



**City of Cincinnati Retirement System
Board of Trustees Meeting**

Agenda

April 2, 2026 / 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
 Aliya Riddle
 Sonya Morris
 Tom West
 Mia Rivolta

CRS Staff

Jon Salstrom

Law

Kevin Frank

Call to Order

Public Comment

Approval of Minutes

- March 5, 2026 (2-6)

Report on Governance and Elections Committee

Informational – Staff Report

- Marquette Investment Report (7-21)
 - Private Credit Market Update
- Update on New Investment Manager
- Staff Update
- Pension Funding Policy Update
- Annual Report Timeline Update
- Cybersecurity ETS update
 - Ordinance (25-26)

Old Business

New Business

- New Trustee Member – Mia Rivolta
 - Committee membership

Adjournment

Next Meeting: Thursday, May 7, 2026, 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
March 5, 2026 / 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 February 5, 2025. The motion was seconded by Trustee Morton. The minutes were approved by unanimous roll call vote.

Report on Performance Evaluation & Benefits Committee

Chair Rahtz reported the two motions that were approved at the Performance Evaluation Committee:

- Motion to approve the strategic objectives and evaluation form used for the Director. Because it comes from the committee, there is no second needed. The motion was approved by unanimous roll call vote.
- Motion to approve the staff assessment of the healthcare vendor, investment consultant and actuary. Because it comes from committee, there is no second needed. The motion was approved by unanimous roll call vote.

Chair Gamel reported the one motion that was approved at the Benefits Committee:

- Motion to approve CRS' physician's opinion and recommendation regarding a disability retirement. Because it comes from committee, there is no second needed. The motion was approved by unanimous roll call vote.

Executive Session

No Executive Session Needed.

Informational – Staff Report

Marquette Investment Report

The Marquette investment report covers performance through December 31, with preliminary data through late February showing the fund up approximately 2% more. Recent market volatility may impact final first-quarter results. Year-end performance was previously reviewed and shows strong results compared to benchmarks. Over 1–10-year periods, returns exceed the 7.5% target, indicating solid overall fund performance.

Update Regarding New Investment Manager Contracts

Staff is currently negotiating contracts for five new hedge fund investment managers, with progress going well. Most or all contracts are expected to be finalized by the end of March, allowing the allocation to be implemented in Q2. One manager has requested anonymity in Marquette reports regarding performance and fees. Legal has reviewed and approved this arrangement, confirming it will not impact the ability to meet Voya reporting requirements.

Dashboards

- Investment Performance: Returns over 1–5-year periods exceed the 7.5% assumed rate of return.
- Benchmarks:
 - Passive benchmark (70% equities / 30% bonds) is difficult to beat in the short term due to strong equity markets, but the fund exceeds it over the 5-year period.
 - Policy benchmark performance is in line for 1-year (expected to meet or exceed 14% once finalized), and exceeds benchmarks over 3 and 5-year periods.
- Membership and Demographics: Positive trend in the ratio of active members to retirees, with overall improvement noted; further analysis to be provided by Cheiron.
- Benefits & Payments: Benefit payouts and overall financial activity (contributions, returns, payments) are tracking as expected.
- DROP Program: Participation is declining; payout amounts fluctuate annually based on participants duration and timing.
- Healthcare Costs: remaining in line with expectations.

Risk and Personnel Dashboards:

- Risk Dashboard:
 - Funding risk was initially lowered to medium based on the proposed funding plan.
 - A Trustee recommended moving it back to high until the funding plan is officially finalized in May.

- Personnel Dashboard:
 - Personnel risk level has been reduced to medium due to stabilized staff turnover.
 - Finance Manager Terra Williams will be leaving the team to join Accounts & Audits; while not considered a high risk, her departure will be a loss for the team.

Cybersecurity Dashboard:

- Cybersecurity Risk: Remains rate high due to ongoing and evolving threats facing municipalities nationwide.
- Training & Preparedness: The City, particularly ETS, has done a strong job improving employee awareness of phishing, malware, and cyber threats.
- Risk Outlook: While employees' readiness has improved, continued vigilance is necessary as threats evolve, so the risk level may remain elevated for now.
- Next Steps: Director Salstrom will bring more information to the next Board meeting regarding the City's cybersecurity insurance in place.

