



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

June 9, 2022 / 2:00 P.M.
City Hall, Council Chambers and via Zoom

Members

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

Administration

Mike Barnhill
Ann Schooley

Call to Order

Approval of Minutes

- ✚ Meeting Minutes – May 5, 2022

Report from Performance Evaluation Committee

Report from Elections Committee

Informational - Executive Director's Report

- ✚ Market Update (Marquette)
- ✚ Passage of Emergency Executive Session Ordinance
- ✚ HIPAA Update
- ✚ Website Posting re Stale-dated checks
- ✚ NCPERS Chief Officer Summit
- ✚ CRS reporting requirements
- ✚ 457 plan auto-enroll legislation at state level

Unfinished Business

- ✚ Outstanding Opinions (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.

New Business

- ✚ Discussion with Law Dept Regarding Procedure to Conduct Election Following No Filing for Seat
- ✚ CRS Budget Update Items
 - Position Upgrades
 - Extending temporary staff by 8 weeks
 - Horan healthcare consulting proposal
 - Legal counsel: General Counsel and Board Fiduciary Counsel



✚ 2021 Actuarial Valuations (Cheiron)

Adjournment

Next Meeting: Thursday, July 14, 2022, 2:00 P.M. City Hall Council Chambers and via Zoom



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
May 5, 2022/ 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members Present

Bill Moller, Chair
Mark Menkhaus, Jr.
Kathy Rahtz
Don Stiens
Erica Winstead
John Juech
Jeff Cramerding

Administration

Mike Barnhill
Ann Schooley

CALL TO ORDER

Chair Moller called the meeting to order at 2:11 p.m. and a roll call of attendance was taken. Trustees Moller, Menkhaus, Rahtz, Stiens, Juech, and Winstead were present. Trustees Gamel and Cramerding were absent. Trustee Cramerding joined the meeting at approximately 2:40pm.

APPROVAL OF MINUTES

Approval of the minutes of the Board meeting of April 7, 2022, was moved by Trustee Rahtz and seconded by Trustee Stiens. The minutes were approved by unanimous roll call vote.

REPORT FROM INVESTMENT COMMITTEE

Trustee Moller provided a summary of the Investment Committee's meeting today. The Committee heard presentations from two private equity investment managers (Sigular Guff and BPEA) regarding small cap buyout private equity proposals. The Committee approved retaining Sigular Guff and funding the investment with \$25mm. The Board approved the retention of Sigular Guff to manage \$25mm by a unanimous roll call vote.

The Committee heard from Brett Christiansen from Marquette, who presented on the current market environment, the CRS 1Q 2022 results, and Marquette's efforts with respect to Diversity, Equity and Inclusion on behalf of their investment clients. The Committee approved the Marquette 1Q 2022 report. The Board approved the Marquette 1Q 2022 report by a unanimous roll call vote.

The Committee held over for the next meeting discussion on rebalancing methods.

REPORT FROM GOVERNANCE COMMITTEE

Trustee Menkhaus provided a summary of the Governance Committee meeting. The Governance Committee had sought advice from the Law Department on the role of DROP participants in CRS elections. The Law Department advised that the issue was a business decision within the discretion of the Board. Trustee Menkhaus noted that currently DROP members vote in the Active Trustee election.

Trustee Menkhaus reported that the Committee passed an amendment to Section VII(B)(4) of the Board rules by a vote of 3-1. This amendment adds DROP members to the language regarding the sending of the opening of nominations via email to City employees. Trustee Stiens asked a question about whether DROP participants could run as a retiree trustee. Ms. Schooley agreed to research the question. Trustee Stiens moved, and Trustee Menkhaus seconded, to table the motion. The Board passed the motion to table by unanimous roll call vote.

Trustee Moller asked whether tabling the motion would impact the election process. Director Barnhill stated that it would not. CRS currently treats DROP participants as actives for purposes of voting in the election, and that practice would continue until other direction is provided by the Board.

Informational – Executive Director’s Report

- Budget Update. Trustee Moller remarked on the disappointing market results.
- Demographic and DROP Reports. Director Barnhill observed that mortality rates do not appear to have been materially impacted by the COVID pandemic.
- Fiduciary Insurance. Director Barnhill reported that the policy limit of \$7mm has not been adjusted in over 10 years. A request has been made for quotes on higher limits. Other similarly situated systems appear to purchase fiduciary insurance with policy limits in the range of \$10-\$20mm. Director Barnhill indicated he may recommend an increase in policy limits when he brings back quotes for the Board’s consideration. These quotes may or may not have a budget impact.
- Council budget policy motion. City Council passed an aspirational budget policy motion calling for a \$1mm increase in general fund contributions to CRS. Trustee Juech remarked that the policy document is aspirational and provided caution that upcoming budgets may be more difficult. Trustee Moller stated that the motion only addresses general fund contributions; the other funds that contribute to the City’s contribution would also need to be increased, Mr. Barnhill confirmed that the Board’s recommendation regarding increasing the City’s contribution by 0.5% was transmitted to the Council that morning.
- Anthem Member Connect Program. This is a slide deck explaining the Anthem program, which is intended to identify and reach out to members who may be isolated and at risk. Mr. Barnhill is providing the information to increase awareness that Anthem is unilaterally reaching out to members. The program is well intentioned, but members may be surprised if they get a call.
- CRS Dept Update. Mr. Barnhill reported that CRS is experiencing a fair amount of turnover. The Great recession and inflation are impacting retention everywhere including CRS. Mr. Barnhill indicated he would bring a proposal to the next meeting to improve retention. Trustee Moller stated that it would be helpful to have the HR department’s input.
- Ohio Inst Investors program annually in Columbus on June 9. Same day as board meeting.

UNFINISHED BUSINESS

Outstanding Opinions:

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.

A. Schooley reported there is no update. Mr. Barnhill reported that he has had discussions with the Law Dept on Item 2.

Legal Report on Executive Session Issue

Currently there are three matters regarding eligibility for healthcare benefits for disabled adult children pending before the Benefits Committee. The Board has inquired whether it or the Benefits Committee may go into executive session to discuss these matters.

Director Barnhill introduced the issue and advised that he believed there was a basis for going into executive session to discuss matters related to disabilities. Ms. Schooley requested that her written email describing the Board's options be distributed to the Board. The Board adjourned briefly while Mr. Barnhill transmitted the Law Dept's email.

The Board then discussed Law's email, which sets out three options for the Board. Ms. Schooley explained the first option: Request Council to pass an ordinance authorizing executive session for these purposes.

Mr. Moller summarized the other options: (2) Board or Benefits Committee can meet in person in open session to discuss the matter, and (3) the Board or Benefits Committee can meet in executive session under the imminent litigation exception. Mr. Moller expressed the view that litigation was not imminent. Therefore, he did not think that option was available at this time.

Ms. Rahtz asked for an explanation of the process to enact an ordinance. Ms. Schooley said that Director Barnhill would submit a drafting request, the Law Dept would draft and return the proposed ordinance for his review. The draft ordinance would then be submitted to Council for consideration. The Mayor controls the agenda, the ordinance is referred to committee and then to the full Council for vote. Ms. Schooley requested any drafting request be submitted soon. Trustee Moller asked if the process could be expedited if requested by a Council member. Ms. Schooley demurred.

Trustee Cramerding endorsed seeking an ordinance.

Trustee Moller expressed that normally he would prefer to go into executive session since that had been the historic practice of the Board, but was concerned that the Law Dept was expressing caution on that route. At this time, the first two options seem to be the only available options.

Trustee Rahtz expressed concern about the added time it would take to get an ordinance passed.

Trustee Rahtz moved, and Trustee Stiens seconded, for the Benefits Comm to meet and go into executive session to take up the pending matters. Trustee Stiens asked if the Committee could come out of executive session to deliberate. Ms. Schooley and Trustee Moller concurred that is appropriate when using executive session. Trustee Cramerding and Trustee Juech expressed the view that the Law Dept was recommending

against going into executive session because of litigation risk.

Mr. Barnhill indicated that he has drafted a comprehensive memo for the Board's consideration. An alternative would be for the memo to be distributed or posted on the Board's confidential portal, and the Board could meet in open meeting to proceed further, in the same manner as it has done with disability cases.

Trustee Stiens expressed his view that Law was not recommending against going into executive session, just that there is some risk in doing so. Trustee Cramerding re-stated his opposing view. Trustee Moller concurred.

The motion failed on a vote of 3-4. Yes: Menkhaus, Stiens, Rahtz. No: Cramerding, Juech, Winstead, Moller.

Trustee Moller then moved options 1 and 2 from the Law email. Option 1 would be to seek an ordinance authorizing executive session, and Option 2 would be for the Benefits Committee to meet in person in open meeting to discuss the pending matters. Trustee Juech seconded the motion.

Trustee Juech sought clarification from Law on the use of executive session. Ms. Schooley provided additional background on the relation between the Open Meetings Act and executive session.

Trustee Rahtz expressed the view that Options 1 and 2 are alternatives. Trustee Moller asked if executive session would be livestreamed. Ms. Schooley replied no.

Trustee Moller then amended his motion to remove Option 2, and only proceed with Option 1. The amendment was seconded by Trustee Cramerding. The Board approved the amended motion unanimously following roll call vote.

NEW BUSINESS

Trustee Moller observed that there were delays in the meetings today. Trustee Moller asked about in person and remote participation in relation to the livestream. Ms. Schooley expressed the view that that practice could continue as long as the meeting is livestreamed.

Trustee Juech explained his recent absences and that he intends to remain on the Board.

Adjournment

Following a motion to adjourn by Trustee Stiens and seconded by Trustee Winstead, the Board approved the motion by unanimous roll call vote. The meeting adjourned at 3:11 P.M.

Meeting video link: <https://archive.org/details/crs-board-meeting-5-5-22>

Next Meeting: June 9, 2022 at 2:00 p.m.

Secretary

DRAFT



Cincinnati Retirement System

City of Cincinnati
Retirement System
Executive Summary

April 30, 2022

Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,483,119,625
Net Cash Flow	-\$14,150,858
Net Investment Change	-\$109,567,127
Ending Market Value	\$2,359,401,639

Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
Total Fund Composite	2,359,401,639	100.0	100.0	0
Fixed Income Composite	335,096,094	14.2	14.0	4,779,864
Private Debt Composite	13,900,687	0.6	3.0	-56,881,362
U.S. Equity Composite	693,343,222	29.4	30.5	-26,274,278
Non-U.S. Equity Composite	447,308,994	19.0	20.0	-24,571,334
Risk Parity Composite	60,092,644	2.5	2.5	1,107,603
Volatility Risk Premium Composite	57,326,784	2.4	2.5	-1,658,257
Real Estate Composite	237,953,165	10.1	7.5	60,998,042
Infrastructure Composite	258,082,818	10.9	10.0	22,142,654
Private Equity Composite	249,733,386	10.6	10.0	13,793,222

Performance

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	-4.4%	-4.5%	-7.0%	0.4%	8.8%	7.9%	8.2%	8.9%	May-85
Target Benchmark	-4.7%	-4.7%	-7.3%	-0.4%	9.1%	8.5%	8.4%	--	May-85
Fixed Income Composite	-3.8%	-6.9%	-8.8%	-7.6%	1.8%	2.4%	3.1%	5.3%	Nov-95
Bloomberg US Aggregate TR	-3.8%	-7.5%	-9.5%	-8.5%	0.4%	1.2%	1.7%	4.5%	Nov-95
Private Debt Composite	0.0%	0.0%	0.0%	13.1%	--	--	--	-0.2%	Sep-20
Bloomberg US Aggregate TR	-3.8%	-7.5%	-9.5%	-8.5%	0.4%	1.2%	1.7%	-6.6%	Sep-20
U.S. Equity Composite	-8.1%	-6.7%	-11.6%	-2.1%	11.9%	11.0%	12.0%	9.5%	Feb-89
Russell 3000	-9.0%	-8.4%	-13.8%	-3.1%	13.1%	13.0%	13.3%	10.6%	Feb-89
Non-U.S. Equity Composite	-6.2%	-9.1%	-11.7%	-10.6%	3.7%	3.5%	5.1%	5.7%	May-93
MSCI ACWI ex USA	-6.3%	-8.0%	-11.4%	-10.3%	4.3%	4.9%	5.0%	--	May-93
Risk Parity Composite	-4.3%	-4.9%	-8.1%	-1.7%	5.5%	5.8%	--	4.1%	Jul-12
60% Wilshire 5000/40% BarCap Aggregate	-6.9%	-7.9%	-11.9%	-4.6%	8.5%	8.6%	8.9%	9.1%	Jul-12
Volatility Risk Premium Composite	-5.3%	-4.5%	--	--	--	--	--	-4.5%	Jan-22
CBOE Put Write Index	-4.2%	-0.2%	-2.5%	10.9%	8.7%	6.5%	7.2%	-0.2%	Jan-22
Real Estate Composite	0.8%	6.9%	7.2%	28.2%	11.9%	10.1%	11.1%	6.7%	Aug-07
NFI-ODCE	0.0%	4.7%	7.2%	25.8%	10.2%	8.8%	9.8%	5.7%	Aug-07
NPI	0.0%	3.5%	5.3%	20.5%	9.4%	8.4%	9.5%	7.0%	Aug-07
Infrastructure Composite	0.0%	1.5%	1.4%	9.6%	9.9%	7.3%	7.1%	8.3%	Aug-08
3 Month T-Bill +4%	0.3%	1.0%	1.4%	4.1%	4.6%	5.1%	4.6%	4.5%	Aug-08
Private Equity Composite	0.0%	0.0%	0.0%	19.3%	19.8%	18.0%	14.8%	9.1%	Jul-93
Cambridge Associates All PE	0.0%	0.0%	0.0%	19.7%	26.3%	22.3%	17.7%	16.7%	Jul-93

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EMERGENCY

City of Cincinnati

AKS

An Ordinance No. _____

-2022

MODIFYING Chapter 121, “Remote Public Meetings,” of the Cincinnati Municipal Code by amending the title of Chapter 121, “Remote Public Meetings,” to “Open Meetings” to expand the Chapter’s scope to address the use of executive sessions; and **ORDAINING** new Section 121-7 “Use of Executive Session by the Board of the Cincinnati Retirement System” to allow the Board of the Cincinnati Retirement System to adjourn into executive session to discuss disability retirement applications, other individual eligibility issues, and personal medical and financial information of individual members and beneficiaries of the Cincinnati Retirement System related to the benefits provided to the members of the system, in order to protect the personal information of its members and beneficiaries.

WHEREAS, Sections 145.07 and 145.27 of the Ohio Revised Code authorize the use of executive session when the Ohio Public Employees Retirement System Board is discussing medical records or the degree of disability of a member or other information contained in the “personal history record” of an individual; and

WHEREAS, the State Teachers Retirement System and Public School Employees Retirement System boards are also permitted to adjourn into executive session to discuss medical records and the “personal history record” of an individual; and

WHEREAS, Ohio Revised Code Section 145.27 defines a “personal history record” as information maintained by the Ohio Public Employees Retirement System on an individual (whether a member or beneficiary) that includes address, phone number, social security number, contribution record, correspondence with the system or other information deemed by the board to be confidential and also provides for keeping medical reports and recommendations confidential; and

WHEREAS, Council desires to allow similar protections for the personal and medical information of the members and beneficiaries of the Cincinnati Retirement System; now, therefore,

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

Section 1. That the title of Chapter 121, “Remote Public Meetings,” of the Cincinnati Municipal Code is hereby amended as follows:

Chapter 121 – Open Meetings ~~Remote Public Meetings~~

Section 2. That new Section 121-7, “Use of Executive Session by the Board of the Cincinnati Retirement System” of Chapter 121, “Remote Public Meetings,” of the Cincinnati Municipal Code, is hereby ordained as follows:

Sec. 121-7. – Use of Executive Session by the Board of the Cincinnati Retirement System.

During any open meeting of the Board of the Cincinnati Retirement System, the Board may adjourn into executive session for the purpose of discussing the following information related to an individual who is a member, former member, contributor, or beneficiary of the retirement system:

- (a) Address, telephone number, email address, social security number, and date of birth;
- (b) Record of contributions;
- (c) Statements of previous service and other information on an individual gathered for the operation of the retirement system;
- (d) The amount of a monthly allowance, pension, or benefit paid to the individual; and
- (e) Medical records and other information, including but not limited to personal financial information, that is gathered or maintained by the retirement system to determine eligibility for benefits.

Section 3. That the City Manager is hereby authorized to develop rules and regulations necessary to carry out the purposes of this ordinance.

Section 4. 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 5. That the proper City officials are authorized to do all things necessary and proper to carry out the terms of Sections 1 through 4 hereof.

Section 6. 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 allow the Cincinnati Retirement System Board to discuss matters relating to the benefit eligibility of its members and beneficiaries in executive session to protect the medical and personal privacy of such members and beneficiaries.

Passed: _____, 2022

Aftab Pureval, Mayor

Attest: _____
Clerk



To: CRS Board of Trustees
From: Michael Barnhill, Executive Director
Date: June 6, 2022

Re: Proposal for Consolidated CRS Annual Report

As shown on the attached, there are at least eight different reporting requirements related to CRS in various governing documents, including the CSA, the City's Administrative Code, the Board's Governance Manual, the Board Rules, and Board policy. I am proposing to create one consolidated annual report that will attempt to satisfy all of these reporting requirements.

