



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

June 5, 2025 / 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
Seth Walsh
Aliya Riddle
Sonya Morris
Tom West

CRS Staff

Jon Salstrom

Law

Kevin Frank

Call to Order

Public Comment

Approval of Minutes

- May 1, 2025 (2-5)

Report on Performance Evaluation and Benefits Committee

Informational – Staff Report

- Marquette Investment Report (6-8)
- Staff Update (9-11)
- CRS Dashboards (12-19)
- Credit Service Purchase Update
- Fiduciary Audit Recommendations Update (20-22)

Old Business

New Business

- CRS Board Annual Report to Council (23-34)

Adjournment

Next Meeting: Thursday, July 10, 2025, 2:00 P.M. City Hall Council Chambers and via Zoom



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**City of Cincinnati Retirement System
Board of Trustees Meeting Minutes
May 1, 2025 / 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members

Bill Moller, Chair
Tom Gamel, Co-Chair
Kathy Rahtz
Mark Menkhaus Jr.
Monica Morton
Seth Walsh
Aliya Riddle
Sonya Morris
Tom West

Administration

Jon Salstrom

Law

Kevin Frank

CALL TO ORDER

Chair Moller called the meeting to order at 2:01 p.m. and a roll call of attendance was taken. Trustees Moller, Gamel, Rahtz, Menkhaus, Morton, Riddle, Morris and West were present. Trustee Walsh was absent.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Trustee Gamel moved to approve the minutes of the Board meeting of April 3, 2025. The motion was seconded by Trustee Morris. The minutes were approved by unanimous roll call vote.

Report on Investment Committee

Chair Morris outlined the three motions made at the Investment Committee meeting.

- Accepted and approved the Investment Report presented by Marquette; no second needed. The motion was approved by unanimous roll call vote.
- Approved Marquette's recommendation to commit up to \$10M in Private Equity investments with allocations to Sapphire and Windhaven; no second needed. The motion was approved by unanimous roll call vote.
- Approved staff-led adjustments to the policy benchmark within the Investment Policy Statement; no second needed. The motion was approved by unanimous roll call vote.

Informational – Staff Report

Marquette Investment Report

Chair Moller noted that there was no further update on this item, as it was recently reviewed and discussed in detail during the Investment Committee meeting.

Staff Update

Interviews have been completed for the Administrative Technician position and a hiring decision is expected within the next 1-2 weeks. Currently reviewing approximately 160 applications for the Administrative Specialist position. Interviews are anticipated to begin within the next month. Efforts are ongoing to fill open roles and address staffing needs.

Credit Service Purchase Update

There was no update to provide at this time. Director Salstrom will follow up with the Board once a formal update is available.

Fiduciary Audit Recommendations Update

A key focus area is the Governance Manual. Recent changes have been adopted and incorporated. The updated version has been sent to the graphic designer for formatting. It is expected to be ready for review at the next Governance Committee meeting, followed by presentation to the Board.

The CEM Benchmarking initiative will support progress on several outstanding recommendations. Work on this will begin shortly.

Old Business

Term Limits Ordinance

The Term Limits Ordinance has officially passed. A presentation was made before the Public Safety and Governance Committee, following a preparatory meeting between the Director and the Committee Chair. The ordinance was approved by the Committee and subsequently passed by City Council, as expected.

New Business

Cheiron 2024 Valuation Report and Presentation for the Pension and Healthcare Trusts

Kevin Woodrich and Janet Cranna were in attendance to present on the Pension.

Pension System Review – Summary

- **Funded Status & Valuation:** The pension system's funded status was discussed, comparing market vs. actuarial value of assets.
- **Historical & Comparative Context:** Reviewed the system's history, maturity ratio, and how it compares to 290 other systems, with the support ratio and payroll data placing it in the upper quartile.
- **Cash Flow & Investment Returns:** Noted strong investment performance with a 9.73% return, exceeding the 7.5% assumed rate.
- **Contributions:** \$300 million in contributions were highlighted as beneficial. Payroll contributions increased despite a lower rate.
- **Liabilities:**
 - Actuarial liability: \$2.7 billion
 - Unfunded liability: \$846 million (increased by \$4.3 million due to salary increases and asset losses)

- Funded ratio: 68.3%
- **Assumptions & Deviations:** Liability losses occurred due to assumption deviations.
- **Projections:** 30-year projections of assets and liabilities were reviewed, emphasizing the impact of payroll growth and investment returns on the funding ratio.
- **Visualization:** The "red water cost line" was noted as representing the unfunded liability.

Gaelle Gravot and Beth Mercer were in attendance to present on Retiree Medical.

OPEB Actuarial Valuation Review – Summary

- **Funding Status:**
 - Funded Ratio: 155.0% (AVA), 153.9% (MVA) as of 12/31/2024.
 - Plan closed as of 12/31/2015.
- **Key Historical Changes:**
 - 2016: Liability drop due to lower drug cost assumptions, contribution rate changes, and asset transfers to the pension fund.
 - 2020: Switch to Medicare Advantage plan lowered 2019 liabilities by over \$127M.
- **Valuation Results & Reconciliation**
 - **Purpose:** Results inform OPEB Trust funding-not used for financial statements.
 - **Actuarially Determined Contribution (ADC):** \$0 due to overfunded status.
 - **Reconciliation Details:**
 - **Census Change:** \$6.9M gain-due to a reduction in active and inactive populations.
 - **Trend Changes:** \$31.4M gain-reflecting updated assumptions post-inflation Reduction Act (IRA) on Medicare Part D (Pharmacy EGWP).
 - **Contribution Changes:** \$5.5M loss-model contribution schedule updated as of 7/1/2024 and 2025 premiums factored in.
- **Projections & Trends**
 - **2025 Assumed Return:** 7.5% (stress tested with -23% return scenario).
 - **Historical Average Return:** 7.26% (based on 20-year, 80% equity/20% fixed asset mix).
 - **Trend Analysis:**
 - Developed separately for medical and pharmacy, Medicare and Non-Medicare.
 - Drug trend for Medicare reflects anticipated effects of the IRA's Part D redesign.
- **Next Steps**
 - **GASB 74/75 Compliance:**
 - Discount rate testing: If assets return better than -23%, 7.5% rate applies for 6/30/2025; otherwise, a lower blended rate (e.g. 6.8% if return is -25%) will be used.
 - **Reports & Deliverables:**
 - Draft GASB 75 Report due October 2025.
 - Health Plan Contribution Rate Developments results due September 2025 for rates effective January 1, 2026.
 - **Assumption Used:**
 - **Demographic:** Based on City's 2023 experience study (adopted March 23, 2023).
 - **Economic:** Based on claims through December 2023 and future trend expectations.
 - **Claims Development:** Utilized claims from CY 2021-2023 for four population groups

- Medicare Eligible Part A&B
- Part B Only
- Part A Only
- Non-Medicare Eligible
- **Plan Enrollment:**
 - Medicare Advantage for Part A&B or Part B Only.
 - Self-insured plan for others.
 - All 65+ assumed eligible for Medicare Part D.

Disability Claim

A disability claim was included in the meeting packet. Chair Moller made a motion to approve the claim; seconded by Trustee Gamel. The motion was approved by unanimous roll call vote.

Adjournment

Following a motion to adjourn by Trustee Moller and seconded by Trustee Gamel. The Board approved the motion by unanimous roll call vote. The meeting was adjourned at 2:58 p.m.

Meeting video link: <https://archive.org/details/crs-board-5-1-25>

Next Meeting: Thursday, July 10, 2025, at 2:00 p.m. – City Hall Council Chambers and via Zoom

Secretary



Cincinnati Retirement

Monthly Report

Executive Summary
April 30, 2025



Total Fund Composite

7
Monthly Report
As of April 30, 2025

	Market Value	% of Portfolio	Policy %	Target Allocation	Difference	Last Month
Fixed Income Composite	489,683,461	21.0	22.5	523,845,563	-34,162,102	Total Fund Composite
Private Debt Composite	134,792,534	5.8	6.5	151,333,163	-16,540,629	Beginning Market Value 2,335,029,325
U.S. Equity Composite	581,453,434	25.0	28.5	663,537,713	-82,084,279	Net Cash Flow -14,206,470
Non-U.S. Equity Composite	371,406,247	16.0	16.0	372,512,401	-1,106,153	Gain/Loss 7,379,648
Volatility Risk Premium Composite	53,604,876	2.3	2.5	58,205,063	-4,600,186	Ending Market Value 2,328,202,503
Real Estate Composite	149,565,177	6.4	6.0	139,692,150	9,873,027	
Infrastructure Composite	262,984,884	11.3	10.0	232,820,250	30,164,634	
Private Equity Composite	270,019,962	11.6	8.0	186,256,200	83,763,762	
Total Fund Composite	2,328,202,503	100.0	100.0	2,328,202,503		

