



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

June 8, 2023 / 2:00 P.M.

City Hall, Council Chambers and via Zoom

Members

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

CRS Staff

Karen Alder
Mike Barnhill, Contractor

Law

Ann Schooley
Linda Smith

Call to Order

Public Comment

Approval of Minutes

- Meeting Minutes – May 4, 2023

Report from Investment Committee

Informational – Staff Report

- April 2023 Investment Results (Marquette)
- Procurement Update (RFPs for Investment Consultant and Fiduciary Audit)
- Status of Executive Director Search Process
- Staff Update
- DROP Actuarial Analysis Update
- Employer Contribution in City Budget Update: City Manager Recommendation
- Healthcare Funding Policy Update
- Dental RFP Status

Old Business

- Benefits Survey Update
- Draft City Ordinance re Disabled Adult Children Eligibility
- Draft Ethics Policy
- Survivor Benefits Ordinance Status

Adjournment

Next Meeting: Thursday, July 13, 2023, 2:00 P.M. City Hall Council Chambers and via Zoom



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
May 4, 2023/ 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members Present

Bill Moller, Chair
Tom Gamel, Co-chair
Kathy Rahtz
Mark Menkhaus, Jr.
Monica Morton
John Juech
Aliya Riddle

Administration

Mike Barnhill, Consultant
Karen Alder
Bev Nussman
Keva Eleam

Law Department

Linda Smith

CALL TO ORDER

Chair Moller called the meeting to order at 2:01pm and a roll call of attendance was taken. Trustee Walsh was absent.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Approval of the minutes of the Board meeting of April 6, 2023, was moved by Trustee Gamel and seconded by Trustee Morton. The minutes were approved by unanimous roll call vote.

Report from the Investment Committee

- Managers were selected to be interviewed for Core and Core Plus. The Committee selected three of each. No motion by the Board needed.
- Motion to accept 1st quarter 2023 Investment Report was made by Chair Moller. No second needed. Motion approved by unanimous roll call vote.
- Motion to approve the Updated Investment Policy that comports with the changes made by the Board in February was made by Chair Moller. No second needed. Motion approved by a unanimous roll call vote.

- Motion for Re-Balancing made by Chair Moller. No second needed. Motion approved by a unanimous roll call vote.

<u>Amount</u>	<u>From</u>	<u>To</u>
\$8M	NT Russell 2000 Value	NTGI Russell 3000
\$14M	NT Russell 1000 Value	NTGI Russell 3000
\$15M	JPM II Infrastructure	NTGI Agg Bond
\$3.5M	Shenkman-Four Points	NTGI Agg Bond
\$3M	NB US Index PurWrite	NTGI Agg Bond
\$27M	NTGI ACWI Ex-US	NTGI Agg Bond

Informational – Staff Report

- *Procurement Update* – Director Alder informed the board that the Investment Consultant RFP was released on May 3rd. The Fiduciary Audit RFP has been drafted and sent to Purchasing with a release date set for May 22nd.
- *CRS Presentation at Budget and Finance Committee Meeting, May 1st* – Chair Moller and Director Alder provided an overview of the presentation that was made to the Budget and Finance Committee. A copy was included in the Board packet. The Budget and Finance Committee seemed engaged and concerned. The Chair encouraged the Budget and Finance Committee to develop a policy for annual incremental increases as proposed by the CRS Board. The Chair came away from the meeting hopeful that an incremental increase would be included in the FY 2024 Budget.
- *Status of Executive Director Search Process* – Director Alder informed the board that a Search Committee has been created and the consultant anticipates interviews will start the week of May 29th. The Chair indicated that the search would include Trustee Juech, Trustee Menkhaus, and himself.
- *1st Quarter Budget Update* – Finance Manager Nussman informed the board that Temporary Services are over budget for the quarter. Additional temporary services are needed due to the delay in filling open positions. The savings from salaries and wages more than offsets the increase in temporary service costs. Data Processing Expenses are under budget for the quarter. This is due to the Pension Programming Fees which are paid in block purchase and the License Fee which is paid only once a year. The Actuarial Fees line reflects the survivor benefits study that was paid for in the first quarter. Fiduciary insurance is only paid once per year, so that expense is not yet reflected.
- *1st Quarter DROP Update* – Finance Manager Nussman informed the Board that there were 16 participants that left during the 1st quarter and there are 158 participants remaining in the program. The participant balance numbers have been staying about the same but will probably continue to decrease going forward.
- *1st Quarter Demographics Update* – Finance Manager Nussman informed the Board we are showing a slight increase in active employee members and the total number of payees decreased slightly. Death benefits are normal for the quarter.
- *Staff Update* – Director Alder announced that Bev Nussman, the Finance Manager, has officially announced her retirement from the city as of July 31st. The Administration is working on getting her position posted.