Note, two of the CSA reporting requirements (see Source Summary #7 and #8 below) are directed at "the City and Class Counsel." The Board has recently adopted a Trustee Goal to "[a]ssure and facilitate compliance with the CSA" and a Trustee Responsibility to "provide information and documentation as required by the CSA." While the CSA reporting items are not Board or System responsibilities, inclusion of these items in the consolidated report will provide their status and may assist in completing these requirements.

We are also planning to develop a CRS annual financial report in the Popular Financial Report format. Currently, CRS financials are reported in the City's Annual Comprehensive Financial Report on the City's fiscal year calendar (July 1-June 30). At this point, we think we would do the CRS Popular Financial Report on a calendar year basis. We haven't started this project yet, and I do not have a timeline for it at this time.

In terms of timeline for completion and submission of a consolidated CRS report, the only current specified due date is in Board policy (September 30). Although it may take some time to develop a complete annual report, it is feasible to begin reporting this year.

I request a discussion with and guidance from the Board as to how it would like to proceed. Next steps would include defining reporting requirements, some consolidation of these reporting requirements into one standard reporting format, and determining a standard process for dissemination.

DRAFT
Format for Consolidated CRS Annual Report

A. Introduction

1. Background
2. Update from last member handbook

B. CRS Board

1. Board Members
2. Member attendance, travel and education

C. CSA and CMC Compliance

1. All steps to comply with CSA
2. Attainment of CSA goals and requirements
3. Identify areas of non-compliance; plan to remedy
4. Schedule of Funding Ratios
5. CMC Compliance

D. Ethics Compliance

E. Current Audit Issues

1. State Audit
2. CRS Issues in City Annual Comprehensive Financial Report

F. Investment

1. Investment results
2. Investment performance and attribution

G. Financial

1. Current balance sheet
2. Fiscal transactions

H. Actuarial Status

1. Pension
2. OPEB

Report Exhibits

- A. Current Pension and Valuations
- B. Current Marquette Investment Report
- C. (Future) CRS Popular Financial Report

Required CRS Reports Source Summary

1. Schedule of Funding Ratios

Who: CRS Actuary

What: Chart that shows

- a. Annual Target Funded Ratio
- b. Annual Minimum Funded Ratio
- c. Maximum Funded Ratio

When: Annually; Revised every 5 years

Source: CSA, sec. 35(iii)

2. Annual Report to Council

Who: CRS Board

What:

- a. Success at meeting investment and funding objectives
- b. Investment performance and attribution
- c. Compliance with conflict of interest and ethics policies
- d. Compliance with benefit delivery policies
- e. Results of external and internal audit findings and follow-up efforts
- f. Board member attendance, travel and educational efforts

When: Annually

Source: City Administrative Code, art. XV, sec. 1(h)

3. Annual Report to Council

Who: CRS Board

What:

- a. Fiscal transactions of the retirement system for the calendar year
- b. Amounts of accumulated cash and securities
- c. Last balance sheet showing the financial condition by means of an actuarial valuation of assets and liabilities

When: Annually

Source: City Administrative Code, art. XV, sec. 5

4. Annual Report to Council

Who: CRS Board

What:

- a. Fiscal transactions of the CRS for the calendar year
- b. Amounts of accumulated cash and securities
- c. Financial condition by means of an actuarial valuation of assets and liabilities
- d. Investment performance
- e. Success at meeting investment and funding objectives
- f. Compliance with conflict of interest and ethics policies

When: Annually

Source: CRS Board Governance Manual, sec. 4(r)

5. Annual Report to Council

Who: CRS Board

What: a. CRS Financial condition
b. Summarize pension and OPEB actuarial valuations

When: Annually, by Sept. 30

Source: Board Policy, 2019

6. Annual Report for Public

Who: CRS Board

What: a. Name of each member of the CRS Board
b. Summary description of any material modification of the retirement system since the last publication of the Member Handbook
c. Concise and accurate compilation of the financial statements, but not the notes, required by Rule XVIII(B)
d. Restatement of the summary of principal valuation results, or substantially similar data, as reported by the Retirement System's actuary
e. Other material necessary to summarize fairly and accurately the annual disclosure of financial and actuarial status

When: Annually

Source: CRS Board Rules, Rule XIX

7. Compliance Review Report

Who: City and Class Counsel

What: Compliance review re CSA implementation

When: Regularly

Source: CSA, sec. 52.

8. Status Report

Who: City and Class Counsel

What: a. All steps to comply with CSA
b. Attainment of CSA goals and requirements
c. Identify areas of non-compliance; plan to remedy

When: Every 12 months

Source: CSA, sec. 53

**Required CRS Reports
Text**

1. CSA, sec. 35(iii): Schedule of Funding Ratios

- iii. The actuaries of the CRS will create a Schedule of Funded Ratios (Preliminary). This chart will show the Annual Target Funded Ratio (Column 1), which, if achieved throughout the term of this Agreement, would result in the CRS Pension

39

Fund being fully funded at its expiration. It will be incorporated into this Agreement by reference. The Annual Minimum Funded Ratio (Column 2) will be equal to 90 percent of each year's Annual Target Funded Ratio. The Maximum Funded Ratio (Column 3) will be equal to 110 percent of each year's Annual Target Funded Ratio. If the Funded Ratio remains below the yearly Annual Minimum Funded Ratio or above the Maximum Funded Ratio for five consecutive years, any party may seek to reopen the Consent Decree. However, if the five-year annualized actual CRS return for that stated period has not exceeded the blended five year annualized actual return for that period of 75 percent of the S&P 500 Index and 25 percent of the Barclay (formerly Lehman) US Bond Index, no request for an Annual Minimum Funded Ratio reopener shall be made. The Parties further agree that the above-referenced Schedule of Funded Ratios will be revised every five years to more accurately reflect the assets and liabilities of the CRS;

2. Admin Code, art. XV, sec. 1(h): Annual Report to Council

- h) The board shall report to council at least annually on the following issues:
 - i. Success at meeting the investment and funding objectives.
 - ii. Investment performance and attribution.
 - iii. Compliance with conflict of interest and ethics policies.
 - iv. Compliance with benefit delivery policies.
 - v. Results of external and internal audit findings and follow-up efforts.
 - vi. Board member attendance, travel, and educational efforts.

3. Admin Code, Sec. 5: Annual Report to Council

Sec. 5. Record of Proceedings; Financial Reports.

The board shall keep a record of its proceedings, which shall be open to public inspection. It shall report to council annually showing the fiscal transactions of the retirement system for the calendar year, the amounts of accumulated cash and securities and the last balance sheet showing the financial condition by means of an actuarial valuation of assets and liabilities.

4. Board Governance Manual, sec. 4(r): Annual Report to Council

- r. The Board shall **report** to Council annually on the following issues:³⁸
 - i. The fiscal transactions of the CRS for the calendar year,
 - ii. The amounts of accumulated cash and securities,
 - iii. The financial condition by means of an actuarial valuation of assets and liabilities,
 - iv. Investment performance,
 - v. Success at meeting the investment and funding objectives, and
 - vi. Compliance with conflict of interest and ethics policies.

5. Board Policy, 2019: Annual Report to Council

Cincinnati Retirement System Board Policy

Policy Name:	CRS Annual Report to City Council				
Approval Authority:	CRS Board of Trustees	Adopted:	May 2, 2019	Reviewed:	
Responsible Executive:	Paula Tilsley	Revised:	April 4, 2019		

1. **Policy Statement**

The CRS Board shall provide a report to Cincinnati City Council annually on the financial state of the CRS by September 30th

2. **Reason for Policy**

Article XV of the Municipal Code, CRS Governance Manual, Section 4 r., page 10

3. **Guidelines**

- CRS shall report on the financial condition of the CRS by summarizing the results of the actuarial valuations for the pension trust and the 115 health care trust that are developed by the CRS actuary as of the end of each calendar year.

6. Board Rules. Rule XIX: Annual Report for Public

Rule XIX Annual Report

The Secretary shall prepare, send to members and persons receiving benefits and make available for public inspection an annual report.

The annual report must contain:

- A. The name of each member of the Board
- B. A summary description of any material modification of the retirement System since the last publication of the Member Handbook.
- C. A concise and accurate compilation of the financial statements, but not the notes, required by Rule XVIII(B).
- D. A restatement of the Summary of Principal Valuation Results, or substantially similar data, as reported by the Retirement System's actuary.
- E. Other material necessary to summarize fairly and accurately the annual disclosure of financial and actuarial status.

7. CSA, sec. 52, Compliance Review Report

52. General Compliance Reviews: In order to monitor and report on the implementation of this Agreement and Consent Decree, the City and Class Counsel shall regularly conduct compliance reviews to ensure that Defendants have implemented and continue to implement all measures required by this Agreement. Each Party shall designate counsel to serve as liaisons to the Court for compliance purposes. This counsel shall serve as a liaison between the City and the Court, and shall assist with the City's compliance with this Agreement. The City will provide access to such public documents as are required to properly ensure compliance with the terms set forth in this Agreement. Liaison counsel will be permitted to apply for an award of fees for any services rendered to be paid by the City. The City shall be liable for payment of liaison counsel fees up to \$5,000 in any given year.

8. CSA, sec. 53, Status Report

53. Regular Status Reports: Beginning six months after the Effective Date, and every 12 months thereafter until this Agreement is terminated, the City and Class Counsel shall file a status report with the Court, including any supporting documentation, delineating all steps taken during the reporting period to comply with this Agreement. These reports shall track the Defendants' attainment of the requirements and goals contained in this Agreement, identify any areas of alleged non-compliance, instruct the Court as to how the Parties intend to remedy any areas of alleged non-compliance and, if necessary, request that the Court issue orders on compliance as necessary. If the Court issues any such order to ensure compliance with this Agreement and the related Consent Decree, the Party or Parties subject to the Order shall have 60 days from receipt of such Order to cure the asserted failure. On or before the termination of this 60 day period, the Party or Parties subject to the Order shall file an additional report with the Court documenting efforts taken to comply with the Court's Order. The Court may award reasonable attorneys' fees incurred by any party to secure compliance with this Agreement and require the responsible Party or Parties to this Agreement to pay the same.

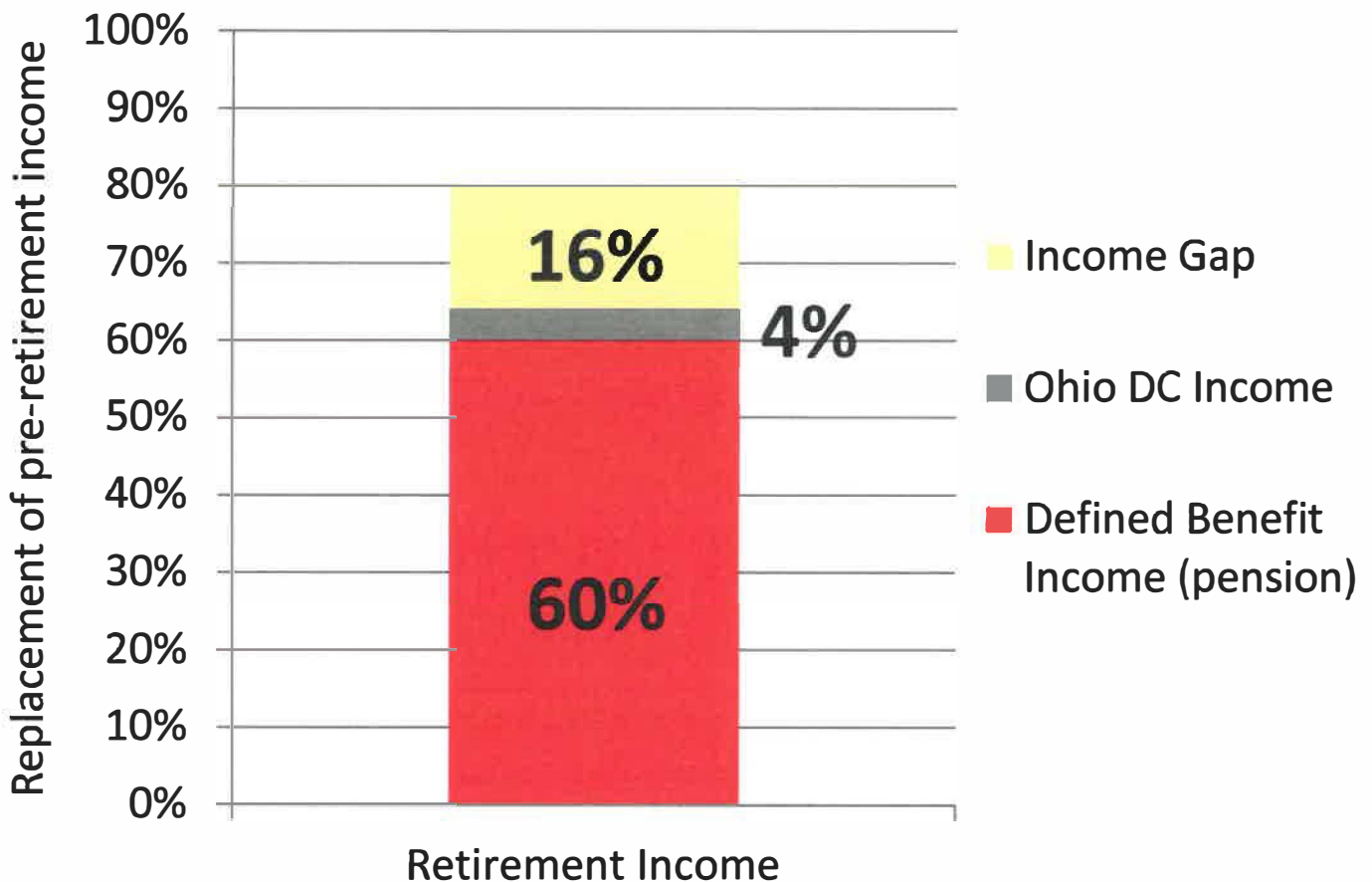


OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

Retirement Income Gap

Approximate Full-Service Pension Benefit



City of Cincinnati 457 Plans (as of 12/31/2021)	Mission Square (ICMA)	Ohio 457	Total
Number of Contributing Participants	2,910	2,734	5,644
Total Plan Balance	\$251,787,274	\$337,977,080	\$589,764,354
Average Account Balance	\$86,525	\$123,620	\$104,494



To: CRS Board of Trustees
From: Michael Barnhill, Executive Director
Date: June 6, 2022

Re: 2022 Budget Update

This memo details a number of budget update items.

1. Position Upgrades

As I have mentioned in previous meetings, CRS is undergoing a fair amount of turnover. We had three staff departures in one month, and at this point we have not been able to fill two of the vacancies. Our staff complement at this time is only 12 positions. We are using temp staff to plug the gap, so we are keeping up, though I routinely get complaints about our inability to answer the phones. At this time, all calls go to voicemail (this practice was started long before my arrival).

With the Great Recession and the advent of persistent and high levels of inflation, CRS is highly exposed to further staff departures. It's not just CRS; this week I learned that the City's IT department (ETS) has 13 vacancies. When positions come open that our staff are qualified for, and they provide the possibility for an increase in pay, our staff will have a natural incentive to leave under the current circumstances.

The CRS team that is in place is terrific. There is a high level of commitment to the CRS mission and I regularly see staff go the extra mile. I tell them that they work miracles every day. But we are understaffed and at times work here can be stressful.

My proposal is to upgrade 4 positions. These upgrades will help to retain these staff so that they will have less incentive to leave for better prospects elsewhere. Departure of these staff would have severe impacts on the ability to operate the system. The proposed upgrades with 2022 costs (assuming a July 1 implementation) are as follows:

Supervising Management Analyst -> Division Manager:	\$5,362
Sr. Admin. Specialist -> Supervising Management Analyst:	\$3,800
Admin. Specialist -> Sr. Admin. Specialist:	\$2,565
<u>Sr. Computer Programmer Analyst -> Computer System Analyst:</u>	<u>\$2,400</u>
Total for 2022	\$14,127

We are not seeking an increase to the current personal services budget. The current vacancies, plus the unfilled Member Counselor position have created a budget surplus that is available to

pay these amounts. The position upgrades, however, will have an impact on the Office Staff budget for 2023. Therefore, we are bringing this to the Board’s attention now.

For the Board’s reference, the approved 2022 Office Staff budget is here:

2022 CRS CASH FLOW BUDGET							
<u>I. OPERATING EXPENSES</u>	<u>2022</u> <u>BUDGET</u>	<u>% Cost of</u> <u>Operations</u>	<u>2021</u> <u>Actual</u>	<u>% Cost of</u> <u>Operations</u>	<u>2021</u> <u>Positive(Negative)</u> <u>Variance</u>	<u>2021</u> <u>BUDGET</u>	<u>% Cost of</u> <u>Operations</u>
<u>A. Office Staff</u>							
1. Salaries & Wages	1,330,000	45.98%	1,130,796	50.85%	83,204	1,214,000	44.77%
2. Fringe (35%)	466,000	16.11%	330,011	14.84%	94,989	425,000	15.67%
3. Temporary Services	10,000	0.35%	0	0.00%	10,000	10,000	0.37%
A. Total Office Staff	1,806,000	62.44%	1,460,807	65.69%	188,193	1,649,000	60.81%

2. Extending Temporary Staff by 8 weeks

As noted, we have plugged the staffing hole resulting from the vacancies with temporary staff. The temporary staff was funded by the \$10,000 Temporary Services line item reflected above. We exhausted that funding source at the end of May. We propose to transfer \$10,000 from the Salaries & Wages line to the Temporary Services line to extend this funding by another 8 weeks. Our hope is that we will be able to fill the vacancies within this time.

