City of Cincinnati Retirement System
Board of Trustees Meeting

Agenda

September 7, 2022 / 2:00 P.M.
City Hall, Council Chambers and via Zoom

Call to Order

Approval of Minutes
- Meeting Minutes – August 4, 2022

Report from Performance Evaluation Committee

Informational - Executive Director's Report
- CRS Staffing Update
- Counsel Update
- Trustee Appointment Update
- State Auditor Mgmt. Letters
- Draft 115 Health Trust Funding Policy
- Draft 2022 Member Handbook
- Cheiron Public Plan Tool

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.
- CY2021 Draft Annual Report
- DROP Actuarial Analysis Funding

New Business
- Consideration of North Sky III LBO Liquidation
- Amendment to Election Timeline

Adjournment

Next Meeting: Thursday, October 6, 2022, 2:00 P.M. City Hall Council Chambers and via Zoom

City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
August 4, 2022/ 2:00 P.M.
City Hall – Council Chambers and remote

Board Members Present
Bill Moller, Chair
Tom Gamel
Mark Menkhaus, Jr.
Kathy Rahtz
Don Stiens
Jeff Cramerding

Administration
Mike Barnhill
Bev Nussman
Ann Schooley

CALL TO ORDER
Chair Moller called the meeting to order at 2:09 p.m. and a roll call of attendance was taken. Trustees Moller, Menkhaus, Gamel, Rahtz, Stiens, and Cramerding were present. Trustee Juech was absent.

APPROVAL OF MINUTES
Approval of the minutes of the Board meeting of July 14, 2022, was moved by Trustee Gamel and seconded by Trustee Rahtz. The minutes were approved by unanimous roll call vote.

Report from Investment Committee
Trustee Moller reported that the Investment Committee received a report from Brett Christenson of Marquette Associates. Mr. Christenson discussed the recent market environment and presented the 2Q 2022 CRS Investment Results. The YTD return is negative, but CRS continues to perform better than its benchmark and above its peer median.

The Board accepted Marquette's 2Q 2022 CRS Investment Results report by unanimous roll call vote.

Informational – Executive Director's Report
Director Barnhill provided the following report:
- Trustee Winstead resigned two weeks ago.
- The Mayor has nominated Sheila Simmons as CRS trustee. City Council will take up her confirmation in a future meeting.
- CRS has sent status letters to each of the three families who were denied CRS retiree healthcare for their disabled adult children. The letters also provided information on resources available to the

families.

- An RFP to select an actuary to conduct an analysis as to whether the DROP is cost neutral has been completed. Trustee Moller inquired about the Board's role. Director Barnhill responded that the Board can consider whether it wishes to approve funding for the analysis. Director Barnhill agreed to bring back cost information at the next meeting.
- 2Q 2022 Budget Update. Ms. Nussman provided an update on the CRS budget. Ms. Nussman pointed out items that are paid all at once, or have yet to be paid. The 2022 ERIP payment has been paid. Director Barnhill observed that CRS is moderately underspending the approved budget.
- 2Q 2022 DROP Report. Director Barnhill observed that DROP participation is declining.
- 2Q 2022 Demographic Report. Director Barnhill provided additional demographic data for the Board's consideration. Items of note:
    - There are close to 10,000 inactives with refundable balances, some of which are quite large. Staff will be working over the next year to contact individuals to let them know these balances exist and can be refunded. Trustee Moller asked if this would materially impact CRS cashflow. Director Barnhill responded that it would not, since this effort will be spread over time.
    - There are 360 Group E and F members who cannot participate in DROP; communication to this group so they are aware is needed.
    - Among the group of 273 Deferreds, staff are seeing some of these vested members refund their accrued employee contributions, which may not be in their best interest. Staff will be providing targeted education to raise awareness of the value of the benefits given up when vested members refund their balances and waive benefits.
    - Currently retirees eligible for 5% premium share in the Model plan (5) are paying 10%. Staff is following this, and will resolve with members once the open CSA issues related to this are closed.
- Active Trustee Election Update. Four candidates have filed. The election will close in early September.
- Horan Contract Update. Director Barnhill has enlisted Horan to assist in responding to the questions from the Benefits Committee regarding the disabled adult children matters.
- Staffing Update. The staff vacancies have not been filled. We've extended the hours of the temporary staff. Looking forward to answering the phones soon.
- Legal counsel update. No further discussions.
- CVS Diabetes Program. CRS is implementing the CVS diabetes program on a pilot basis in 2023, CVS intends to send targeted communication about the program to members.

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.

Fiduciary Insurance Excess Layer:
Director Barnhill explained that CRS' broker has provided quotes for (1) an additional $3mm and (2) an additional $5mm of excess coverage at a cost of $18,973 and $27,125 respectively. The Board can fund the cost of additional excess coverage from the Professional Services budget, Consulting Fees line item.

Trustee Moller asked if $10mm was a standard level of coverage. Director Barnhill stated that the broker advised that for other organizations with similar levels of assets ($2+B), $10mm in coverage was common.

Trustee Moller moved, and Trustee Gamel seconded, that the Board increase coverage to $10mm by purchasing $3mm in excess layer coverage at a cost of $19,000. Upon roll call vote, the Board approved the motion unanimously.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Cramerding, the Board approved the motion by unanimous roll call vote. The meeting adjourned at 2:39 P.M.

Meeting video link: https://archive.org/details/crs-board-8-4-22

Next Meeting: September 1, 2022 at 2:00 p.m.

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Secretary

City of Cincinnati
Cincinnati Retirement System
115 Trust and Other Post Employment Benefits (OPEB)
Funding Policy

<u>Background</u>

In 2015, the City of Cincinnati entered into a settlement agreement (Collaborative Settlement Agreement or "CSA") to resolve pending litigation related to changes in the retirement benefits provided by the City, including healthcare benefits (also known as "Other Post Employment Benefits" or OPEB). The CSA required that the City continue to provide retiree healthcare benefits for certain City retirees through the expiration of the CSA in 2045. The CSA specified varying eligibility and cost participation by retirees. CSA paras. 23-24. The City implemented these provisions though amendments to CMC 203-42 through 203-44, and by creating a separate trust fund for the purposes of contributing to, investing and funding the health benefits of these certain retirees of the City ("115 Trust Fund"). CMC 203-122.

CSA para. 25 required the City to develop a funding policy for the 115 Trust Fund "that will satisfy all consent decree requirements including but not limited to the City's obligation to fully fund the 115 Trust at actuarially appropriate levels for the term of this Agreement." CSA, para 26; CMC 203-93(c). Accordingly, this funding policy is intended to implement the CSA and CMC and ensure that the 115 Trust is funded at actuarially appropriate levels at least through December 31, 2045.

Since the effective date of the CSA, the 115 Trust has either been very close to full funding or overfunded. As such, the City has not made any employer contributions to the 115 Trust, aside from the initial deposit of $220mm earmarked for retiree healthcare. Medical costs, however, have been historically volatile. With the advent of increased inflation as well as capital market volatility, it is prudent to adopt a healthcare funding policy at this time.

<u>Actuarial Evaluation: Valuation, Experience Study and Audit</u>

Consistent with the City ordinances that require the regular application of sound actuarial analysis to the administration of pension and OPEB benefits, this policy requires that an actuarial valuation of CRS OPEB benefits and the 115 Trust will continue to be conducted annually. CMC 203-91. Additionally, an actuarial experience analysis will be conducted at least once every five years. Admin. Code. XV sec. 9. Finally, an actuarial audit, with full replication of data and results, will be conducted once every 10 years by an actuary who had no role in the conduct of any actuarial valuation or experience study during the 10-year period previous to the audit.

The annual actuarial valuation will compute the normal cost and any past service cost associated with the 115 Trust. The normal cost is the annual amount that should be contributed by the employer to the system to fund the projected accrual of healthcare benefits over the year, assuming that all actuarial assumptions are accurate. The past service cost is the amount needed make up for variances in the actual experience of the system versus the actuarial assumptions. Together, the normal cost and the past service cost, if any, equal the actuarially determined employer contribution (ADEC).

Actuarial Assumptions

Notwithstanding the provisions of the CSA and CMC, for purposes of calculating the ADEC for the 115 Trust Fund, and conservatively managing the 115 Trust, the following actuarial assumptions and methods will be used:

Assumed Investment Earnings Rate:	7.50%
Amortization period of any unfunded liability:	30 years
Amortization method:	Level dollar
Value of 115 Trust Assets:	Actuarial value

Funding Triggers

Upon a determination by the actuary that the 115 Trust is funded at a level of 90% or less, the City will begin to contribute the normal cost of the OPEB benefits in the fiscal year that begins two years following the date of the OPEB valuation. Example: if the CY2024 OPEB valuation reflects that the 115 Trust is 89% funded, the City will contribute the OPEB normal cost rate in the FY2026 budget. The normal cost the City will contribute will be capped at 2% of pensionable CRS member payroll.

Upon a determination by the actuary that the 115 Trust is funded at a level of 80% or less, the City will consider an additional contribution to defray the OPEB unfunded liability in the fiscal year that begins at two years following the date of the OPEB valuation.

Any contribution of normal cost or additional contribution to defray any unfunded liability will be contingent on the CRS pension funded ratio being at least 85%.

The City may cease contributions to the 115 Trust following two consecutive years of funding levels at or above 100%, as certified by the actuary in the annual valuations, subject to re-starting contributions under the provisions of the previous two paragraphs.

Appropriation Required

The City will seek to implement this funding policy in good faith, but recognizes that annual budgeting always involves complex balancing of a large spectrum of budget needs with limited available revenues.

Effective Date

This funding policy takes effect upon the date of adoption by the City Manager, with consent from the Mayor and City Council of the City of Cincinnati.

Sunset

Acceptable and appropriate actuarial assumptions, methods and practices vary over time, as do economic conditions and investment markets. Any funding policy should be regularly evaluated and updated to determine its suitability for the times. Accordingly, this funding policy sunsets ten years after its effective date. The City of Cincinnati will endeavor to re-approve, update or replace this funding policy prior to its expiration.

MEMBER HANDBOOK
(Groups F and G)

2022

Draft August 29, 2022

WELCOME!
The Retirement System is one of the most important features of City employment. Since 1931, it has enabled thousands of employees to retire with income security. The purpose of this handbook is to help you better understand the benefits the System provides for you. Please read this handbook carefully so that you may take full advantage of the System's many benefits.

This booklet provides information about the following retirement benefits:

- **Monthly Pension Benefit**
- **Retiree Healthcare**
- **Deferred Retirement Option Plan (DROP)**
- **Disability Benefits**
- **Survivor Benefits**

Note that there are different eligibilities for each benefit type. Not all employees are eligible for all benefits.

CRS Mission
The CRS Board of Trustees has adopted the following mission statement:

- Assure promised pension and healthcare benefits for current and future retirees
- Assist and support CRS members in achieving a successful retirement
- Assure CRS transparency and accessibility for all stakeholders

Retirement is a major life transition. For some, retirement signals a time of freedom, for others it means more time to commit to family, friends and the community. And for others, it gives the opportunity to find new work that may have a deeper meaning, or work on achieving life-long goals. Whatever your goal for your retirement, having a secure financial foundation will help you achieve a successful retirement.

CRS is here to help you with your retirement!
Please contact us with your questions.

How to Get Your Questions Answered
- Email: retirement@cincinnati-oh.gov
- Call: 513-352-2772
- 1-on-1 Counseling Session: call or email to set up an appointment
- Visit us: 801 Plum Street, Suite 328, Cincinnati, OH 45202
- MemberDirect: https://crsmemberdirect.org
- Website: https://www.cincinnati-oh.gov/retirement/

MEMBERDIRECT
https://crsmemberdirect.org

Cincinnati Retirement System (CRS) has developed an internet portal to allow active members independent access to personal retirement account information.

It's called MemberDirect and you can log on from any computer, any time.

You will find that the system is intuitive and simple to use: just visit CRSMemberDirect.org and sign up with your personal email address. Please do not use your work email address as that address will be terminated when you retire.

Take your time walking through Member Direct, learning how to:

- Review Account Summary and Nominated Beneficiary
- Download and Complete Forms
- Create Personal Benefit Estimate
- Test HELP & FAQ Sections

Questions? Try the Member Direct FAQ page to address as many issues as possible.

Any inquiries falling outside of the scope of the Member Direct FAQ page should be directed to: Retirement@Cincinnati-OH.gov.

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Legal Disclaimer. The benefits described herein are governed by the Collaborative Settlement Agreement (CSA), effective 1/1/2016, and the City's municipal code (CMC). While these benefits are secured and protected by the CSA and CMC, they are subject to change if approved by the U.S. Federal District Court under the terms of the CSA.

This handbook is designed to give you information about the benefits provided by the Retirement System. It is intended only as a summary of general information and is compiled for your convenience. The CSA and the CMC contains the actual language that governs the System.

Official System pronouncements, interpretations and/or revisions are communicated only from the Secretary of the Board of Trustees of the Retirement System. Non-official communications do not establish Retirement System policies and procedures. Nothing within this handbook can change or supersede Cincinnati Municipal Code Section 203, nor the Board Rules established by the Board of Trustees of the Retirement System. The CSA or the CMC may change, in which case, this plan may change.

A BRIEF HISTORY

The retirement plan for general City employees became effective on August 1, 1931. It was the first retirement plan for general City employees in the State of Ohio and predates the State Public Employees Retirement System by about four years.

Benefits

Since the establishment of the System, there have been significant changes in both the amount and value of benefits provided. Until 2016, adjustments in the schedule of benefits were made by City Council, often as a result of recommendations of the Board of Trustees. Beginning in 2016, any adjustments to benefits must be approved by the U.S. District Court under the terms of the Collaborative Settlement Agreement. The Collaborative Settlement Agreement will expire at the end of 2045.

Board of Trustees

The first members of the Board of Trustees of the Retirement System were:

Mayor Russell Wilson
Mr. Cecil H. Gamble, Chairman, Civil Service Commission
Councilman C.O. Rose,
City Manager C.A Dykstra
Mr. Edward Rathman, Employee Member
Mr. Gustav Lorenz, Employee Member
Mr. Carl A. Rogers, Employee Member
Mr. Henry Urner, City Auditor and Secretary

Today, the Board of Trustees consists of the following members:

William E. Moller, Chair (Retired)
Thomas Gamel, Vice Chair (Retired)
Kathy Rahtz (Retired)
Mark Menkhaus, Jr. (Active)
TBD (Active)
John Juech (Mayor appointed)
Jeff Cramerding (Mayor appointed)
Vacant (Mayor appointed)
Vacant (Mayor appointed)

PARTICIPATING IN THE RETIREMENT SYSTEM

Eligibility

All employees of the City of Cincinnati are eligible for membership in the System with the following exceptions:

- Members of the State Police and Firemen's Disability and Pension Fund.
- Employees who are members of the State Public Employees Retirement System, the State Teachers Retirement System, or the Public School Employees Retirement System.
- Persons becoming employees after June 1, 1961, who are employed in the building crafts; such as, bricklayer, carpenter, electrician, etc.
- Elected officials.
- Persons hired after June 30, 1979, as participants in programs authorized, undertaken, or financed pursuant to the Comprehensive Employment and Training Act (CETA).

When Participation Begins

You are enrolled in the plan once you are an eligible employee.

You begin earning membership service on the first day of work and it generally continues until your employment with the City ends. However, you don't earn service credit when you are on a leave of absence, unless you are on military leave and have met any necessary requirements for that leave.

FUNDING YOUR BENEFIT

CRS benefits are funded by both employees and the City of Cincinnati. Full-time employees contribute 9% of their pay to CRS through payroll deductions. The City contributes no less than 16.25% of payroll to CRS. The CRS Board of Trustees invests these contributions. The contributions plus the investment earnings are used to pay your retirement benefits.

- You will receive a periodic member statement showing the total balance of your contributions in your System account. You may also access your account on MemberDirect to see your balance. https://crsmemberdirect.org/

- Your contributions to the System are made before federal and state income taxes are deducted (but not City earnings tax), so you pay less in current income taxes. This means you don't pay income tax on the money in the plan until it is paid to you.

- The City's contribution may vary, based on the actuarial valuation of the System performed each year by the System's independent actuary. The City may contribute more than the minimum requirement of 16.25% of payroll.