Old Business

- *Status of Disabled Adult Children Ordinance* – Director Alder reported that there was a copy in the packet for the board’s approval and once approved, it will move to City Council for approval. Trustee Rahtz expressed she is not prepared to approve this today or vote on it. Trustee Rahtz motioned that the Board refer this to the Benefits Committee for review before the board acts on it, and the motion was seconded by Trustee Gamel. The motion was approved by a unanimous roll call vote. A Benefits Committee meeting will be scheduled and a representative from Law will be invited to walk the committee through the ordinance and the suggested changes. The Chair would like this item to be ready for a vote at the next Board meeting if possible.
- *Benefits Survey Update* – Director Alder reported that Horan has received 351 email surveys and 200+ hard copy surveys for a total of 731 surveys. The mailed copies are still rolling in, so she expects this to increase.

New Business

- *2022 Actuarial Valuations (Cheiron)* – Gaell Gravot and Margaret Tempkin, Health Actuaries from Cheiron presented.

The valuation included updates to census data, demographic data, and participation rates for DROP. The number of participants in the healthcare trust has declined steadily since 2017 at an average of 4.3%. As of December 31, 2022, the fund is 146% funded on an AVA basis, and 138% on an MVA basis which is a slight increase from the 145% last year. There is no Actuarially Determined Contribution (ADC) required for CY 2022. The Healthcare Trust remains overfunded for 2022.

Chair Moller made a comment regarding the difference in the changes to the funding ratios. Cheiron representatives confirmed that the actuarial value divided by the actuarial liability went up slightly, but the funding ratio for the market value of assets to actuarial liabilities went down because of the asset smoothing which is reflected in the top number and not in the bottom number.

Trustee Gamel asked if all participants in the DROP program are staying the entire five years or if they are leaving early. The representatives from Cheiron explained that it varies, but they believe the average is a little lower than three years. Director Alder confirmed that CRS is experiencing an average stay of 2.8 years.

The Cheiron representatives indicated that they would be drafting the GASB 75 report and would provide the report in July 2023. They will also develop contribution rates for the CRS three health plans for CY 2024 by September 2023.

Chair Moller stated that a concern has been expressed about healthcare in general and the effect of inflationary increases moving forward. Cheiron explained that they include assumptions for inflation in the valuation for the three health plans. This information is in the full report on page 22.

- *2022 Actuarial Valuations (Cheiron) Pension Trust* – Kevin Woodrich and Janet Cranna, Principal Consulting Actuaries from Cheiron presented.

The Pension Trust continues to see a decrease in the funding ratio. The membership has remained stable over the last 12 years, with a slight increase over time. Cash flows have been negative over

the last 12 years because the Pension Trust is paying out more in benefits and administrative expenses than the contributions received.

As of December 31, 2022, the return on the Market Value of Assets was (8.68%). and the return on the Actuarial Value of Assets was 6.18%. The funding ratio on an AVA basis dropped from 71.6% to 69.3% and from 78.2% to 65.2% on a MVA basis. The Market Value of Assets decreased to \$1.7 billion or 14.9%. The required ADC as a percent of payroll is 34.02%. The valuation assumed a 7.5% annual return and annual contributions from the City of 16.25% of payroll. The Pension Trust is projected to be 100% funded in 2130 (85 years later than contemplated by the CSA).

The Cheiron representatives explained the new requirements under ASOP No. 4 for measuring pension obligations and determining pension plan costs or contributions. ASOP No. 4 clarifies the application of the standard when the actuary selects an output smoothing method and when an assumption or method is not selected by the actuary. It also adds a requirement to calculate and disclose a reasonable actuarially determined contribution and “Low -Default-Risk Obligation Measure”. The revisions are effective for measurement dates on or after February 15, 2023, which means the new measures will need to be implemented for the December 31, 2023 CRS Pension Trust Valuation.