Strategic Asset Allocation and Liquidity:

- Liquidity Overview:
 - 65% of the portfolio is in liquid assets (daily, weekly, monthly access), primarily public equities and fixed income.
 - No concerns with meeting cash flow needs or paying monthly benefits.
- Asset Categories:
 - Medium liquidity: Real estate, infrastructure, and hedge funds (quarterly to semi-annual liquidity).
 - Illiquid assets: Private equity and private debt, often with drawdown structures.
- Liquidity Management Improvements:
 - More strategic pacing of investments to avoid large, rapid capital calls.
 - Shift toward direct private equity investments (e.g., smaller commitments) to better control cash outflows.
 - Increased income generation through private credit, opportunistic credit, infrastructure, and real estate, improving overall cash flows.
- Portfolio Trends:
 - Liquid assets increased from 65% (Oct. 31) to 66%
 - Illiquid assets remained stable (17.65% to 17.24%)

Liquidity figures are based on committed and executed investments, not target asset allocation.

Compliance Dashboard:

- Compliance Status: All areas remain fully in compliance.
- Coverage Areas: Includes investment strategy, manager diversification, and legal/tax requirements.

Budget Dashboard:

- Overall Budget Performance: Actual spending through December came in below projections.
- Expense Ratio: Approximately 15 basis points, in line with expectations and comparable to NCPERS and peer plans.
- Administrative Costs: Remain relatively low compared to peers.

- 2025 Budget vs. Actual: Significantly under budget, largely due to staffing levels; expenses are expected to increase as hiring progresses.
- Key Variances:
 - Lower data processing costs due to purchasing fluctuations and discounts.
 - Lower professional fees overall, though legal fees increased with onboarding new managers but we overestimated.

Staff Update

The Finance Manager position (formerly held by Terra Williams) has been posted and expected to close within a couple of weeks. The Administrative Specialist posting has closed, with interviews anticipated over the next few weeks. The Investment Analyst posting will close within about a week, followed by interviews. On track to fill all open positions within the next month or so.

Pension Funding Policy Update (Funding Plan Ordinance & One Time Contribution Ordinance)

City Council and the Mayor approved the funding plan and a \$50 million appropriation in mid-February. The plan was developed over the past year through collaboration among staff, administration, legal, retirees, and other CSA stakeholders. Timing prevented earlier presentation to the Board.

Plan Overview (3 Components):

- \$50 million City contribution to the Pension Trust (effective July 1).
- Increased City contribution rates to 19.25% starting July 1, with potential increases up to 21%.
- Employee contribution increase from 9% to 10%.
- No changes to retiree benefits.
- Goal: Achieve full funding by 2045-2046.

The plan must go through federal fairness hearing (anticipated May 18) under the Collaborative Settlement Agreement. A federal judge will approve or request revisions after stakeholder input.

CRS will launch a dedicated webpage with letters, FAQs, and resources for active members and retirees.

Chair Moller commented, while the fund is not identical to the Board's previously recommended incremental funding approach, the approved plan represents significant progress toward fully funding.

Trustee Menkhaus expressed strong support for the \$50 million City contribution as a significant and positive step but strongly opposed the increase in employee contribution rates, noting it pushes contributions above the NCPERS national average of 9%. He argued it is misleading to tie the employee increase to the \$50 million contribution, since the City is already obligated under the CSA to fully fund the plan by 2045. He highlighted that employees consistently meet their contribution obligations automatically, unlike the City's historically lower contribution levels (below the 26% national employer average). He described the additional burden on employees as unfair and ill-advised. Trustee Menkhaus also emphasized that employees have already made significant concessions over time, including reduced benefit multipliers, longer service requirements, changes to healthcare eligibility (point system post-1997 hires), and elimination of retiree healthcare for employees hired after 2016. He plans to voice these concerns during the upcoming federal fairness hearing.

Old Business**Finalize Funston Recommendation including CEM Benchmarking suggestions**

The recommendations are included in the meeting packets as part of the current assessment. No action is required from the Board at this time. Two remaining items need to be finalized, which is why the topic remains on the agenda.

New Business

A retiree Board election is anticipated, and preparations are underway. The Mayor has nominated Mia Rivolta, a Finance Professor at Xavier University, to fill the appointed Board position previously held by Council Member Seth Walsh, whose term is ending. Due to Seth Walsh stepping down as Vice Chair of the Elections Committee, Kathy Rahtz will be appointed as the new Vice Chair. The Elections Committee membership is: Sonya Morris, Kathy Rahtz, Monica Morton, and Tom West. If Mia Rivolta is approved by Council, she will be appointed to Seth Walsh's committee assignments, including Elections Committee.

Chair Moller made a motion to approve and allow the 115 Trust Committee to be held either at 2:00 PM or immediately following the Board meeting, rather than being fixed at 3:00 PM. This provides scheduling flexibility. The motion was seconded by Trustee Gamel and approved by unanimous roll call vote.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Morton. The Board approved the motion by unanimous roll call vote. The meeting was adjourned at 2:39 p.m.