	1 Mo	3 Mo	YTD	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	SI	Inception Date
Total Fund Composite	0.3	-0.8	0.9	9.2	9.0	6.5	10.5	7.1	7.0	8.7	Jun 85
Target Benchmark	0.4	-1.0	0.8	8.7	8.4	5.8	9.7	7.1	7.0	-	
Actuarial Rate 7.5%	0.6	1.8	2.4	7.5	7.5	7.5	7.5	7.5	7.5	7.5	
Fixed Income Composite	0.3	2.4	3.2	8.4	4.1	2.8	2.1	2.5	2.6	5.0	Dec 95
Blmbg. U.S. Aggregate Index	0.4	2.6	3.2	8.0	3.2	2.0	-0.7	1.7	1.5	4.2	
Private Debt Composite	0.0	0.5	0.5	7.8	9.8	8.1	-	-	-	5.1	Oct 20
Blmbg. U.S. Aggregate Index	0.4	2.6	3.2	8.0	3.2	2.0	-0.7	1.7	1.5	-1.1	
Bloomberg US High Yield TR	0.0	-0.4	1.0	8.7	8.9	6.2	6.3	4.8	4.9	4.7	
U.S. Equity Composite	-1.1	-8.3	-5.3	10.4	15.2	10.0	16.1	10.5	10.1	9.5	Mar 89
Russell 3000 Index	-0.7	-8.3	-5.4	11.4	16.7	11.4	15.1	12.3	11.7	10.7	
Non-U.S. Equity Composite	3.5	4.8	9.2	12.4	10.9	8.5	11.1	4.1	4.8	6.0	Jun 93
MSCI AC World ex USA (Net)	3.6	4.8	9.0	11.9	10.6	8.0	10.1	4.8	4.8	-	
Volatility Risk Premium Composite	-1.8	-4.7	-3.1	6.1	8.3	7.0	-	-	-	4.9	Feb 22
Cboe S&P 500 PutWrite Index	-1.6	-6.3	-4.4	8.1	9.1	6.9	12.1	6.8	7.0	6.3	
Real Estate Composite	0.1	0.9	1.0	2.8	-3.9	-3.9	3.3	4.1	5.9	4.8	Sep 07
NFI-ODCE	0.0	0.6	0.8	1.4	-5.2	-5.5	2.1	2.8	4.6	3.8	
NCREIF Property Index	0.0	1.3	1.3	2.7	-2.3	-2.1	3.2	4.0	5.4	5.5	
Infrastructure Composite	0.2	2.6	2.6	9.2	9.1	8.7	10.2	8.7	7.3	8.4	Sep 08
3 Month T-Bill +4%	0.7	2.0	2.7	9.1	9.3	8.5	6.7	6.6	6.0	5.3	
Private Equity Composite	-0.1	0.2	0.1	5.9	7.8	4.7	15.4	13.0	12.3	8.8	Aug 93
MSCI Private Capital Global All Private Equity	0.0	0.0	0.0	4.5	4.8	1.4	15.8	13.6	13.6	14.9	

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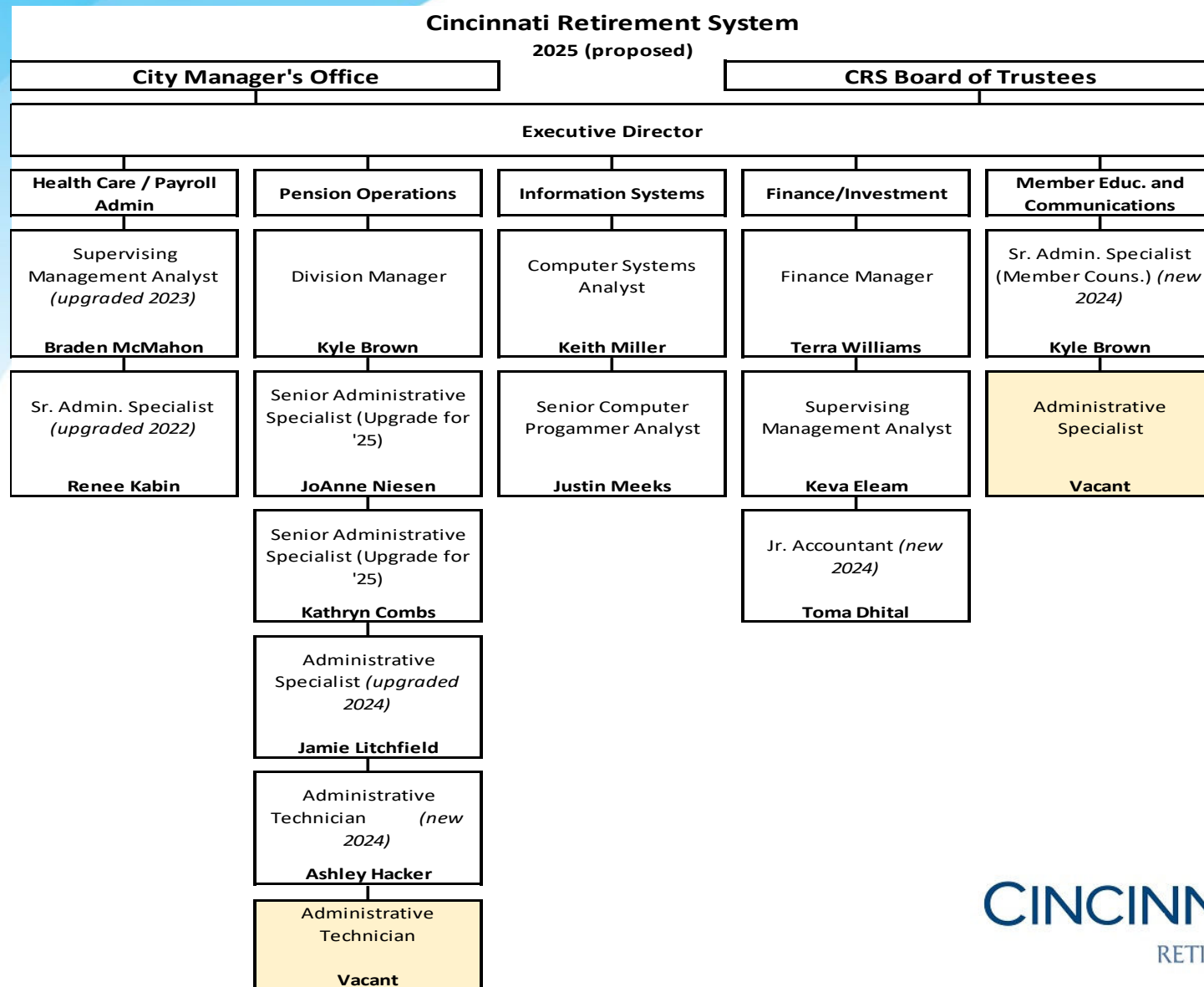
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CINCINNATI RETIREMENT SYSTEM

→ Org Chart with Proposed Staffing



CINCINNATI RETIREMENT SYSTEM

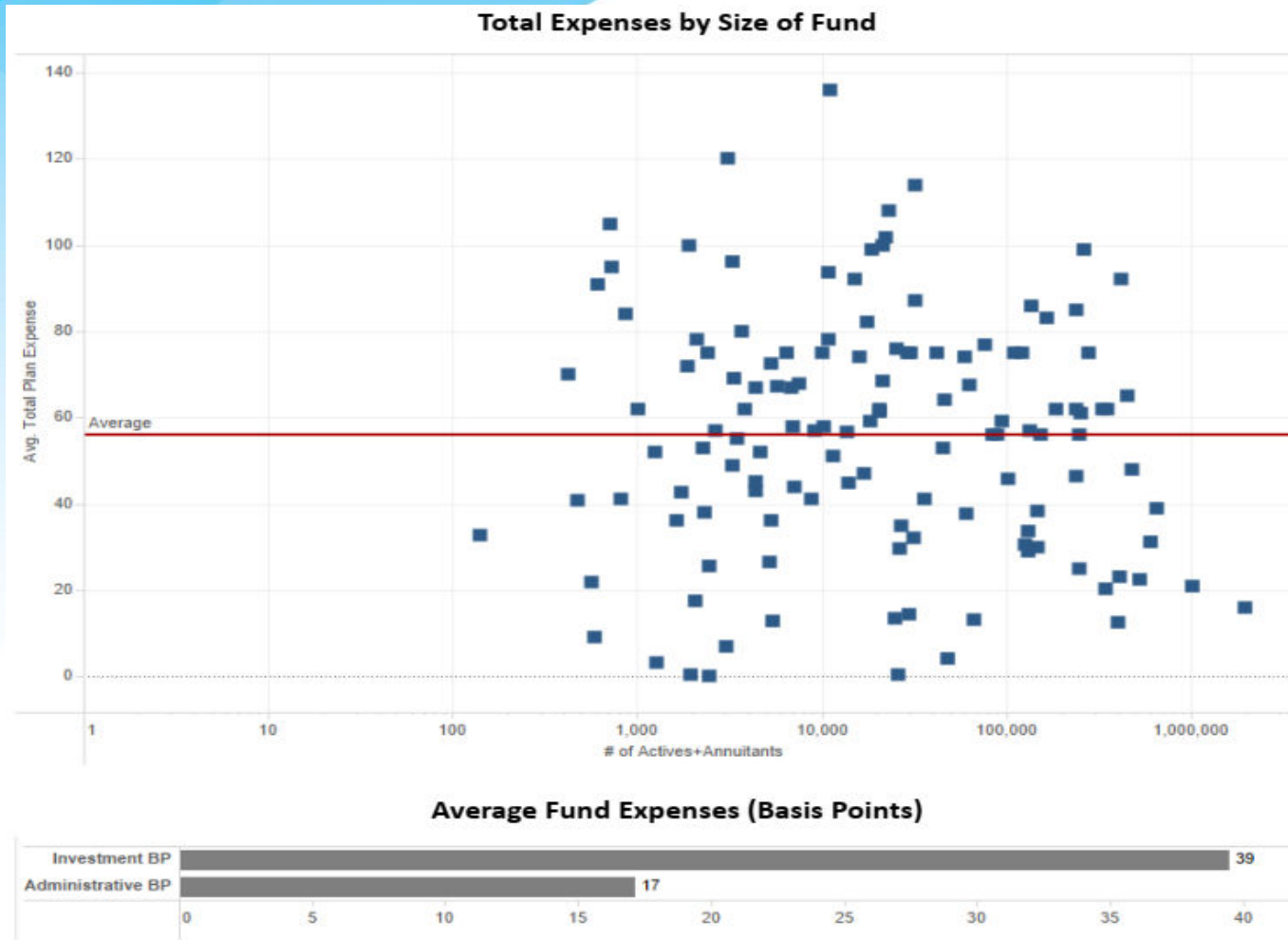
→ Proposed 2025: Measured as % Assets

- 11/08/24 Asset Balance (unaudited) =
\$2,389,567,489
 - Operating Expenses: \$3,949,317
 - 0.1652% or 16.52 bps
 - Investment Expenses: \$9,071,000
 - 0.3796% or 37.96 bps
 - Total: 0.5448% or 54.48 bps
 - FY23 Budget: 0.536% or 53.6 bps