We are not seeking an increase to the CRS Office Staff budget for this extension.

3. Horan Healthcare Consulting Proposal

In the world of healthcare plan administration, it is very common for plan sponsors to hire a healthcare consultant. CRS does not have a healthcare consultant. The City’s Risk Management division (which administers the City’s Active Employee healthcare plans) has offered to make its contract with its healthcare consultant Horan available to CRS for the remainder of the calendar year. Risk Management’s contract with Horan expires at the end of the year, and Risk Management is currently working on an RFP for next year.

Following a meeting with Horan, they provided the attached proposal for consulting work they could do for CRS during 2022. The total cost of this consulting is \$51,650. We are requesting the 2022 Professional Services budget be increased by this amount.

For the Board’s reference, the approved 2022 Professional Services is here:

<u>E. Professional Services</u>							
1. Actuarial Fees	178,000	6.16%	114,133	5.13%	47,867	162,000	5.97%
2. Consulting Fees	63,000	2.18%	63,324	2.85%	46,676	110,000	4.06%
3. Legal Services	110,000	3.80%	33,583	1.51%	76,417	110,000	4.06%
4. Retiree Locator Fees	3,000	0.10%	0	0.00%	3,000	3,000	0.11%
5. Treasury, Accounts and Audits	25,000	0.87%	18,269	0.82%	6,731	25,000	0.92%
E. Total Professional Services	379,000	13.11%	229,309	10.31%	180,691	410,000	15.12%

I will provide an explanation of each of the proposed categories of service at the Board meeting. None of this work would be used to make unilateral changes to the CRS healthcare plans.

Rather, this would be used to make proposals for the Board's consideration, such as whether to purchase stop-loss insurance on the pre-65 healthcare plans which are currently fully self-insured by the 115 Health Trust.

4. CRS Legal Counsel: General Counsel and Board Fiduciary Counsel

As I mentioned at the last meeting, I have undertaken discussions with the Law Department regarding two types of legal counsel. The first is the creation of a part or full time general counsel position that is housed within and directly supervised by the Law Department, but dedicated to CRS. There is a fair amount of legal work inherent in the operation of any pension system. To date, I have submitted 18 formal requests for legal services. There are a variety of needs for legal services that are ongoing, including day-to-day legal advice, forms review, appeals review, appeals process review, regulatory compliance, tax compliance, coordination of legal counsel, litigation monitoring, public records review, domestic relations issues review, and investment contract review.

At this time, CRS does not pay for any legal services provided by attorneys in the Law Department. It only pays for outside counsel services, such as Ice Miller. The Law Department has expressed willingness to continue the discussion about the creation of a dedicated General Counsel position, but would like CRS to commit to pay for it.

The second type of legal counsel is Board fiduciary counsel. The Board has had a pending motion requesting independent counsel for a number of years. Many pension systems have retained outside counsel to serve as Board fiduciary counsel. The basic purpose of fiduciary counsel is provide boards of trustees advice and contextual perspective on fiduciary responsibility, ethical duties, governance, compliance issues, organizational mandates, as well as provide fiduciary training.

In my discussions with the Law Department, they expressed willingness to discuss retention of specialized fiduciary counsel for the Board, contingent on Board willingness to pay. As with the General Counsel, the fiduciary counsel would be retained and supervised by the Law Department.

At this time, I am not seeking a budget amendment for these legal services. I am simply seeking Board guidance on whether to continue these discussions with the Law Department and whether the Board would be willing to pay for these services.

For the Board's reference, the approved 2022 Budget for legal services is set out above in the Professional Services section of the budget. Note the lapse of \$76,000 in last year's legal services budget. We think it likely that there will be another large lapse this year which could potentially enable the addition of these legal services without a budget amendment this year, depending on scope and timing. Next year, however, it would likely have an impact on the legal services budget.

2022 Cash Flow Analysis *

Annual Cash Outflows:

Pension Benefits	\$	195,800,000	83.7%
Health Benefits		31,600,000	13.5%
Return of Contributions		2,874,000	1.2%
Department Costs		2,892,300	1.2%
Death Benefits		670,000	0.3%
Total Cash Outflows		233,836,300	99.9%

Funding of Outflows:

City Contributions		38,100,000	16.3%
Member Contributions		20,210,000	8.6%
Health Care Premium		2,351,000	1.0%
Liquidation of Investments		173,175,300	74.1%
		233,836,300	100.0%

Change in Fund Balance

Returns of Investments (7.5%)		184,288,654
Funding Outflows (7.2%)		(173,175,300)
Cash Inflow (Outflow)	\$	11,113,354

* Figures based on 2022 Budget

2022 CRS CASH FLOW BUDGET

I. OPERATING EXPENSES	2022 BUDGET	% Cost of Operations	2021 Actual	% Cost of Operations	2021 Positive(Negative) Variance	2021 BUDGET	% Cost of Operations
<u>A Office Staff</u>							
1. Salaries & Wages	1,330,000	45.98%	1,130,796	50.85%	83,204	1,214,000	44.77%
2. Fringe (35%)	466,000	16.11%	330,011	14.84%	94,989	425,000	15.67%
3. Temporary Services	10,000	0.35%	0	0.00%	10,000	10,000	0.37%
A. Total Office Staff	1,806,000	62.44%	1,460,807	65.69%	188,193	1,649,000	60.81%
<u>B Office Expenses</u>							
1. Office Improvements	28,000	0.97%	0	0.00%	11,000	11,000	0.41%
2. Equipment / Purchase and Rent	11,000	0.38%	2,780	0.12%	7,220	10,000	0.37%
3. Supplies	2,300	0.08%	1,941	0.09%	59	2,000	0.07%
4. Printing and Postage	89,700	3.10%	58,046	2.61%	20,454	78,500	2.89%
B. Total Office Expenses	131,000	4.53%	62,767	2.82%	38,733	101,500	3.74%
<u>C Training and Travel</u>							
1. Training/Travel Board	32,500	1.12%	0	0.00%	32,500	32,500	1.20%
2. Training/Travel Staff	29,000	1.00%	355	0.02%	21,145	21,500	0.79%
C. Total Training and Travel	61,500	2.12%	355	0.02%	53,645	54,000	1.99%
<u>D Data Processing Expenses</u>							
1. Pension Gold Hosting and Modifications	186,000	6.43%	214,206	9.63%	294	214,500	7.91%
2. Pension Gold Annual License Fee	140,000	4.84%	130,798	5.88%	(1,798)	129,000	4.76%
3. Regional Computer Center (ETS)	3,000	0.10%	0	0.00%	3,000	3,000	0.11%
4. Hardware and Software for PCs	40,000	1.38%	25,763	1.16%	13,237	39,000	1.44%
5. Other	59,800	2.07%	25,556	1.15%	4,444	30,000	1.11%
D. Total IT Expenses	428,800	14.82%	396,323	17.82%	19,177	415,500	15.33%
<u>E Professional Services</u>							
1. Actuarial Fees	178,000	6.16%	114,133	5.13%	47,867	162,000	5.97%
2. Consulting Fees	63,000	2.18%	63,324	2.85%	46,676	110,000	4.06%
3. Legal Services	110,000	3.80%	33,583	1.51%	76,417	110,000	4.06%
4. Retiree Locator Fees	3,000	0.10%	0	0.00%	3,000	3,000	0.11%
5. Treasury, Accounts and Audits	25,000	0.87%	18,269	0.82%	6,731	25,000	0.92%
E. Total Professional Services	379,000	13.11%	229,309	10.31%	180,691	410,000	15.12%
<u>F Other Expenses</u>							
1. Board Meeting Expenses	2,500	0.09%	0	0.00%	2,500	2,500	0.09%
2. Membership and Subscriptions	4,500	0.16%	3,175	0.14%	925	4,100	0.15%
F. Total Other	7,000	0.25%	3,175	0.14%	3,425	6,600	0.24%
<u>G Insurance</u>							
Fiduciary Insurance	79,000	2.73%	71,127	3.20%	3,873	75,000	2.77%
G. Total Insurance	79,000	2.73%	71,127	3.20%	3,873	75,000	2.77%
Total Operating Costs	2,892,300	100.00%	2,223,863	100.00%	487,737	2,711,600	100.00%

2022 CRS CASH FLOW BUDGET							
(Continued)							
	2022 BUDGET	% Cost of Operations	2021 Actual	% Cost of Operations	2021 Positive(Negative) Variance	2021 BUDGET	% Cost of Operations
II. MEMBER BENEFITS EXPENSES							
A. Pensions	195,800,000	84.78%	188,440,428	84.96%	(5,540,428)	182,900,000	83.59%
B. Return of Contributions	2,874,000	1.25%	2,790,175	1.26%	(330,175)	2,460,000	1.12%
C. Death Benefits	670,000	0.29%	668,867	0.30%	(118,867)	550,000	0.25%
D. Medical	31,600,000	13.68%	29,886,274	13.48%	3,013,726	32,900,000	15.04%
Total Benefit Costs	230,944,000	100.00%	221,785,744	100.00%	(2,975,744)	218,810,000	100.00%
	2022 BUDGET	% of Contributions	2021 ACTUAL	% of Contributions	2021 Positive(Negative) Variance	2021 BUDGET	% of Contributions
III. CONTRIBUTIONS							
A. City Contributions @16.25%	38,100,000	62.81%	37,605,176	62.74%	3,570,176	34,035,000	62.09%
B. Employee Contributions (9.0%)	20,460,000	33.73%	20,189,491	33.68%	1,339,491	18,850,000	34.39%
C. Retiree Medical Premiums	2,351,000	3.87%	2,361,453	3.94%	181,453	2,180,000	3.98%
D. Transfers In (Out) Reciprocity	(250,000)	-0.41%	(215,116)	-0.36%	34,884	(250,000)	-0.46%
Total Contributions	60,661,000	100.00%	59,941,004	100.00%	5,126,004	54,815,000	100.00%
IV. NET INVESTMENT RETURNS							
A. Gross Returns	193,580,654		415,642,483		231,236,995	184,405,488	
B. Investment Expenses							
1. Custodial Fees	232,000		302,019		(6,019)	296,000	
2. Investment Consultant	235,000		235,000		0	235,000	
3. Investment Management Fees	8,825,000		8,413,373		171,627	8,585,000	
Total Investment Expenses	9,292,000	0.36%	8,950,392	0.36%	165,608	9,116,000	0.39%
Net Investment Returns (Budget 7.5%)	184,288,654		406,692,091		231,071,387	175,289,488	
NET CHANGE IN FUND BALANCE	11,113,354		242,623,488		234,040,600	8,582,888	
Net Assets Beginning Balance	2,575,518,715	1/1/2022	2,332,895,227	1/1/2021		2,332,895,227	1/1/2021
Net Assets Ending Balance Projected	2,586,632,069	12/31/2022	2,575,518,715	12/31/2021		2,341,478,115	12/31/2021

CRS 2022 Budget with 2021 Actual vs Budget Commentary

I Operating Expenses

A 1 Salaries and Wages

Salaries and wages increased for 2022 Budget to reflect filling of all positions, staff retirement, lump sum payments, wage increases, and the addition of one new position.

B 1 Office Improvements

The 2022 budget is increased to include improvements from 2021 which were not completed and additional improvements for 2022.

B 4 Printing and Postage

The 2022 Budget includes pension checks and stubs, forms, newsletters, booklets, tax forms, and election documents.

C 2 Training/Travel

The 2022 Budget has increased from 2021 to provide for employees to attend training in person. During 2021 training and conferences were online.

D 1 Pension Gold Hosting and Modifications

The 2022 budget is less than 2021 because the Advise Printing project was completed in 2021.

D 2 Pension Gold Annual License Fee

2021 Expenses were higher than anticipated due to an increase in the license fee which was greater than the historical increase. The increase was within the contractual limits.

D 4 Hardware and Software for PCs

2022 Budget is higher than 2021 Actual expenses due to non-recurring costs for PC replacements. It includes funding for the possible replacement of aging scanners and printers.

D 5 Other

The 2022 Budget increase relates to the maintenance and repair costs related to the system utilized for special retirement calculations.

E Professional Fees

2021 was under budget since the amount budgeted was to ensure adequate funding for unforeseen needs.

E 3 Legal Services

Legal Services were under budget as billings for investment contract assistance during 2021 will be received in 2022.

II Member Benefits Expenses

A Pensions

The 2021 benefit expenses were higher than anticipated due to an unexpected increase in retirements.

The 2022 Budget increase reflects the COLA and the disbursement of DROP accounts.

D Medical

The 2021 costs were lower than budgeted due to an increase in credits received.

III Contributions

A,B Member and City Contributions

The 2022 Budget is based on 2021 contributions plus a 1.5% increase. The City Contribution includes the second ERIP liability payment.

The 2021 Actual City contributions included the first payment for the ERIP liability.

IV Net Investment Returns

B 1 Custodial Fees

The 2021 Actual Custodial Fees were greater than budget due to the billing of 2020 expenses in 2021.

**City of Cincinnati Retirement System
2022 Cash Flow Budget Summary**

Office Staff	\$ 1,806,000
Office Expenses	131,000
Training and Travel	61,500
Data Processing	428,800
Professional Fees	379,000
Other	7,000
Fiduciary Insurance	<u>79,000</u>
Operating Budget Total	<u><u>2,892,300</u></u>
Member Costs	<u><u>230,944,000</u></u>
Contributions	<u><u>60,661,000</u></u>
Net Investment Returns	<u><u>184,288,654</u></u>
2022 Net Addition to Fund Balance	\$ <u><u>11,113,354</u></u>

SCHEDULE A SCOPE OF SERVICES - PROPOSAL

City of Cincinnati - Retirement Division

Benefit Strategy and Action Plan

Develop strategic action plan that incorporates client objectives, marketplace innovation and renewal strategies to deliver best in class benefit programs for the Pre-65 retirees and Post 65 retirees.

- Leverage experts and resources within all of HORAN to assist you, including Financial Analysis, Data Analytics, and Health Management
- Assess needs and make comprehensive recommendations
 - Stop Loss Analysis and Market Bid
 - Explore options for technology platform
 - Review options for existing and additional ancillary benefits
 - Life-LTC
 - Dental/Vision
 - Provide analysis for traditional Medicare, Gap Insurance and Medicare Advantage programs
 - Provide disruptions analysis – Medical and Prescription Drug
 - Active->Pre-65
 - Pre-65->Post 65
- Provide action plans and timeline

Analysis, Benefit Design & Marketing – Lead and deliver analysis, benefit marketing, design and execution to support the overall benefit strategy.

- Lead market analysis and bid
- Recommend vendor/carrier partnership, contract review and lead pricing negotiations
- Develop and recommend plan design options and deductible strategies
- Calibrate plan via benchmarking and historical review-medical, prescription drug, and ancillary benefit programs

Marketplace Benefit Innovation – Explore, vet and recommend marketplace innovations in trends and offerings to best meet unique client needs.

- Test advanced data analytic tools to drive deeper actions
- Explore technology solutions for employee engagement and administrative efficiencies (leveraging existing relationships and resources)



Health Data Analytics (HORANalytics®) – Dedicated think tank on a mission to investigate, understand and control health care costs.

- Leverage data warehouse and utilization analysis to determine “why” in plan costs (self-funded only)
- Develop predictive models to guide future improvements in benefits strategy
- Develop standard and customized reporting to meet business needs

HORAN Associates, Inc.

City of Cincinnati

By: _____

By: _____

Title: _____

Title: _____

Name: _____

Name: _____

Date: _____

Date: _____

SCHEDULE B
Compensation Schedule – Proposal

July 1, 2022-December 31, 2022

1. HORANalytics[®]:
(THIS WOULD INCLUDE ONLY PRE-65 RETIREES)
 - a. Reporting and Analysis
 - b. Benchmarking
 - c. Data insights and recommendationFEE: \$2.75/PEPM x1100 x6 = \$18,150

2. Stop Loss Analysis and Market Bid:
(THIS WOULD INCLUDE ONLY PRE-65 RETIREES)
 - a. Develop request for proposal
 - b. Data collection
 - c. Send bid specifications to market
 - d. Field all questions from vendors through bidding process
 - e. Collect final proposals from stop loss vendors
 - f. Analyze bids and recommend finalists, if needed.
 - g. Organize finalist presentations, if needed.
 - h. Participate in finalist presentations, if needed.
 - i. Deliver final, written recommendation, if needed.FEE: \$12,500 - 1x Project under current agreement

3. Consulting: current plans, contracts, and programs
 - a. Contract review and recommendations
 - b. Disruption analysis
 - c. Market solutions
 - i. LTC
 - ii. Enrollment platform
 - iii. Medicare, Gap Insurance, Medicare Advantage
 - iv. PBM
 - v. Survivor Benefits
 - vi. WellnessFEE: \$3,500/month retainer x 6 months = \$21,000

Pricing is based on:

Approximately 1,100 Pre-65 retiree lives

Approximately 5,000 Post-65 retiree lives

HORAN Associates, Inc.