The Cheiron representatives also informed that board that starting with the December 31, 2023 Pension Trust Valuation Report they will need to include a statement that they recommend using a lower rate of return and that the assumed 7.5% is not in line with their recommendation.

- *Naming of Board Executive Director Search Committee Members* - The Chair announced these members include Chair Moller, Trustee Menkhaus, and Trustee Juech.
- *Fiduciary Audit RFP* – The update was provided under New Business.
- *Naming of Board RFP Committee Members* – Chair Moller announced the members for the Investment Consultants will include Chair Moller, Trustee Morton, and Trustee Riddle. For the Fiduciary Audit, the members include Trustee Gamel, Trustee Menkhaus, and Trustee Walsh.
- *Governance Committee Items* – Chair Moller addresses the 3 items listed below:
 - *Implement 180 Day Deadline to Complete Disability Application (Board Rule 11; CMC 203-41)* – Director Alder explained that the goal is to eliminate incomplete applications from staying open for eternity. The applicants will have 180 days, once the Board approves their application, to submit the additional information that is required. If they do not complete this, their application will be denied, and they will have to re-apply from the beginning. Chair Moller made a motion to approve, and it was seconded by Trustee Menkhaus. The Board approved the motion by a unanimous roll call vote.
 - *Executive Director Recommendation re Disability Cases* – The Law Department provided suggested language for the Board at the request of the Director for the Board’s consideration. The changes allow the Executive Director to provide background information only on disability cases. The change eliminates the ability for the Executive Director to make recommendations which could potentially be a conflict with the medical recommendation. Chair Moller made a motion to approve, and it was seconded by Trustee

- Morton. The Board approved the motion by a unanimous roll call vote.
- *Ethics Rules* – Director Alder explained the proposed Ethics Rules were drafted and sent to Law to make sure the rules were consistent with Ohio Ethics Law. The Law Department made some wording changes. There were also two sections added in relation to conflicts any Board member may have. Chair Moller states that this will be referred to the Governance Committee and asked that the administration provide a mark-up of what changed.

Committee Assignments Update

Trustee Moller assigned Trustee Riddle to the Governance, Performance Evaluation and Benefits committees. All trustees serve on the Investment Committee.

Adjournment

Following a motion to adjourn by Trustee Gamel and it was seconded by Trustee Morton, the Board approved the motion by a unanimous roll call vote. The meeting adjourned at 3:30pm.

Meeting video link: <https://archive.org/details/crs-board-5-4-23>

Next Meeting: June 8, 2023 at 2:00 p.m.

Secretary



Cincinnati Retirement System

City of Cincinnati
Retirement System
Executive Summary

April 30, 2023

Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,234,342,495
Net Cash Flow	-\$14,288,122
Net Investment Change	\$15,025,256
Ending Market Value	\$2,235,079,629

Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
Total Fund Composite	2,235,079,629	100.0	100.0	0
Fixed Income Composite	334,108,226	14.9	22.5	-168,784,691
Private Debt Composite	34,387,685	1.5	3.0	-32,664,704
U.S. Equity Composite	639,636,043	28.6	28.5	2,638,349
Non-U.S. Equity Composite	431,563,366	19.3	18.0	29,249,033
Risk Parity Composite	0	0.0	0.0	0
Volatility Risk Premium Composite	59,826,285	2.7	2.5	3,949,294
Real Estate Composite	193,411,544	8.7	7.5	25,780,572
Infrastructure Composite	267,146,442	12.0	10.0	43,638,479
Private Equity Composite	246,390,655	11.0	8.0	67,584,284