CINCINNATI RETIREMENT SYSTEM

→ Peer Expenses

NCPERS 2024 Public Retirement Systems Study



CRS Investment Dashboard

30-Apr-25



Investment Objectives

Status - Long-term Annualized Return versus Actuarial Assumed Rate of Return

	1Y	3Y	5Y
CRS Fund - Net Return	9.20%	6.50%	10.50%
CRS Actuarial Assumed Rate of Return	7.50%	7.50%	7.50%
Difference	1.70%	-1.00%	3.00%
Status	Above	Below	Above

Status - Long-term Annualized Return versus Passive Index (50% Russell 3000/ 20% MSCI ACWI ex US /30% US AGG)

	1Y	3Y	5Y
CRS Fund - Net Return	9.20%	6.50%	10.50%
CRS Passive Index	10.66%	8.05%	9.41%
Difference	-1.46%	-1.55%	1.09%
Status	Below	Below	Below

Status - Long-term Annualized Return versus Policy Index

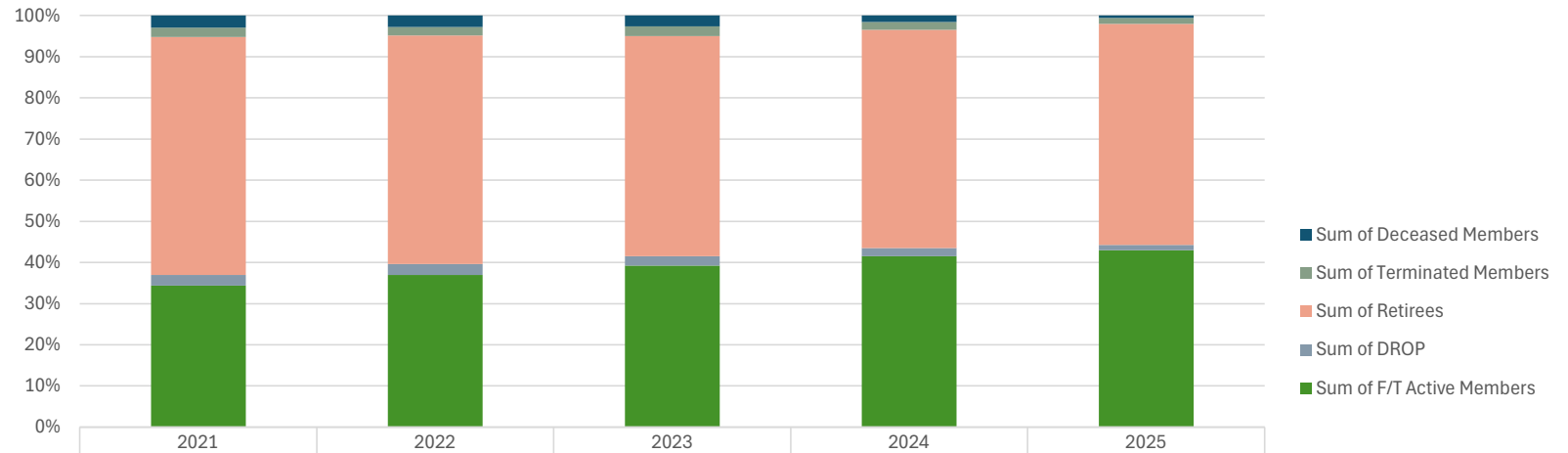
	1Y	3Y	5Y
CRS Fund - Net Return	9.20%	6.50%	10.50%
CRS Policy Index	8.70%	5.80%	9.70%
Difference	0.50%	0.70%	0.80%
Status	Above	Above	Above

CRS Benefits and Demographics Dashboard

20-May-25



CRS Demographics
(thru 05/20/25)



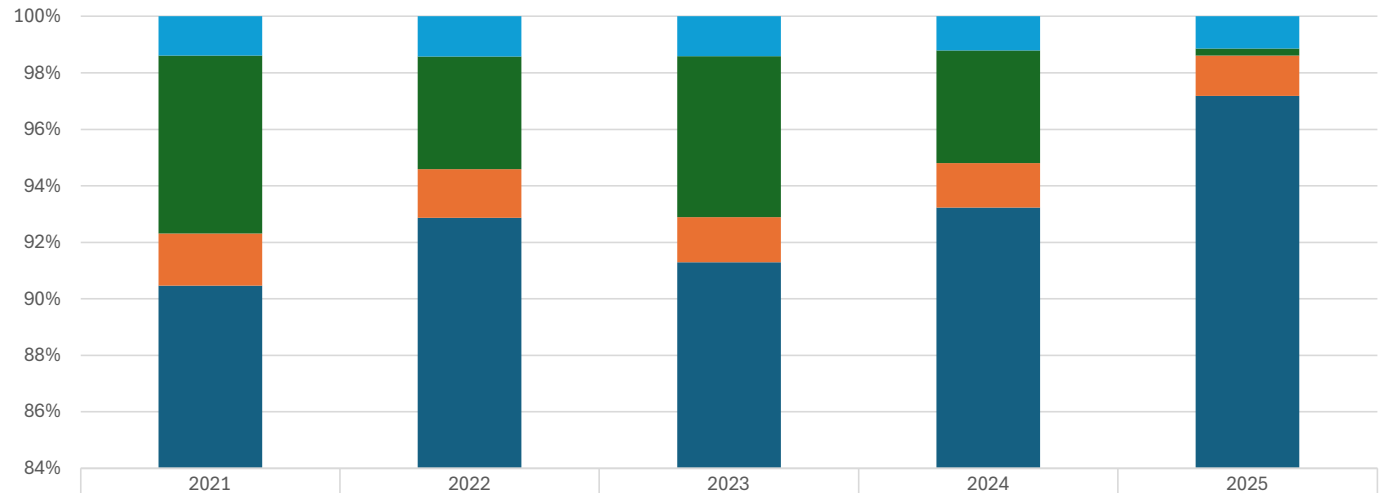
	2021	2022	2023	2024	2025
Sum of Deceased Members	213	206	204	123	40
Sum of Terminated Members	164	156	178	148	116
Sum of Retirees	4216	4160	4125	4135	4106
Sum of DROP	191	203	176	156	96
Sum of F/T Active Members	2504	2770	3023	3243	3287

CRS Benefits and Demographics Dashboard

20-May-25



CRS Benefits Paid
(thru 05/20/2025)



	2021	2022	2023	2024	2025
Sum of Refunded/Non-Retirees Benefits Paid	2647835.99	2694546.81	2780272.59	2326018.19	888749.02
Sum of DROP Disbursement Paid	12100505.14	7603078.41	11232153.3	7674527.93	197323.22
Sum of Other Benefits Paid (Disability/Survivor/Burial)	3521886.97	3278624.36	3134244.62	3036720.14	1112577.33
Sum of Retiree Benefits Paid	173504198.4	176693255.2	179852770.7	179608585.9	76075328.04

CRS Risk Dashboard

31-May-25



Risk Category	Risk Description	Rank	Risk Level	Expected Risk Level Trend	Risk Response	Change	Mitigation Activities	Risk Owner	Reporting and Oversight Committee
Personnel	Ability to attract and retain talented staff; succession planning.	1	High	↓	Mitigate	No Change	CRS has hired additional staff to ensure all CRS functions covered and with trained backup. Implement succession plan for 3 key staff near retirement.	Executive Director	Board of Trustees
Funding	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	2	High	↔	Mitigate	No Change	Seek City adoption of incremental contribution rate increase; next step is moving up from 17.75%.	Executive Director	Board of Trustees
Cyber	Cyber security controls could lead to breaches or sabotage of CRS systems. Unauthorized access of confidential information could result in state or federal law violations and harm the best interests of CRS and its members.	3	High	↑	Monitor	Higher	Monitor ETS security plans. Evaluate and monitor CRS servers and vendors protocol annually	Executive Director, ETS Director	Performance Evaluation
Market	Market volatility could lead to undesirable investment outcomes due to monthly liquidity needs to pay benefits.	4	High	↑	Monitor	Higher	Market volatility should remain elevated until after the elections. Gold and US Dollar to be headwinds to ACWI. Fed funds appear to be moving lower following Fed's Jackson Hole speech.	Executive Director, Marquette	Investment Committee
Counterparty	Business partners or entities are unable to fulfill their obligations or do not complete transactions as agreed upon.	5	Medium	↔	Monitor	No Change	Diversifying manager and vendor exposure to limit counterparty risk. Shift check printing and reconciliation process to 5/3 Bank.	Executive Director	Investment Committee
Operational	Event causes a major business interruption, such as late monthly pension payroll. Generally strive to improve efficiencies lowering plan cost and customer satisfaction	6	Medium	↔	Mitigate	No Change	Complete document scanning project, with image to accessible and secure server. Evaluate resilience and efficiency of pension payroll process. Develop continuity of operations plan for CRS pension operations and payroll.	Executive Director	Board of Trustees
Governance	Not following processes and procedures in decision making.	7	Medium	↔	Mitigate	No Change	Consider creation of Audit Committee. Consolidate Board manual, rules and policies into one document	Board of Trustees	Governance Committee
Physical	Monitor facilities for inadequacies; general facilities management; improve space utilization.	8	Medium	↔	Accept	No Change	Current space is adequate; a physical move was completed recently and would be extremely disruptive now. Improve remote access and redundancies to improve worker flexibility.	Executive Director	Benefits
Legislative	Legislative events may lead to adverse relations, unfavorable investment and operation policy and/or restricted funding.	10	Medium	↑	Monitor	Higher	Conduct regular meetings with Council members, Mayor and CMO.	Board, Executive Director	Board of Trustees
Compliance	Evaluation of legal, tax and operational compliance variations to the City Solicitors office for review	9	Low	↔	Accept	No Change	The preponderance of current request for review are due to new contracts with investment managers and services providers	Executive Director	Performance Evaluation