City of Cincinnati

By: _____

By: _____

Title: _____

Title: _____

Name: _____

Name: _____

Date: _____

Date: _____

Cincinnati Retirement System



Pension Actuarial Valuation as of December 31, 2021

June 9, 2022



Presented by

Kevin Woodrich, FSA, EA, MAAA

Janet Cranna, FSA, EA, MAAA



Agenda



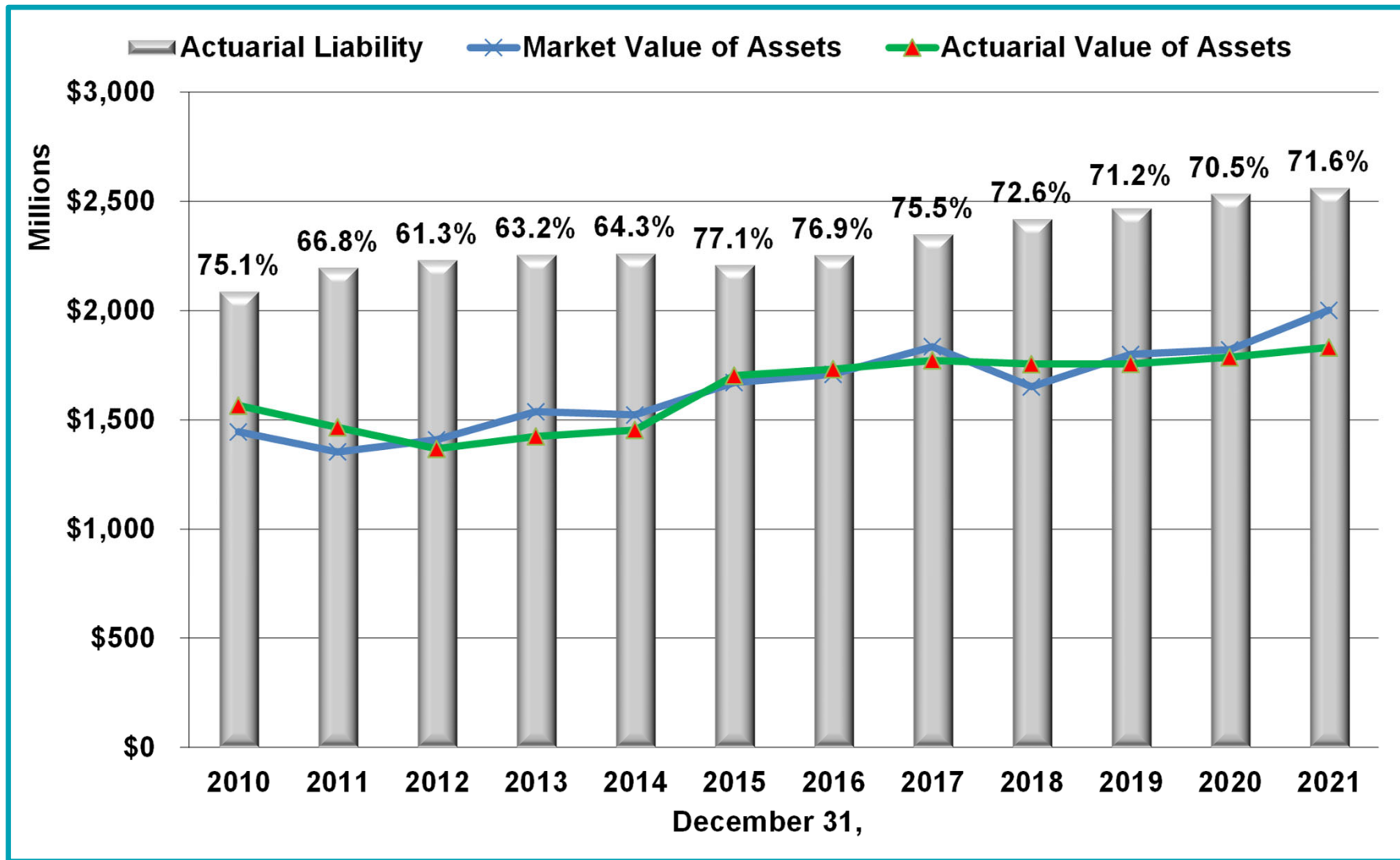
- Historical Trends
- December 31, 2021 Valuation Results
- Stress Testing
- ASOP 4



Historical Trends

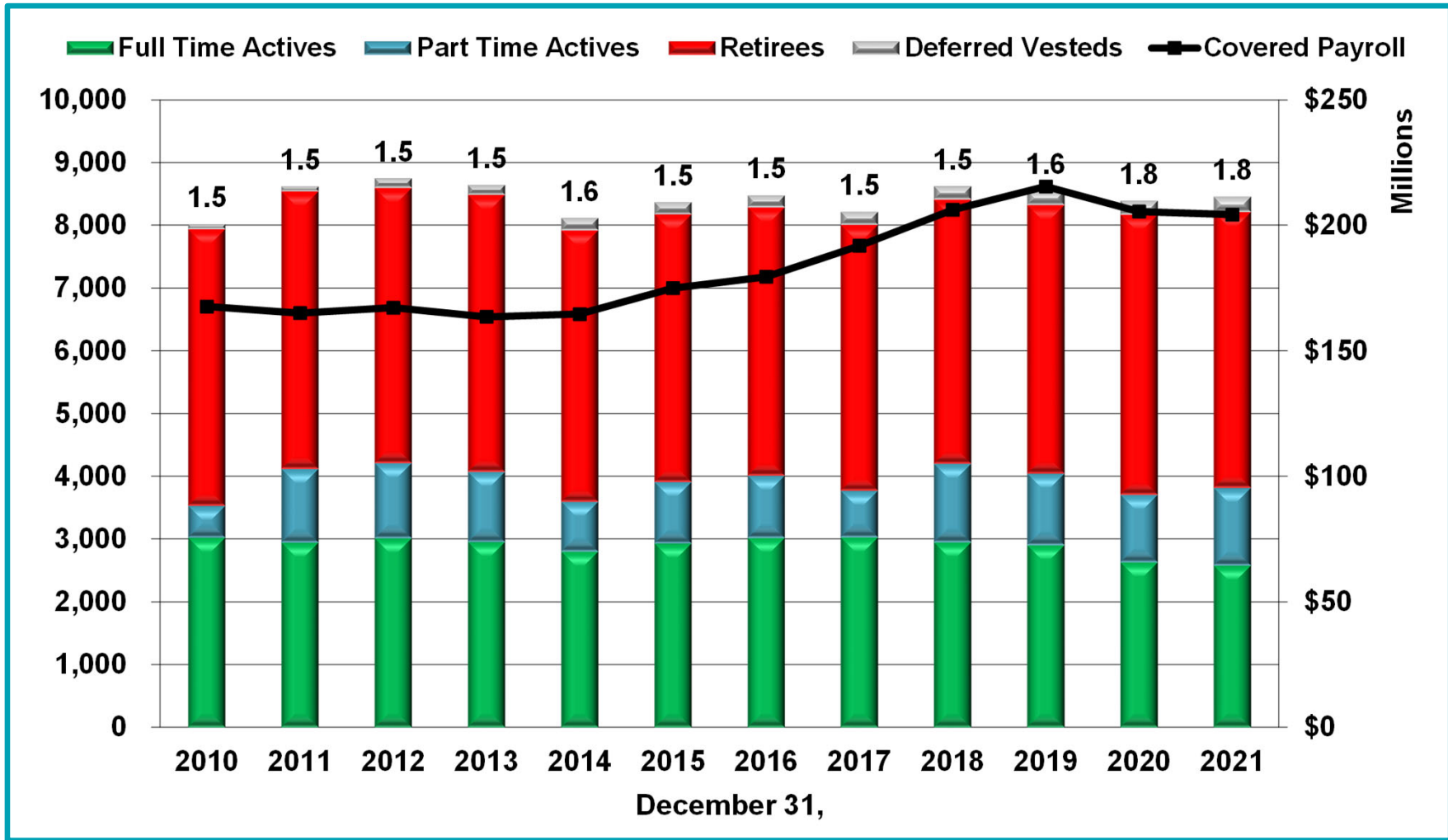


Assets and Liabilities



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

Membership Trends

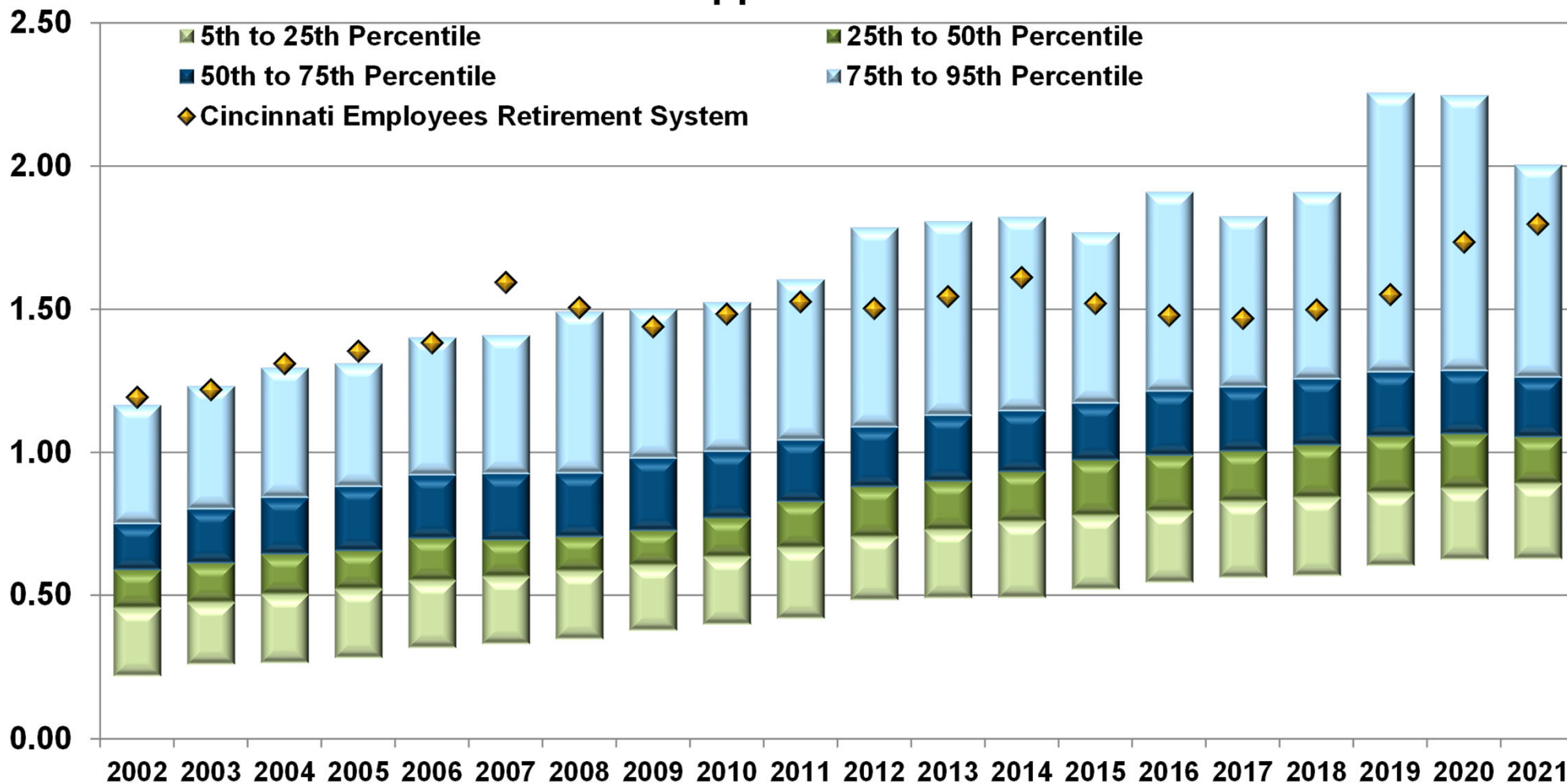


Support ratio above bars is the ratio of the number of inactive (Retirees and Deferred Vested) per active (Full-Time only). Payroll includes Full-Time and Part-Time actives for years shown. For 2018, 2019, 2020 and 2021 also includes payroll of DROP participants.

Public Survey Comparisons



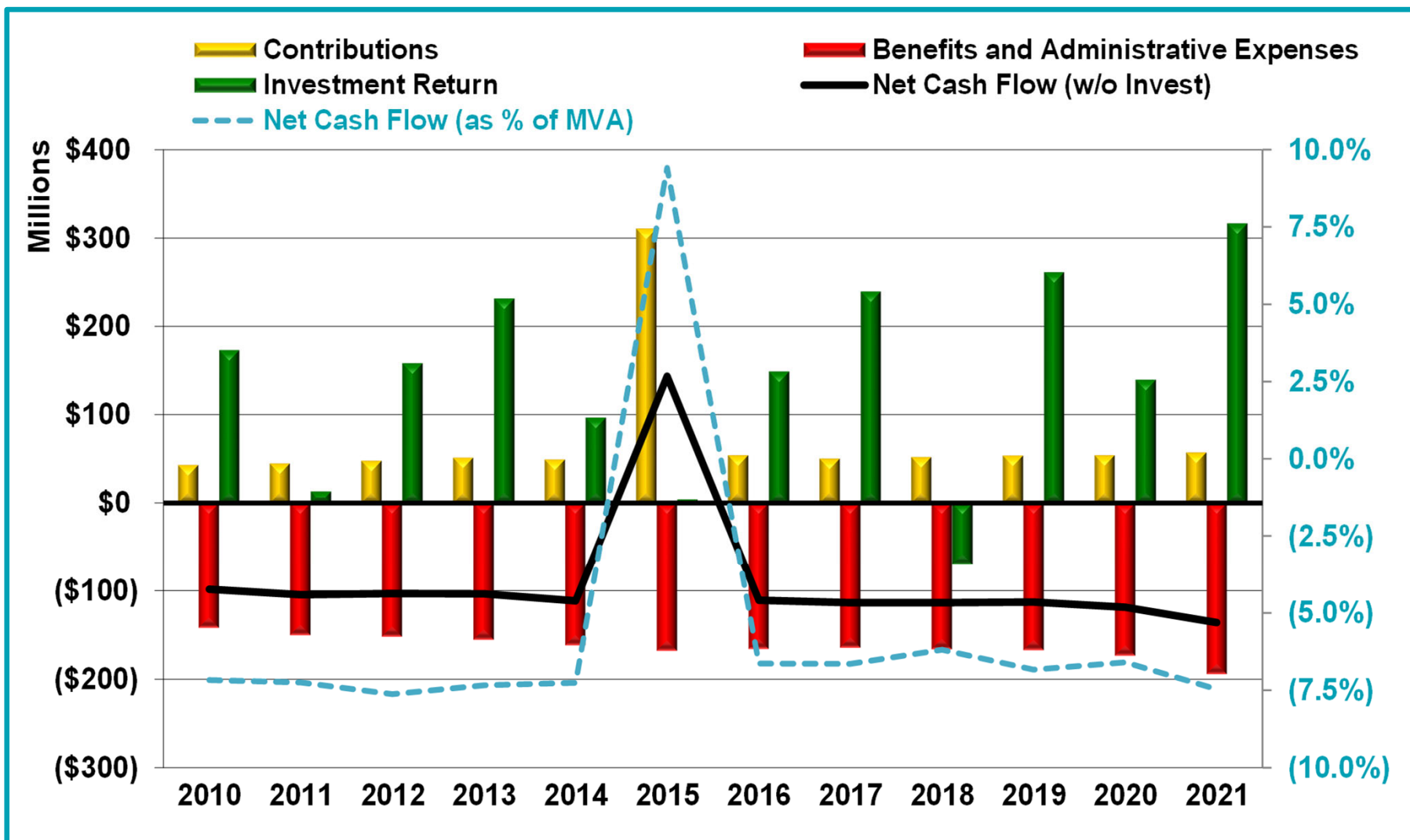
Support Ratio



Survey Data from Public Plans Data as of 4/15/2022

Support ratio is the ratio of the number of inactive (Retirees and Deferred Vested) per active (Full Time only).