INVESTING THE FUNDS OF THE SYSTEM

Investment Managers

Your contributions are invested in the Retirement System Trust, which is exclusively managed by the Board of Trustees. The Trustees, with the assistance of an investment consultant, retain professional investment managers to manage the investments of the trust. These professional investment managers supervise the investment of assets of many private and public pension plans and have large research organizations which study economic trends and other factors affecting security prices.

The Board of Trustees monitors the performance of the investment managers and conducts regular reviews of their performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

Investment Objectives

The Board of Trustees has directed that the primary return objectives in the investment management of Trust assets are to:
(a) preserve the safety of principal,
(b) earn the highest possible total return consistent with prudent levels of risk, and
(c) create a stream of investment returns to insure the systematic and adequate funding of actuarially determined benefits through contributions and professional management of the System assets.

In addition to the primary return objectives, the Board and its investment managers and consultant follow the investment standards of care outlined in CMC 203-65.

The Trustees' Statement of Investment Policy Statement is posted here: https://www.cincinnati-oh.gov/retirement/crs-financial-information/crs-investment-policy-2022/

Annual CRS Rates of Investment Return

Plan Year	Investment Return Assumption	Market Return
2011	7.50%	0.88%
2012	7.50%	12.06%
2013	7.50%	16.99%
2014	7.50%	6.46%
2015	7.50%	-0.11%
2016	7.50%	9.24%
2017	7.50%	14.51%
2018	7.50%	-3.93%
2019	7.50%	16.40%
2020	7.50%	8.03%
2021	7.50%	18.06%
10-Year compound Average		**9.54%**

RETIREMENT BENEFITS

CRS provides five types of retirement benefits:

- **Monthly Pension Benefit**
- **Retiree Healthcare**
- **Deferred Retirement Option Plan (DROP)**
- **Disability Retirement Benefits**
- **Survivor Benefits**

Retirement Benefits Eligibility
The eligibility requirements for each type of retirement benefit differ. Not all employees are eligible for each type of retirement benefit. Your eligibilities are determined by your Group designation, your date of hire, your years of service, or your CSA designation. Here's a quick summary:

Monthly Pension Benefit**:** eligibility and benefit formula are determined by your Group designation.

- Group F: Employees who were hired before January 1, 2010, and are not in any other group.
- Group G: Employees who were hired on or after January 1, 2010.

Retiree Healthcare: eligibility and premium share amount is determined by your date of hire.

- Hired before 1/9/1997: Model Plan, 10% premium share
- Hired between 1/9/1997-12/31/2015: Model Plan (Points), 5%-75% premium share
- Hired on or after 1/1/2016: Not eligible for retiree healthcare

Deferred Retirement Option Plan (DROP): eligibility is determined by your CSA designation.

- CSA Employee: Employees who had five years of service and were employed on July 1, 2011. Only CSA Employees are eligible for DROP. All other employees are not eligible for DROP.

Disability Retirement Benefits: requires five years of creditable service.

Survivor Benefits: eligibility is determined by the amount of your service credit.

- Survivor benefits: 18 months of service credit
- Survivor retirement benefit: 20 years of service credit
- Refund of contributions: no service credit minimum

Each type of benefit may also have additional age and service requirements. Those are described below.

If you are not certain about your designations, please contact us and ask.
See "How to Get Your Questions Answered" on p.2.

MONTHLY PENSION BENEFIT

The monthly pension benefit is a monthly payment that will be made to you for the rest of your life. If you are married, this benefit can be extended to last for the rest of your and your spouse's life. To do this, your monthly pension benefit will be reduced and you need to name your spouse as an Optionee. You may also name a non-spouse as an Optionee.

How Defined Benefit Pensions Work
In a defined benefit system like we have in Cincinnati, the goal is to provide salary replacement so that long-term employees can achieve a secure retirement. The way this is done is to give a certain percentage of an employee's average salary for every year they work.

The traditional pension formula looks like this:

[Service Multiplier] x [Average High Salary] x [Yrs. Of Membership Svc] = Annual Pension Benefit

So for example, an employee who works 30 years, and is eligible for a service multiplier of 2.2%, will receive a monthly pension benefit that replaces 66% (30 x 2.2%) of their average high salary. Note: as discussed below, your pension formula may differ.

Terms to Know
Here are some basic terms to help you understand how your monthly pension benefit is calculated:

- *Service Multiplier*: The multiplication factors (either 2.5%, 2.22% or 2.2%) used in the pension formula.
- *Average Highest Compensation*: The average highest salary over three or five consecutive years. Overtime pay, lump sum payments of vacation sick and compensatory time are not used in determining the final average salary except for Group F members who elected the 2.22% service multiplier in lieu of the 2.5% service multiplier.
- *Years of Membership Service*: You begin earning service credit on the first day of work and continue earning service credit until your employment with the City ends.
- *Membership Service*: This is service credit earned while working for the City of Cincinnati in a CRS position, as well as purchased military service. It does not include service transferred or purchased from another retirement system. It does not include leave of absence time.
- *Creditable Service*: This is all service that you earned while working for Cincinnati, purchased service, or service transferred from another retirement system

Age and Years of Service Requirements
To receive a monthly pension benefit you must satisfy the following age and years of service requirements.

Group F:
You can retire and receive your monthly pension benefit:
- At age 60 with at least 5 years of creditable service.
- At any age with at least 30 years of creditable service.

You can retire early and receive a reduced monthly pension benefit:
- At age 55 with at least 25 years of membership service.

Group G:
You can retire and receive your monthly pension benefit:
- At age 67 with at least 5 years of creditable service.
- At age 62 with at least 30 years of creditable service.

You can retire early and receive a reduced monthly pension benefit:
- At age 57 with at least 15 years of membership service.

Service Credit
You earn service credit for every paid regular (base) hour during a calendar year, up to a maximum of 1.0 year of service credit for 2080 paid base hours in a calendar year. No service credit is earned for overtime hours paid (with the exception of Group F members who elected the 2.22% service multiplier).

For example, an employee who is paid for 1500 regular hours in a calendar year will receive 0.72 service credit (1500/2080) for that year. An employee who is paid for 2080 regular hours in a calendar year will receive 1.0 service credit (2080/2080) for that year.

You do not earn service credit for any period of unpaid service unless you are on military leave and have met any necessary requirements for that leave.

How Your Monthly Pension Benefit is Calculated

Group F:
The Group F formula has three steps to calculate the pension benefit amount:

	Service Multipliers		Final Average Salary		Yrs of Membership Svc
Step 1	2.50%	X	Average Highest 3 Years Compensation	X	Years of Membership Service to June 30, 2011
Step 2	2.50%	X	Average Highest 5 years of Compensation	X	Years of Membership Service from July 1, 2011
			Step 1 + Step 2 Capped at 20 yrs		
Step 3	2.20%	X	Average Highest 5 years of Compensation	X	Remaining Years of Membership Service from July 1, 2011

Note that Steps 1 and 2 are capped at a total of 20 years. Service in excess of 20 years is included in Step 3.

The sum of the products of Steps 1, 2, and 3 equal the annual pension benefit amount.

Group F employees hired before 7/12/1998, had the opportunity to elect a 2.5% multiplier with no inclusion of overtime in the calculation of membership service, or a 2.22% multiplier with inclusion of overtime in the calculation of membership service. The majority of Group F members elected the 2.5% multiplier with no inclusion of overtime in the calculation of membership service.

Group G:
The Group G formula is the traditional pension formula:

> [2.2% Service Multiplier] x [Average Highest 5 Consecutive Years of Compensation] x [Years of Membership Service] = Annual Pension Benefit Amount

Payment Options
When you are ready to retire, you need to decide what happens to your monthly pension benefit when you die. The plan offers a variety of payment options that give you the flexibility to select the kind of payments that best fit your circumstances and retirement needs.

Under the Single Life benefit, you receive 100% of your unreduced benefit during your lifetime only. Or you can choose from one of the following payment options that pays you a reduced benefit for your lifetime, then pays you and your optionee a benefit for the rest of his or her life, depending on who dies first.

If you are married, you ***must*** select one of the following four options or your spouse ***must*** complete a "Spousal Waiver of Joint and Survivor Annuity" to choose the unreduced benefit.

Option 1 - Joint and 100% Survivor Payment: In the event you die first, your surviving spouse or designated optionee receives 100% of the reduced benefit for the remainder of his or her lifetime.

Option 2 - Joint and 50% Survivor Payment: In the event you die first, your surviving spouse or designated optionee receives 50% of the reduced benefit for the remainder of his or her life.

Option 3 - 66 2/3% Joint and Survivor Payment: In the event you die first, your surviving spouse or designated optionee receives 66 2/3% of the reduced benefit for the remainder of his or her lifetime. If your spouse or designated optionee should die before you, you would receive 66 2/3% of the reduced benefit for the remainder of your life.

Option 4 - 80% Joint and Survivor Payment: In the event you die first, this option provides your surviving spouse or designated optionee with 80% of the reduced benefit for the remainder of his or her lifetime. If your spouse or designated optionee dies first, you receive 80% of the reduced benefit for the remainder of your life.

Here's an example of how the options work with an unreduced benefit of $3,203/month. Note that for each option, the benefit is actuarially reduced so that the benefit can extend to cover the lives of both you and your spouse or optionee:

Payment Option	Actuarial Adjustment	Reduced Payment When Both Retiree and Optionee Alive	After Death of Retiree: Amount To Surviving Optionee	After Death of Optionee: Amount To Surviving Retiree
Unreduced Pension (Single Life Annuity)	1.000000	$3,203.00	$0.00	$3,203.00
Option 1 100% to Survivor	0.844272	$2,704.20	$2,704.20	$2,704.20
Option 2 50% to Survivor	0.914717	$2,929.84	$1,464.92	$2,929.84
Option 3 66 2/3% Joint and Survivior	0.904136	$2,895.95	$1,930.63	$1,930.63
Option 4 80% Joint and Survivior	0.879204	$2,816.09	$2,252.87	$2,252.87

If you do not elect one of these four payment options when you retire, your monthly pension benefit and your retiree healthcare (if any) will end when you die. No one will inherit these benefits.

Also note: your option election is irrevocable unless you get divorced after retirement. In the event you get divorced and your ex-spouse consents, you may revoke your option and elect the unreduced single life monthly pension benefit for the remainder of your life.

Cost of Living Adjustment (COLA)

At the start of the fourth year of your retirement, you will begin receiving a 3% simple interest cost of living adjustment (COLA). The COLA will be applied annually in the same amount.

So, for example, if your initial annual benefit is $30,000, the COLA amount is $900. In the first year of receiving the COLA, the pension benefit is increased to $30,900. In the second year, the pension benefit is again increased by $900, to $31,800.

Early Retirement
CRS allows you to retire early with less than 30 years of creditable service.

Group F:
You can retire early and receive a reduced monthly pension benefit:
- At age 55 with at least 25 years of membership service.

Group G:
You can retire early and receive a reduced monthly pension benefit:
- At age 57 with at least 15 years of membership service.

The following charts show the percentage of your retirement benefit you would receive if you retire early. [Check These]

Group F:

If You Retire At Age:	% of Retirement Reduction
55	38.14%
56	32.14%
57	25.44%
58	17.94%
59	9.50%
60	0%

This means that if you retire at age 58 with 25 years of membership service and your annual benefit is $40,000, it would be reduced by 17.94% to $32,824.

Group G:

If You Retire At Age:	% of Retirement Reduction
57	38.14%
58	32.14%
59	25.44%
60	17.94%
61	9.50%
62	0%

This means that if you retire at age 60 with 15 years of membership service and your annual benefit is $40,000, it would be reduced by 17.94% to $32,824.

Payment of Your Monthly Pension Benefit

Your monthly pension payment is paid in arrears, just like your employee paycheck. In other words, you get paid for each month of retirement on the 1st day of the following month.

In order to allow for processing time, you will not get your first retirement check until after two months of retirement. This check will be double your normal retirement check, to pay for your first two months of retirement. Thereafter, you will receive your normal monthly pension benefit on the 1st day of the month.

If you elect any deductions, such as for retiree healthcare, in like manner, these will be made in arrears. So your deduction for your March healthcare premium will be taken from the April 1 monthly pension benefit.

Direct Deposit

The fastest and most secure way to receive your monthly pension benefit is by direct deposit. A direct deposit form will be provided to you at your retirement processing session. The form is also available here: https://www.cincinnati-oh.gov/retirement/forms/.

Direct deposit may only be used with a single financial institution.

Direct deposit of monthly pension benefit payments are issued to banks payable on the 1st business day of the month. The banking system in the U.S. does not process payments on weekends or holidays. Contact your bank or financial institution regarding accessibility of these funds (because of holidays and weekends).

The Retirement Office must receive notification of any Direct deposit changes (a new signed notarized Direct Deposit authorization form) by the 10th day of a month to ensure timely processing for the next monthly benefit payment. The Retirement Office may periodically require renewal authorizations to keep the Direct Deposit agreement in effect.

RETIREE HEALTHCARE

For employees hired before 1/1/2016, CRS offers the "Model Plan" to eligible retirees. The Model Plan is modeled after the most favorable plan offered to active employees. Here is the cost structure of the Model Plan for in-network care:

Deductible (Individual/Family)	\$500/\$1000
Out of Pocket Max (Individual/Family)	\$2000/\$4000
Rx Co-Pay (generic/brand/non-formulary)	\$10/\$20/\$30
Patient Co-Insurance (pre-65)	20%
Patient Co-Insurance (65+)	4%

The current health plan summaries and plan booklets are posted on our website:
https://www.cincinnati-oh.gov/retirement/pension-benefits/retiree-healthcare/

Eligibility

For employees hired before 1/1/2016, you can retire and receive your retiree healthcare benefit:

- At age 60 with at least 20 years of creditable service.
- At any age with at least 30 years of creditable service, at least 20 years of which is membership service.

If you meet the above requirements, retiree healthcare benefits are also provided for your spouse and eligible dependents for an additional cost. If you do not select a payment option from Options 1 – 4, the retiree healthcare benefit for your spouse and eligible dependents terminates upon your death.

Each year, you may change your coverage election for your dependents during the annual open enrollment period.

Employees Hired After 1/1/2016

For employees hired on or after 1/1/2016, you are not eligible for retiree healthcare benefits.

However, you do have alternatives available to you that you can act upon now:

- *Health Savings Account (HSA)*. As an active employee, you can enroll in the City's High Deductible Health Plan with Health Savings Account. The City currently annually contributes to each HSA \$500 for single employees and \$1000 for employees with a family. Single employees can currently annually contribute up to an additional \$3,650 (pre-tax) to their HSA, and employees with families can annually contribute up to an additional \$7,300 (pre-tax) to their HSA. HSA funds can be used tax-free throughout your life, including retirement, for healthcare expenses. After age 65, HSA funds can be used for any purpose. HSA balances in excess of \$2,000 can be invested in mutual funds.

- *Deferred Compensation 457 Plans*. You can set aside money pre-tax in the deferred compensation 457 plans sponsored by the City. In retirement, these funds can be used for any purpose including healthcare.

- *Federal Insurance.* All U.S. Citizens are eligible for health insurance under the Affordable Care Act. If you retire before reaching the age of Medicare eligibility (currently 65), you can enroll in health insurance on the federal exchange.

For further information:
City of Cincinnati HSA Plan: https://coc.4mybenefits.net/
457 Plans: https://www.cincinnati-oh.gov/retirement/membership/deferred-compensation/
Affordable Care Act Federal Exchange: https://www.healthcare.gov/

Plan Types
The Model Plan has two types of plans depending on your age:

- *Pre-65 Plan*. This plan covers your healthcare expenses as the primary plan. "Primary" means the plan pays first. So for example, if you incur a covered healthcare cost the plan will pay 80% of the maximum allowed amount, and you will pay 20% as well as any deductible amount.

- *65yrs and Older Plan*. This plan is configured as a Medicare Advantage plan. In order to avoid Medicare penalties, you should enroll in Medicare Parts A and B when you turn 65. For most members Medicare Part A is free. Medicare Part B charges a monthly premium which you must pay.

  In this plan, Medicare is primary and pays first. The CRS plan pays as secondary. So for most claims, Medicare and CRS will pay 96% of the maximum allowed amount as the primary and secondary insurers, and you will pay 4%, as well as any deductible amount.