High	Represents immediate risk to the plan. Trustees should be mindful and monitoring regularly for resolution
Medium	Represents concern for the plan. Trustees should determine the appropriate interval for evaluation and monitoring
Low	Represents limited risk to the plan. No plan of action is required.

CRS Strategic Asset Allocation & Liquidity

23-May-25

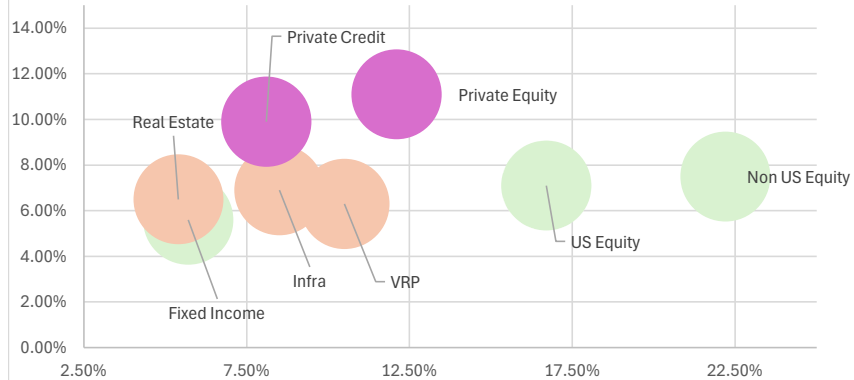


Fund Positioning

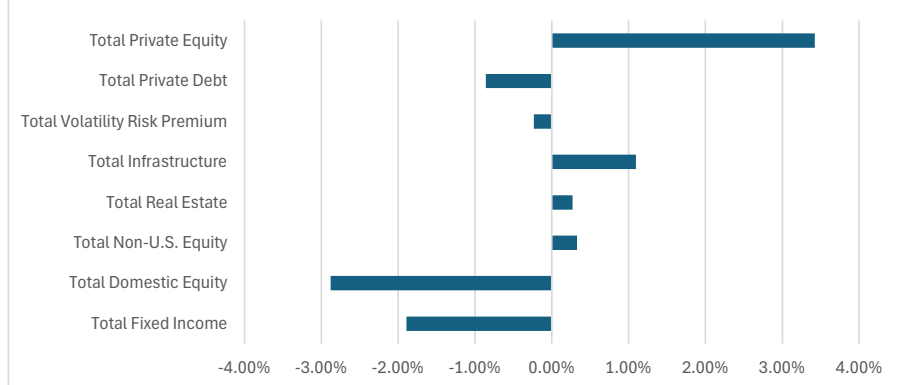
Marquette

Asset Class	Liquidity	Current	10 YR Return Expectation	10 YR Risk (standard deviation)	Policy	Relative	In Compliance
Total Fixed Income	high	20.61%	5.60%	5.70%	22.50%	-1.89%	Yes
Total Domestic Equity	high	25.62%	7.10%	16.70%	28.50%	-2.88%	Yes
Total Non-U.S. Equity	high	16.33%	7.50%	22.20%	16.00%	0.33%	Yes
Total Real Estate	medium	6.27%	6.50%	5.40%	6.00%	0.27%	Yes
Total Infrastructure	medium	11.09%	6.90%	8.50%	10.00%	1.09%	Yes
Total Volatility Risk Premium	medium	2.27%	6.30%	10.50%	2.50%	-0.23%	Yes
Total Private Debt	low	5.64%	9.90%	8.10%	6.50%	-0.86%	Yes
Total Private Equity	low	11.42%	11.10%	12.10%	8.00%	3.42%	Yes
TOTAL		0.93612			100.00		

Asset Class Return versus Risk versus Liquidity



Asset Position versus Target



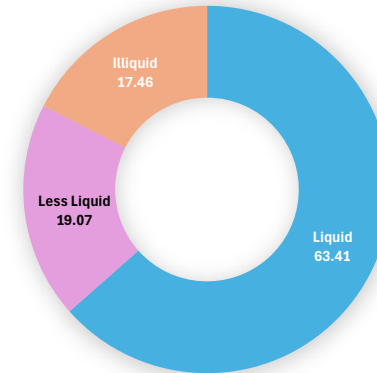
CRS Strategic Asset Allocation & Liquidity

23-May-25



Fund Positioning

Portfolio Redemption Liquidity	%	Market Value
Daily/Weekly	55.33%	\$1,316,573,281
Monthly	8.08%	\$192,351,773
Quarterly	13.58%	\$323,140,508
Semi Annual	5.49%	\$130,574,561
Illiquid	17.46%	\$415,401,775
Unfunded Commitments (PE, PC, RE, Infra)	6.44%	\$153,162,982
Expected Distributions (PE, PC, RE, Infra)	7.60%	\$180,831,857



Capital Call Ratio	Total Capital Needs		
	at Various Call Ratios	3 Year Investment Period	Additional dollars per month
75%	\$ 114,872,236.50	\$ 38,290,745.50	\$ 3,190,895.46
80%	\$ 122,530,385.60	\$ 40,843,461.87	\$ 3,403,621.82
85%	\$ 130,188,534.70	\$ 43,396,178.23	\$ 3,616,348.19
90%	\$ 137,846,683.80	\$ 45,948,894.60	\$ 3,829,074.55

Average
Avg Montly Cash Flow Needs
\$14,000,000

Monthly CF/Liquid Portfolio**
0.93%

Worst Case CF/Liquid Portfolio**
1.18%

Max 3M Draw Down Period (4Q'08)*
Montly Cash Flow Needs
\$14,000,000

3M CF/Liquid Portfolio**
3.27%

Worst Case 3M CF/Liquid Portfolio**
4.17%

*Assumes negative 15% return to liquid portfolio

** Liquid portfolio is Daily, Weekly, and Monthly added together

CRS Compliance Dashboard

31-May-25



Investment Strategy and Asset Diversification

1. Following prudent investment strategy by implementing the following:	Completion Date	As of Date	Service Provider
Formal asset allocation study every 3 years	Jan'23	Sept'22	Marquette
Review strategic asset allocation parameters annually	May'25	Q1'25	Marquette
Review Investment Policy Statement annually	May'25	Q1'25	
2. Maintain proper diversification of assets by:	Completion Date	Status	
Fund is within strategic asset allocation limits	Q1'25	Ok	
Investment managers are in compliance	Q1'25	Ok	Marquette
Manager diversification and counterparty risk are reviewed	Q1'25	Ok	

Legal , TAX, Regulatory and Operational

3. Legal, tax and operational review	Completion Date	Status
Monitor pension operations quarterly	Q1'25	Ok
Monitor legal, tax and regulatory quarterly	Q1'25	Ok
4. Monitor administrative budget and Professional service :	Completion Date	Status
Monitor budget and professional services fees quarterly	Q1'25	Ok
Professional services review annually	Q1'25	Ok