Cash Flows

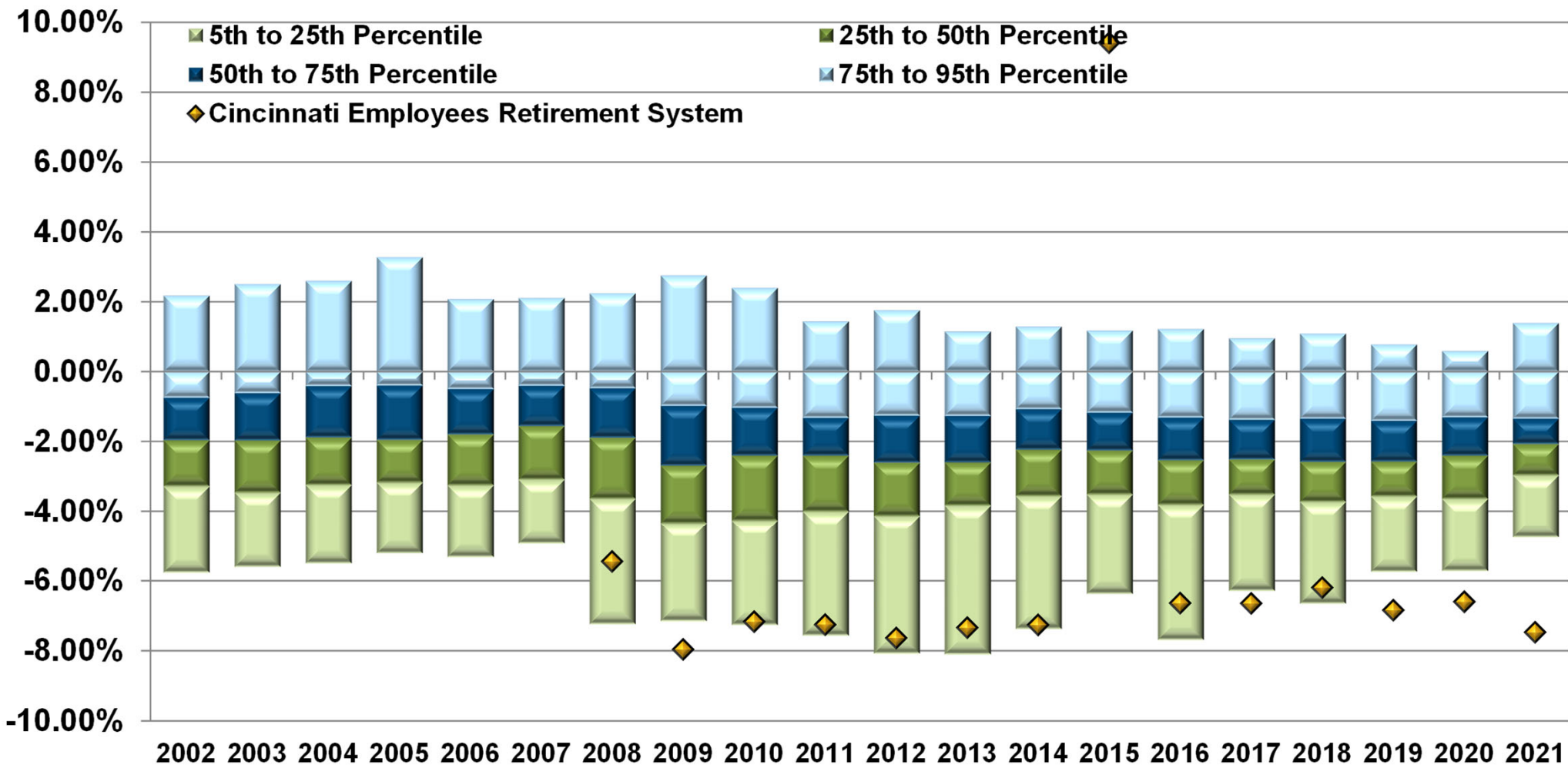


For 2015, there was an additional contribution of \$220.0 million per the CSA and \$17.9 million for transferred earnings and expenses.

Public Survey Comparisons



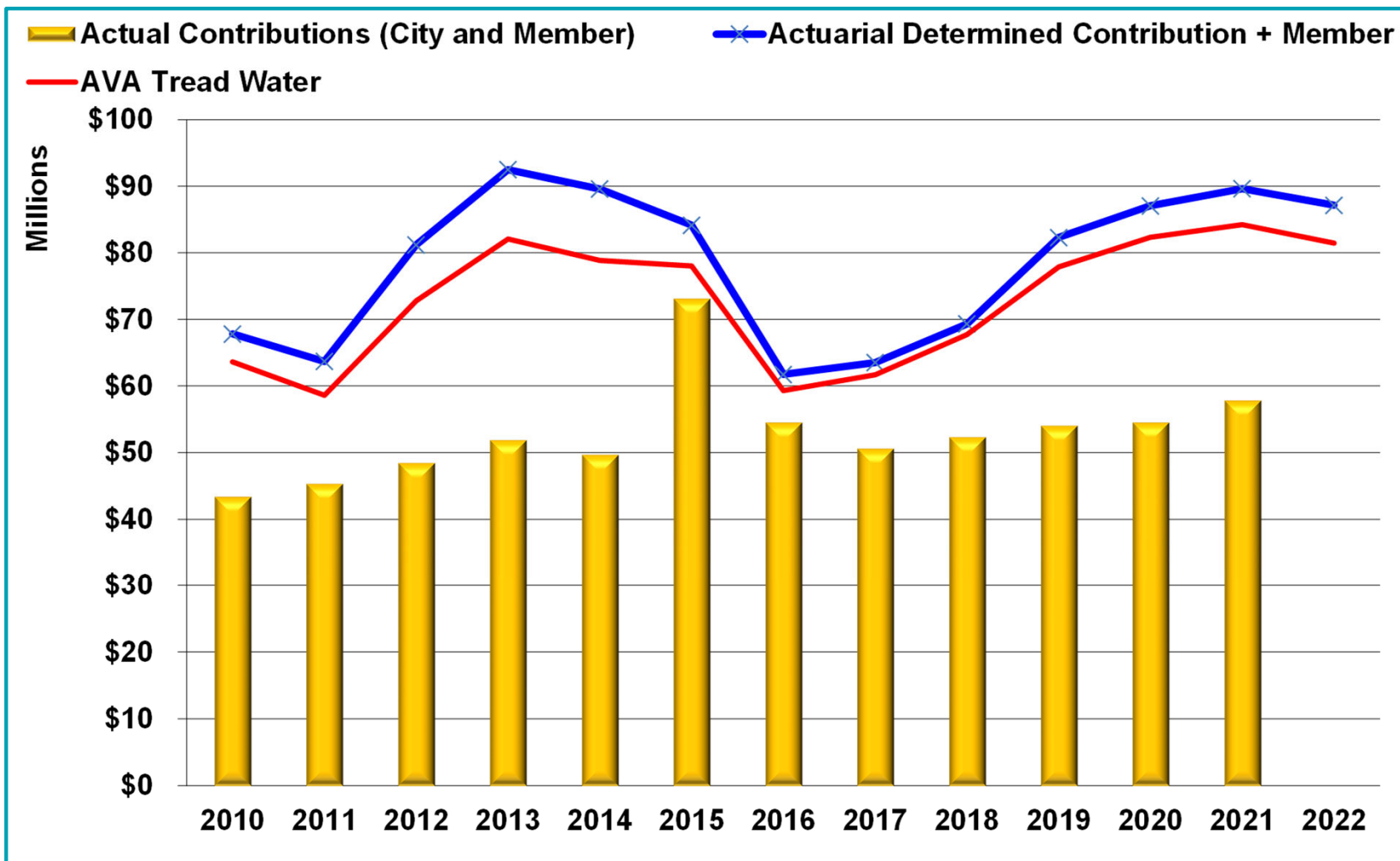
Net Cash Flow Rate



Survey Data from Public Plans Data as of 4/15/2022

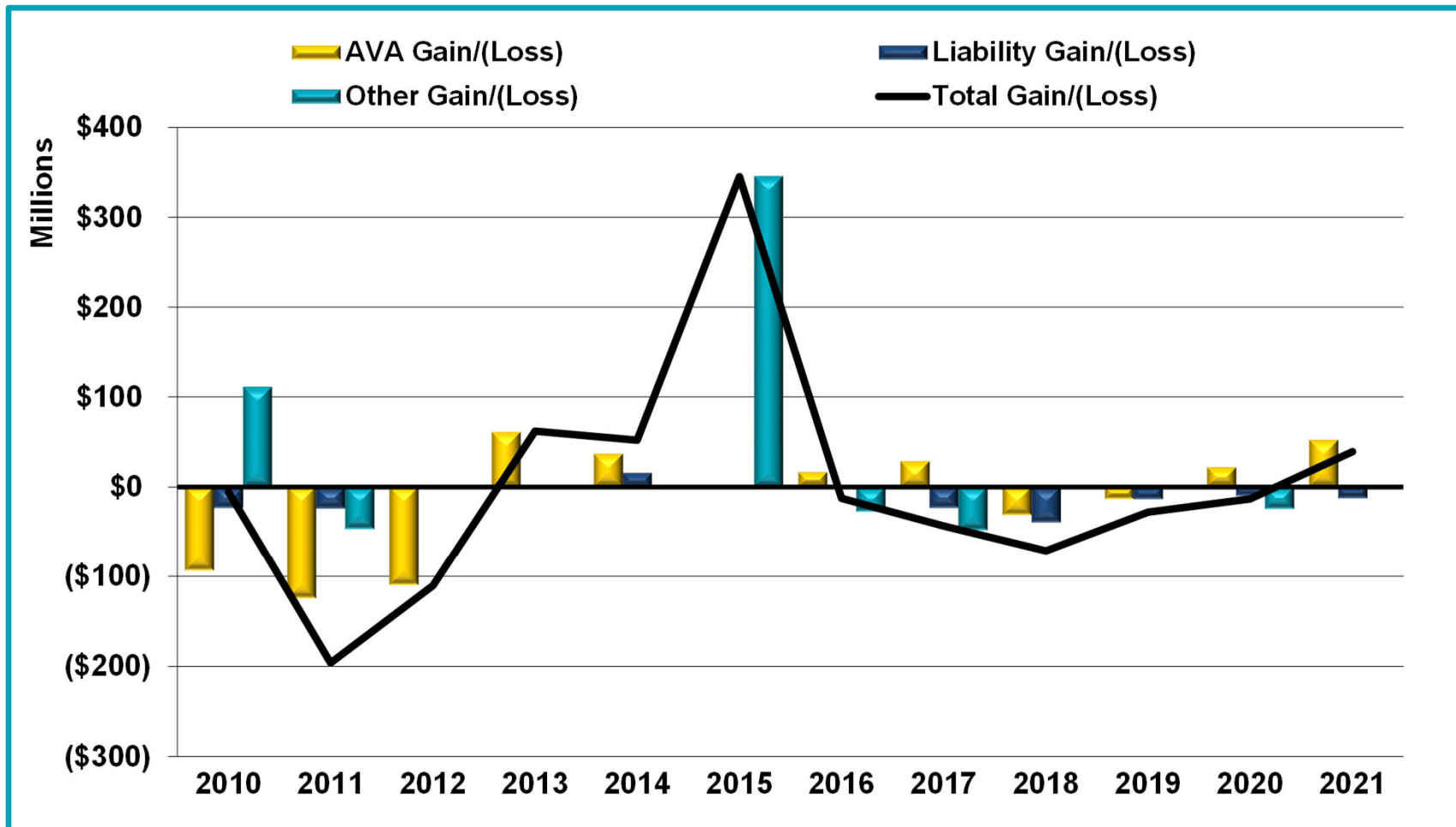
For 2015, there was an additional contribution of \$220.0 million per the CSA and \$17.9 million for transferred earnings and expenses.

Contributions versus ADC



Actuarial Determined Contribution (ADC) calculated as of December 31 preceding year shown.
 For 2015, there was an additional contribution of \$220.0 million per the CSA and \$17.9 million for transferred earnings and expenses.

Actuarial Gain/(Loss) History



Other Gain/(Loss) includes assumption, method or plan changes.



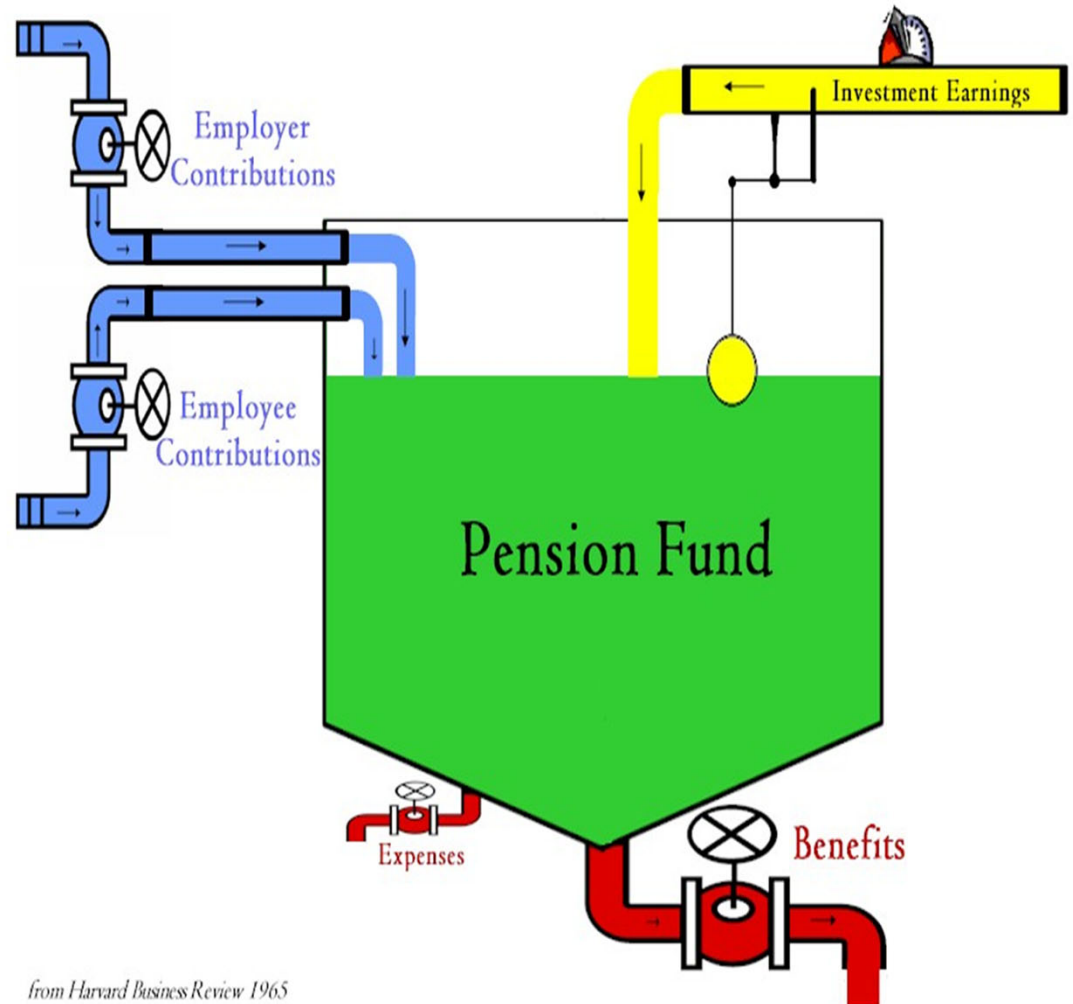
December 31, 2021 Actuarial Valuation Results



The Actuarial Valuation Process



1. Collect information
 - Member data
 - Plan provisions
 - Asset information
2. Apply assumptions
 - Demographic
 - Economic
3. Project all future benefit payments
4. Determine a present value of the benefits
5. Compare to assets
6. Calculate employer and employee contributions



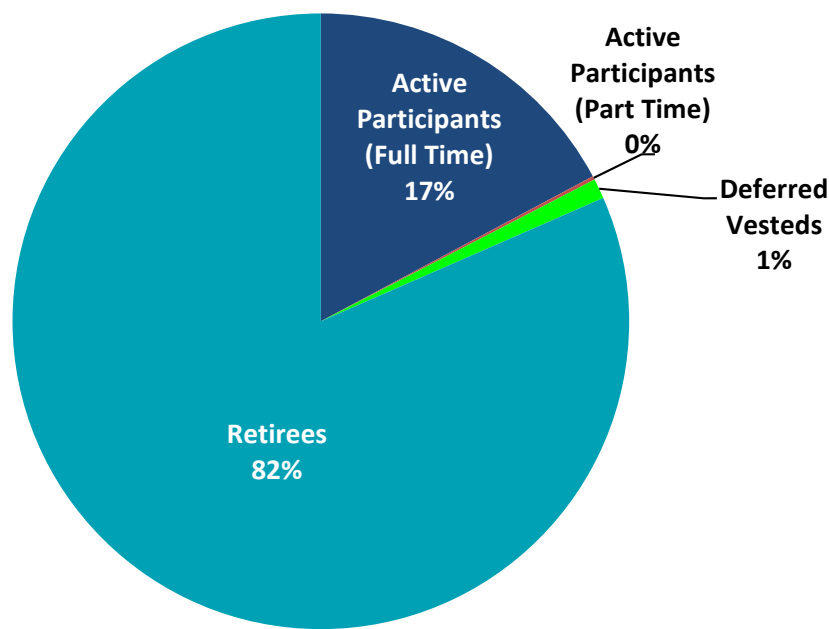
from Harvard Business Review 1965

Key Results

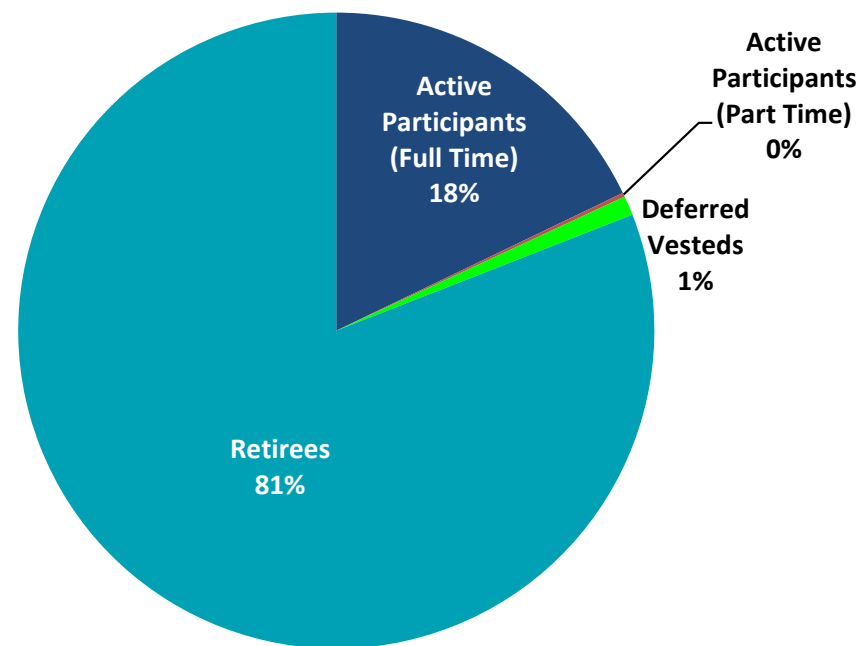


- Return on Market Value of Assets = 18.06% (dollar-weighted)
- Return on Actuarial Value of Assets = 10.55%
- Actuarial Determined Contribution rate decreased from 33.46% to 32.90%
- Funded Ratio (AVA/AL) increased from 70.5% to 71.6%