Dependent Eligibility
If you are eligible for retiree healthcare, your dependents are eligible as follows:

- Your spouse
- Your dependent children if they were born before you retire:
  - Under the age of 19
  - Under the age of 24, if they are attending an accredited school for at least 7 months of the calendar year
- Your adult disabled children:
  - If they reside in your home
  - If they are permanently and totally disabled prior to age 18
  - If the disability determination is made by the Social Security Administration

Dependent Tiers

Premiums for the Model Plan are determined by the number of dependents covered. At this time, CRS has the following dependent tiers, each with different premiums. In general, the premiums for the 65+ Plan are substantially cheaper than the Pre-65 Plan. Adding dependents to your coverage will increase the cost.

Pensioner Only (pre-65)
Pensioner Only (65+)

Pensioner & Spouse (both pre-65)
Pensioner & Spouse (1 pre-65, 1 65+)
Pensioner & Spouse (both 65+)

Pensioner & Children (Pensioner pre-65)
Pensioner & Children (Pensioner 65+)

Pensioner, Spouse & Children (both pre-65)
Pensioner, Spouse & Children (1 pre-65, 1 65+)
Pensioner, Spouse & Children (both 65+)

Premium Share

Retirees share in the cost of the monthly premium for retiree healthcare. Your share is determined as follows:

- For employees hired before January 9,1997:
    - Your premium share may not exceed 10% of the total premium.

- For employees hired on or after January 9, 1997:
    - Your premium share is determined by the number of points you have when you enter retirement. The premium share ranges from 5% to 75% of the total premium.
    - You earn 1 point for each full year of creditable service and 1 point for each year of age at retirement (or termination, if you don't retire immediately following termination of employment). There are no fractional points. Your age means birthday immediately preceding the date you terminated employment or retire, whichever comes first.

$\boxed{\text{Full Years of Creditable Service}} + \boxed{\text{Age at Termination}} = \boxed{\text{Points}}$

    - Points grid:

Your Total Points	Your Percentage of Total Premium Cost
90 points	5%
80-89 points	25%
70-79 points	50%
60-69 points	75%

Note: Under the terms of the CSA, the Court has requested the parties seek to reform this table through the creation of a 10% premium share category so long as it does not have a "material" impact on the finances of the healthcare trust. At this time, this issue remains unresolved.

The current Model Plan enrollment and premium chart is posted on our website here: https://www.cincinnati-oh.gov/retirement/pension-benefits/retiree-healthcare/

Dental and Vision Coverage

Retirees may purchase dental and/or vision coverage by paying 100% of the premium.

The current providers are Superior Dental and EyeMed Vision Care.

Health Reimbursement Arrangement (Medical Expense Reimbursement Plan)

For retirees who are eligible for retiree healthcare, but have access to other insurance, CRS offers an HRA or Medical Expense Reimbursement Plan (MERP) which is free. In exchange for maintaining your alternative insurance, the CRS MERP will reimburse your out-of-pocket medical expenses, including co-pays, co-insurance, deductibles and premium differentials.

For more information see our website here: https://www.cincinnati-oh.gov/retirement/pension-benefits/retiree-healthcare/

DEFERRED RETIREMENT OPTION PLAN (DROP)

The Deferred Option Retirement Plan allows eligible employees to defer retirement for up to five years. During this time, the monthly pension benefits that they would have gotten if they had retired accrue and earn interest. Additionally, 75% of the member's CRS payroll contribution is added to this amount. When the member retires, these amounts plus interest are paid out to the member as a lump sum. The lump sum can be rolled over to any tax-deferred retirement account, such as 457 deferred compensation account.

The DROP is only available to members of the CSA Current Employee Class. The Current Employee Class consists of employees who were in active service on July 1, 2011, and who had five years of service on that date. All other employees are not eligible for DROP.

CSA Current Employee Class members may enter DROP once they have a minimum of 30 years service credit.

DROP service is for a maximum of five years. If you leave DROP service in less than two years, any interest that has accumulated on your lump sum will be waived.

Complete information about DROP is on our website here: https://www.cincinnati-oh.gov/retirement/membership/deferred-retirement-option-plan-drop/

DISABILITY RETIREMENT BENEFITS

Active members who have at least five years of creditable service are eligible for disability retirement benefits.

To obtain disability retirement benefits, you must apply and submit medical records that support that you are mentally or physically incapacitated for further performance of duty and that such incapacity is likely to be permanent. The CRS Medical Director will review your medical records and schedule a medical exam. CRS may also refer you to the Americans with Disabilities Act (ADA) Coordinator and the City's Return to Work Coordinator. The CRS Medical Director will make a recommendation to the CRS Board of Trustees. The CRS Board of Trustees will make a determination on your application.

The CRS Board Rules provide the process application and for appeal of the Board determination. The applicant must meet with the CRS Medical Director within 30 days of application, and must forward their medical records to the CRS Medical Director within 60 days of application. The CRS Board Rules are posted on our website here: https://www.cincinnati-oh.gov/retirement/crs-board-of-trustees/board-governance/

In most cases, the disability retirement benefit equals 90% of your monthly pension benefit. In some cases an alternate formula (25% of your average highest compensation) can produce a larger disability retirement benefit.

Please note that eligibility for disability retirement does not confer eligibility for retiree healthcare benefits. You must separately establish eligibility for retiree healthcare benefits as set out on p. 14 of this handbook.

For more information about disability retirement benefits, please contact the Retirement Office.

Return to Work

CRS is authorized by the Municipal Code to annually confirm that you remain mentally or physically incapacitated and unable to work. In the event the CRS Board of Trustees determines that you are no longer disabled and may return to work, your disability retirement benefit will end. You may appeal this determination as set forth above.

If you are rehired and return to work for the City of Cincinnati, your service credit earned prior to your disability will be restored.

SURVIVOR BENEFITS

CRS provides three types of survivor benefits to the survivors of eligible active employees who die before they retire.

Survivor Benefits

If you have 18 months of service credit and die while you are an active employee of the City of Cincinnati, CRS provides survivor benefits to your spouse and eligible dependents. Benefits are paid based on the amount set out in the Municipal Code, as adjusted for inflation. In 2022, the monthly amount was $407.29 per eligible spouse and each eligible dependent. The Municipal Code caps this monthly benefit at $427.50 per eligible spouse and dependent.

Dependent Eligibility. If you have less than 15 years of service, your spouse will become eligible for this benefit at age 62 if he or she remains unmarried. If you have more than 15 years of service, your spouse will become eligible for this benefit at age 50 if he or she remains unmarried. Only children younger than 18 are eligible to receive this benefit. Dependent parents who received more than half of their support from the deceased member may also be eligible for survivor benefits.

Survivor Retirement Benefit

If you have 20 years of service credit and die while you are an active employee of the City, your legally married spouse is eligible to receive a monthly pension benefit under Payment Option 1 (Joint and 100% Survivor) at the earlier of:

1. 1st day of the month following your 60th birthday; OR
2. 1st day of the month following the date you would have reached 30 years of service had you not died; OR
3. 1st day of the month following the date of your death if you were already eligible to retire on or before the day you died.

A surviving spouse and dependents may also be eligible for retiree healthcare if the active member would have been eligible for retiree healthcare as set forth in the Retiree Healthcare section of this handbook.

Please note: If you are an active employee and have 20 years of service and would like your spouse to be eligible for this benefit, you must designate your spouse as your sole primary beneficiary.

Refund of Contributions

If you die in service, and you do not have 20 years of service credit, your designated primary beneficiary is eligible to receive a refund of your accumulated CRS contributions plus interest. Employer paid contributions do not accrue to individual accounts.

Federal taxes are withheld from refund of contributions at a rate of 20% if the beneficiary is the member's legally married spouse, or 10% withholding if the beneficiary is anyone else. Any tax liability for the refund of contributions paid is the responsibility of the recipient.

Primary beneficiaries have 180 days to claim this benefit. If the primary beneficiaries do not make a claim within 180 days, the beneficiaries next in order of preference have an additional 90 days to make a claim.

DEFERRED COMPENSATION

Deferred compensation plans allow you to deduct funds from your bi-weekly paycheck and invest them for your future retirement. For public employees, these plans are opportunities for supplementing your future monthly pension benefit.

As discussed above, the purpose of the monthly pension benefit is to provide salary replacement. At various points in your career, it may be helpful to do a quick assessment of your retirement planning. Call CRS and get a benefit estimate for your estimated retirement date. Then think about how much of your income your pension will replace. Consider preparing an estimated budget of expenses you will have in retirement (food, shelter, clothing, healthcare, travel, etc.).

Then consider asking yourself these important questions:

- Will the salary replacement that my monthly pension benefit provides be enough to help me achieve my retirement goals?
- Do I need to save more?"

457 Plans can help you with saving more for your retirement. CRS has partnered with two 457 deferred compensation plan providers: Ohio457 and MissionSquare. If you are not enrolled in one of these plans, consider enrolling today. The earlier you start investing, the more time your investments will have to compound.

Information about our 457 Deferred Compensation Plans can be found on our website: https://www.cincinnati-oh.gov/retirement/membership/deferred-compensation/

The Miracle of Compounding Interest

Starting to save for retirement early makes a huge difference. "Compounding interest" basically means that over time you are earning interest on your accrued interest. The longer your earnings have to compound, the more you can save. Quick example:

- Employee A starts saving $5,000/yr at age 45, and earns 7% a year
    - Balance at age 65: **$205,000**

- Employee B starts saving $5,000/yr at age 25, and earns 7% a year
    - Balance at age 65: **$998,000**

Employee A set aside a total of $100,000 over a 20yr period.
Employee B set aside a total of $200,000 over a 40 year period. Employee B saved twice as much but ended up with a balance **five times** as much as Employee A

This is why compounding interest is often referred to as a "miracle." The miracle can work for you too if you start to save early.

LEAVING YOUR JOB WITH THE CITY BEFORE RETIREMENT

If you stop working for the City before you retire, you have certain options:

Refund of Your CRS Contributions

If your employment with the City ends for any reason, you are entitled to a refund of your own contributions with interest. In accordance with federal law, 20% of the taxable portion of the refund will be withheld for taxes, unless you request a direct transfer to an Individual Retirement Account (IRA) or another qualified retirement plan.

In deciding whether to refund your contributions, consider whether you will return to City employment in the future, or whether you will take employment with another public employer. The value of leaving your contribution in the system so that it can be transferred or count towards vesting in retirement benefits later in your career may greatly exceed the value of any refund. You may wish to discuss this with a financial advisor.

Deferred Retirement

If you have five years of service and you leave City service, you may choose to leave your contributions in the System. When you reach your age of eligibility (Group F: age 60; Group G: age 67), you will be eligible to begin receiving your retirement benefit from the System.

To take advantage of this deferred retirement option, you must apply for deferred retirement within one year of your termination of employment.

Note: Deferring retirement will defer your eligibility for retiree healthcare until your age of Medicare eligibility or normal retirement date, whichever is later.

Transfer to Ohio PERS

If you are transferring to a job with the State of Ohio, Hamilton County, or other political subdivision in Ohio, you may be eligible to transfer your service credit to the Public Employees Retirement System (PERS) of Ohio. Such transfers do not happen until you are ready to retire.

If You Are Rehired by the City: Service Credit Repurchase

If you withdraw your contributions and later return to City service, you can repurchase the membership service credit which you lost when you withdrew your contributions. However, in order to do so, you must repay the withdrawn contributions with interest, plus the cost of 50% of the employer liability at the date of repayment. This cost is determined by an actuary and will vary for each member. You do not become eligible to make the repayment until you have completed three years of membership service after your re-enrollment in the System.

SERVICE PURCHASE

Retirement Service Credit for Military Service

You may purchase retirement service credit for military service performed before enrolling in CRS. You can make the purchase at any time before retirement, but you may only purchase up to three years of retirement service credit. You also have the option of purchasing all three years of military service credit at one time or in one-year increments. You may only purchase retirement service credit for active duty as a member of the armed forces of the United States (including Army, Navy, Air Force, Marine Corps, Coast Guard, Auxiliary Corps, Nurse Corps, Red Cross Nurse).

Keep in mind that you may not use military service credit purchased from the Retirement System under any other retirement program except military retirement or Social Security.

If you would like to purchase retirement service credit for past military service, you must have been honorably discharged and you must provide CRS with a copy of your discharge form (DD214) and complete an application form.

The service purchase cost will be based upon the following:

- Number of years, months and days of military service (maximum three years)
- Retirement contribution of 6% based on the annual salary rate at the time membership in the Retirement System was established. For military service performed after January 1, 1978, the rate is 7%
- Interest of 4%, compounded annually, from the date of discharge to the date of payment.

<u>EXAMPLE</u>
Here's an example to help illustrate how it all works. Your case will certainly be different. If you're confused about how your benefits work, please reach out to us to set up a one-on-one meeting with our Member Counselor. We can help.

For our example, meet Sarah Public. Sarah's birthday is December 1. Sarah started working for the City in the Finance Department on January 2,1998, at age 40. Sarah retires on February 1, 2022, at age 64 with 24 years of service.

- Sarah hired prior to Jan. 1, 2010, and she is not eligible for Groups A-E. Sarah is in Group F.

- Sarah had 5 years of service and was active on July 1, 2011. Sarah is a "CSA" employee. Sarah could be eligible for DROP if she worked an additional six years. But since she has only 24 years of service, she is not eligible for DROP.

- Sarah is 60 years of age or older, and has 20 years or more of membership service. Sarah is eligible for CRS subsidized healthcare.

- Sarah started work after Jan. 1, 1997. Sarah is in the "Model Grid" health plan.

- The percentage of premium that Sarah has to pay is determined by her points. Sarah is 64 and has 24 years of membership service, which means she has 88 points (64+24). Sarah must pay 25% of the health plan premium. If Sarah works one more year, she will have 90 points (65+25), and reduce her health plan premium to 5%!
    - In 2022, the monthly premium share amount for Sarah and her husband is $628.49
    - If Sarah defers retirement until she is Medicare eligible and has 90 points, the monthly premium share amount is reduced to **$59.51** (2022 premiums; 2023 will be different).

The Group F pension benefit is calculated with the three-step formula. Here's how it works for Sarah:

<u>Sarah's Salary History</u>

Year	Salary	*Year*	Salary	*Year*	Salary
1998	$40,000	*2006*	$55,000	*2014*	$75,000
1999	$42,000	*2007*	$57,000	*2015*	$77,000
2000	$46,000	*2008*	$62,000	*2016*	$78,000
2001	$47,000	*2009*	$64,000	*2017*	$78,000
2002	$48,000	*2010*	$66,000	*2018*	$78,000
2003	$49,000	*2011*	$71,000	*2019*	$79,000
2004	$49,500	*2012*	$73,000	*2020*	$82,000
2005	$54,000	*2013*	$74,000	*2021*	$84,000

Sarah's highest consecutive 36 months are 2019-2021:

($79,000 + $82,000 + $84,000) / 36 months = $6,805.56/month

Sarah's highest consecutive 60 months are 2017-2021:

($78,000 + $78,000 + $79,000 + $82,000 + $84,000) / 60 months = $6,683.33/month

Through June 30, 2011, Sarah worked 13.5 years. From July 1, 2011, Sarah worked 10.5 years.

Since Sarah worked more than 20 years, she cannot apply the 2.5% multiplier for all of her years of service. So she will get the 2.2% multiplier for 4 years.

Putting it all together, the blended three-step formula looks like this:

	Factor		Monthly Avg		Yrs Svc		
Highest 36 months	2.50%	*	$6,805.56	*	13.5	=	$2,296.88
Highest 60 months	2.50%	*	$6,683.33	*	6.5	=	$1,086.04
Highest 60 months	2.20%	*	$6,683.33	*	4	=	$588.13
						Benefit Amt.:	**$3,971.05**

Sarah's unreduced monthly pension benefit is $3,971.05.

Sarah is married and her husband is also 64 years old (you guessed it, his name is John Q.).

Sarah decides to take Option 1 (100% payment for the survivor) which means that Sarah's pension benefit is reduced, in this case to $3,336/mo. Note, the amount of the reduction is based on age and gender-based actuarial factors specific to Sarah and John. When either Sarah or her husband die, whoever survives will get the same exact benefit amount (adjusted for COLA) for the remainder of their life.