CRS Budget Dashboard

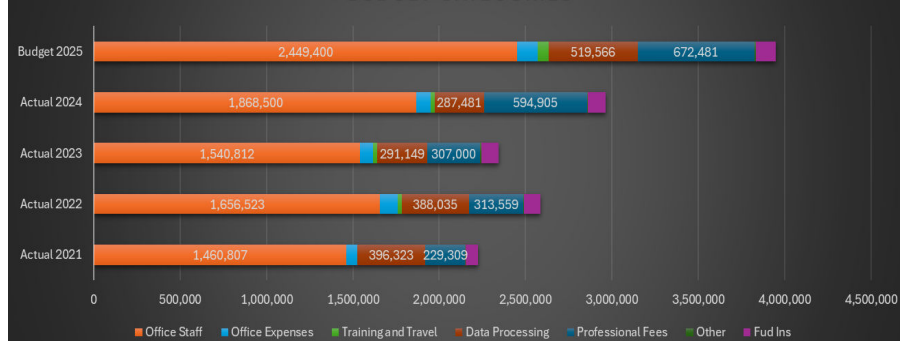
31-Mar-25



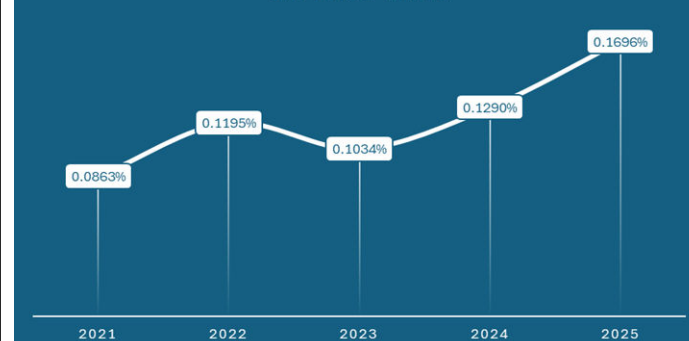
Summary

	Actual Q1,2025	Budget Q1,2025	Difference Budget v Actual	% of Budget Utilized	Budget 2025	Actual 2024	Actual 2023	Actual 2022	Actual 2021
Office Staff	438,654	577,586	138,932	18%	2,449,400	1,868,500	1,540,812	1,656,523	1,460,807
Office Expenses	20,009	22,799	2,790	17%	120,500	80,726	76,930	104,313	62,767
Training and Travel	5,334	15,756	10,422	9%	62,500	23,201	22,412	23,156	355
Data Processing	164,961	213,632	48,671	32%	519,566	287,481	291,149	388,035	396,323
Professional Fees	102,502	148,945	46,442	15%	672,481	594,905	307,000	313,559	229,309
Other	163	1,880	1,717	2%	7,500	5,126	4,135	3,260	3,175
Fund Ins	0	0	0	0%	117,370	104,389	99,952	96,959	71,127
Total Operating Cost	731,624	980,598	248,974	19%	3,949,317	2,964,328	2,342,390	2,585,805	2,223,863
Member Cost	57,632,781	58,235,901	603,120	24%	238,416,400	227,404,758	222,548,260	216,971,971	221,785,744
Contribution	17,524,555	17,397,665	126,889	22%	78,245,675	82,656,085	67,373,843	64,443,827	59,941,004
Net Investment Returns	17,952,566	42,488,138	(24,535,572)		169,954,354	216,423,029	251,362,593	(216,487,362)	406,692,091

BUDGET CATEGORIES



EXPENSE RATIO



Funston Performance Audit - Summary of Recommendations

Assignment

		Board	Board, Adm.	Priority	Board	Governance	IC	Staff	Performance evaluation	Audit
<u>1. Legal and Regulatory</u>		<u>Status</u>								
1.1	Improve definition and clarity of roles and authorities of:									
	<ul style="list-style-type: none"> The Board of trustees 	Completed	X		X					
	<ul style="list-style-type: none"> Board chair 	Completed	X		X					
	<ul style="list-style-type: none"> Individual trustees 	Completed	X		X					
	<ul style="list-style-type: none"> City Council and Mayor 	Completed		X						
	<ul style="list-style-type: none"> City Manager and City Finance Director 	Completed		X						
	<ul style="list-style-type: none"> CRS Director 	Completed		X						
1.2	The City should expand Board of Trustees personnel authorities to align with the Board's responsibilities, for example, naming the CRS Director as a direct report to the Board, with authority to hire/fire, evaluate, and set compensation.	Reviewed		X						
1.3	The City Solicitor should provide the Board of Trustees with independent external legal counsel or establish a policy and process that allows CRS to retain independent external counsel and/or hire internal CRS counsel to address potential conflicts of interest associated with the City Solicitor's representation of other clients on the same matters.	Reviewed		X						
1.4	Confirm the Board's authority, as the named fiduciary, to contract with actuaries, investment consultants, investment managers, custodial banks, benefit providers, and legal counsel, all of which require unique pension and investment expertise.	Completed		X						
1.5	The City Manager should allow CRS trustees who are not City employees to vote on CRS procurement decisions; the Board, as fiduciaries, should have final authority on those decisions.	Completed		X						
1.6	If the CRS Board is not given authority to hire/fire/evaluate/compensate the Director, work with the City Manager to develop a Memorandum of Understanding that addresses the City Manager's role as a potential fiduciary and formalizes procedures where the Board and City Manager, Finance Director or other officers have overlapping responsibilities (e.g., setting goals for and evaluating the Executive Director); CRS may need to consider options for engagement of independent fiduciary legal counsel to assist with this initiative.	Completed		X						
<p>GREEN - SHORTER TERM COMPLETION</p> <p>RED - LONGER TERM COMPLETION</p> <p>Board - CRS Board has authority to complete</p> <p>Board, Adm. - CRS Board and City Administration have shared authority to complete</p> <p>Priority - CRS Board priority to complete as soon as possible</p> <p>Note: Some Recommendations may require CSA update.</p>										

2. Governance Framework

2.1	Aggregate and organize the Board policies from all sources into a Board Governance Manual with online access and links to underlying document provisions; include the mission statement, goals, trustee responsibilities, committee charters and the Code of Ethics.	Completed		X		X				
2.2	Develop new policies or formalize current policies and practices for:									
	<ul style="list-style-type: none"> Trustee personal financial disclosures 	Completed	X							
	<ul style="list-style-type: none"> Board self-evaluation / Board education policy 	Completed	X							
	<ul style="list-style-type: none"> Funding 	Initiated		X						
	<ul style="list-style-type: none"> Separate investment policy statement for the 115 trust fund that is tailored to its liabilities 	Reviewed	X							
	<ul style="list-style-type: none"> Strategic planning, in coordination with the City 	Completed		X						
	<ul style="list-style-type: none"> Collection of claims in securities class actions 	Completed	X							

		Board	Board, Adm.	Priority	Board	Governance	IC	Staff	Performance evaluation	Audit
	<ul style="list-style-type: none"> Succession planning, in cooperation with relevant City appointing authorities Business continuity and resumption Independent governance and benchmarking reviews External communications by Board members Due diligence and reporting for referral of service provider candidates by trustees, along with limits on candidate contacts with trustees during an RFP process 	Completed	X							
		Completed	X							
		Completed	X							
		Completed	X							
		Completed	X							
2.3	Reduce the size of each committee to three or five members to better utilize trustee time.	Reviewed	X							
2.4	Adopt a consent agenda for approval of routine business and reports.	Reviewed	X							
2.5	Conduct periodic board retreats for more in-depth discussion on key topics, conducting board self-evaluations and executive director evaluations, and trustee education.	Completed	X							
2.6	Following implementation of the recommendations in this report, conduct a biennial self-evaluation process, potentially with external assistance; this process should help to inform educational priorities.	Completed	X							
2.7	Define ongoing training requirements for Board members, including onboarding plan for new trustees and required fiduciary training; link training to board self-assessment findings and the calendar of Board agenda action items.	Completed	X	X						
2.8	Formalize a CRS stakeholder communications plan that identifies key stakeholders, communications responsibilities, and messages and objectives.	Completed	X							
2.9	Issue new system email accounts to be used by trustees for all CRS-related business.	Reviewed	X	X						
2.10	Discuss with the Director and the investment consultant how reporting could be improved and executive summaries better utilized to enhance trustee understanding and insight.	Completed	X	X						
2.11	Appoint a Board Audit Committee with oversight of internal and external audits to commission an independent financial audit and obtain internal audit services from the City Internal Audit Department and/or an independent firm; include oversight of enterprise performance and risk in the committee charter responsibilities.	Reviewed	X	X						
3. Investment Program and Operations										
3.1	Develop a separate Statement of Investment Beliefs (SIB) to guide development and implementation of the strategic asset allocation.	Completed	X							
3.2	Develop a liquidity policy as part of the Investment Policy Statement (IPS) to ensure that the cash needs of the organization are effectively and efficiently met.	Completed	X	X						
3.3	Develop a separate IPS for the 115 Trust (Health Care Trust) that reflects the unique liability structure of the 115 Trust.	Reviewed	X	X						
3.4	Extend the time horizon for the strategic asset allocation to 3-5 years and only make changes to the target asset allocation as part of a comprehensive Asset Liability Study.	Completed	X							
3.5	Include a more comprehensive rebalancing policy in the IPS that describes how rebalancing is linked to the Board's investment philosophy and what the process should be.	Completed	X							
3.6	Discuss with Marquette Associates how reporting might be improved through development of an introductory executive summary, with an exception reporting approach, to the quarterly reporting package focused on actual performance compared to the IPS.	Completed	X	X						
4. Pension Operations										
4.1	Clarify the Board's responsibilities and role (or lack thereof) in pension and benefits administration.	Completed	X	X						
4.2	Consider if pension staffing resources and capabilities should be improved through Implementation of a member contact center telecommunications system.	Initiated	X	X						
4.3	Develop a long-term plan with service, performance, and cost objectives, to ensure that member self-service, website redesign, and other improvements, are all developed and implemented in a coordinated manner and achieve desired results.	Initiated	X							
4.4	Charter a pension administration cost and performance benchmarking report.	Completed	X							
4.5	Consult with its actuary and determine if an adjustment to the investment assumed rate of return should be recommended.	Completed		X						
4.6	Develop and adopt a formal actuarial and funding policy describing responsibilities and frequency of actuarial and asset/liability study processes and addressing investment, demographic and benefit risks.	Completed	X	X						

5. Administrative Operations

		<u>Board</u>	<u>Board, Adm.</u>	<u>Priority</u>	<u>Board</u>	<u>Goverance</u>	<u>IC</u>	<u>Staff</u>	<u>Performance evaluation</u>	<u>Audit</u>
5.1	Develop succession planning and implement a cross training program for staff to minimize key person risk and enhance staff development.	Ongoing	X							
5.2	Work with the City Administration and the Law Department to delegate authority to the CRS Board to engage external counsel to obtain more timely legal support or unique expertise when appropriate. See also Recommendation 1.3.	Reviewed	X	X						
5.3	Develop a long-term IT plan that identifies future needs.	Completed	X							
5.4	Work with the City Enterprise Technology Solutions (ETS) Department to ensure security is adequate and tested.	Completed	X	X						
5.5	Update the documented disaster recovery plan.	Completed	X	X						

6. Compliance

6.1	Assign leadership, training, and monitoring responsibilities for compliance to ensure compliance with conflict of interest and ethics policies.	Completed	X	X						
6.2	Develop a repository of risk-ranked compliance requirements.	Completed	X							
6.3	Establish tracking mechanisms to identify and escalate non-compliance.	Completed	X							

GREEN - SHORTER TERM COMPLETION

RED - LONGER TERM COMPLETION

Board - CRS Board has authority to complete

Board, Adm. - CRS Board and City Administration have shared authority to complete

Priority - CRS Board priority to complete as soon as possible

Note: Some Recommendations may require CSA update.