December 31, 2020 Actuarial Liability



December 31, 2021 Actuarial Liability



Valuation Results



Key Results

Valuation as of:	December 31, 2020	December 31, 2021	% Change
<u>Participant Counts</u>			
a) Full Time Actives	2,631 ¹	2,580	(1.9%)
b) Part Time Actives ²	1,078	1,238	14.8%
c) Deferred Vesteds	222	247	11.3%
d) Members in Pay Status ³	4,459	4,390	(1.5%)
e) Total	8,390	8,455	0.8%
f) Annual Salaries of Full Time Active Members	\$ 187,328,061	\$ 189,528,659	1.2%
g) Annual Retirement Allowances	\$ 183,826,082	\$ 186,762,322	1.6%
<u>Assets and Liabilities</u>			
h) Present Value of Future Benefits	\$ 2,744,006,755	\$ 2,770,203,731	1.0%
i) Actuarial Liability	\$ 2,533,246,815	\$ 2,560,258,522	1.1%
j) Actuarial Value of Assets (AVA)	\$ 1,786,649,816	\$ 1,831,954,857	2.5%
k) Unfunded Actuarial Liability [(i) - (j)]	\$ 746,596,999	\$ 728,303,665	(2.5%)
l) Funded Ratio on AVA basis [(j) ÷ (i)]	70.5%	71.6%	1.1%
m) Market Value of Assets (MVA)	\$ 1,820,915,000	\$ 2,001,579,000	9.9%
n) Funded Ratio on MVA basis [(m) ÷ (i)]	71.9%	78.2%	6.3%
<u>City's Actuarial Determined Contribution (ADC)</u>			
	<u>FYE June 30, 2022</u>	<u>FYE June 30, 2023</u>	
o) Gross Normal Cost Rate	12.15%	12.10%	(0.05%)
p) Plan Changes ⁴	1.34%	1.34%	0.00%
q) Unfunded Actuarial Liability Amortization Rate	28.17%	27.66%	(0.51%)
r) Administrative Expenses	0.80%	0.80%	0.00%
s) Expected Employee Contributions	(9.00%)	(9.00%)	0.00%
t) City's ADC Rate [(o) + (p) + (q) + (r) + (s)]	33.46%	32.90%	(0.56%)

¹ Excludes 123 participants who elected to participate in the ERIP and have Effective Dates of Retirement in 2021. For valuation purposes, these participants were included as Members in Pay Status.

² As of December 31, 2021, 372 of the 1,238 Part Time actives had reported last pay periods before December 2021.

³ Includes 184 and 234 members as of December 31, 2021 and 2020 respectively currently participating in DROP.

⁴ Starting January 1, 2022, City intends on paying ERIP with 15 level annual payments of \$2.8 million each January 1.

Reconciliation of UAL



(\$ millions)	<u>Liability</u>	Actuarial <u>Assets</u>	<u>UAL</u>	<u>Funded Ratio</u>
As of December 31, 2020	\$2,533.2	\$1,786.6	\$ 746.6	70.5%
Expected Changes*	\$ (170.4)	\$ (136.0)	\$ (34.4)	
Plan Change (ERIP)	0.0	0.0	0.0	
Expected Interest / Invest Return	<u>184.6</u>	<u>129.1</u>	<u>55.5</u>	
Total	\$ 14.2	\$ (6.9)	\$ 21.1	
Expected at December 31, 2021	\$2,547.4	\$1,779.7	\$ 767.7	69.9%
Actual at December 31, 2021	\$2,560.3	\$1,832.0	\$ 728.3	71.6%
(Gain) / Loss	\$ 12.9	\$ (52.3)	\$ (39.4)	

*Normal Cost, Expenses, Contributions, and Benefit Payments



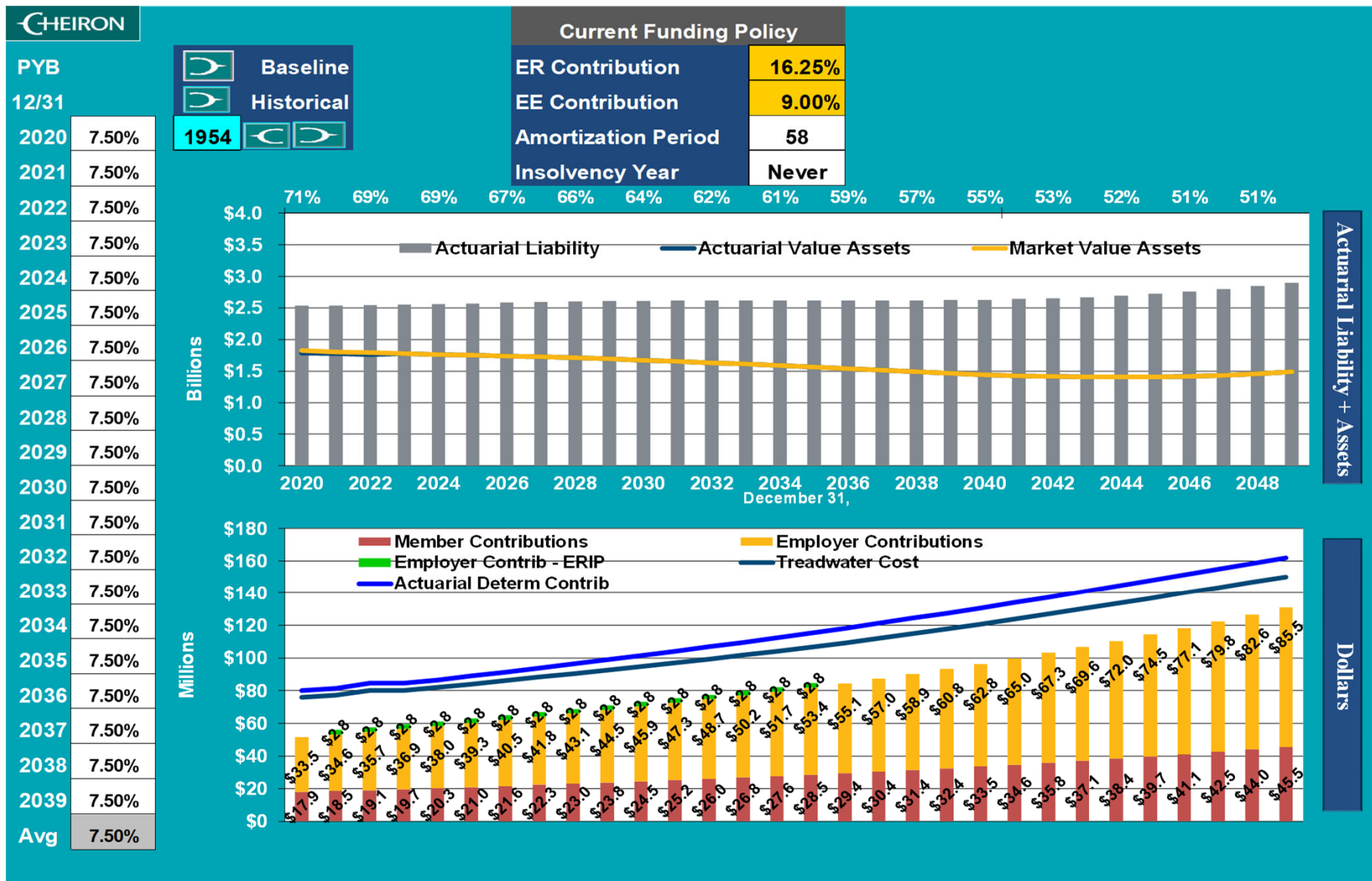
A Look Ahead



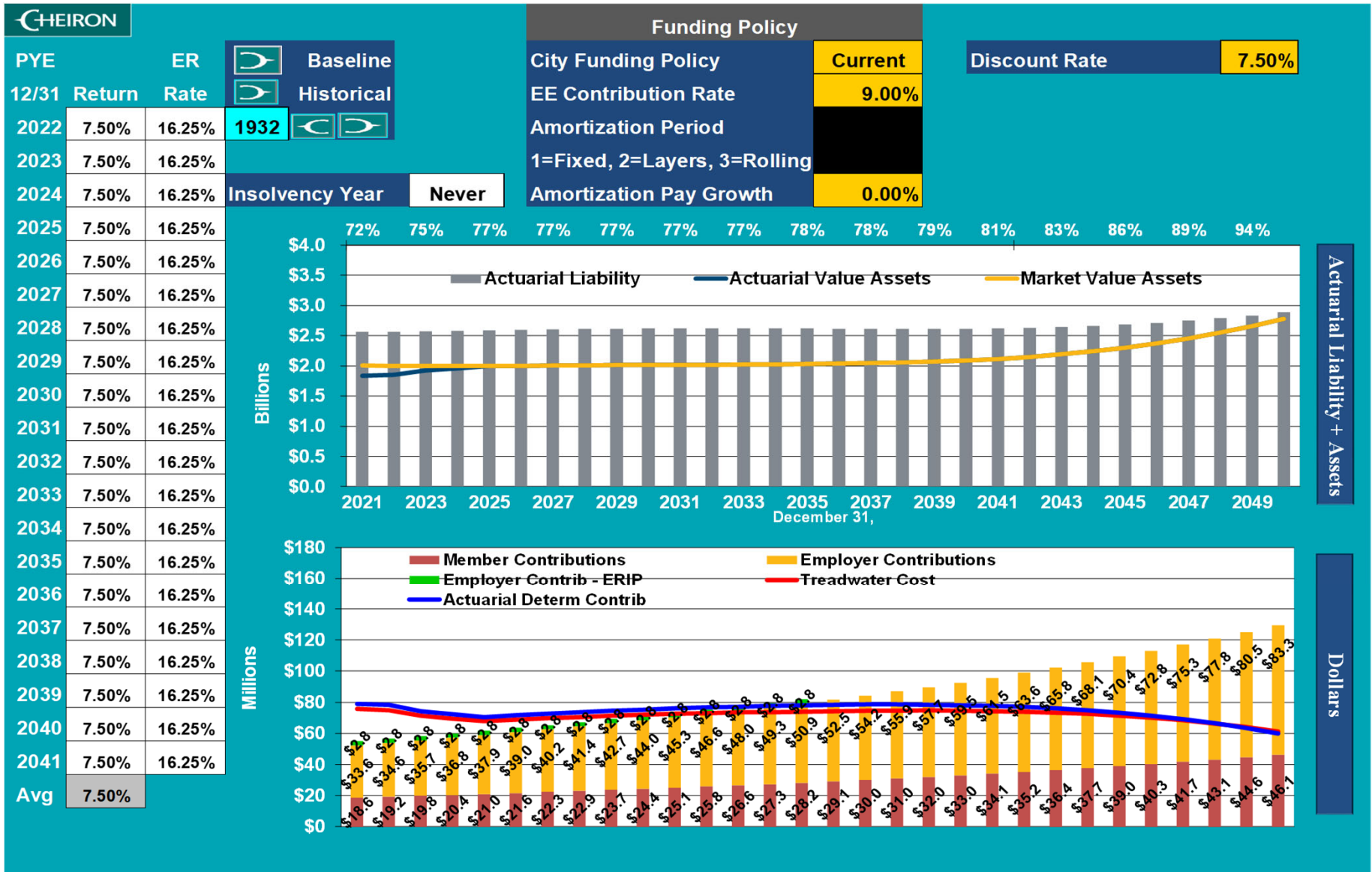
Projections – Before 2021 Experience



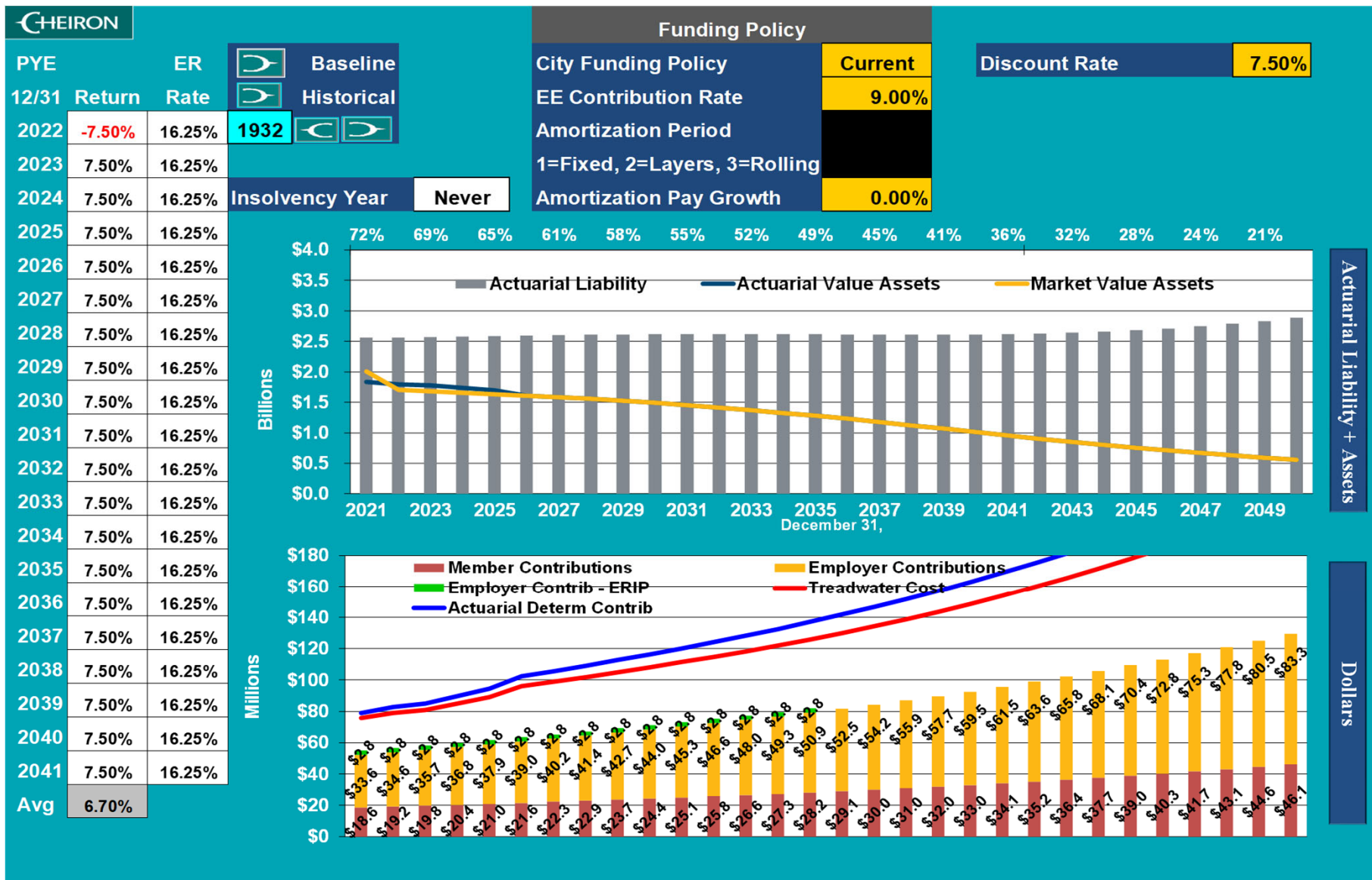
Taken from the December 31, 2020 valuation. Assumes 7.5% for PYE 2021 and every year thereafter.



Projections – After 2021 Experience / Baseline



Projections if -7.5% for 2022 and 7.5% thereafter



Projections – Implications of 2022



Assumed 2022 Investment Return*	Projected Insolvency Year	Projected Year to be 100% Funded
15.0%	None	2040
7.5%	None	2052
0.0%	None	2073
(7.5%)	None	>2129
(15.0%)	2045	None

* Assumed 7.5% per year for 2023 and thereafter.



- ASOP 4: Measuring Pension Obligations and Determining Pension Plan Costs or Contributions
- [Revised ASOP 4](#) is effective for measurement dates on/after February 15, 2023
- First effective with the December 31, 2023 valuation

Revised ASOP 4 – Scope



- Funding and accounting pension valuations
- Analysis of contribution or benefit changes
- Projections

Revised ASOP 4 – Changes



- Major changes include:
 - Low-Default-Risk Obligation Measure (LDROM)
 - Assess Implications of Contribution Allocation Procedure or Funding Policy
 - Disclose a Reasonable Actuarially Determined Contribution
 - Contribution Lag
 - Gain/Loss Analysis

Required Disclosures



The purpose of this presentation is to present the actuarial valuation results 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 Report as of December 31, 2021. The census data provided to us by CRS was as of December 31, 2021.