With Option 1, Sarah's annual pension benefit is $40,032 (12 * $3,336).

If Sarah elects to have her health insurance deducted from her pension benefit her annual pension benefit is reduced to $32,490.

In the 4th year of her retirement (in this case 2026), Sarah's pension benefit will start earning 3% simple interest annually for the rest of her and her husband's life. That means $1,201 will be added to her pension benefit. The following year, an additional $1,201 will be added to her benefit, and so on. The additional COLA amount will always be $1,201/yr.

This is an amazing benefit in that it will last for the remainder of Sarah's life and he husband's life.

If you would like a CRS representative to show you what your benefits would look like in retirement, please contact us! We are here to help you.

FREQUENTLY ASKED QUESTIONS

1. CRS staff to provide…
2.

RETIREMENT RESOURCES

Retirement can be a complicated transition. But there are many resources available to you. Bookstores have a large array of retirement books. There are retirement podcasts as well as websites dedicated to retirement.

CRS maintains a retirement resources webpage here: https://www.cincinnati-oh.gov/retirement/retirement-resources/

RETIREMENT READINESS

Preparing for retirement should begin well in advance of retirement. Here are things you can do to help prepare for retirement:

- *Attend a CRS retirement seminar.* Consider attending a seminar once every five years as you progress through your career. At these seminars a CRS representative will explain the benefits that you have and provide any updates on the retirement process.

- *Seek professional advice.* You may want to find a financial advisor, tax advisor or retirement planner that can help you understand your retirement benefits and help you plan for your retirement.

- *Prepare an estimated retirement budget.* Estimating the expenses that you will have in retirement will help you know if you are on track with your retirement savings.

- *Contact representatives of other retirement plans you may have.* You may have multiple retirement plans as well as Social Security. You should understand in advance what the processes and timing are for applying for all your retirement benefits. If you worked in employment subject to Social Security, you can check your benefits by creating an account here: https://www.ssa.gov/myaccount/

- *Consider Long-Term Care Insurance.* Long-term care insurance can provide coverage for you and your spouse if you are no longer able to live independently. This kind of insurance can help cover costs related to nursing home care, home care, and assisted living care. The chance that you or your spouse will need some form of long-term care is relatively high.

READY TO RETIRE

About nine weeks before you retire, you will need to apply for your benefits by completing an Application for Service Retirement, which you can obtain from your HR Liaison.

For the application deadline for your retirement date, check the Retirement Schedule posted on our website: https://www.cincinnati-oh.gov/retirement/

The Retirement Process is outlined on our website here: https://www.cincinnati-oh.gov/retirement/ready-to-retire/

After we receive your retirement application, we will send you an information packet. We will also enroll you in a Retirement Processing Session. At the Retirement Processing Session you will complete the following documents:

- Payment Option Election form (for Single Life or Options 1 through 4)
- Updated Beneficiary form
- Retiree Health Insurance enrollment/waiver form
- Spousal Waiver of Benefits (for Single Life option if you are married)
- Direct Deposit form
- W-4 Tax Withholding Form

You may withdraw your Application for Service Retirement prior to your Retirement Effective Date. The withdrawal request must be made using the CRS Rescission Form, signed by you, and received by the CRS office no later than 4:00 PM on the last business day before your Retirement Effective Date. If your Retirement Application is not withdrawn prior to the close of business on the last business day before your Retirement Effective Date, then your application becomes irrevocable. Please note: after three withdrawals, CRS charges a fee of $150 to process your retirement application.

PLEASE KEEP CRS UPDATED

It's important to keep CRS updated on your contact information. Please let us know when you change your address or your phone number. Please let us know when you change your marital status. Please update your beneficiary designations.

TAXES

Federal Income Tax

You will specify the amount of federal tax to withhold on your W-4. Each year the system will send you a 1099-R form in compliance with federal tax law.

You may wish to consult with a tax advisor or tax preparation service to complete your annual federal income tax filing. You may also refer to IRS Publication 575, Pension and Annuity Income.

State and Local Income Taxes

State law exempts retirement income from any local tax and the state inheritance tax. Retirement income is subject to the State of Ohio Income Tax, but the retirement income credits may reduce your Ohio tax liability.

ASSIGNMENT/GARNISHMENT OF BENEFITS

Your benefits from the Retirement System cannot be assigned, attached or garnished, except to comply with a federal tax lien or a court order, such as a divorce decree or a child support order. In such a case, the Retirement System is required to send up to a maximum of 60% of a monthly benefit to the court or bureau of child support. Court actions covered include divorce, dissolution, custody, paternity and domestic violence. Retirement Benefits and Refunds of Contributions are also subject to Federal Tax Levy.

WHEN YOU DIE AFTER RETIREMENT

If you did not select a joint and survivor benefit payment option, your beneficiary receives the balance, if any, of your accumulated contributions with interest, which you did not receive back in retirement benefit payments.

For example, let's say your monthly retirement benefit is $1,000, and your accumulated contributions at retirement total $30,000. If you die after two years, you would have received $24,000 in retirement benefit payments. Your beneficiary would then receive $6,000 ($30,000 - $24,000).

Your Optionee or Beneficiary should contact the Retirement Office. He or she will need to provide certain information so the Retirement Office staff can begin processing any benefits.

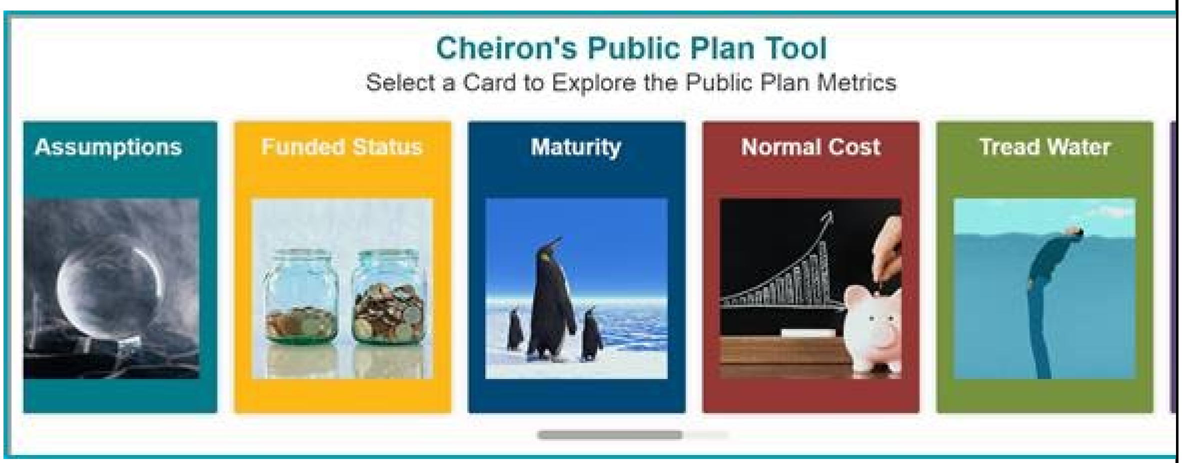
CHEIRON CLIENT ALERT

Cheiron's Public Plan Tool

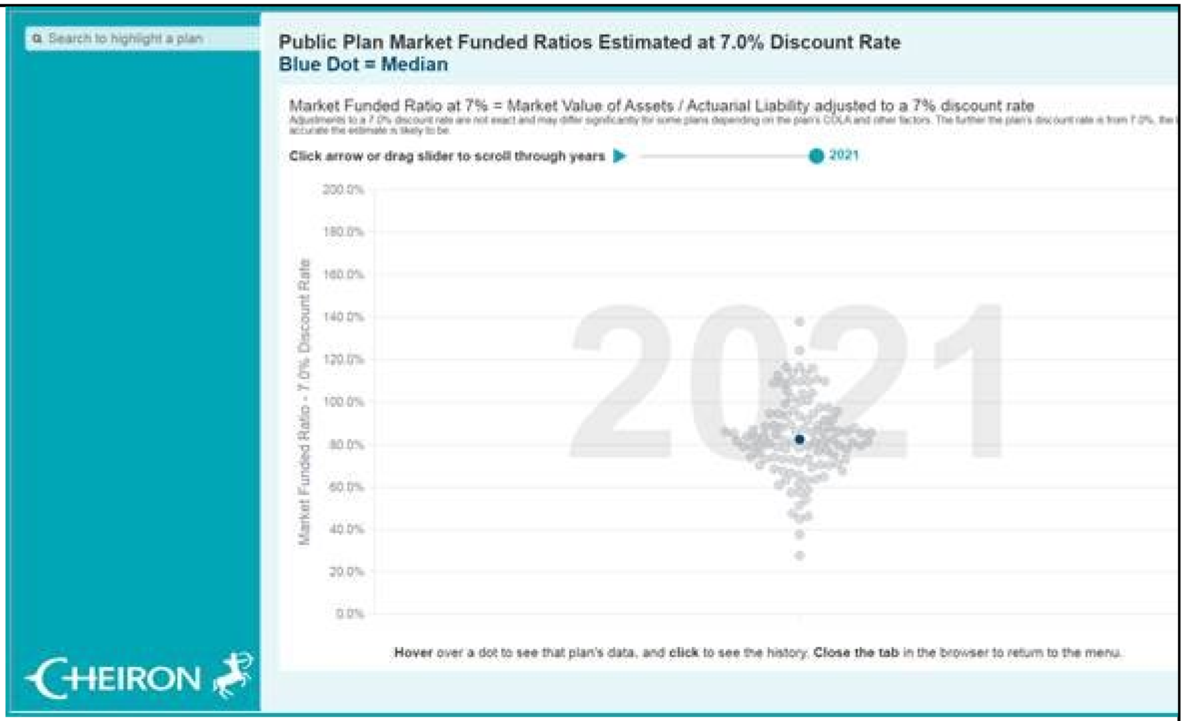
August 29, 2

Dear Cheiron Public Pension Client and Friends:

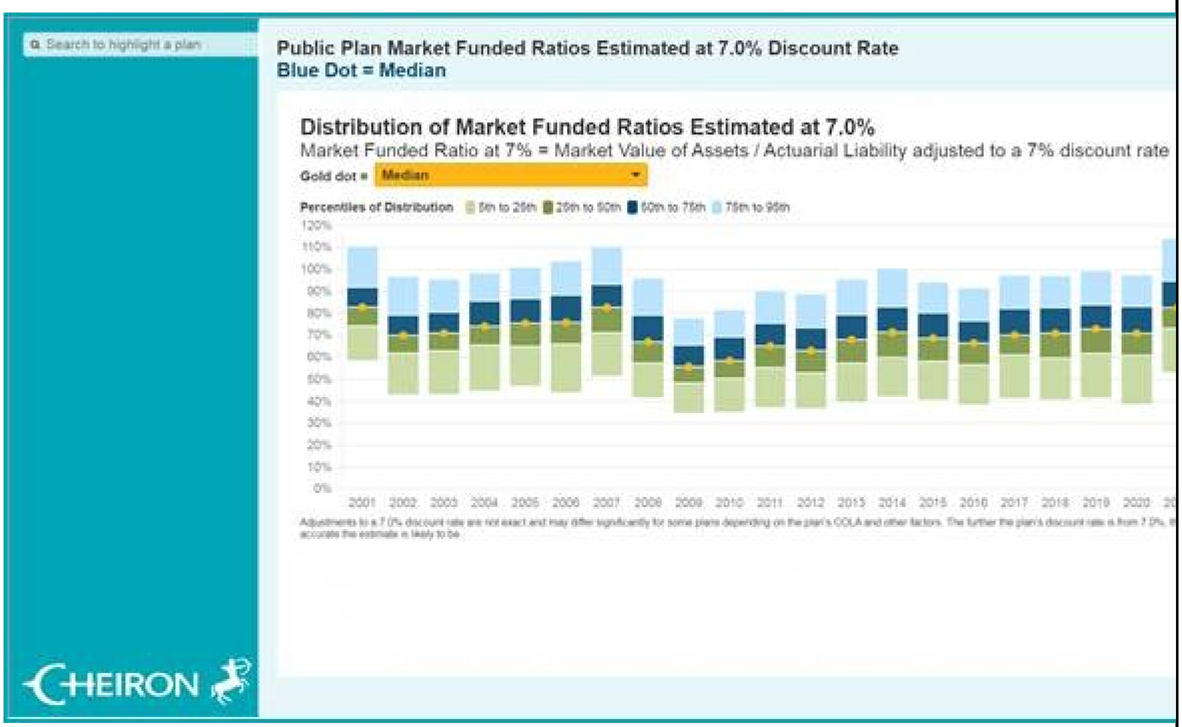
We recently published a new version of Cheiron's Public Plan Tool on our web site. The tool uses data compiled on more than 200 large public pension plans by www.publicplansdata.org to compare the plans on various metrics. To use it, you would select a card from the main menu to access a submenu of metrics.



Once you select a metric, a visualization opens showing the metric as a small gray dot for every plan in the database and a dark blue dot for the median. You can view the distribution for individual years or click on the play arrow to watch the distribution change over time. You can also highlight any plan in the data using the search box in the upper left corner.



Clicking on one of the dots opens a panel comparing the selected plan to all other plans from 2001 through the most recently available data.



We hope you will explore Cheiron's Public Plan Tool and find it useful. If you have any comments or suggestions for the tool, please forward them to your Cheiron consultant.

Cheiron is an actuarial consulting firm that provides actuarial and consulting advice. However, we are neither attorneys nor accountants. Accordingly, we do not provide legal services or tax advice.

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city of CINCINNATI

REQUEST FOR PROPOSALS
INDEPENDENT ACTUARIAL ANALYSIS OF THE
DEFERRED RETIREMENT OPTION PROGRAM (DROP)
RFP1028LAWDROPANLYS

CITY OF CINCINNATI

Due Date: June 15, 2022

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

13420 Parker Commons Boulevard, Suite 104
Fort Myers, FL 33912
(239) 433-5500

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DROP Client List

June 15, 2022

Via Online with Bonfire

Ms. Monica Ruscher, Buyer
City of Cincinnati
monica.ruscher@cincinnati-oh.gov

Re: Request for Proposals for Independent Actuarial Analysis of the Deferred Retirement Option Program (DROP)

Dear Ms. Ruscher:

I am writing to provide a formal response to your search for a firm to provide Independent Actuarial Analysis of the Deferred Retirement Option Program (DROP) for the City of Cincinnati ("City"). We are excited to provide information about our firm and would like to emphasize what a pleasure it would be to serve as the City's actuary.

Foster & Foster Consulting Actuaries, Inc. ("Foster & Foster"), is an independent national actuarial consulting firm that was founded in 1979 and is structured to provide actuarial services to public pension programs. We have a full line of services customized for the public sector, including pension and OPEB valuations as well as various levels of administrative services. As the consulting actuaries to nearly 1,000 public retirement systems throughout the United States, we understand and are well qualified to perform the services required of the City.

It is our opinion that we are uniquely qualified and would be the best applicant to perform the services requested for the following reasons:

- **Firm's Expertise** – Foster & Foster specializes in providing actuarial services to public pension plans across the country. We have 27 credentialed actuaries with over 600 years of public sector experience. Our team of consultants will partner with you to evaluate every aspect of your plan to identify unique and tailored solutions that can improve the affordability and performance of the program.

- **Consultants' Credentials** – We will devote three credentialed actuaries, including two Fellows of the Society of Actuaries (FSA) to perform the valuations and provide consulting expertise. This is the highest designation that an actuary can obtain.

- **We Believe in Defined Benefit Pensions** – Foster & Foster offers all its employees a defined benefit pension fund, and to our knowledge, we are the only actuarial firm in the public space that does this. Our firm believes in pensions, and we put our money where our mouth is.

- **Active Consultants –** Our consultants do not just report the news. We prepare our Boards for contingent risks and actively manage and provide services to our clients. Whether it's providing innovative internet-based solutions or by holding interactive workshops with Boards, our consultants are visible, articulate, and progressive.

13420 Parker Commons Blvd., Suite 104 · Fort Myers, FL 33912 · (239) 433-5500 · Fax (239) 481-0634 · www.foster-foster.com

- **Unbiased Advice** – We derive 100 percent of our revenues from our consulting and actuarial services. As we do not accept fees, commissions, or any other form of consideration from any source other than consulting fees, we provide our clients with unbiased advice.