June 5, 2025

To: Mayor and Members of City Council
From: Cincinnati Retirement System Board of Trustees
Copy: Sheryl Long, City Manager
Subject: Cincinnati Retirement System CY2024 Annual Report

Summary

This report is from the Cincinnati Retirement System (CRS) Board of Trustees (Board) and provides the Mayor and City Council with the state of the CRS Pension Trust and Healthcare Trust. This summary report is intended to provide a comprehensive summary of the status of the Cincinnati Retirement System, in compliance with the CRS Board's reporting requirements as set out in the City's Administrative Code and Board Rules. The report is as of December 31, 2024. For additional status information, please see the City's Annual Comprehensive Financial Report, Actuarial Valuations of the Pension and Healthcare Trusts, and Investment Results on the CRS website. (<https://www.cincinnati-oh.gov/retirement/crs-financial-information/>)

The CRS is governed by the Collaborative Settlement Agreement (CSA) and CMC chapter 203. Under the CSA, the CRS Pension Trust is to be 100% funded by 2045. Under the CSA, the Healthcare Trust is to be 100% funded by 2045.

Given the current and projected funding position of the Pension Trust, we recommend that the City Council continue to take action to increase employer contributions thus improving the funding of the Pension Trust (currently funded at 68.3%); that the CRS Board be engaged in any analysis and recommendations regarding the Futures Commission report; and that the City Administration work with the CRS Board to implement Fiduciary Audit recommendations.

Background

The purposes of the CRS Pension Trust and Healthcare Trust are to provide promised retirement benefits and healthcare benefits to eligible retired City employees. CRS is a defined benefit plan that was established in 1931. The Collaborative Settlement Agreement (CSA) was approved in 2015 to settle litigation and provide a comprehensive strategy to stabilize CRS while securing sustainable and competitive retirement benefits for both current and future retirees.

As of December 31, 2024, there were 2,996 full-time active members (which includes 96 members in the DROP plan who are still working), 4,234 pensioners receiving pension payments, and 4,505 pensioners and spouses receiving healthcare benefits. The CRS Board serves as an independent fiduciary on behalf of active and retired members of the retirement system. The Board retains Marquette Associates, an independent investment consulting firm, and Cheiron, a pension and healthcare actuarial consulting firm, both of which specialize in public sector retirement plans.

Marquette and the Board have developed and follow a disciplined Investment Policy Statement that can be found on the CRS website. Cheiron calculates the actuarial value of assets and liabilities and projects the funded status of the Trusts in future years based on professional actuarial standards and practices.

The assumed investment rate of return and discount rate for calculating liabilities is 7.5% per year as prescribed in the CSA (for both Pension and Healthcare Trust). The CRS annualized rate of return for the past 1, 5 and 10 years as of December 31, 2024, were 9.5%, 7.6% and 7.3%, respectively, which rank above the median investment returns relative to peers of public defined benefit retirement plans over each period.

The table below highlights the actuarial and market value of assets, liabilities, and funded ratios as of 12/31/24:

	Assets	Liabilities	Funded Ratio
Pension			
Actuarial Value	\$ 1,820,976,645	\$ 2,667,823,053	68.3%
Market Value	\$ 1,805,588	\$ 2,667,823,053	67.7%
Health			
Actuarial Value	\$ 564,669,589	\$ 364,355,955	155.0%
Market Value	\$ 560,885,000	\$ 367,355,955	153.9%

Pension Trust

A goal of the CSA is to establish a projected 100% funding ratio by 12/31/2045. The assumptions used in finalizing the CSA projected that the Pension Trust would be fully funded in 30 years if all the assumptions played out exactly. The status of the annual contributions and distributions is described below:

- The active employees contribute 9% of the covered payroll to the Pension Trust as required by the CSA and CMC 203.
- The City in CY2024 increased its percent of payroll contribution from the CSA minimum rate of 16.25% to 17.75% of full-time covered payroll to the Pension Trust. (The General Fund represents approximately 65% of covered payroll and approximately other non-general funds represent 35% of covered payroll.).
- In CY2024, the City contributed an additional payment of \$2.7 million toward the cost of the 2020 Early Retirement Incentive Plan (ERIP). There are now 11 annual payments remaining. Cheiron estimates that payment at 1.10% of payroll for this additional benefit, bringing the City's annual contribution rate for CY2025 to 18.85%.
- In CY2024, the City also contributed a one-time lump sum payment of \$2.0 million dollars from the General Fund fiscal year-end surplus and \$4.0 million for historical compliance with IRC 415B, which is a section of the U.S Internal Revenue Code that places limits on individual benefits paid from defined pension plans. IRC 415B allows plan sponsors to pay the full benefit but only the Pension Trust can pay up to the 415B limit and the exceeding amount must be paid by the plan sponsor (the City) - from a Qualified Excess Benefit Arrangement Trust (QEBA). Cheiron estimates that the \$2MM and \$4MM payments

equate to 0.81% and 1.62% of payroll, respectively, for this additional benefit, bringing the City's annual and one-time contribution rate for CY2025 to 21.28%.

- The Actuarially Determined Contribution (ADC) for the Pension Trust, as calculated by the actuary, is the annual employer contribution amount required to bring the Pension to a fully funded status by 2045. The ADC for FY2024 was 31.43% of covered payroll (as set by the CY2022 actuarial valuation). The contribution rate of 21.28% means the City contributed 67.70% of the actuarial recommendation.
- While contribution rates have improved recently, the benefit payments and expenses have significantly exceeded employer and employee contributions for over a decade. This dynamic put strain on the system and relative to peers CRS ranks in the bottom quartile of net cashflows. This means that CRS continues to liquidate a relatively large amount of assets to pay for benefits and expenses (each month regardless of market conditions) because contributions to the Pension Trust are relatively low. This also means that CRS is much more dependent on investment returns than most public pension plans and lacks some flexibility to take advantage of dislocations in the market when outsized return opportunities are present.

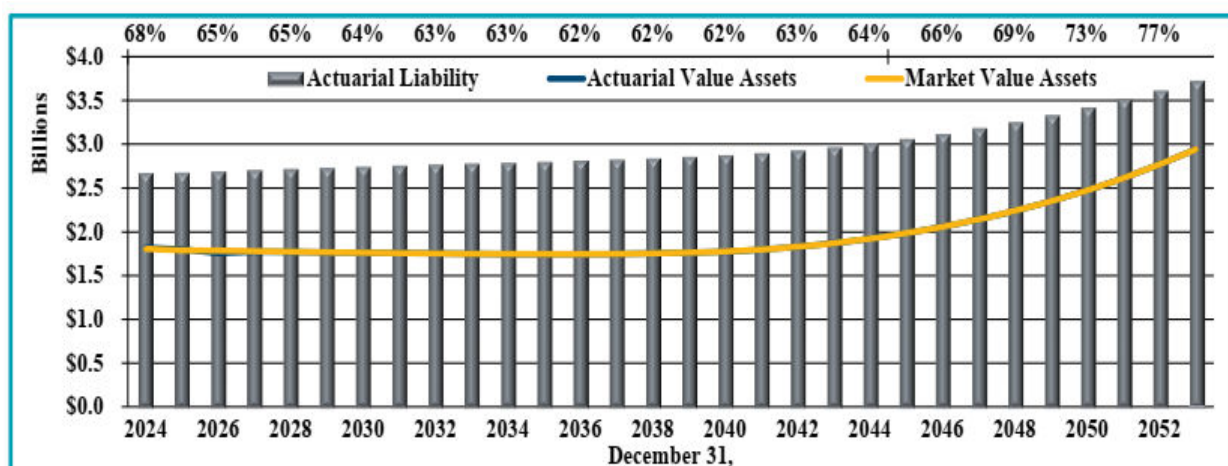
The following events occurred after the CSA was finalized:

- Ordinance 336 - 2016, which reflects changes made in finalizing the CSA that increased liabilities, was approved by City Council in 2016.
- Revisions to actuarial assumptions (e.g., longer life span of retirees) occurred as recommended by the actuary and approved by the CRS Board.
- CRS is especially sensitive to the timing of capital market swings because it continues to liquidate assets to pay benefits when the capital market drops. This requires more time and a significantly higher rate of return for the remaining assets to recover from capital market volatility.
- The City offered the ERIP in 2020 that provided two (2) additional years of service to eligible participants resulting in earlier retirements, additional benefits, and an increase in liabilities.
- The Deferred Retirement Option Plan (DROP) established in the CSA is required to be cost neutral; however, DROP has had a net increase in liabilities to the Pension Trust of \$16.9 million.

The actuary's latest revised funding progress for the Pension Trust, which includes the impact of the DROP and the ERIP, projects the funded ratio on an Actuarial Value of Assets basis is projected to decrease over the next 20 years and will not reach 100% by 2045 in accordance with the CSA.