Performance

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	0.7%	0.0%	4.2%	1.3%	11.5%	6.3%	7.2%	8.7%	May-85
Target Benchmark	0.7%	0.0%	4.5%	0.6%	10.4%	6.5%	7.3%	--	May-85
Fixed Income Composite	0.6%	0.7%	4.0%	0.2%	0.8%	1.9%	2.3%	5.1%	Nov-95
Bloomberg US Aggregate TR	0.6%	0.5%	3.6%	-0.4%	-3.1%	1.2%	1.3%	4.3%	Nov-95
Private Debt Composite	0.0%	4.6%	4.8%	4.7%	--	--	--	1.6%	Sep-20
Bloomberg US Aggregate TR	0.6%	0.5%	3.6%	-0.4%	-3.1%	1.2%	1.3%	-4.3%	Sep-20
U.S. Equity Composite	0.7%	-1.1%	5.9%	0.3%	16.7%	8.7%	10.4%	9.2%	Feb-89
Russell 3000	1.1%	1.3%	8.3%	1.5%	14.1%	10.6%	11.7%	10.3%	Feb-89
Non-U.S. Equity Composite	1.7%	0.2%	8.4%	3.9%	11.2%	1.5%	4.0%	5.7%	May-93
MSCI ACWI ex USA	1.7%	0.6%	8.7%	3.0%	9.7%	2.5%	4.0%	--	May-93
Risk Parity Composite	0.8%	-0.8%	3.2%	-6.3%	3.2%	3.1%	2.6%	3.1%	Jul-12
60% Wilshire 5000/40% BarCap Aggregate	0.9%	1.0%	6.5%	1.0%	7.3%	7.3%	7.8%	8.3%	Jul-12
Volatility Risk Premium Composite	1.8%	3.8%	6.9%	4.4%	--	--	--	-0.2%	Jan-22
CBOE Put Write Index	1.4%	4.5%	8.3%	2.6%	14.2%	6.0%	6.7%	1.9%	Jan-22
Real Estate Composite	-0.3%	-2.2%	-2.4%	-3.9%	8.3%	7.5%	9.5%	6.0%	Aug-07
NFI-ODCE	0.0%	-2.2%	-3.3%	-5.3%	7.7%	6.4%	8.4%	5.0%	Aug-07
NPI	0.0%	-1.2%	-1.8%	-2.6%	7.3%	6.6%	8.2%	6.4%	Aug-07
Infrastructure Composite	0.1%	1.8%	2.1%	7.7%	10.8%	8.5%	7.3%	8.3%	Aug-08
3 Month T-Bill +4%	0.6%	2.1%	2.7%	6.9%	5.0%	5.4%	4.9%	4.6%	Aug-08
Private Equity Composite	0.0%	0.0%	0.0%	-2.8%	20.1%	14.7%	13.8%	8.7%	Jul-93
Burgiss Global All Private Equity	0.0%	0.0%	0.0%	-6.7%	23.2%	17.1%	15.9%	15.6%	Jul-93

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Via Electronic Mail

May 31, 2023

Ms. Karen Alder
Cincinnati Retirement System
801 Plum Street, Suite 328
Cincinnati, Ohio 45202

Re: Impact of Various Increases to City Contribution Rate

Dear Karen:

As requested, we have updated our May 10, 2023 letter to reflect the City's recent decision to increase its contribution from 16.25% to 17.00% of full-time payroll effective July 1, 2023. We have assumed that any subsequent increases would be first effective July 1, 2024. These projections are based on the model that accompanied the December 31, 2022 Actuarial Valuation and recently presented at the May 4, 2023 board meeting.

The attachment shows the projected funded ratios through 2052. The funded ratios reflect the actuarial liabilities divided by the actuarial value of assets projected as of each of the December 31 measurement dates shown below. All the scenarios assume that City will continue to contribute \$2.7 million annually through 2034 for the Early Retirement Incentive Program. The four requested scenarios are:

- Scenario A: Assumed 7.50% investment return for all years after 2022 / **25.25%** City Contribution Rate on full-time payroll to reach full funding by December 31, 2052
- Scenario B: Assumed 7.50% investment return for all years after 2022 / **29.75%** City Contribution Rate on full-time payroll to reach full funding by December 31, 2045
- Scenario C: Assumed 7.50% investment return for all years after 2022 / **Incremental 1.30%** increases per year to City Contribution Rate until 45.60% of full-time payroll to reach full funding by December 31, 2045
- Scenario D: Assumed 7.50% investment return for all years after 2022 / **Incremental 1.50%** increases per year to City Contribution Rate through December 31, 2044 (reach full funding)

The projected funded ratios in the attachment assume that all the assumptions are realized. Future projections may differ significantly from those presented in this letter due to such factors as the following: plan experience differing from that anticipated by the assumptions, changes in assumptions, and changes in plan provisions or applicable law.