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 Plan.

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 any such other users.

Kevin Woodrich, FSA, EA, MAAA
Principal Consulting Actuary

Janet Cranna, FSA, EA, MAAA
Principal Consulting Actuary

City of Cincinnati Retirement System (CRS)



12/31/2021 Actuarial Valuation CRS OPEB Trust



June 9, 2022

Gaelle Gravot, FSA, MAAA

Margaret Tempkin, FSA, EA, MAAA

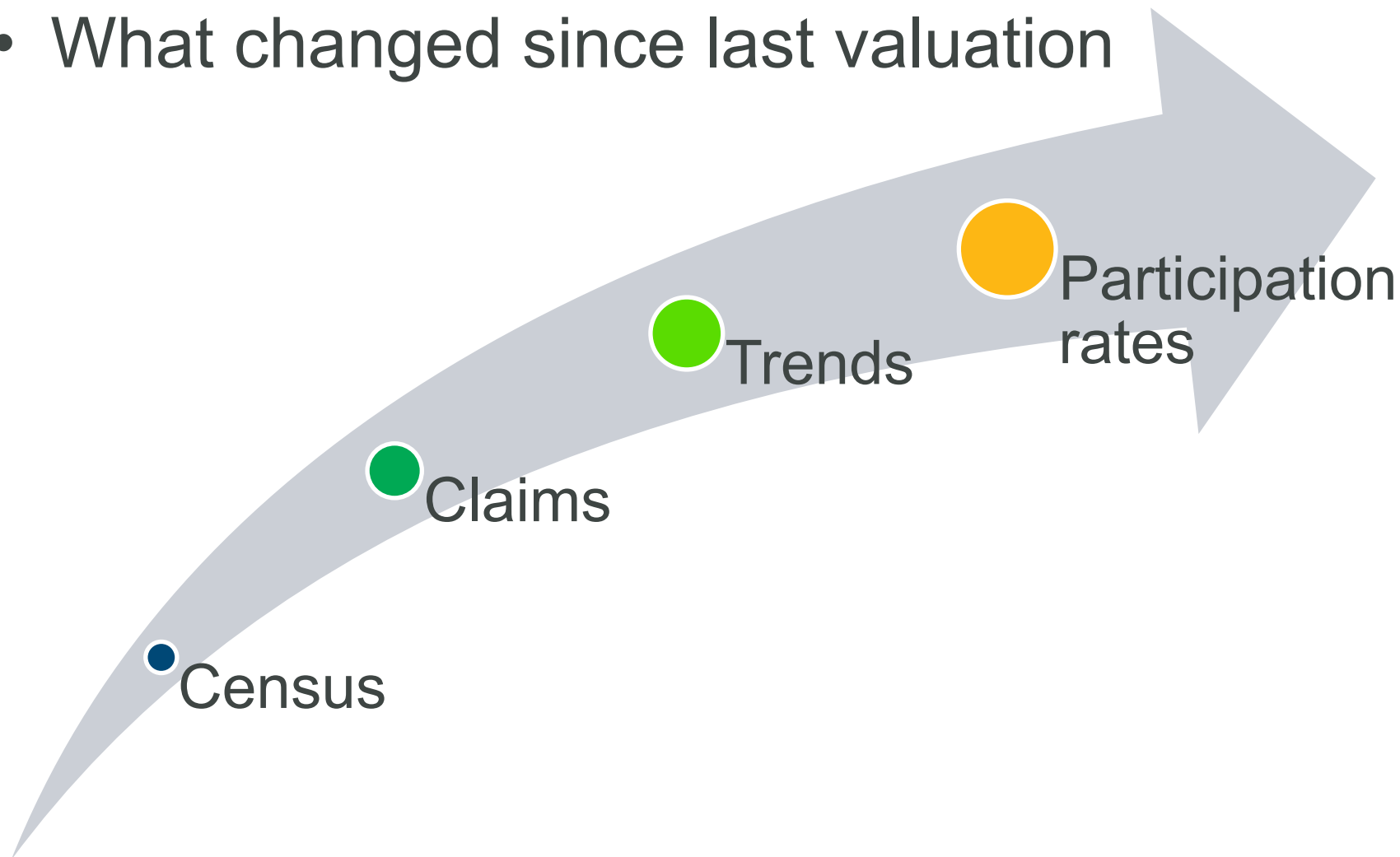




- Review of 12/31/2021 Actuarial Valuation
- Projections
- Next steps



- What changed since last valuation



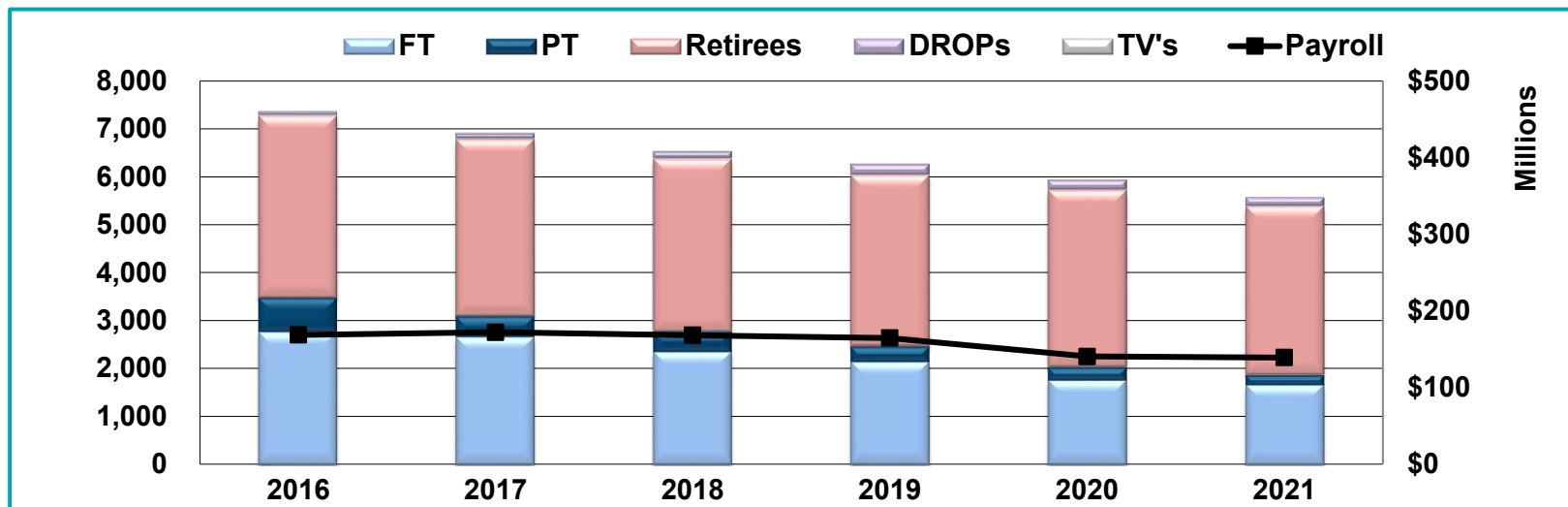
About 2021 Actuarial Valuation



- Census: participants and their spouses
- Claims: Expected cost of healthcare
- Trends: Expected increase in healthcare cost
- Participation Rates: percentage of eligible retirees who are electing coverage

Points	Group 2 - Pre-Medicare	Group 2 - Medicare
80+	90% grade to 70% (was 45%) over 20 years	75% (was 45%)
70-79	50% (was 40%) grade to 25% (was 0%) over 20 years	25% (was 0%)

Historical Participant Information



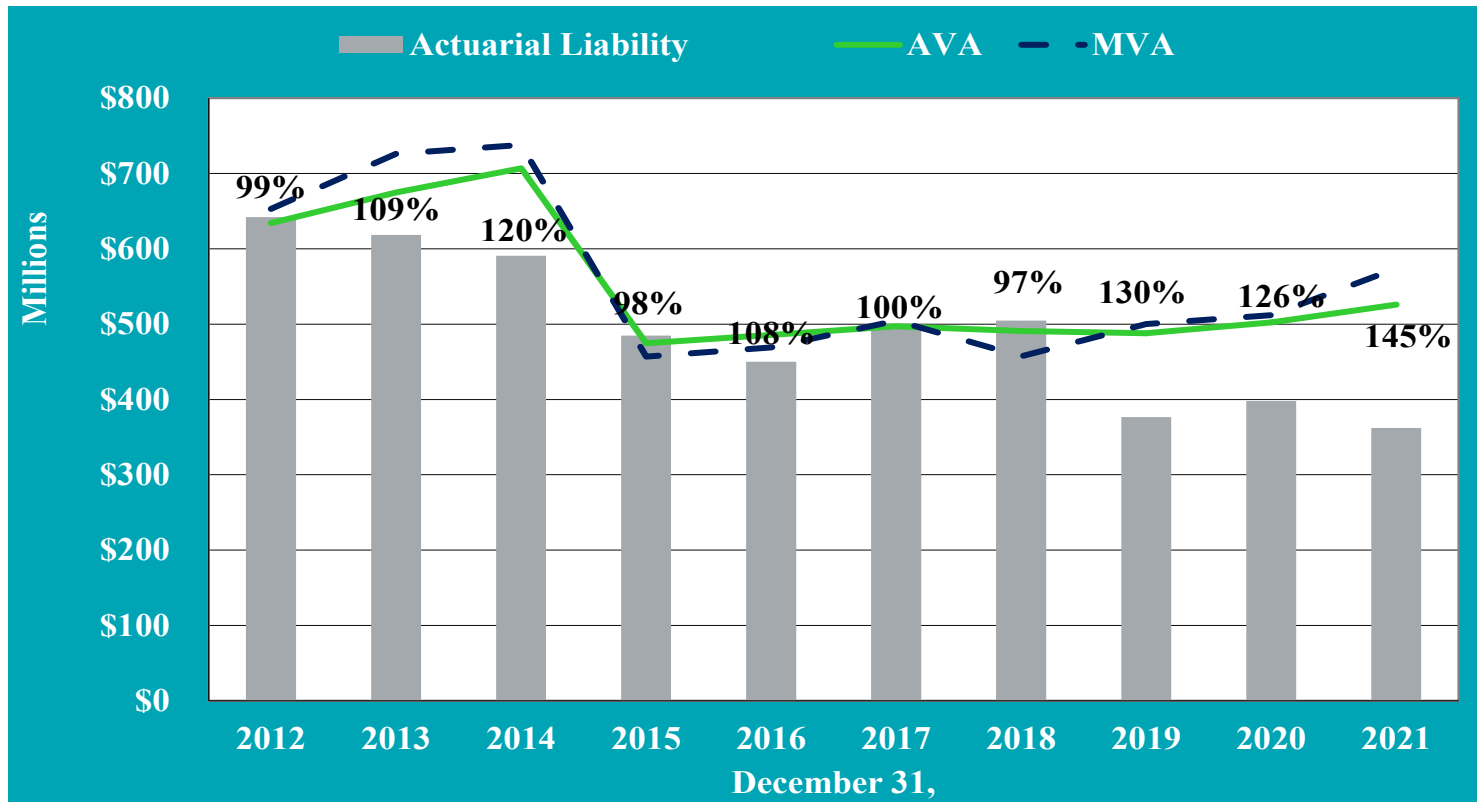
- Plan was closed December 31, 2015
- In 2017 – Part Time participants included

Year	FT	PT	Retirees	DROP	TV's	Spouses*
2016	2,769	719	3,792	49	23	1,461
2017	2,664	437	3,684	108	26	1,419
2018	2,357	421	3,602	145	27	1,366
2019	2,151	330	3,565	217	26	1,361
2020	1,767	279	3,683	209	25	1,427
2021	1,673	210	3,511	185	20	1,398

* Spouses not shown above in graph

June 9, 2022

Historical Information (AL vs Assets)



- Plan was closed December 31, 2015
- Drop in liability in 2016 due to lower anticipated drug costs, contribution rate changes, and the asset drop was due to transfer of assets to the pension
- Move to MA plan effective January 1, 2020 reduced 2019 liabilities by over \$127 million
- In 2021, the fund is 145% funded on an AVA basis, and 158% on MVA basis

June 9, 2022

12/31/2021 Valuation Participant Data



Group	December 31, 2020	December 31, 2021
Active Participants		
Active Full Time Employees	1,767	1,673
Active Part Time Employees	279	210
Active DROP Employees	<u>209</u>	<u>185</u>
Total	2,255	2,068
Covered Payroll	\$140,670,666	\$139,123,528
Total Compensation	\$192,988,736	\$205,675,789
Active Full Time Employees - ineligible for retiree health benefits	883	1,194
Active Part Time Employees - ineligible for retiree health benefits	<u>327</u>	<u>344</u>
Total - ineligible for retiree health benefits	1,210	1,538
Inactive Participants		
Number of retirees and surviving spouses currently receiving retiree health benefits	3,683	3,511
Spouses currently receiving retiree health benefits	<u>1,427</u>	<u>1,398</u>
Total	5,110	4,909
Retired members and surviving spouses not currently receiving retiree health benefits but may elect coverage in the future	<u>224</u>	<u>351</u>
Total	5,334	5,260
Terminated vested members eligible for retiree health benefits	25	20
Terminated vested members not eligible for retiree health benefits	<u>200</u>	<u>219</u>
Total	5,559	5,499

- Active participants decreased more than expected due to the ERIP program and are expected to decrease over time due to closed plan

Inactive participants increased more than expected due to the ERIP program

June 9, 2022

12/31/2021 Valuation Results



- The results below are used for the funding of the OPEB Trust and are not applicable for the financial statements
- The results are used to determine the Actuarially Determined Contribution (ADC), which is \$0

Summary of Valuation Results		
Valuation Date	December 31, 2020	December 31, 2021
Discount Rate	7.50%	7.50%
Actuarial Liability (AL)	\$ 397,835,569	\$ 362,353,468
Actuarial Value of Assets	502,357,775	525,773,721
Unfunded actuarial liability (UAL)	\$ (104,522,206)	\$ (163,420,253)
Funded Ratio (AVA/AL)	126.27%	145.10%
Market Value of Assets	\$ 511,980,000	\$ 573,939,000
Funded Ratio (MVA/AL)	128.69%	158.39%
Fiscal Year Ending	June 30, 2022	June 30, 2023
Actuarially Determined Contribution	\$ -	\$ -
Calendar Year	2021	2022
Actual/Expected Net Benefit Payments	27,525,000	28,243,266

12/31/2021 Valuation Detail



- The valuation remains over funded for 2021

Actuarial Liability		
Valuation Date	December 31, 2020	December 31, 2021
Discount Rate	7.50%	7.50%
Actuarial Liability		
Current active members	\$ 94,654,820	\$ 103,004,022
Current retirees, beneficiaries, and dependents	303,180,749	259,349,446
Total Actuarial Liability (AL)	\$ 397,835,569	\$ 362,353,468
Actuarial Value of Assets (AVA)	502,357,775	525,773,721
Unfunded Actuarial Liability (UAL)	\$ (104,522,206)	\$ (163,420,253)
Funded Ratio (AVA/AL)	126.27%	145.10%
Market Value of Assets (MVA)	\$ 511,980,000	\$ 573,939,000
Unfunded Actuarial Liability (UAL)	\$ (114,144,431)	\$ (211,585,532)
Funded Ratio (MVA/AL)	128.69%	158.39%
Normal Cost	\$ 2,529,317	\$ 2,609,568

12/31/2021 Valuation Reconciliation



Reconciliation of Actuarial Liability

Actuarial Liability at December, 31, 2020	\$ 397,835,569
Normal Cost	2,529,317
Expected Benefits paid throughout the year	(30,699,244)
Interest	28,876,145
Expected Actuarial Liability at December, 31, 2021	<u>\$ 398,541,787</u>
Actuarial Liability at December, 31, 2021	362,353,468
Gain or (Loss)	\$ 36,188,319
Gain or (Loss) due to:	
Benefit changes	\$ -
Census changes	(7,752,973)
Demographic changes	-
Health Care Claims and Trend changes	52,207,447
Participation Assumption changes	(8,266,155)
Total changes	\$ 36,188,319

- Census change - \$7.5 million loss
 - was primarily the increase in retirements over that expected
- Health Care Claims and Trends - \$52.2 million gain
 - Primarily due to favorable claims experience and lower expected future trends for next year
- Participation Assumption - \$8.2 million loss
 - Adjustment upward over time, experience shows less participants are dropping coverage once retired

12/31/2021 Valuation Projections – 7.5%



H-scans OPEB

Stress Testing



Increase in trends

0.00%

Health Trends

	Starting Trend	2022 Year	2023 Year	2024 Year	2025 Year	2026 Year	2027 Year	2028 Year	2029 Year	2030 Year	Ultimate Trend	Years to Ultimate
Pre-Med	8.00%	7.75%	7.50%	7.00%	6.66%	6.32%	5.99%	5.65%	5.31%	4.97%	4.00%	15
Post-Med	4.84%	7.30%	6.55%	6.58%	6.31%	6.04%	5.78%	5.51%	5.24%	4.97%	4.00%	15