The graph below reflects the City's status quo scenario where contributions of 17.75% of covered payroll continue for 30 years. It also includes the recommended budget's \$2.7 million contribution per year for the next 11 years to pay for the ERIP liabilities and assumes the CSA benchmark return of 7.5% investment return for all future years. The funding ratio on an Actuarial Value of Assets basis is expected to be 65% by 2045.

Pension Trust



The following table highlights the elevated funding volatility for CRS, and the overall sensitivity of the system to fluctuations in experienced returns versus the assumed rate of return. The table shows that by meeting the actuarial assumptions, including the 7.5% rate of return, the Pension Trust is fully funded in 2061. Nonetheless, the trust is extremely susceptible to market fluctuations, which generally occur during fiscally challenging times for the City. For example, the chart below shows that if the investment return was negative -15.0% for just one year in 2025, insolvency is projected in 2052.

Assumed 2025 Investment Return*	Projected Insolvency Year	Projected Year to be 100% Funded
15.0%	None	2052
7.5%	None	2061
0.0%	None	2074
(7.5%)	None	Beyond 2100
(15.0%)	2052	None

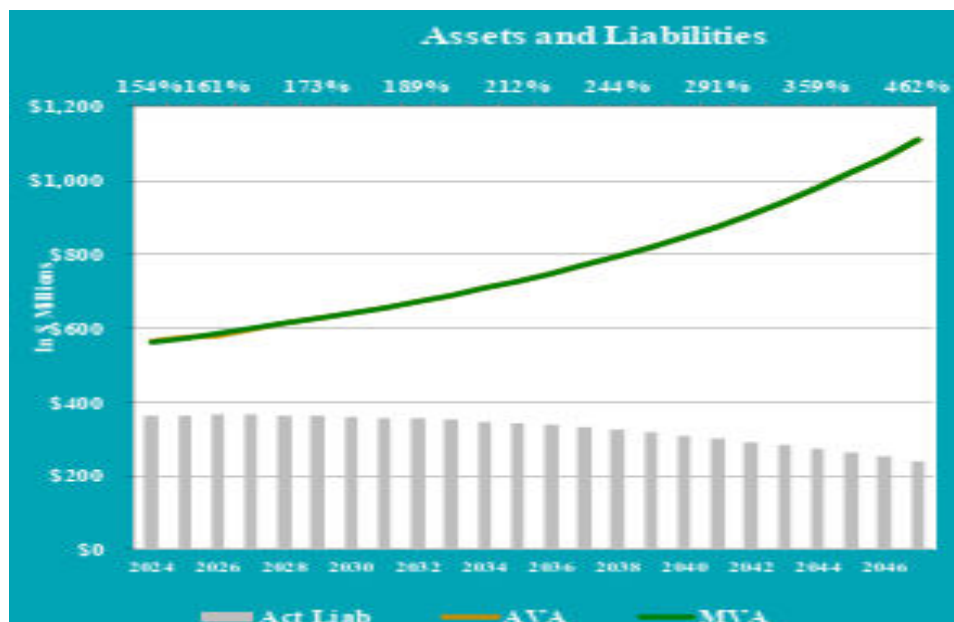
* Assumed 7.5% per year for 2026 and thereafter and annual contributions based on 17.75% of Full Time payroll.

Healthcare Trust

In 2023, the City adopted a Healthcare Trust funding policy as required by the CSA. At the time of the CSA signing in 2015, the Healthcare Trust was fully funded, and the City was required to develop and present a proper funding policy to fully fund the healthcare trust at actuarially appropriate levels. The funding policy would keep the Trust fully funded over the lifetimes of current and future retirees and their beneficiaries covered by the CSA. The Healthcare Trust is irrevocable, and its assets must be used exclusively for healthcare benefits for CRS retirees and their beneficiaries. The funding policy was approved by the Federal Court on March 28, 2024, nine years after the CSA signing. The funding policy provides for an employer contribution trigger at a 90% funding ratio.

In the graph below, the bars represent liabilities, and the lines represent the actuarial value of assets (AVA) and the market value of assets (MVA) assets. The graph shows that the Healthcare Trust is fully funded in 2023 and beyond. This is based on current assumptions being fully met.

Healthcare Trust



Investment Performance

While the simple conclusion may be to achieve higher returns or “invest our way out of this,” CRS’ investment performance has been solid relative to return opportunity in the market, the assumed risk and peer group. With that said, the 7.5% annualized return assumption remains a high hurdle. The median investment return assumption of U.S. public retirement systems has steadily decreased over the past decade and is currently 6.9% (NCPERS 2024 report). CRS will be challenged to achieve the 7.5% rate of return with an acceptable level of risk. As noted, CRS, has a high asset liquidation each year to pay benefits while not taking in enough funds through employee and employer contributions. Coupling the high return assumption and large net cash outflow creates a difficult environment to manage liquidity and “invest your way out of this.”

The following chart reflects the annual rates of return including 1-year, 5-year & 10-year annualized returns. The 1-year and 5-year returns exceeded the 7.5% CSA assumption and the 10-year return was slightly below the 7.5% CSA assumption. Over the last ten years there were 3 years under the 7.5% assumed rate of return and 7 years over the 7.5% assumed rate of return.

Annual CRS Rates of Investment Return & Funded Status

<u>Plan Year</u>	<u>Actuarial Rate of Return</u>	<u>CRS Return</u>	<u>Funded Status</u>
2015*	7.5%	-0.1%	77.1%
2016	7.5%	8.9%	76.9%
2017	7.5%	14.9%	75.5%
2018	7.5%	-4.3%	72.6%
2019	7.5%	16.8%	71.2%
2020	7.5%	10.3%	70.5%
2021	7.5%	17.4%	71.6%
2022	7.5%	-9.3%	69.3%
2023	7.5%	12.1%	68.8%
2024	7.5%	9.5%	68.3%
* CSA			
**Marquette Associates through 3Q'24			
		Median Peer Plan Return**	
10-Year Compound Average		7.3%	6.9%
5-Year Compound Average		7.6%	6.9%
1-Year Compound Average		9.5%	9.0%

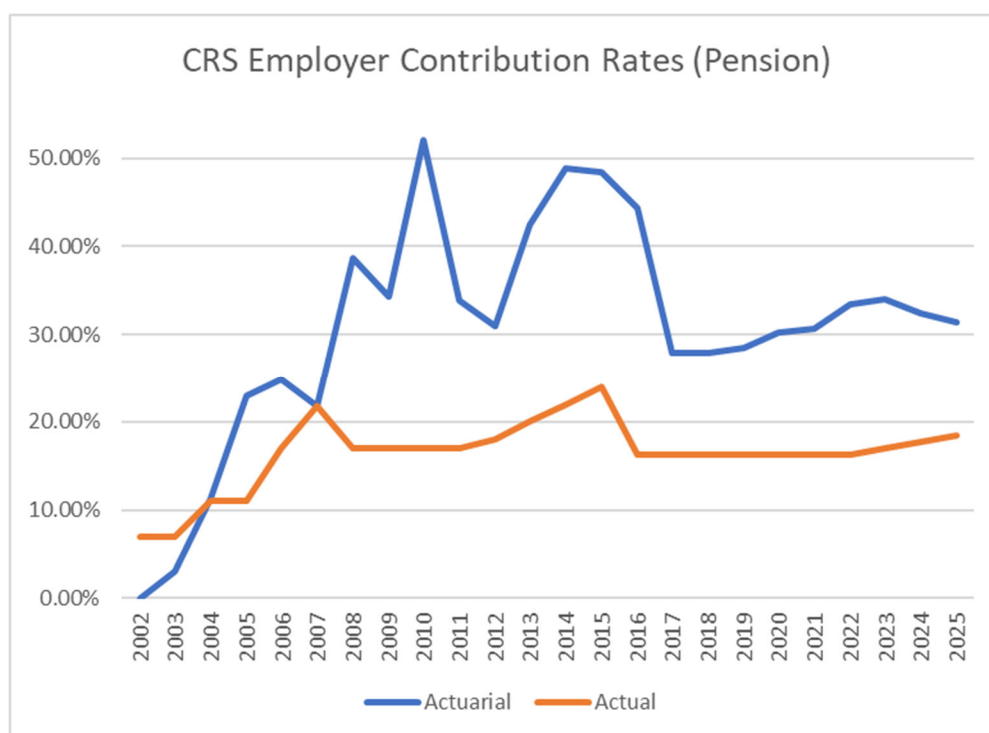
The Board's Investment Policy provides for a well-diversified portfolio across asset class, sector, and investment managers. The chart below is designed to achieve the 7.5% return over time with an acceptable level of risk. In 2024 the Board continued to build a robust portfolio capable of weather various economic cycles and maintaining our long-term 7.5% return target..

CRS Asset Allocation

Fixed Income	22.5%
Domestic Equity	28.5%
Non-US Equity	16.0%
Volatility Risk Prem	2.5%
Real Estate	6.0%
Infrastructure	10.0%
Private Credit	6.5%
Private Equity	8.0%
Total	100.0%

Employer Contributions

In a defined benefit retirement plan such as CRS, the employer (plan sponsor) is responsible for providing benefits (as opposed to a defined contribution plan). The Actuarially Determined Contribution (ADC) is the actuary recommended employer contribution to achieve full funding in 30 years. The chart below reflects the Pension Trust ADC and the City employer contribution for the last 20+ years. By not contributing to the ADC the unfunded liability increases over time meaning that the actuarial liability exceeds the value of assets.