- **Competitive Pricing –** With limited overhead and all of our staff actively engaged in serving clients, we are able to keep our billing rates lower than many of our competitors. Further, we do not limit our liability in providing our services.

I, Bradley R. Heinrichs, FSA and CEO, along with Drew Ballaerd (EA), will be the lead actuaries and main contact for the purposes of this proposal. We commit our firm to exceeding your expectations for quality and timeliness. You may reach us at the address and telephone number listed below. If you have any questions regarding this proposal response or would like additional information, please do not hesitate to contact me.

Sincerely,

Bradley R. Heinrichs, FSA, EA, MAAA
President / CEO
Brad.heinrichs@foster-foster.com

Foster & Foster, Inc.
13420 Parker Commons Blvd., Suite 104
Fort Myers, FL 33912
Telephone: (239) 433-5500
Facsimile: (239) 481-0634
Website: www.foster-foster.com

COMPANY CREDENTIALS

FIRM BACKGROUND

Foster & Foster Consulting Actuaries, Inc. ("Foster & Foster") , is a national, independent actuarial consulting firm that was founded in Gainesville, Fla., in June 1979 by Ward and Eileen Foster. In that first year, the firm had one client and revenues of $1,500. Today, we have nearly 1,000 clients nationwide, including in the State of Ohio, with revenues approaching $20.0 million. Brad Heinrichs has been the President/CEO of Foster & Foster, Inc. since 2005 after purchasing the company from Ward and Eileen Foster. Since that time, the Foster & Foster family has increased through growth and acquisition from five employees to over eighty employees.

Our footprint stretches from coast to coast, with offices in Naperville, IL; Atlanta, GA; Cape Coral, FL; Coppell, TX; Allentown, PA; Royal Oak, MI; Tampa, FL; and our corporate headquarters in Fort Myers, FL. Additionally, we have satellite offices in St. Louis, MO, Milwaukee, WI, Garden Grove, CA, Baton Rouge, LA, Eden Prairie, MN, and North Liberty, IA. Our Corporate office will be the main contact, which is located at the following location:

Foster & Foster, Inc.
13420 Parker Commons Blvd., Suite 104
Fort Myers, FL 33912

Telephone: (239) 433-5500
Email: data@foster-foster.com
www.foster-foster.com

The recent history of Foster & Foster's growth and expansion is as follows:

- In 2008, we established an office in Illinois to reach and to consult to public plans in Illinois. Jason Franken, a Fellow of the Society of Actuaries, was hired to lead this practice.

- Next, our firm's commitment to the State of Illinois was enhanced through the acquisition of R.N. Blomquist & Company, a health and welfare consulting company, on July 1, 2010. This acquisition expanded the firm's presence outside the pension and postretirement medical world and gave us the capability to provide active health and welfare consulting services to clients. Foster & Foster hired Travis Smith, an experienced health and welfare benefits consultant, to lead this branch of our company and give us the capability to provide active health and welfare consulting services to clients.

- In 2012, the firm made a commitment to the Texas market. We began sponsoring and speaking at statewide pension conferences. Since that time, we have obtained twelve clients, nine of which are TLFFRA firefighter pension funds. In December 2012, we acquired SJ Actuarial Associates. This acquisition helped expand our public pension presence in the South.

- In July 2016, our firm made another commitment to the Texas market by hiring Pat McDonald (FSA/EA) and Lindsey Redman (ASA, EA, MAAA) in the Dallas Metroplex. Pat brings over 30 years of actuarial pension consulting experience to our firm and Lindsey became a credentialed actuary in 2021.

- In October 2017, the firm made another commitment to the Midwest market with the hiring of Paul Baugher (FSA/EA) in the St. Louis area. Paul brings 25 years of actuarial pension consulting experience to Foster & Foster.

- In January 2018, Foster & Foster acquired Marsh Consulting Group, a health and benefits consulting firm based in Paso Robles, California. We also hired three credentialed actuaries and opened an office in the Atlanta, Georgia metro area. These two moves helped expand Foster & Foster's footprint from coast to coast.

- The hiring of Greg Pastino (ASA/EA) in September 2019, a senior consultant with over 30 years' experience as a multiemployer pension actuary, expanded our capabilities in the Taft-Hartley market and established a foothold for Foster & Foster in the Northeast. With the hire of Jonathan Davidson in September 2020, we acquired an expert on public pension matters.

- Finally, in January 2021, Foster & Foster acquired two actuarial consulting companies, Beyer Barber Company, in Allentown, Pennsylvania, and Rodwan Consulting Company, in Royal Oak, Michigan. This most-recent expansion provides Foster & Foster with office locations in two additional states, enhancing our reputation as a national actuarial consulting company.

Brad and Sandra Heinrichs have been the owners of Foster & Foster, Inc. since 2005. Jason Franken, Travis Smith and Ferrell Jenne are minority owners of the firm.

Foster & Foster is licensed to conduct business in the State of Ohio.

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Receipt

This is not a bill. Please do not remit payment.

FOSTER & FOSTER CONSULTING ACTUARIES, INC.
SANDRA HEINRICHS
13420 PARKER COMMONS BLVD, SUITE 104
FORT MYERS, FL 33912

STATE OF OHIO
CERTIFICATE

Ohio Secretary of State, Jon Husted

2360900

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

FOSTER & FOSTER CONSULTING ACTUARIES, INC.

and, that said business records show the filing and recording of:

Document(s):	Document No(s):
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Effective Date: 01/27/2015

Authorization to transact business in Ohio is hereby given, until surrender, expiration or cancellation of this license.

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 28th day of January, A.D. 2015.

THE SEAL OF THE SECRETARY OF STATE OF OHIO

United States of America
State of Ohio
Office of the Secretary of State

Jon Husted

Ohio Secretary of State

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

STAFF CREDENTIALS

Each client is assigned to a team of professionals. The size of the team varies by the size and nature of the client relationship. Additionally, we will have one general administrative person who will handle all work requests and a separate team that will be dedicated to data input.

Being strictly involved with the public sector, our consultants have a very firm grasp on the wants and needs of our clients. We understand that the services required may vary from client to client and we tailor both services and reports to each individual client. Two of the lead actuarial consultants assigned to the City has worked on plans of all sizes and are Fellows of the Society of Actuaries (FSA's). Our firm currently has 27 credentialed actuaries on staff.

The persons with the primary responsibility for completion of the work outlined herein are Brad Heinrichs (FSA/EA), and Drew Ballard (EA). Both of them have completed several DROP Analysis over the past several years.

Mr. Brad Heinrichs has been the President/CEO of Foster & Foster since 2005. He is considered an industry expert and innovator in retirement plan design and is one of a few thousand actuaries worldwide who is both a Fellow of the Society of Actuaries and an Enrolled Actuary per ERISA. Mr. Heinrichs is a frequent speaker at national and state pension conferences, and a key consultant to lawmakers and unions in evaluating proposed legislation regarding pensions in Florida and Louisiana. Mr. Heinrichs received a B.S. in Actuarial Science and Economics from the University of Iowa. Brad will be the co-lead consultant and contact for the City. He has over 20 years of experience consulting as a lead actuary for clients ranging in size from 50 to 250,000 participants and will manage the project and deliver results at meetings. Brad can always be reached by email at: brad.heinrichs@foster-foster.com.

Mr. Drew Ballard has over 10 years of actuarial pension experience and is the lead consulting actuary for approximately 50 public safety funds. He is a 2009 graduate of the University of Nebraska with a B.S. in actuarial science and is an Enrolled Actuary per ERISA and a member of the American Academy of Actuaries. Drew joined Foster & Foster in June of 2009. He has extensive experience in preparing actuarial valuations and performing special actuarial analyses for clients with as many as 200,000 participants. Drew will assist Brad with preparing the actuarial valuation along with other special studies. He will also be available to present the reports to the City in the event that Brad has a conflict. Drew can be reached by email at: drew.ballard@foster-foster.com.

Mr. Pete McCloud is one of our senior actuarial consultants with over 25 years of experience in the actuarial consulting industry. Mr. McCloud is a Fellow of the Society of Actuaries, an Enrolled Actuary per ERISA, and a Member of the American Academy of Actuaries. Pete's sole job is to be the final set of eyes on all work before it is delivered to the City, ensuring that the reports meet all federal, state, and actuarial standards.

DEDICATION OF OUR CONSULTANTS

Our retirement consulting team consists of over 50 team members, including 27 credentialed actuaries, seven of whom are Fellows in the Society of Actuaries (the highest actuarial designation for pension actuaries).

At Foster & Foster, we keep our philosophies simple: *"**Treat every one of our clients as if they are our only client.**"* This is our sole focus and, given our remarkable growth over the last 16 years, it is working. More objectively, the results of this philosophy can be seen in the low turnover of our actuarial staff and our high rate of client retention. This is the stability that you can expect from Foster & Foster.

We do not solicit any outside support or assistance with the performance of any task. We meet our contractual obligations and exceed our clients' expectations. This is why our client retention rates are unmatched.

Experience in Field

Our firm has been providing actuarial consulting services to retirement programs for over 42 years and is nearly 100% devoted to the public sector. We complete nearly 1,000 actuarial valuations per year. Currently our firm has **193 public clients that have a DROP program**. This experience has exposed us to a multitude of different client situations and challenges, but ultimately has equipped us with a broad array of ideas and solutions. Foster & Foster has completed several studies over the years illustrating the effect of DROP plans have on a fund's financial status.

Over the past year, Foster & Foster has completed two DROP analysis studies. In 2021, we completed one for the Ohio State Highway Patrol Retirement System and this year one for City of Austin Firefighters' Relief and Retirement Fund.

Unlike many of our competitors, the actuaries we hire are fully devoted to serving public sector retirement systems and have extensive experience with public sector retirement systems. Each of the core team members assigned to service the City of Cincinnati have over 10 years, including two with over 25 years of public sector specific retirement system experience.

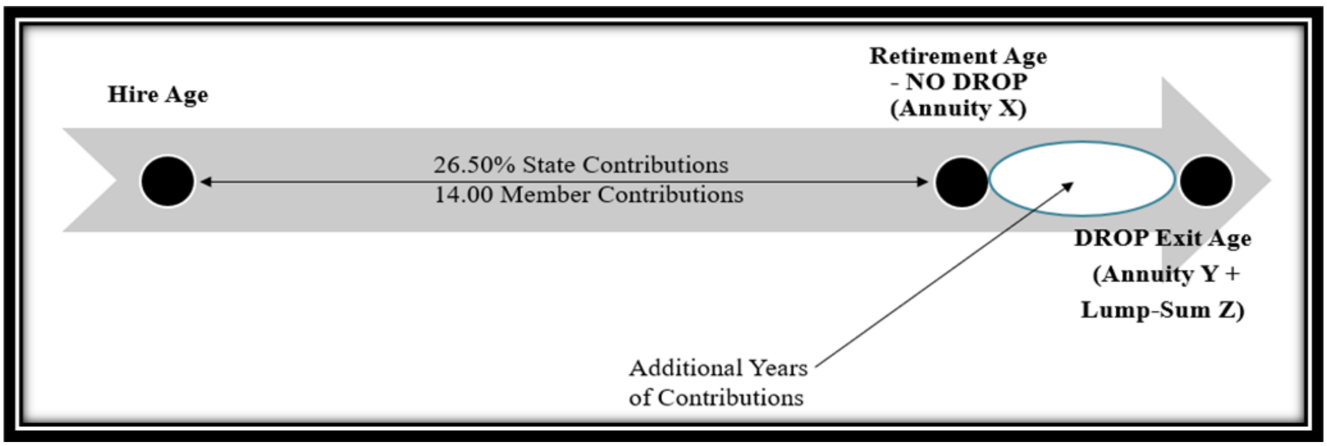
Each client, even each plan, has its own unique situation. Its members are unique, its benefits are customized, and the approach to funding the benefits have likely been established over time. There are a few steps that we like to take with our clients that help to set them on the right course to solidify their ability to provide secure benefits to their members for years to come.

SERVICES PROVIDED / SAMPLE DROP ANALYSIS

There are several components that need to be considered anytime one tries to analyze a DROP plan's financial impact on a retirement system. From a benefit perspective, we felt it is important to illustrate and examine a comparison of the benefit value members will receive as a DROP participant versus regular service retirement.

Specifically, one must consider the net contributions (to the system) for the benefit value received (from the system) at retirement. For DROP members, the system will receive additional years of contribution at a higher salary than if the member retired at an earlier age and was replaced with a new hire at the entry salary rate, based on the presumption that DROP extends the average retirement age.

Below is an example of a DROP analysis that we completed:



As previously established, it is expected that due to the existence of DROP, members will work longer on average. As you can see, the illustration portrays that the DROP exit age will be at an age beyond what the regular service retirement age would have been had DROP not been implemented years ago. The white oval in the illustration indicates the period of the member's career in which the system will generate additional year(s) of contributions. The net effect of these additional contributions when compared to the difference in the benefit values (DROP versus retirement) allows us to examine an instrumental component when determining if DROP has a financial impact on the retirement system.

In order to do so, we considered several hypothetical members based on various hire and exit ages and performed the following calculation steps:

- Step 1 – Calculate the actuarial present value of benefits of Annuity X at service retirement age (no DROP)
- Step 2(a) – Calculate the actuarial present value of benefits of {Annuity Y + Lump-Sum Z} at DROP exit age, discounted to Step 1 retirement age

- Step 2(b) – Determine additional contributions received by system between retirement age (no DROP) and DROP exit age, less the Normal Cost for a new entrant (assumed to be 18.13% of salary), discounted to Step 1 retirement age

- Step 3 – Compare Step 1 to {Step 2(a) minus Step 2(b)}

Hypothetical Member Demographics

Based on the current active population, the hypothetical comparison calculations will include five (5) hypothetical members with varying hire ages. Also, based on current valuation assumptions, we have included the average expected retirement (or DROP exit) age corresponding to each hire age, as shown below.

Average Hire Age	Average Expected Retirement Age	Proportion
21	54	20%
23	54	30%
25	55-56	20%
27	57	15%
32	57	15%

Calculation Assumptions

Below is a partial list of the significant assumptions used for purposes of this analysis:

- Salary
    - New entrant rate -- $40,000
    - Final year of employment -- $100,000
- Salary Increases (near retirement / during DROP) – 3.80% per year (valuation assumption)
- DROP Participation Period – 5 years (valuation assumption)
- DROP Interest Crediting – None (currently 0.392%)
- Increase in Retirement Age due to DROP – 2 years
    - Also analyzed impact of increase in retirement age of one (1) and three (3) years

Basic Salary Calculation Details

In order to calculate the benefit value for the hypothetical members, we need to apply the salary assumptions stated above in order to populate the 5-year average final salary as well as the member contribution accrual (10% x salary for DROP participants). Below is a table that represents the values used for the calculations based on the assumptions stated above.

Year	Salary	5-Year Average	10% x Salary	10% x Salary Accrual
t (final year)	$100,000	$92,941	$10,000	N/A
t-1	$96,339	$89,539	$9,634	$10,000
t-2	$92,812	$86,261	$9,281	$19,634
t-3	$89,414	$83,103	$8,941	$28,915
t-4	$86,141	$80,061	$8,614	$37,857
t-5	$82,988	$77,130	$8,299	$46,471
t-6	$79,950	$74,306	$7,995	$54,769
t-7	$77,023	$71,586	$7,702	$62,764
t-8	$74,203	$68,965	N/A	$70,467
t-9	$71,486	N/A	N/A	N/A
t-10	$68,869	N/A	N/A	N/A
t-11	$66,348	N/A	N/A	N/A
t-12	$63,919	N/A	N/A	N/A

This section includes a sample illustration for one of the hypothetical members in order to demonstrate the calculation details/methodology that is applied for each of the retiree/DROP comparison calculations included in this analysis and summarized in the next section.

The sample illustration is based on the following details:

- Hire Age – 23
- First Eligibility – 48/25
- DROP – 5 Years
- Retirement Age (no DROP) – 52
- DROP Exit Age – 54

The three (3) tables immediately below show the calculations of the accrued benefits (in accordance with the System's current benefit formula) at retirement/DROP, as well as the calculation of the DROP lump-sum.