Valuation Year

2021

Valuation Method

EAN

Total or Closed Payroll

Total

Investment Return

7.50%

Open or Fixed Amortization

Open

GASB 74 Discount Rate

7.50%

Actuarial Amort. Years

30

Average Salary Increases

3.25%

2022 calendar year return

7.50%



Baseline



Historical



Equity %

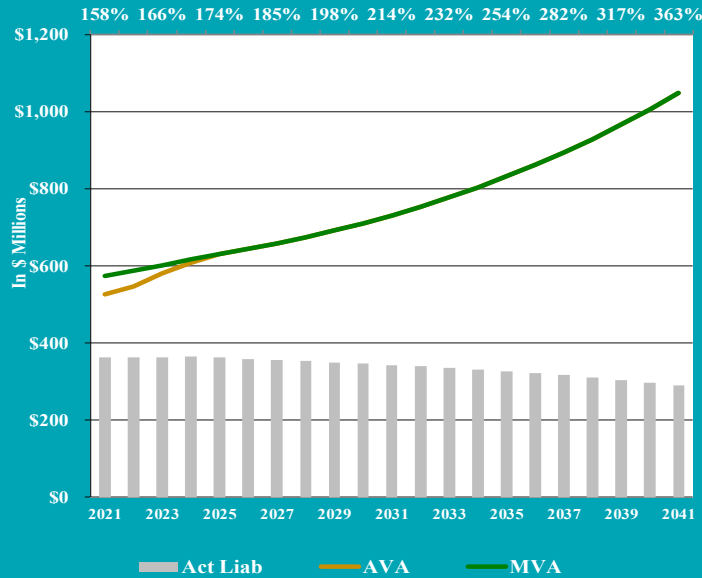
2000

80%

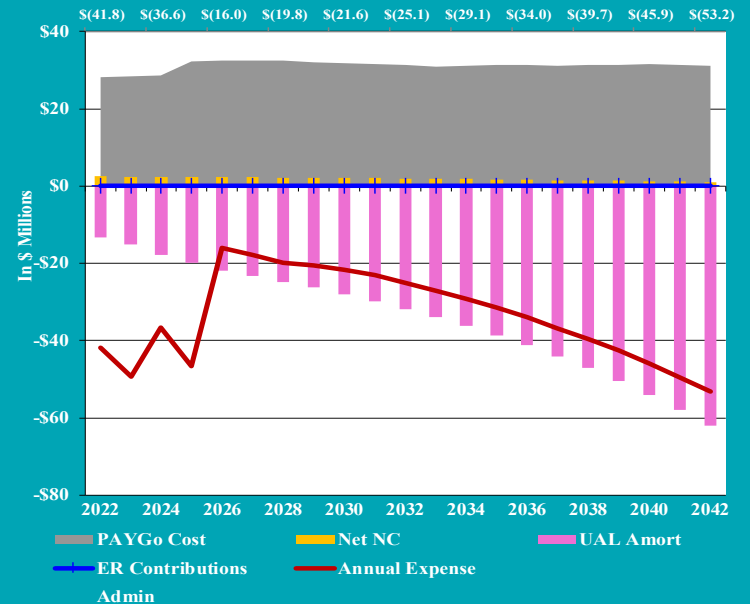
PYB
12/31

2021	7.50%
2022	7.50%
2023	7.50%
2024	7.50%
2025	7.50%
2026	7.50%
2027	7.50%
2028	7.50%
2029	7.50%
2030	7.50%
2031	7.50%
2032	7.50%
2033	7.50%
2034	7.50%
2035	7.50%
2036	7.50%
2037	7.50%
2038	7.50%
2039	7.50%
2040	7.50%
Avg	7.50%

Assets and Liabilities



Plan Expense and Funding Fiscal Year Ending



June 9, 2022

12/31/2021 Valuation Projections

2022 Return -10%



H-scan OPEB

Stress Testing



Increase in trends

0.00%

	Starting	2022	2023	2024	2025	2026	2027	2028	2029	2030	Ultimate	Years to
Health Trends	Trend	Year	Year	Year	Year	Year	Year	Year	Year	Year	Trend	Ultimate
Pre-Med	8.00%	7.75%	7.50%	7.00%	6.66%	6.32%	5.99%	5.65%	5.31%	4.97%	4.00%	15
Post-Med	4.84%	7.30%	6.55%	6.58%	6.31%	6.04%	5.78%	5.51%	5.24%	4.97%	4.00%	15

Valuation Year

31-Dec 2021

Valuation Method

EAN

Total or Closed Payroll

Total

Investment Return

7.50%

Open or Fixed Amortization

Open

GASB 74 Discount Rate

7.50%

Actuarial Amort. Years

30

Average Salary Increases

3.25%

2022 calendar year return

-10.00%



Baseline



Historical



Equity %

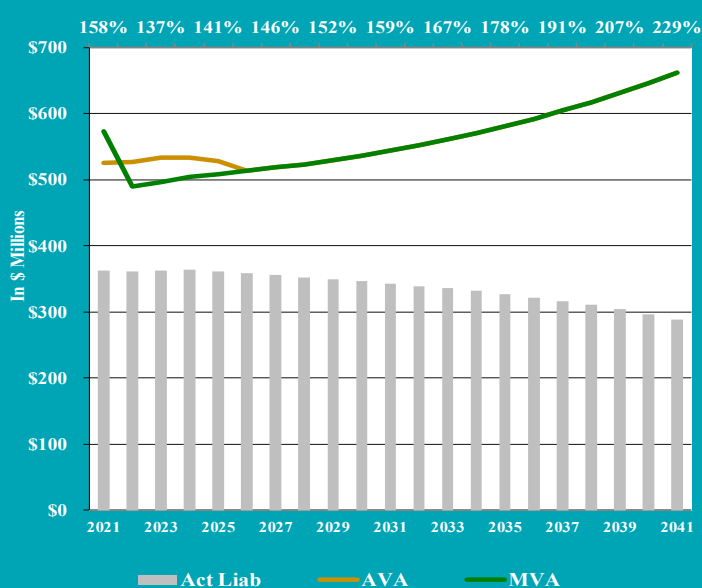
2001

80%

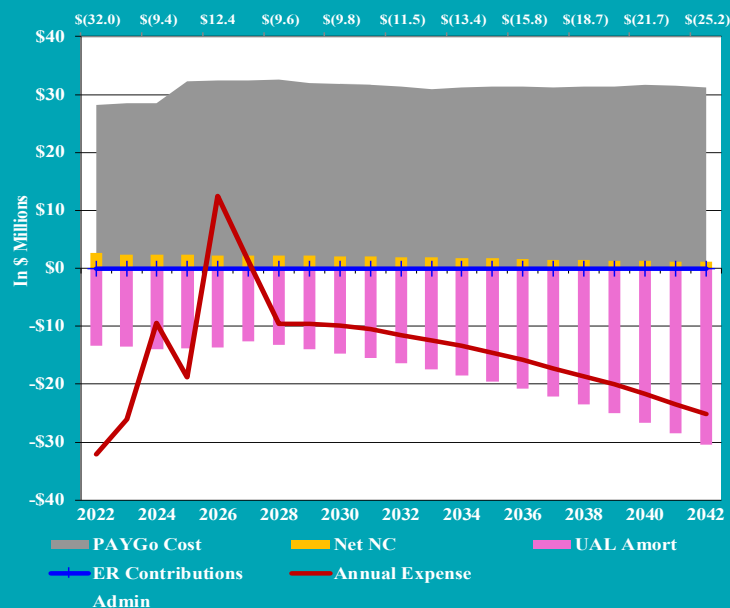
Calendar Year

2022	-10.00%
2023	7.50%
2024	7.50%
2025	7.50%
2026	7.50%
2027	7.50%
2028	7.50%
2029	7.50%
2030	7.50%
2031	7.50%
2032	7.50%
2033	7.50%
2034	7.50%
2035	7.50%
2036	7.50%
2037	7.50%
2038	7.50%
2039	7.50%
2040	7.50%
2041	7.50%
Avg	6.55%

Assets and Liabilities



Plan Expense and Funding
Fiscal Year Ending



12/31/2021 Valuation Projections – Average 7.26%

20 Year Historical Asset Mix (80% Equities / 20% Fixed)



H-scan OPEB

Stress Testing



Increase in trends

0.00%

Health Trends

	Starting	2022	2023	2024	2025	2026	2027	2028	2029	2030	Ultimate	Years to
	Trend	Year	Year	Year	Year	Year	Year	Year	Year	Year	Trend	Ultimate
Pre-Med	8.00%	7.75%	7.50%	7.00%	6.66%	6.32%	5.99%	5.65%	5.31%	4.97%	4.00%	15
Post-Med	4.84%	7.30%	6.55%	6.58%	6.31%	6.04%	5.78%	5.51%	5.24%	4.97%	4.00%	15

Valuation Year

31-Dec

2021

Valuation Method

EAN

Total or Closed Payroll

Total

Investment Return

7.50%

Open or Fixed Amortization

Open

GASB 74 Discount Rate

7.50%

Actuarial Amort. Years

30

Average Salary Increases

3.25%

2022 calendar year return

-7.82%



Baseline



Historical



Equity %

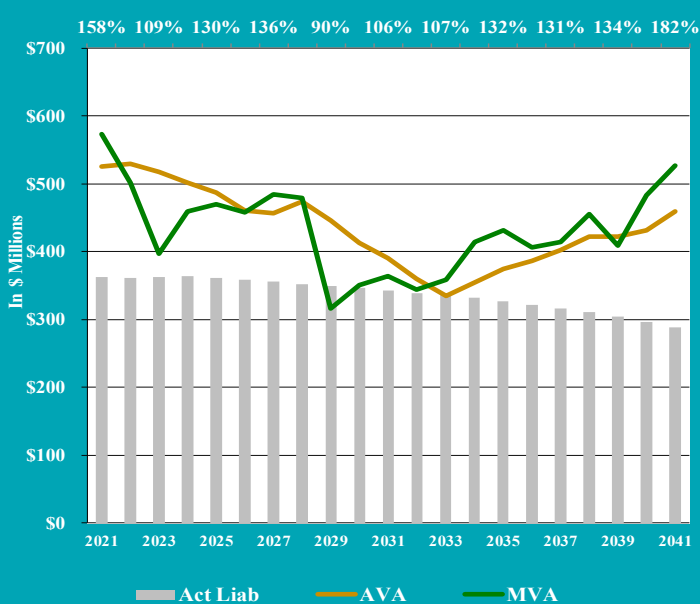
2001

80%

Calendar Year

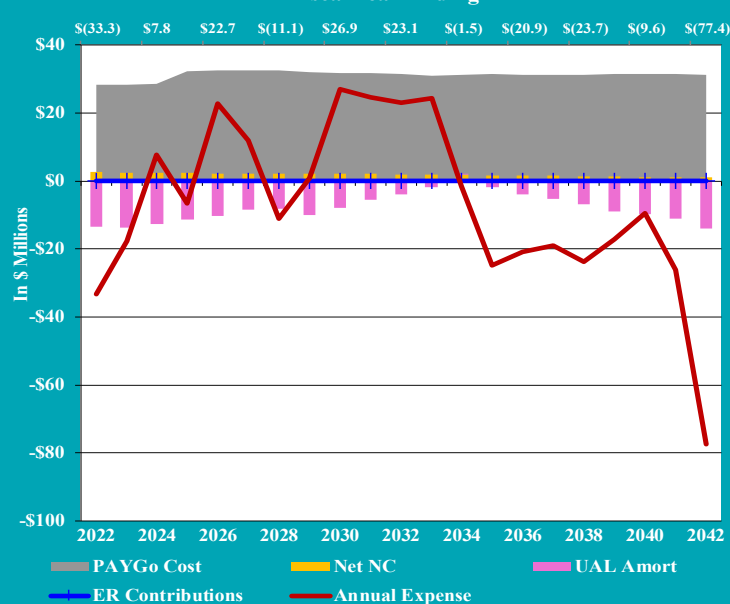
2022	-7.82%
2023	-15.63%
2024	23.78%
2025	9.57%
2026	4.42%
2027	13.50%
2028	5.79%
2029	-28.55%
2030	22.36%
2031	13.40%
2032	3.26%
2033	13.65%
2034	25.51%
2035	12.14%
2036	1.22%
2037	10.10%
2038	18.17%
2039	-3.51%
2040	26.93%
2041	16.22%
Avg	7.26%

Assets and Liabilities



Plan Expense and Funding

Fiscal Year Ending





- GASB 74/75
 - Determine the blended discount rate
 - Preliminarily, the fund should pass the depletion testing if assets return at least -4.60%
 - If pass test, will use 7.5% for 6/30/2022
 - If not pass, the discount rate will be blended
 - Highly dependent on investment returns
 - Example, if -10% return does happen, the blended rate could be as low as 5.6%
 - Draft GASB 75 report and provide in July 2022
- Develop contribution rates for the three health plans as of January 1, 2023
 - Provide results by September 2022

Disclosures



The purpose of this presentation is to present the results from the December 31, 2021 Retiree Health Benefits Plan for the City of Cincinnati OPEB Plan. 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 user.

In preparing this presentation, we relied on information, some oral and some written, supplied by the Cincinnati's staff, its vendors. This information includes, but is not limited to, the plan provisions, member 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 analysis was based on financial data through December 31, 2021 and the January 1, 2022 membership data. Unless otherwise noted, the assumptions and methods are outlined in the December 31, 2021 Actuarial Valuation Report. Future results may differ significantly from this presentation due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

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.

This report includes projections of future contributions, claims, assets, reserves, funded status for the purpose of assisting the Board of Trustees with the management of the Fund. We have used Cheiron's H-Scan model to develop these projections. The model is also used to stress test the impact of volatile asset returns over the projection period.

This presentation and its contents have been 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.

Gaëlle Gravot, FSA, MAAA
Principal Consulting Actuary

Margaret Tempkin, FSA, EA, MAAA
Principal Consulting Actuary

June 9, 2022



Appendices



Eligibility

Per Ordinance 336-2016 adopted by the City Council on October 26, 2016, employees hired after December 31, 2015 **are not** eligible to receive retiree health benefits.

Eligibility requirements:

- Age 60 with 20 years of service (yos) (15 years of service for Group C) or 30 years of service at any age
- At least 20 years of service must be CRS membership service



Benefits offered

- Medical, Prescription Drugs, Dental and Vision
- Eligible retirees, beneficiaries, and their dependents Pre and Post Medicare eligibility
- Three Retiree Medical Plans:

Secure*	Select	Model
Retired prior to 9/1/07 with income <\$30K	Group C, or retired between 9/1/07 and 1/1/16	Not Group C and retired after 1/1/16

* Participants not meeting the income requirement can elect either the Select or Model plan.



Contribution Rules

	Secure	Select	Model
Group 1 (hired before 1/9/97)	\$0	5% of full cost adjusted for Medicare eligibility	10% of full cost adjusted for Medicare eligibility
Group 2 (hired after 1/9/97)	\$0	Varies - See sliding scale below	Varies - See Sliding scale below

Sliding Scale

Points:	Select	Model
90+	5%	10%
80-89	25%	25%
70-79	50%	50%



Plan Benefit Comparison

Non-Medicare	Secure	Select	Model
Deductible (Ind / Fam) ¹	\$0/\$0	\$300/\$600	\$500/\$1,000
Coinsurance (INN / OON) ²	20% / 50%	20% / 50%	20% / 50%
Out-of-Pocket Max (OOP Max)	\$500 / \$1,000	\$1,500 / \$3,000	\$2,000 / \$4,000
OON Deductible / OOP Max	2 x INN	2 x INN	2 x INN
Prescription Drug Mail Order	\$5 / \$15 / \$30 \$10 / \$30 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60
Medicare	Secure	Select	Model
Deductible (Ind) ¹	\$0	\$300	\$500
Coinsurance (INN / OON) ²	4% / 10%	4% / 10%	4% / 10%
Out-of-Pocket Max (OOP Max)	\$500	\$1,500	\$2,000
OON Deductible / OOP Max	Combined INN	Combined INN	Combined INN
Prescription Drug Mail Order	\$5 / \$15 / \$30 \$10 / \$30 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60

¹ Ind / Fam: Individual / Family

² INN / OON: In-Network / Out-of-Network

June 9, 2022

App B. Actuarial Valuation Assumptions



- Demographic assumptions
 - based on the City's prior actuary's experience study adopted March 1, 2018
 - adjusted participation percentage for Group 2 actives
 - all other demographic assumptions determined to be reasonable for this valuation
- Economic assumptions:
 - Based on claims experience through December 2021
 - Favorable claims experience
 - Trends reflect future information in medical and drug costs, plan design and general inflation



Claims Development

- 2021 claims were developed based on the calendar year (CY) 2019, 2020 and 2021 claims broken down by the three plans and four population subsets (Medicare Eligible Part A&B (ME part AB), Medicare Eligible Part B Only (ME part B), Medicare Eligible Part A Only (ME part A) and Non-Medicare Eligible (NME)). A 13% load was applied to CY 2020 experience for anticipated “COVID rebound”.
- Retirees are enrolled in:
 - The Medicare Advantage plans if Part A&B, or Part B only eligible
 - The self-insured medical plans otherwise
- All participants age 65+ are assumed to be eligible for Part D



Trends

- Trends were developed by determining the expected increase in trends for each type of coverage, medical vs pharmacy, Non-Medicare and Medicare

Year	Medical NME	Medical ME	Drug NME	Drug ME
2021	8%	0%	8%	7%
2022	7.8%	8.5%	7.8%	6.8%
2035 (Ultimate)	4.00%	4.00%	4.00%	4.00%