In preparing these projections, we relied on the same census data, assumptions (unless stated otherwise), and methods used in performing the December 31, 2022 valuation. All the caveats in that report still apply.

If you have any questions, please let us know.

Sincerely,
Cheiron



Kevin J. Woodrich, FSA, EA, MAAA
Principal Consulting Actuary



Janet Cranna, FSA, EA, MAAA, FCA
Principal Consulting Actuary

Attachment

ATTACHMENT

Year	Scenario A		Scenario B		Scenario C		Scenario D	
	July 1 City Contribution Rate effective (% of Full-Time Pay)	Funded Ratio as of December 31,	July 1 City Contribution Rate effective (% of Full-Time Pay)	Funded Ratio as of December 31,	July 1 City Contribution Rate effective (% of Full-Time Pay)	Funded Ratio as of December 31,	July 1 City Contribution Rate effective (% of Full-Time Pay)	Funded Ratio as of December 31,
2022	16.25%	69.3%	16.25%	69.3%	16.25%	69.3%	16.25%	69.3%
2023	17.00%	68.2%	17.00%	68.2%	17.00%	68.2%	17.00%	68.2%
2024	25.25%	66.6%	29.75%	66.8%	18.30%	66.3%	18.50%	66.3%
2025	25.25%	65.3%	29.75%	65.9%	19.60%	64.4%	20.00%	64.4%
2026	25.25%	62.6%	29.75%	63.8%	20.90%	61.1%	21.50%	61.2%
2027	25.25%	62.4%	29.75%	64.0%	22.20%	60.4%	23.00%	60.6%
2028	25.25%	62.2%	29.75%	64.4%	23.50%	59.8%	24.50%	60.1%
2029	25.25%	62.1%	29.75%	65.0%	24.80%	59.4%	26.00%	59.8%
2030	25.25%	62.0%	29.75%	65.6%	26.10%	59.2%	27.50%	59.8%
2031	25.25%	62.0%	29.75%	66.3%	27.40%	59.1%	29.00%	59.9%
2032	25.25%	62.0%	29.75%	67.2%	28.70%	59.3%	30.50%	60.3%
2033	25.25%	62.2%	29.75%	68.3%	30.00%	59.7%	32.00%	61.1%
2034	25.25%	62.4%	29.75%	69.5%	31.30%	60.4%	33.50%	62.1%
2035	25.25%	62.7%	29.75%	70.9%	32.60%	61.4%	35.00%	63.6%
2036	25.25%	63.1%	29.75%	72.5%	33.90%	62.8%	36.50%	65.4%
2037	25.25%	63.6%	29.75%	74.3%	35.20%	64.5%	38.00%	67.7%
2038	25.25%	64.2%	29.75%	76.4%	36.50%	66.7%	39.50%	70.6%
2039	25.25%	65.1%	29.75%	78.8%	37.80%	69.5%	41.00%	74.0%
2040	25.25%	66.1%	29.75%	81.6%	39.10%	72.8%	42.50%	78.2%
2041	25.25%	67.4%	29.75%	84.6%	40.40%	76.8%	44.00%	83.1%
2042	25.25%	69.0%	29.75%	88.1%	41.70%	81.6%	45.50%	88.9%
2043	25.25%	70.8%	29.75%	92.0%	43.00%	87.0%	47.00%	95.5%
2044	25.25%	73.0%	29.75%	96.3%	44.30%	93.3%	48.50%	103.0%
2045	25.25%	75.4%	29.75%	101.0%	45.60%	100.4%	48.50%	111.4%
2046	25.25%	78.1%	29.75%	106.1%	45.60%	108.3%	48.50%	120.4%
2047	25.25%	81.2%	29.75%	111.6%	45.60%	116.8%	48.50%	130.1%
2048	25.25%	84.5%	29.75%	117.5%	45.60%	125.8%	48.50%	140.5%
2049	25.25%	88.1%	29.75%	123.8%	45.60%	135.5%	48.50%	151.5%
2050	25.25%	92.0%	29.75%	130.4%	45.60%	145.8%	48.50%	163.2%
2051	25.25%	96.2%	29.75%	137.5%	45.60%	156.6%	48.50%	175.5%
2052	25.25%	100.7%	29.75%	144.9%	45.60%	168.0%	48.50%	188.4%