Regular Retirement Annuity			**DROP Retirement Annuity**		
Service	29		Service	26	
Benefit Accrual	Per Year	Cumulative	Benefit Accrual	Per Year	Cumulative
First 20 Years	2.50%	0.5000	First 20 Years	2.50%	0.5000
Next 5 Years	2.25%	0.6125	Next 5 Years	2.25%	0.6125
Next 4 Years	2.00%	**0.6925**	Next 1 Years	2.00%	**0.6325**
5-Year Average Salary	$86,261	year = t-2	5-Year Average Salary	$77,130	year = t-5
Accrued Benefit	$59,736	= $86,261 x 0.6925	Accrued Benefit	$48,785	= $77,130 x 0.6325
Age 52 Payment Factor	12.3436		Age 54 Payment Factor	12.0999	
Actuarial Present Value	**$737,354**	= $59,736 x 12.3436	**Actuarial Present Value**	**$590,289**	= $48,785 x 12.0999

DROP Retirement Lump-Sum		
DROP Balance	$243,923	= $48,785 x 5 Years
9% x Salary Accrual	$46,471	year = t-5
DROP Account Balance	**$290,394**	

The table below represents the estimate of the present value of additional contributions received by the system due to members delaying their retirement by participating in DROP.

Additional Year	DROP Salary	Replacement Salary	DROP Salary Contributions	Replacement Salary Contributions	Additional Contributions	Normal Cost	Discount Factor	Present Value
1	$96,339	$40,000	$39,017	$16,200	$22,817	$7,252	0.9656	$15,030
2	$100,000	$45,000	$40,500	$18,225	$22,275	$8,159	0.9003	$12,709

Finally, the table below summarizes the comparison of the present value of benefits for DROP/retirement and shows the net effect once the present value of additional contributions is reflected. A net increase indicates a cost to the system, while a net decrease indicates a savings to the system.

Results Summary				
	Annuity	**Lump-Sum**	**Discount Factor**	**Present Value**
Regular Retirement	$59,736	N/A	1	$737,354
DROP Retirement	$48,785	$290,394	0.8657	$762,407
		Increase in PV		$25,053
		PV (Additional Cont)		$27,739
		Net Increase/Decrease		**-$2,685**
		% Increase/Decrease		**-0.4%**

To further illustrate the calculation details, let's revisit the calculation steps shown on page 3, inserting the results from the sample illustration.

- Step 1
    - Calculate the actuarial present value of benefits of Annuity X at service retirement age (no DROP)
    - **$737,354** (from regular retirement annuity table)
- Step 2(a)
    - Calculate the actuarial present value of benefits of {Annuity Y + Lump-Sum Z} at DROP exit age, discounted to Step 1 retirement age

  - $590,289 (from DROP retirement annuity table) + $290,394 (from DROP retirement lump-sum table) = $880,683 x 0.8657 (from results summary table) = **$762,407**
- Step 2(b)
  - Determine additional contributions received by system between retirement age (no DROP) and DROP exit age, less Normal Cost
  - $15,030 + $12,709 (both from additional years table on bottom of page 5) = **$27,739**
- Step 3
  - Compare Step 1 to {Step 2(a) minus Step 2(b)}
  - Step 1 = $737,354
  - Step 2(a) minus Step 2(b) = $762,407 - $27,739 = $734,668
  - Net Increase/Decrease = $734,668 - $737,354 = **-$2,685**
  - % Increase/Decrease = -$2,685/$737,354 = **-0.4%**

As you can see, the net impact of electing DROP versus regular service retirement for this hypothetical member based on the parameters specified was a decrease in present value of $2,685, or 0.4% of the actuarial present value of benefits.

As previously mentioned, we performed these same calculation steps repeatedly for various hypothetical members with differing hire and exit ages. In the next section, we have provided several tables of results for each of the hypothetical members analyzed.

Below is a summary of the hypothetical retiree/DROP comparison calculations for each of the hypothetical members listed above. When reviewing the results, please keep in mind that the different in present value indicates the increase (or decrease, if negative) in costs due to DROP when compared to regular service retirement.

Hire Age	**Retirement Age**	**DROP Exit Age**	**Difference in Present Value**	**Net Difference in Present Value (with additional contributions)**
21	54	54	7.4%	7.4%
21	53	54	5.4%	3.4%
21	52	54	3.6%	0.1%
21	51	54	2.0%	-2.6%
23	54	54	6.9%	6.9%
23	53	54	5.1%	2.9%
23	52	54	3.4%	-0.4%
23	51	54	1.9%	-2.9%
25	56	56	7.7%	7.7%
25	55	56	5.6%	3.5%
25	54	56	3.8%	0.0%
25	53	56	2.2%	-2.8%
27	57	57	7.9%	7.9%
27	56	57	5.8%	3.5%
27	55	57	3.9%	-0.1%

27	54	57	2.3%	-2.9%
32	57	57	3.7%	3.7%
32	56	57	2.6%	0.0%
32	55	57	1.8%	-3.0%
32	54	57	1.2%	-4.9%

As can be seen above, if the retirement age and DROP exit age are the same, the value of the DROP benefits is larger than regular service retirement (between 3.7% to 7.9%). This means that if implementing DROP had no impact on retirement behavior, the DROP plan would add cost to the system. Keep in mind that the system implemented DROP with the objective of extending the working careers of its members and actual experience has shown that members have delayed their retirement, on average, approximately 2 years since the implementation of DROP.

Reviewing the results for each hire age when the retirement age is two (2) years prior to the DROP exit age, you can see that the net difference in present value (accounting for the additional contributions received by the system during those two years) is between -3.0% to 0.1%, indicating a slight savings to the system. Again, please note that these results are based on various assumptions, and actual retirement/DROP experience could significantly impact the results.

Based on the proportion assumed for each respective hire age (page 4) and the calculation assumptions used (page 4), the expected net difference in present value when comparing DROP versus regular service retirement is approximately a decrease of 0.6%. If the existence of DROP was assumed to delay retirement by one year, the expected net difference in present value would be approximately an increase of 2.8%. If the existence of DROP was assumed to delay retirement by three (3) years, the expected net difference in present value would be approximately a decrease of 3.1%.

Generally, valuation results that are within 2% of the actuarial present value of benefits are deemed to be within acceptable thresholds and do not represent a material impact on the overall costs to the system. Since the average retirement age has increased by 1-2 years since the implementation of DROP, it would be reasonable to conclude that the existence of DROP has not and is not expected to have a negative financial impact on the system.

Additional Considerations

While the emphasis of this analysis has focused on the hypothetical calculation comparisons under a certain set of assumptions to this point, it is important to consider the interrelationships that exist throughout the retirement system associated with providing DROP to its members.

Below is a non-exhaustive list of additional items that must be considered when evaluating whether DROP has a financial impact on the retirement system.

- *Interest Crediting* – As previously mentioned, DROP accounts are currently credited at a rate that is
  determined by subtracting 0.35% from the yield on the Barclays U.S. Government/Credit Intermediate Index for the applicable period. In the past several years, the average rate credited to DROP has been

between 1.5% to 2.0%. Please note the hypothetical calculations illustrated above assumed no interest when determining the DROP benefit value. It is currently assumed that the system will achieve a 7.25% return on DROP assets each year, allowing the system to benefit from interest arbitrage. The gains or losses associated with the DROP interest crediting will depend on actual investment performance for the system.

- *Impact on OPEB Liability* – It is likely that the existence of DROP will result in a decrease to the OPEB liability of the system. Members in DROP are considered 'active' from an OPEB perspective and since members are working longer to utilize DROP, this means the overall OPEB liability will likely be less than it would have if DROP did not exist.

- *Impact on Administrative Expenses* – Typically, implementing new benefit features such as DROP into the system comes with an increase in the administrative expenses of the system. The increase in expenses associated with the ongoing maintenance of the DROP plan is not expected to have a material financial impact on the system but should be considered.

- *Adverse Selection* – Whenever members are given a choice (for example, to DROP or retire), it is important to consider that adverse selection is likely to occur periodically on an individual basis. For example, a member may not elect to enter DROP if they are in line for a promotion or are expected a significant increase in pay. As mentioned many times throughout this report, actual plan experience deviating from expectations could have an impact on the actuarial measurements. It will be important to continue to monitor plan experience through actuarial experience studies to ensure the assumptions used are our best estimate of future experience. Please also note that a change in the assumptions (for example, salary increases) may have a significant impact on the results.

Tentative Timeline:

Task	Responsibility	Proposed Completion
1. Sign contract	City	Within 1 week of award
2. Data Request	Foster & Foster	Within 1 week of contract execution
3. New Data Provided / Reviewed	City / Drew	Within 2 weeks of receipt of all data
4. Program Data	Drew	Within 2 weeks of receipt of all data
5. Review Test Cases	Brad / Drew	Within 4 weeks of receipt of all data
6. Peer Review	Pete	Within 1 week of scheduled preliminary report delivery date
7. Produce Draft Report	Brad / Drew	Within 45-60 days of receipt
8. Report Delivery	Brad / Drew	**Guaranteed within 90 days of Contract being awarded**
9. Meeting to present report to the City	Brad / Drew	**At a Date set by the City**

FIXED FEES

Our firm will charge a flat fee to complete a DROP analysis to the City that includes a meeting to provide the results to the City.

2022 DROP Analysis Fee: $17,500

The charges for additional work not explicitly stated in the RFP would be based upon the amount of time required to complete each task. We will provide a firm fee quotation prior to commencing any work at the City's request.

Staff	Hourly Rate
Senior Actuarial Consultant	$375
Actuarial Consultant	$325
Actuarial Analyst	$290
Administrative/Clerical	$175

REFERENCES

We would encourage you to contact the clients listed below, as our firm has completed a DROP Analysis for in the last year.

- **Client Name**: Ohio State Highway Patrol Retirement System
  Contact: Carl Roark
  Phone: (614) 430-3557
  Email: c.roark@ohprs.org

- **Client Name**: Austn Firefighters' Relief and Retirement Fund
  Contact: Jeremy Burke
  Phone: (512) 294-7707
  Email: ff.burke@yahoo.com

INSURANCE SPECIFICATIONS

Foster & Foster does not limit its professional liability to clients in any capacity. Our firm carries workers' compensation, comprehensive general liability, and professional liability insurance. Our coverage also includes error and omissions insurance for up to $5,000,000, and our firm has never submitted a claim to its insurance company for professional liability due to an error or omission on our part. The limit of Foster & Foster's liability is on a per-claim basis ($5,000,000), subject to an annual aggregate ($5,000,000). Our firm's professional liability insurance carrier is Indian Harbor Insurance Company, and its worker's compensation carrier is Travelers Indemnity Company of America. Our firm has increased its cyber liability coverage from $1 million to $2 million and will self-insurance against any breaches from $2 million to $5 million.

- **Risks Covered:** Professional Liability (Errors & Omissions)
  Name of Insurance Carrier: Indian Harbor Insurance Company
  Levels and Limits: The limit of our liability is on a per-claim basis ($5,000,000), subject to an annual aggregate ($5,000,000). Foster & Foster does not limit its professional liability to its clients in any capacity.

- **Risks covered:** Comprehensive General Liability
  Name of Insurance Carrier: State Farm
  Levels and Limits: The limit of our liability is $1,000,000 for each occurrence with a $2,000,000 general aggregate. Limits of liability are 500/500/100.

- **Risks covered:** Automobile Liability
  Name of Insurance Carrier: State Farm
  Levels and Limits: The limit of our liability is $1,000,000

- **Risks covered:** Umbrella Liability
  Name of Insurance Carrier: Travelers Insurance Company
  Levels and Limits: The limit of our liability is $5,000,000 for each occurrence.

- **Risks covered:** Workers Compensation and Employers' Liability
  Name of Insurance Carrier: Travelers Insurance Company
  Levels and Limits: The limit of our liability is $1,000,000.

- **Risks covered:** Cyber Liability
  Name of Insurance Carrier: Travelers Insurance Company
  Levels and Limits: The limit of our liability is $2,000,000 for each occurrence

APPENDIX

- DROP CLIENT LIST

DROP CLIENT NAME	DROP CLIENT NAME
ABILENE FIRE (TX)	DELAND FIRE
ARCADIA POLICE & FIRE	DELTONA FIRE
ATLANTIS POLICE	DESTIN FIRE
AUBURNDALE FIRE	DUNEDIN FIRE
AUBURNDALE GENERAL	EAST LAKE TARPON FIRE
AUBURNDALE POLICE	EDGEWATER FIRE
AUSTIN FIRE (TX)	EDGEWATER POLICE
AVENTURA POLICE	ENGLEWOOD FIRE
AVON PARK FIRE	EUSTIS FIRE
AVON PARK POLICE	FERNANDINA BEACH FIRE & POLICE
BAL HARBOUR POLICE	FERNANDINA BEACH GENERAL
BARTOW GENERAL	FORT LAUDERDALE POLICE & FIRE
BARTOW POLICE	FORT MEADE FIRE
BATON ROUGE (LA) CPERS	FORT MEADE GENERAL
BELLEVIEW POLICE	FORT MYERS FIRE
BOCA GRANDE FIRE	FORT MYERS GENERAL
BOCA RATON GENERAL	FORT MYERS POLICE
BOCA RATON POLICE & FIRE	FORT WALTON BEACH FIRE
BONITA SPRINGS FIRE	FORT WALTON BEACH POLICE
BONITA SPRINGS GENERAL	FROSTPROOF POLICE
BRADENTON FIRE	GAINESVILLE GENERAL
BRADENTON POLICE	GREATER NAPLES FIRE
BROOKSVILLE FIRE	GULFPORT POLICE
BROOKSVILLE POLICE	HAINES CITY FIRE
CAPE CORAL FIRE	HAINES CITY POLICE
CAPE CORAL GENERAL	HALLANDALE BEACH POLICE & FIRE
CAPE CORAL POLICE	HIALEAH ERS
CASSELBERRY POLICE & FIRE	HOLLY HILL FIRE
CLEBURNE FIRE (TX)	HOLLY HILL POLICE
COCOA BEACH FIRE	HOLLYWOOD FIRE
COCOA BEACH POLICE	HOLMES BEACH POLICE
COCOA FIRE	HOMESTEAD POLICE
COCOA GENERAL	INDIALANTIC POLICE & FIRE
COCOA POLICE	INDIAN HARBOUR BEACH POLICE
CORAL SPRINGS FIRE	INDIAN RIVER SHORES PUBLIC SAFETY
CRESTVIEW GENERAL	IRVING FIRE (TX)
CRESTVIEW POLICE & FIRE	KEY WEST HOUSING AUTHORITY
DADE CITY FIRE	KISSIMMEE FIRE
DADE CITY POLICE	KISSIMMEE POLICE
DAVENPORT GENERAL	KISSIMMEE UTILITY AUTHORITY
DAVENPORT POLICE & FIRE	LAKE ALFRED GENERAL
DAYTONA BEACH POLICE & FIRE	LAKE ALFRED POLICE & FIRE

DROP CLIENT NAME	DROP CLIENT NAME
LAKE CITY POLICE	ODESSA FIRE (TX)
LAKE MARY POLICE	ORANGE FIRE (TX)
LAKE WALES FIRE	ORANGE PARK FIRE
LAKE WALES GENERAL	ORANGE PARK POLICE
LAKE WALES POLICE	ORMOND BEACH FIRE
LAKELAND FIRE	ORMOND BEACH GENERAL
LAKELAND POLICE	ORMOND BEACH POLICE
LANTANA FIRE	OVIEDO FIRE
LEESBURG GENERAL	OVIEDO POLICE
LEESBURG POLICE	PALATKA FIRE
LONGBOAT KEY CONSOLIDATED	PALATKA GENERAL
LONGVIEW FIRE (TX)	PALATKA POLICE
LYNN HAVEN FIRE	PALM BAY FIRE
LYNN HAVEN GENERAL	PALM BAY POLICE
LYNN HAVEN POLICE	PALM BEACH GARDENS FIRE
MADISON POLICE & FIRE	PALM HARBOR FIRE
MAITLAND POLICE & FIRE	PALMETTO GENERAL
MEDLEY GENERAL	PALMETTO POLICE
MEDLEY POLICE	PANAMA CITY FIRE
MELBOURNE GENERAL	PANAMA CITY POLICE
MELBOURNE POLICE	PENSACOLA FIRE
MIDWAY FIRE	PENSACOLA POLICE
MILTON FIRE	PERRY FIRE
MILTON GENERAL	PERRY POLICE
MILTON POLICE	PINELLAS PARK FIRE
NAPLES FIRE	PLANT CITY SAFETY
NAPLES GENERAL	PORT ORANGE FIRE & RESCUE
NAPLES POLICE	PORT ST LUCIE POLICE
NEPTUNE BEACH POLICE	PUNTA GORDA FIRE
NEW PORT RICHEY FIRE	PUNTA GORDA GENERAL
NEW SMYRNA BEACH FIRE	PUNTA GORDA POLICE
NEW SMYRNA BEACH POLICE	SAN ANGELO FIRE (TX)
NORTH COLLIER FIRE	SANFORD FIRE
NORTH PALM BEACH POLICE & FIRE	SANFORD POLICE
NORTH PORT FIRE	SANIBEL GENERAL
NORTH PORT POLICE	SANIBEL POLICE
NORTH RIVER FIRE DISTRICT	SEBASTIAN POLICE
OCALA GENERAL	SEBRING FIRE
OCALA POLICE	SOUTH PASADENA FIRE
OCEAN CITY-WRIGHT FIRE	SOUTH WALTON FIRE
OCOEE GENERAL	ST AUGUSTINE FIRE
OCOEE POLICE & FIRE	ST CLOUD GENERAL