Fiduciary Audit (Governance Report Update)

In accordance with its fiduciary duty, the Cincinnati Retirement System Board of Trustees engaged Funston Advisory Services to complete a fiduciary audit, entitled Cincinnati Retirement System Governance Review. The Funston report is available on the CRS website. <https://www.cincinnati-oh.gov/retirement/>

The purpose of the engagement is to review Cincinnati Retirement System (CRS) standards and practices and compare them to peer systems and system benchmarks. The six areas of focus are:

1. Legal and Regulatory
2. Governance Framework
3. Investment Program and Operations
4. Pension Operations
5. Administrative Operations, and
6. Compliance.

Overall, the report concludes that the CRS Board of Trustees has been functioning effectively, the Director and the staff have been effectively providing services to active and retired members, and relations among the Board, CRS staff and other City departments have been collaborative and cordial.

As part of the report there were thirty-seven recommendations for improvement. Over the past 18 months the Board has worked with administration and staff to review all recommendations and act on approximately 90% of recommendations including but not limited to amalgamating our governance manual and board rules into one comprehensive governance manual, increasing the depth to the Investment Policy Statement by including a Statement of Investment Beliefs and lastly confirming that CRS financials are included in the state audit of the City's Annual Comprehensive

Financial Report (ACFR), which is a detailed presentation of the City's financial condition, measured on a fiscal year (July to June). The ACFR is prepared according to standards set by the Governmental Accounting Standards Board (GASB) and is audited annually by the state of Ohio.

Conclusion

The CRS Pension Trust and Healthcare Trust are undoubtedly challenged in providing promised retirement benefits. When the Collaborative Settlement Agreement was implemented, the Pension Trust and Healthcare Trust were projected to be fully funded by 2045. For the Pension Trust this is no longer the case.

At the close of 2024, the Pension Trust experienced a return of 9.5%, above the assumed rate of return of 7.5%. The demographics improved from an actuarial perspective in that the City had a material increase in active employees (i.e. more employee contribution). And with the strong performance and improved demographics, the funded ratio of the plan still decreased, albeit marginally, from 68.8% to 68.3%. Funding vigilance therefore remains a priority for the Board.

CRS Pension Funded Ratio									
2015*	2016	2017	2018	2019	2020	2021	2022	2023	2024
77.1%	76.9%	75.5%	72.6%	71.2%	70.5%	71.6%	69.3%	68.8%	68.3%

* CSA

The following are possible solutions:

1. Continued increases to City contributions to the Pension Trust above the minimum required amount of 16.25%, as provided for in the CSA. The Board formally **recommends an increase in rates by 0.80% each year** until the actuarial projections reflect anticipated full funding by 2045. The Board also recommends that the City adopt the multi-year incremental increase funding methodology to achieve full funding by 2045, update the methodology annually, and budget accordingly. The Board acknowledges and appreciates the 0.75% increase in the contribution rate and the use of variable General Fund carryover to reduce unfunded pension obligations. Nonetheless, a more stable and predictable path to full funding is necessary. Failure to increase the City's annual contribution rate will result in the CRS Pension Funded Ratio steadily decreasing until it reaches 65% in 2045; alternatively, incremental increases in the rate are required to achieve 100% funding by 2045 based on the most recent projection:

Incremental Increase Plan

2025 Projections from Cheiron Assumed Rate of Return 7.50%				
Schedule of funded Ratios	Flat E'r Rate of 17.75%		Increase E'r by 0.80/year	
	E'r Contr Rate	Funded Ratio	E'r Contr Rate	Funded Ratio
2024	17.75%	68.8%	17.75%	68.00%
2025	17.75%	67.1%	18.55%	67.20%
2026	17.75%	64.9%	19.35%	65.10%
2027	17.75%	65.0%	20.15%	65.40%
2028	17.75%	64.6%	20.95%	65.30%
2029	17.75%	63.9%	21.75%	65.10%
2030	17.75%	63.4%	22.55%	65.10%
2031	17.75%	62.8%	23.35%	65.30%
2032	17.75%	62.2%	24.15%	65.60%
2033	17.75%	61.6%	24.95%	66.20%
2034	17.75%	61.1%	25.75%	67.00%
2035	17.75%	60.6%	26.55%	68.10%
2036	17.75%	60.1%	27.35%	69.40%
2037	17.75%	59.6%	28.15%	71.00%
2038	17.75%	59.2%	28.95%	73.10%
2039	17.75%	58.9%	29.75%	75.50%
2040	17.75%	58.7%	30.55%	78.50%
2041	17.75%	58.6%	31.35%	82.00%
2042	17.75%	58.7%	32.15%	86.00%
2043	17.75%	59.0%	32.95%	90.60%
2044	17.75%	59.4%	33.75%	95.80%
2045	17.75%	60.1%	34.55%	101.70%

2. Increase investment performance by increasing risk. There are several strategies affecting increased investment return. These include using different investment managers, making a riskier asset allocation, and attempting to lower fees. There is little we can do regarding these factors because we believe we have the appropriate managers, the appropriate asset allocation, and fees are already at the low end. Regarding asset allocation, the only way to increase expected returns in the future is to increase allocation to more volatility and illiquid parts of the market such as private equity. The Board and the investment consultant believe that taking any more risk would be imprudent. Conversely, as stated earlier in the report, the Board has looked to derisk the portfolio while maintaining asset allocation that based on market assumptions hits a target return of 7.5%.
3. Reduce benefits. While unpopular and considered the last resort, reducing benefits would require re-opening the CSA for a prolonged negotiation. Pension benefits have already been reduced significantly for current and future retirees as a result of the CSA. The compound COLA was eliminated and replaced with a simple COLA resulting in thousands

of dollars in reduced benefits during retirement years. For example, an average annual pension amount over a twenty-five-year period is reduced by \$172,000.

4. As the City has done before, explore issuing judgment bonds to reduce the unfunded actuarial liability. As of 12/31/2024, the unfunded actuarial liability for the Pension Trust was \$846 million.
5. As suggested in the Future Commission report, the City could sell an asset to fund the Pension Trust, thus reducing unfunded volatility and providing more stability to the City finances.

Recommendation

Currently, we recommend the following:

1. That City Council adopt a plan to continue increasing the Pension Trust employer contribution incrementally on an annual basis to assure full funding in 2045 (see page 8, #1 of this report)
2. That the Incremental Annual Increase Plan be updated every two years in anticipation of the City's fiscal year biennial budget.
3. That the City Council approve and appropriate the Pension Trust employer contribution in accordance with each updated Incremental Annual Increase Plan.
4. That the City Manager engage with the CRS Trustees on the Futures Commission analysis and recommendations regarding the future of CRS and funding of the Trusts.
5. That the City works with the CRS Board of Trustees to fulfill the recommendations from the Fiduciary Audit (Governance Report) completed by outside consultants.

Immediate action is requested. Further delays will result in significantly increased vulnerability for CRS benefits.

From: Sefert, Valerie <Valerie.Sefert@cincinnati-oh.gov>
Sent: Thursday, May 29, 2025 9:25 AM
To: Morton, Monica <Monica.Morton@cincinnati-oh.gov>
Subject: CRS write up

Mosier apparently was able to get to it today. See his write up below for FY24. Thanks, Val

From: Mosier, Brian <bmosier@cshco.com>
Sent: Thursday, May 29, 2025 9:21 AM
To: Sefert, Valerie <Valerie.Sefert@cincinnati-oh.gov>
Subject: CRS write up

External Email Communication

While there is not an opinion issued on these schedules, the information is traced to financial statements and actuary reports that have been audited. When auditing the City of Cincinnati's financial statements, the auditors must form an opinion by opinion unit. The opinion units for the City of Cincinnati are: Governmental Activities, Business-Type Activities, each major fund (General Fund, Health District, Capital Project Fund, Debt Service Fund, TIF Fund, Other Grants, and Water Works), and Aggregate Remaining Funds. The Pension Trust Fund makes up 69% and 22% of the assets and revenues of Aggregate Remaining Funds, respectively. Due to this, most of the auditors' testing over Aggregate Remaining Funds is focused on the Pension Trust Fund and a separate section of the auditors' workpapers are dedicated to testing of the Pension Trust Fund. (The Pension Trust Fund statements are on page 50 & 51 in FY24 ACFR)

The auditors' tested the following during FYE 6/30/24:

- 99.5% of the investment balance was confirmed with 3rd parties.
- Investment Income was tested analytically.
- 100% of AR for Securities Sold, Accrued Interest and Dividends, and Obligations Under Securities Lending were confirmed with 3rd parties.
- Accrued Liabilities were tested analytically.
- Employee and Employer contributions were recalculated and tied from City Payroll Summary Reports to the CRS Receipt Ledger.
- Controls and compliance were tested over benefit payments for a sample of new retirees.
- Plan expenses were tested analytically.
- Medical benefits were tested analytically.
- A SOC-1 Service Organization Report was obtained and User Controls were tested for BNYM.
- The auditors contracted with an actuary to conduct a Level 3 Actuarial Audit of the assumptions of the CRS actuary.
- The auditors recomputed the actuarial liability for CRS Pension and OPEB.

This testing resulted in:

- 99.0% of assets being tested
- 99.3% of liabilities being tested
- 100% of revenue being tested
- 97.6% of expenses being tested

In addition to the financial statements, the following information in the financial statements are addressed during the City's audit:

- Footnote 21 – Cincinnati Retirement System – This is a material disclosure that is subject to audit. The footnote is referenced to the financial statements for items already audited. Material disclosures are tied to actuarial reports which were audited by an actuary contracted by the auditors, as mentioned above.

Brian Mosier | Shareholder
Clark Schaefer Hackett