted, including, but not limited to, live-streaming by means of the internet, local radio, television, cable, or public access channels, call in information for a teleconference, or by means of any other similar technology. The public body shall ensure that the public can observe and hear the discussions**

and deliberations of all the members of the public body, whether the member is participating in person or electronically.

- (e) When members of a public body conduct a hearing by means of teleconference, video conference, or any other similar technology, the public body must establish a means through the use of equipment that is widely available to the general public to converse with witnesses and to receive documentary testimony and physical evidence.

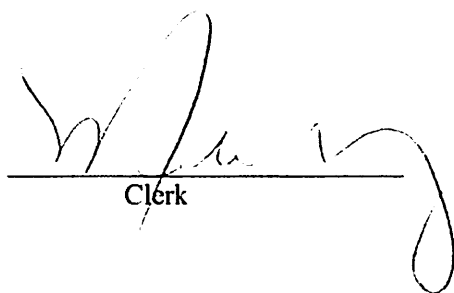
Section 2. That the City Manager is hereby authorized develop regulations necessary to carry out the purposes of this ordinance.

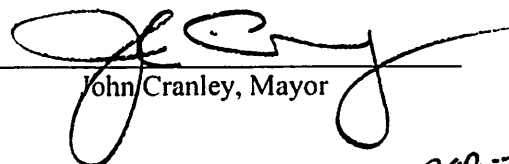
Section 3. That the authority granted by this ordinance applies notwithstanding any conflicting provision of O.R.C. § 121.22, but nothing in this section shall be construed to negate any provision of O.R.C. § 121.22 not in conflict with this ordinance.

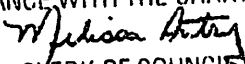
Section 4. That the proper City officials are authorized to do all things necessary and proper to carry out the terms of Sections 1 through 3 hereof.

Section 5. That this ordinance shall be an emergency measure necessary for the preservation of the public peace, health, safety, and general welfare and shall, subject to the terms of Article II, Section 6 of the Charter, be effective immediately. The reason for the emergency is the immediate need to enable the continuation of remote meeting capabilities for city public bodies following expiration of statewide orders.

Passed: June 23, 2021

Attest:   
Clerk

  
John Cranley, Mayor

I HEREBY CERTIFY THAT ORDINANCE NO 298-2021  
WAS PUBLISHED IN THE CITY BULLETIN  
IN ACCORDANCE WITH THE CHARTER ON 7.14.2021  
  
CLERK OF COUNCIL