DROP CLIENT NAME
ST CLOUD POLICE & FIRE
ST LUCIE COUNTY GENERAL
ST PETE BEACH FIRE
ST PETE BEACH GENERAL
ST PETE BEACH POLICE
SUNRISE FIRE
SWEETWATER FIRE (TX)
TARPON SPRINGS FIRE
TARPON SPRINGS POLICE
TAVARES FIRE
TAVARES POLICE
TEMPLE TERRACE FIRE
TEMPLE TERRACE POLICE
TITUSVILLE GENERAL
TITUSVILLE POLICE & FIRE
VENICE POLICE
VERO BEACH POLICE
WEST MANATEE FIRE & RESCUE
WEST MELBOURNE POLICE
WICHITA FALLS FIRE (TX)
WINTER GARDEN GENERAL
WINTER GARDEN POLICE & FIRE
WINTER HAVEN FIRE
WINTER HAVEN GENERAL
WINTER HAVEN POLICE

North Sky

CAPITAL

To: Limited Partners of North Sky LBO Fund III, LP ("LBO III" or the "Fund")
From: North Sky Capital, LLC ("North Sky" or the "General Partner")
Date: August 17, 2022
Re: Sale of remaining assets and winding down the Fund

The purpose of this letter is to notify you of our intent to wind down the Fund by yearend, the process for doing so, the problem we encountered along the way and our proposed solution. As the proposed solution involves a sale and transfer of Fund assets to North Sky, we are also requesting your consent (see Exhibit A) to complete the wind down of the Fund by yearend.

Summary: As discussed in the Q4 2021 report, we began the process of selling the remaining assets for LBO III earlier this year. These remaining assets represent $4,620,896 in remaining value, or 4% of the Fund's realized and unrealized value as of 3/31/22. After conducting a competitive sale process with third party bidders, a buyer ("Buyer") was selected to purchase the remaining six LP interests at a price of 71.5% of 3/31/22 remaining value with an effective sale date of 9/30/22.

When initiating the transfer process for the sale of these six LP interests, we were notified by Warburg Pincus X and Madison Dearborn V (the "PTP Assets") that the soonest we would be permitted to complete a transfer to a third-party would be 1/1/24 due to applicable tax laws limiting the amount of transfer activity to an unaffiliated entity in any one year. However, there is a safe harbor in the tax laws that allows transfers to affiliates at any time. The PTP Assets are the two smallest LP interests remaining in LBO III, representing $329,602, or 7%, of the 3/31/22 remaining value. This inability to transfer the PTP Assets to an unaffiliated third-party prior to 2024 clearly precludes us from fully liquidating the Fund in 2022 and delivering to our investors a final distribution.

Rather than wait until 2024 to transfer the PTP Assets to the unaffiliated Buyer and incurring two additional years of fund-monitoring expense (audit, tax, etc.), estimated to be $125,000 - $150,000 in total, we are proposing North Sky purchase the PTP Assets this year using the same purchase price offered by the third-party Buyer. The sale of the PTP Assets to North Sky is hereafter referred to as the "Transaction."

As a brief reminder, the history and status of the Fund is described below:

- LBO III raised $74M with a first close in August 2006 and final close in October 2007
- We made 11 commitments totaling $73M to 2005-08 vintage year buyout funds
- LBO III statistics as of March 31, 2022:
    - 2.09x total value to paid in capital
    - 2.00x distributions to paid in capital
    - 0.09x residual value to paid in capital
    - 3 of 11 funds were previously fully exited
    - 2 more funds are expected to be fully exited by yearend
    - The remaining 6 unrealized funds had an aggregate NAV of $4,620,896

In order to wind down the Fund in 2022 we ask that you approve of the sale of the PTP Assets to North Sky as an affiliated entity. If you agree, please sign the Consent Form attached as Exhibit A and return to Tom Jorgensen (tjorgensen@northskycapital.com) via email prior to September 19, 2022. If you do not respond by this date, you will be deemed not to have approved the Transaction.

Additional information on the process undertaken to wind down the Fund can be found in the Transaction Details include with this letter. As always, we are available to discuss any questions you may have regarding the Transaction. Please direct any questions to Scott Barrington (sbarrington@northskycapital.com) and Tom Jorgensen (tjorgensen@northskycapital.com).

Regards,

North Sky Capital

<u>EXHIBIT A</u>

CONSENT FORM

The undersigned investor (the "**Investor**") acknowledges that it has received, carefully read and understands the letter from North Sky Capital, LLC dated August 17, 2022 (the "**Letter**"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Letter. By granting consent below, the Investor is directing North Sky to enter into the Transaction on the terms described in the Letter.

PLEASE SIGN AND RETURN THIS CONSENT FORM VIA E-MAIL TO <u>TJORGENSEN@NORTHSKYCAPITAL.COM</u> NO LATER THAN 5:00 P.M. CDT ON SEPTEMBER 19, 2022. IF YOU DO NOT RESPOND BY THIS DATE, YOU WILL BE DEEMED <u>NOT</u> TO HAVE APPROVED THE TRANSACTION.

Please check one:

☐ I hereby **<u>consent</u>** to the Transaction.

☐ I hereby **<u>do not consent</u>** to the Transaction.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS EXECUTED THIS FORM THIS ____ DAY OF ______________, 2022.

The trustee, partner or officer signing on behalf of any entity Investor certifies that he or she has full power and authority from all beneficiaries, partners or shareholders of the entity named below to execute this Consent Form on behalf of the entity and that doing so is not prohibited by law or the governing documents of such entity.

Individuals:	**Entities:**
____________________________ Print Name	____________________________ Print Name of Entity
____________________________ Signature	By: ____________________________ Signature
____________________________ Additional Signature (if applicable)	____________________________ Print Name and Title
____________________________ Print Name (if applicable)	

TRANSACTION DETAILS

As the number of active underlying portfolio companies has declined in recent years, so too has the Fund's unrealized value. In 2019 and 2020, we explored a sale of the assets of the Fund, but the bids were unacceptably low and would have resulted in a substantial reduction in the value we believed we could deliver to you with the benefit of a little more time. Since then, more underlying portfolio companies have been sold, and the remaining unrealized value has decreased to the point where a sale seems appropriate.

To that end, we launched an auction process in June 2022. After a broad initial outreach to secondary buyers, eleven of them formally engaged in advanced due diligence and six of them provided actionable offers. We have since provided exclusivity to the one with the highest offer ("Buyer") and expect a close date of September 30th for the sale. Buyer's offer was to pay 71.5% of 3/31/22 unrealized value for the six remaining LP interests.

To complete a transfer, North Sky and the Buyer are required to follow a formal process detailed in each fund's limited partnership agreement. In July 2022, we notified all six underlying general partners of our intent to transfer LBO III's LP interest to Buyer. Shortly thereafter, Warburg Pincus X and Madison Dearborn V (the two smallest LP interests in LBO III by unrealized value) notified us that each would be unable to complete the requested transfer until January 2024 due to "publicly traded partnership" ("PTP") regulations. More information on PTP regulations can be found here, but in short, PTP regulations limit the amount of transfers a limited partnership can recognize in a given year, and private fund sponsors limit transfers in order to comply with safe harbors under the PTP regulations. Running afoul of these regulations can result in the loss of partnership tax treatment for the underlying fund and therefore subject all limited partners to adverse tax consequences. As a result, private funds are careful to avoid PTP status. Adhering to these regulations has created increasingly long transfer queues as the secondary market has grown.

While third-party transfers are subject to PTP restrictions, transfers to affiliates of the existing limited partner are not. In this case that means LBO III would not be able to transfer the PTP Assets to the Buyer in 2022 but could transfer the PTP Assets to an affiliate of North Sky, the general partner of LBO III. If the PTP Assets were not transferred to an affiliate, LBO III would retain ownership of the PTP Assets, and we estimate the Fund would incur a minimum of two additional years (2023 and 2024) of fund operating expenses prior to 1) the natural liquidation of the PTP Assets or 2) our ability to complete a transfer for one or both interests to an unaffiliated third-party. These non-management fee operating expenses, the majority of which are for third-party audit and tax services, would amount to $125,000-$150,000 or 38-46% of the PTP Assets' 3/31/22 unrealized value. We base this estimate on the Fund's non-management fee operating expenses of 2021 ($74,383) and 2020 ($64,523).

Given the on-going expense burden to retain the PTP Assets, the time value of money and uncertainty around the final outcome of the PTP Assets, we believe it is in the best interest of the Fund to use the affiliate transfer option to sell the PTP Assets to North Sky on the terms and at the price previously set by Buyer in a competitive secondary process. This would enable LBO III to sell all six unrealized LP interests in 2022 as originally intended and fully wind down LBO III. The unrealized value and purchase price for each buyer is detailed below.

- Buyer to purchase TCV VII, Advent GPE VI, Water Street II and Castle Harlan V for $3,099,771. These interests had an aggregate unrealized value of $4,291,294 as of 3/31/22.
- North Sky or one of its affiliates to purchase Warburg Pincus X and Madison Dearborn V for $204,170. These interests had an aggregate unrealized value of $329,602 as of 3/31/22.
- Consistent with the executed letter of intent dated 7/12/22, LBO III will receive a total of $3,303,941 or 71.5% of the 3/31/22 unrealized value of $4,620,896.

North Sky intends that, to the extent reasonably practicable, the consummation of the Transaction will result in the same economic effect to LBO III as if the Buyer had purchased all of the LBO III assets pursuant to the executed letter of intent dated 7/12/22. However, because North Sky is purchasing the PTP Assets for its own account from LBO III, which it controls, North Sky has a potential conflict of interest in pursuing the Transaction. As a result, North Sky's interests may not be aligned with those of LBO III or its investors. For example, North Sky will receive carried interest on the disposition of the PTP Assets. It may not be profitable for North Sky to continue to manage the PTP Assets on behalf of LBO III, and so North Sky may be incentivized to dispose of such assets. As would be the case if Buyer purchased the PTP Assets, LBO III will bear its share of legal and other costs of the Transaction if North Sky purchases the PTP Assets. If the PTP Assets increase in value following the Transaction, LBO III will not participate in such gains and North Sky will retain any profits for itself.

To seek to mitigate its conflict of interest, North Sky is proposing to consummate the Transaction and purchase the PTP Assets at the same price established by the Buyer in a competitive auction. The purchase price and allocation between the six LP interests was determined independently by the Buyer with no consultation from LBO III, North Sky or any of its affiliates. Furthermore, because the Transaction is a principal transaction wherein North Sky would be purchasing assets directly from LBO III, North Sky is seeking the consent of a majority-in-interest of LBO III investors to the Transaction. If North Sky does not receive the consent of at least a majority-in-interest of LBO III investors to the Transaction by the requested deadline, LBO III will not sell the PTP Assets and will continue to hold the PTP Assets and bear the ongoing operating costs and expenses described herein.

To: Cincinnati Retirement System
From: Marquette Associates, Inc.
Date: August 25, 2022
Re: North Sky LBO Fund III

Overview

CRS committed $30 million to the North Sky LBO Fund III in 2007. As of the last valuation on March 31, 2022, the remaining investment value is $10,713,077. The investment has returned a net Internal Rate of Return of 11.06%.

Usually toward the end of a closed-end investment's life cycle the General Partner looks to clear out the remaining investments through a secondary sale. This method returns the capital back to the investors at once versus working through the sale of each remaining investment, which may take up to 5 more years.

A discounted sale of the remaining investments on the secondary market is typically viewed as neutral or positive to the Limited Partners as otherwise the investment fees and time lag of hanging on for multiple years can hurt the captured return.

On August 17th North Sky notified CRS they would like to sell the remaining assets of the Fund and are requesting CRS consent to do so.

After a review of 6 outside offers on the remaining assets, North Sky selected an offer at a price of 71.5% of the 3/31 remaining value with an effective sale date of 9/30/22.

Marquette's Recommendation

Although the North Sky proposal sells the remaining assets at a discount of 71.5% to current valuation, the impact to the Internal Rate of Return on the Fund is only -0.10%, or a reduction in the IRR from 11.07% to 10.97%.

Considering the alternative of waiting out sales of the remaining investments over the next few years, Marquette is recommending CRS consent to the proposed sale.

We believe receiving the proceeds this year to reinvest in the current portfolio is more beneficial than waiting out a neutral to negative impact of hanging on to the investments longer.

PREPARED BY MARQUETTE ASSOCIATES

180 North LaSalle St, Ste 3500, Chicago, Illinois 60601 PHONE 312-527-5500
CHICAGO BALTIMORE MILWAUKEE PHILADELPHIA ST. LOUIS WEB MarquetteAssociates.com

About Marquette Associates

Marquette was founded in 1986 with the sole objective of providing investment consulting at the highest caliber of service. Our expertise is grounded in our commitment to client service — our team aims to be a trusted partner and as fiduciaries, our clients' interests and objectives are at the center of everything we do. Our approach brings together the real-world experience of our people and our dedication to creativity and critical thinking in order to empower our clients to meet their goals.
For more information, please visit www.MarquetteAssociates.com.

MarquetteAssociates

CITY OF CINCINNATI

RETIREMENT SYSTEM

Cincinnati Retirement System

City of Cincinnati

Retirement System

Executive Summary

June 30, 2022

Detail for Period Ending June 30, 2022

Account Name	Vintage Year	Commitment ($)	Unfunded Commitment ($)	Call Ratio	Cumulative Contributions ($)	Additional Fees ($)	Cumulative Distributions ($)	Valuation ($)	Total Value ($)	DPI	TVPI	RVPI	IRR (%)
Infrastructure													
Macquarie Fund II	2008	65,000,000	3,292,222	0.95	61,707,778	0	114,009,496	332,179	114,341,676	1.85	1.85	0.01	8.95
Alinda Fund II	2008	65,000,000	4,969,944	1.31	85,454,109	0	81,514,603	14,204,063	95,718,666	0.95	1.12	0.17	2.38
Total Infrastructure		**130,000,000**	**8,262,166**	**1.13**	**147,161,887**	**0**	**195,524,099**	**14,536,242**	**210,060,342**	**1.33**	**1.43**	**0.10**	**6.24**
Other													
H.I.G. Bayside Opportunity VI	2020	40,000,000	20,707,409	0.54	21,687,363	0	3,662,978	19,308,829	22,971,807	0.17	1.06	0.89	
Total Other		**40,000,000**	**20,707,409**	**0.54**	**21,687,363**	**0**	**3,662,978**	**19,308,829**	**22,971,807**	**0.17**	**1.06**	**0.89**	**14.71**
Private Equity													
Fort Washington Fund V	2007	40,000,000	2,449,299	0.94	37,550,701	0	65,362,062	10,713,077	76,075,139	1.74	2.03	0.29	10.64
North Sky Fund III - LBO	2007	30,000,000	8,400,000	0.72	21,600,000	0	43,699,306	1,890,266	45,589,572	2.02	2.11	0.09	11.06
North Sky Fund III - VC	2007	10,000,000	850,000	0.92	9,150,000	0	16,421,592	1,172,485	17,594,077	1.79	1.92	0.13	8.69
Portfolio Advisors IV - Special Sit	2007	18,900,000	1,928,786	0.90	16,971,214	0	22,155,707	1,581,573	23,737,280	1.31	1.40	0.09	5.36
Fort Washington Fund VI	2008	30,000,000	4,309,950	0.86	25,690,050	0	49,714,158	7,589,783	57,303,941	1.94	2.23	0.30	14.53
North Sky Fund IV - LBO	2008	15,000,000	5,325,000	0.65	9,675,000	0	20,636,974	3,191,276	23,828,249	2.13	2.46	0.33	13.32
Portfolio Advisors V - Special Sit	2008	8,500,000	1,020,626	0.88	7,479,374	0	11,140,759	783,741	11,924,500	1.49	1.59	0.10	8.53
Fort Washington Fund VIII	2014	50,000,000	13,500,001	0.73	36,499,999	0	33,375,000	45,883,358	79,258,358	0.91	2.17	1.26	17.52
Fort Washington Opp Fund III	2014	30,000,000	7,800,000	0.74	22,200,000	0	26,025,000	10,358,616	36,383,616	1.17	1.64	0.47	15.10
North Sky Fund V	2014	40,000,000	13,600,000	0.66	26,400,000	0	35,279,249	36,941,091	72,220,340	1.34	2.74	1.40	21.55
Fort Washington Fund IX	2016	50,000,000	15,250,000	0.70	34,750,000	0	6,750,000	61,308,243	68,058,243	0.19	1.96	1.76	22.33
Fort Washington Fund X	2019	40,000,000	23,200,000	0.42	16,800,000	0	0	25,497,935	25,497,935	0.00	1.52	1.52	26.23
JP Morgan Global Private Equity VIII	2019	40,000,000	14,013,776	0.67	26,637,474	298,953	1,793,563	33,585,122	35,378,685	0.07	1.33	1.26	20.95
JP Morgan Global Private Equity IX	2020	20,000,000	12,380,004	0.38	7,619,996	58,864	371,776	9,449,349	9,821,125	0.05	1.29	1.24	
Blue Chip Fund IV	2000	25,000,000	0	1.00	25,000,000	0	23,770,550	2,025,970	25,796,520	0.95	1.03	0.08	0.43
Total Private Equity		**447,400,000**	**124,027,442**	**0.72**	**324,023,808**	**357,817**	**356,495,695**	**251,971,885**	**608,467,580**	**1.10**	**1.88**	**0.78**	**11.16**
Real Estate													
StepStone RE Intl Partnership I	2007	30,000,000	6,604,646	0.78	23,395,354	0	23,030,765	1,510,548	24,541,313	0.98	1.05	0.06	0.76
Total Real Estate		**30,000,000**	**6,604,646**	**0.78**	**23,395,354**	**0**	**23,030,765**	**1,510,548**	**24,541,313**	**0.98**	**1.05**	**0.06**	**0.76**
Total		**647,400,000**	**159,601,663**	**0.80**	**516,268,411**	**357,817**	**578,713,537**	**287,327,504**	**866,041,041**	**1.12**	**1.68**	**0.56**	**8.26**

Detail for Period Ending June 30, 2022

Account Name	Vintage Year	IRR (1 Yr) (%)	IRR (3 Yrs) (%)	IRR (5 Yrs) (%)	IRR (7 Yrs) (%)	IRR (10 Yrs) (%)	IRR (%)	Prim PME (Long Nickels) (%)	Prim PME Benchmark	Sec PME (Long Nickels) (%)	Sec PME Benchmark
Infrastructure											
Macquarie Fund II	2008	-2.54	32.88	12.60	11.02	8.59	8.95	13.31	Russell 3000	11.99	Russell 2000
Alinda Fund II	2008	2.24	-4.64	-7.48	-3.77	2.13	2.38	13.95	Russell 3000	11.92	Russell 2000
Total Infrastructure		**2.13**	**10.46**	**3.12**	**3.47**	**5.66**	**6.24**	**13.61**		**11.96**	
Other											
H.I.G. Bayside Opportunity VI	2020								Bloomberg US Aggregate TR		
Total Other		**1.82**					**14.71**	**-13.54**			
Private Equity											
Fort Washington Fund V	2007	-1.55	12.74	11.20	7.10	10.84	10.64	11.35	Russell 3000	10.80	Russell 2000
North Sky Fund III - LBO	2007	10.96	9.82	13.21	12.73	16.24	11.06	9.69	Russell 3000	9.53	Russell 2000
North Sky Fund III - VC	2007	-47.26	-1.58	14.03	5.85	12.04	8.69	9.42	Russell 3000	8.81	Russell 2000
Portfolio Advisors IV - Special Sit	2007	2.77	0.91	-0.21	-0.83	5.50	5.36	8.71	Russell 3000	8.26	Russell 2000
Fort Washington Fund VI	2008	11.41	13.83	16.52	10.53	15.73	14.53	13.22	Russell 3000	12.48	Russell 2000
North Sky Fund IV - LBO	2008	6.52	14.55	17.33	16.41	16.45	13.32	14.24	Russell 3000	12.93	Russell 2000
Portfolio Advisors V - Special Sit	2008	12.47	6.05	3.80	4.14	8.47	8.53	12.17	Russell 3000	11.00	Russell 2000
Fort Washington Fund VIII	2014	6.97	21.21	18.27	17.31		17.52	13.04	Russell 3000	9.75	Russell 2000
Fort Washington Opp Fund III	2014	7.86	-3.23	9.97	12.74		15.10	11.39	Russell 3000	8.32	Russell 2000
North Sky Fund V	2014	14.28	27.16	26.61	23.32		21.55	13.56	Russell 3000	10.35	Russell 2000
Fort Washington Fund IX	2016	17.56	25.53	21.93			22.33	10.28	Russell 3000	5.19	Russell 2000
Fort Washington Fund X	2019	5.25	28.34				26.23	3.91	Russell 3000	-1.32	Russell 2000
JP Morgan Global Private Equity VIII	2019	21.58	21.21				20.95	-0.58	Russell 3000	-7.89	Russell 2000
JP Morgan Global Private Equity IX	2020								Russell 3000		Russell 2000
Blue Chip Fund IV	2000	16.12	12.08	-3.86	-7.73	-4.18	0.43	8.27	Russell 3000	8.07	Russell 2000
Total Private Equity		**11.63**	**19.52**	**17.74**	**14.23**	**14.58**	**11.16**	**10.48**		**9.46**	
Real Estate											
StepStone RE Intl Partnership I	2007	-8.98	-6.16	-4.27	-0.93	3.30	0.76	8.26	FTSE NAREIT All REIT		
Total Real Estate		**-8.98**	**-6.16**	**-4.27**	**-0.93**	**3.30**	**0.76**	**8.26**			
Total		**10.57**	**17.98**	**13.72**	**10.66**	**11.18**	**8.26**	**10.63**			

Detail for Period Ending December 31, 2021

Account Name	Pitchbook Universe	Vintage Year	IRR (%)	Quartile Rank	Top Quartile (%)	Median (%)	Bottom Quartile (%)	# of Funds
Infrastructure								
Macquarie Fund II	Real Assets - North America	2008	8.95	1st	8.47	5.46	-2.22	15
Alinda Fund II	Real Assets - North America	2008	2.27	3rd	8.47	5.46	-2.22	15
Other								
H.I.G. Bayside Opportunity VI	Private Debt - North America	2020						
Private Equity								
Fort Washington Fund V	Private Equity - North America	2007	10.71	3rd	16.53	10.77	4.79	106
North Sky Fund III - LBO	Private Equity - North America	2007	11.1	2nd	16.53	10.77	4.79	106
North Sky Fund III - VC	Private Equity - North America	2007	8.84	3rd	16.53	10.77	4.79	106
Portfolio Advisors IV - Special Sit	Private Equity - North America	2007	5.39	3rd	16.53	10.77	4.79	106
Fort Washington Fund VI	Private Equity - North America	2008	14.64	2nd	20.01	13.70	8.32	75
North Sky Fund IV - LBO	Private Equity - North America	2008	13.48	3rd	20.01	13.70	8.32	75
Portfolio Advisors V - Special Sit	Private Equity - North America	2008	8.57	3rd	20.01	13.70	8.32	75
Fort Washington Fund VIII	Private Equity - North America	2014	18.61	3rd	31.22	20.69	10.90	61
Fort Washington Opp Fund III	Private Equity - North America	2014	15.60	3rd	31.22	20.69	10.90	61
North Sky Fund V	Private Equity - North America	2014	22.73	2nd	31.22	20.69	10.90	61
Fort Washington Fund IX	Private Equity - North America	2016	25.88	2nd	29.85	24.38	18.01	78
Fort Washington Fund X	Private Equity - North America	2019	36.5					
JP Morgan Global Private Equity VIII	Private Equity - Global	2019	23.42					
JP Morgan Global Private Equity IX	Private Equity - Global	2020						
Blue Chip Fund IV	Private Equity - North America	2000	0.43	4th	21.91	13.10	8.46	77
Real Estate								
StepStone RE Intl Partnership I	Real Estate - Global	2007	0.76	3rd	8.74	3.53	-2.24	77

North Sky Fund III - LBO

Characteristics

As of March 31, 2022

Market Value: $1.9 Million and 0.1% of Fund

Characteristics

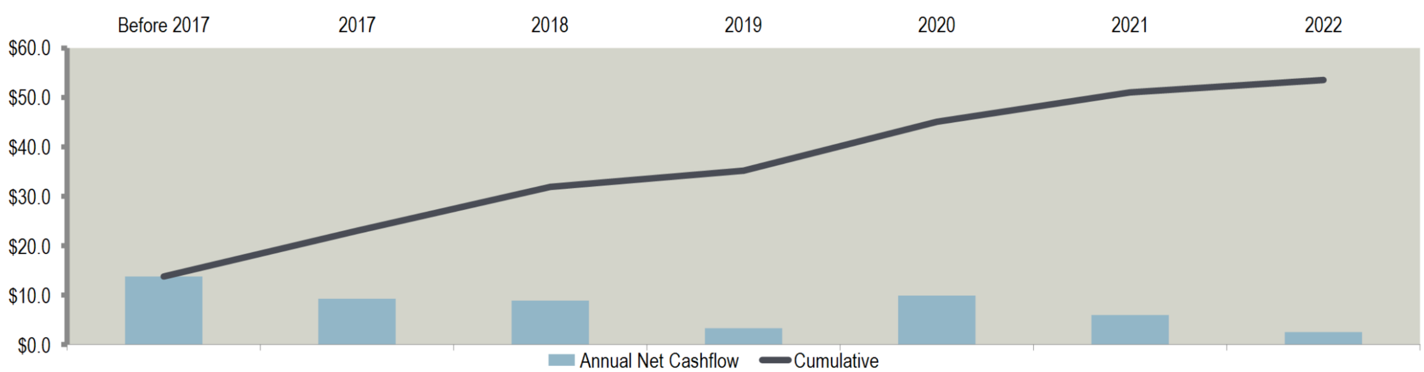
	North Sky Capital
Total Size of Fund ($M)	$74.0
Total Capital Called to Date	$53.3
% of Committed Capital Called	72.0%
Capital Distributed ($M)	$109.8
Capital Distributed (as a % of Capital Calle	206.0%

Fund Vintage Year	2006
Total Underlying Commitments	$73.4
# of Underlying Commitments	11
% of Capital Commited	99.2%
Fund NAV ($M)	$4.9
Net Multiple	1.9x
Net IRR	11.0%

Top Ten Funds by Market Value

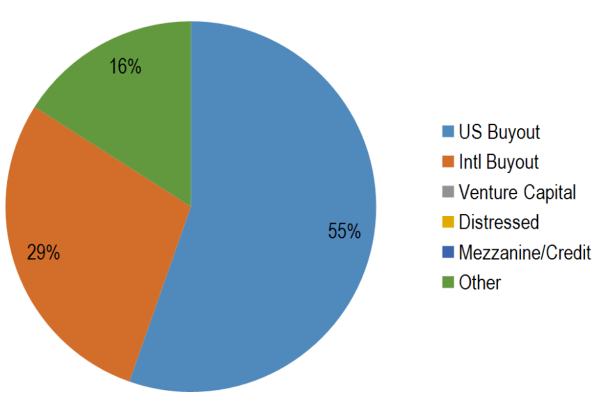
Fund	Type	Vintage Year	% of Portfolio	Total Commitment ($M)	Total Investment ($M)	Fair Market Value ($M)	Total Distribution ($M)
Castle Harlan V	US Buyout	2008	31.8%	$2.5	$4.8	$1.5	$4.8
Advent GPE VI	Intl Buyout	2007	23.9%	$10.0	$10.0	$1.1	$20.1
Water Street II	US Buyout	2008	21.0%	$8.0	$8.3	$1.0	$17.7
TCV VII	Other	2008	15.9%	$10.0	$9.8	$0.7	$30.2
Warburg Pincus X	Intl Buyout	2008	4.7%	$10.0	$10.0	$0.2	$17.7
Madison Dearborn V	US Buyout	2006	2.4%	$5.0	$4.9	$0.1	$7.8
Lightyear II	US Buyout	2006	0.2%	$5.0	$5.0	$0.1	$8.0
CarVal	Mezzanine/Credit	2006	0.1%	$5.0	$4.8	$0.0	$7.3
CarVal SVF	Mezzanine/Credit	2005	0.0%	$5.0	$2.1	$0.0	$0.9
Riverside III	Mezzanine/Credit	2007	0.0%	$2.9	$3.0	$0.0	$2.4

Annual Cash Flow Summary ($M)

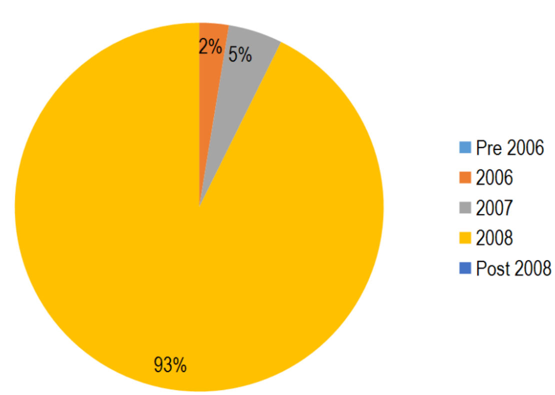


	Before 2017	2017	2018	2019	2020	2021	2022
Paid In Capital w/o Fees	$53.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Fees Paid	$2.6	$0.1	$0.1	$0.1	$0.1	$0.1	$0.0
Distribution	$69.6	$9.3	$9.0	$3.4	$10.0	$6.0	$2.5
Cumulative	**$13.8**	**$23.0**	**$31.9**	**$35.2**	**$45.1**	**$51.0**	**$53.5**

Strategy Exposure



Vintage Year Exposure



Cincinnati Retirement System
Active Election Process Summer 2022

Proposed Process and Timeline	Dates
Inventory and Order Envelopes	by April 1, 2022
Remind HR Liaisons to update employee addresses (before label list created)	by July 18, 2022
Opening of Nominations CRS Members Emails	Tuesday, July 5, 2022
Ballot Skeleton to Printing Services	July 11, 2022
Labels with ID#'s and Envelopes to Printing for Ballots	July 21, 2022 (based on PP 15)
Closing of Nominations. Nomination Petition sheets & Candidate Position Papers are due. **(25 days)**	Friday, July 29, 2022 at 4:00 p.m.
Authenticate Names - Review Position Papers *(Within 2 business days of Closing of Nomination)*	August 2, 2022
Distribute Candidates Names & Bios Post to Web page for Actives /USPS Mail to Retirees ***(5 business days after Close of Nominations)***	August 5, 2022
Election Opens (Ballots to U.S. mail first-class) ***(14 days after close of Nominations)***	~~Friday, August 12, 2022~~ Wednesday, August 17, 2022
Election Closes - **(21 days)**	~~Friday, September 2, 2022~~ Wednesday, Sept. 7, 2022
Ballot Count - Election Committee Declares winners ***(Within 5 business days after election close)***	~~Monday, September 12, 2022~~ Wednesday, Sept. 14, 2022
Oath of Office ***Board meeting***	Thursday, October 6, 2022