Meeting video link: <https://archive.org/details/crs-board-3-5-26>

Next Meeting: Thursday, April 2, 2026, at 2:00 p.m. – City Hall Council Chambers and via Zoom

Secretary



Cincinnati Retirement

Monthly Report

Executive Summary
February 28, 2026



Total Fund Composite

8
Monthly Report
As of February 28, 2026

	Market Value	% of Portfolio	Policy %	Target Allocation	Difference	Last Month	
Fixed Income Composite	617,028,245	24.0	22.5	578,357,064	38,671,181	Total Fund Composite	
Private Debt Composite	151,986,087	5.9	8.0	205,638,067	-53,651,980	Beginning Market Value	2,551,686,156
U.S. Equity Composite	582,698,282	22.7	24.0	616,914,202	-34,215,920	Net Cash Flow	-11,073,556
Non-U.S. Equity Composite	462,794,958	18.0	15.0	385,571,376	77,223,582	Gain/Loss	29,863,240
Hedge Fund Composite	63,106,185	2.5	4.0	102,819,034	-39,712,848	Ending Market Value	2,570,475,840
Real Estate Composite	152,434,414	5.9	6.0	154,228,550	-1,794,137		
Infrastructure Composite	248,525,629	9.7	7.0	179,933,309	68,592,320		
Private Equity Composite	276,163,337	10.7	13.5	347,014,238	-70,850,902		
Total Fund Composite	2,570,475,840	100.0	100.0	2,570,475,840			

	1 Mo	3 Mo	YTD	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	SI	Inception Date
Total Fund Composite	1.2	3.7	2.7	14.9	12.5	12.1	8.3	9.3	9.3	8.9	Jun 85
Target Benchmark	1.1	3.5	2.9	14.7	12.3	11.8	7.5	9.1	9.4	-	
Actuarial Rate 7.5%	0.6	1.8	1.2	7.5	7.5	7.5	7.5	7.5	7.5	7.5	
Fixed Income Composite	1.6	1.7	1.8	7.2	6.9	6.0	1.4	3.2	3.7	5.1	Dec 95
Blmbg. U.S. Aggregate Index	1.6	1.6	1.7	6.3	6.0	5.1	0.4	2.1	2.0	4.3	
Private Debt Composite	0.0	1.1	0.0	6.3	8.7	10.1	3.3	-	-	5.4	Oct 20
Blmbg. U.S. Aggregate Index	1.6	1.6	1.7	6.3	6.0	5.1	0.4	2.1	2.0	0.1	
MSCI Private Capital Global Private Debt	0.0	0.0	0.0	7.2	7.2	8.2	8.7	8.0	8.1	9.2	
U.S. Equity Composite	-0.5	1.3	1.1	16.8	16.8	19.0	12.3	13.5	13.9	10.0	Mar 89
Russell 3000 Index	-0.5	1.0	1.1	17.0	17.3	20.9	12.8	14.9	15.1	11.1	
Non-U.S. Equity Composite	5.0	14.8	11.4	39.2	23.7	20.0	10.2	10.1	10.1	6.8	Jun 93
MSCI AC World ex USA (Net)	5.0	14.6	11.3	39.7	23.8	19.9	9.8	10.4	10.5	-	
Hedge Fund Composite	0.7	3.7	2.1	12.1	11.6	13.2	-	-	-	8.1	Feb 22
Cboe S&P 500 PutWrite Index	0.1	2.4	1.3	8.4	12.4	12.8	10.5	9.3	8.5	8.8	
Real Estate Composite	0.1	0.2	0.2	3.5	1.8	-2.3	3.6	3.7	5.1	4.7	Sep 07
NFI-ODCE	0.0	0.2	0.0	2.3	1.2	-3.5	2.3	2.3	3.7	3.7	
NCREIF Property Index	0.0	1.2	0.0	4.9	2.6	-1.0	3.8	3.8	4.8	5.5	
Infrastructure Composite	-0.1	2.6	-0.1	9.6	9.4	9.2	9.2	9.3	7.2	8.4	Sep 08
3 Month T-Bill +4%	0.6	1.9	1.2	8.2	8.7	9.0	7.4	6.8	6.3	5.4	
Private Equity Composite	0.0	1.1	0.1	8.8	8.3	8.8	11.0	12.5	12.6	8.8	Aug 93
MSCI Private Capital Global All Private Equity	0.0	0.0	0.0	9.5	7.6	7.0	9.5	13.8	13.8	14.9	

PREPARED BY MARQUETTE ASSOCIATES

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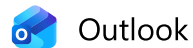
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[External Email] FW: Private Credit Updates - Continued Headlines Surrounding the BDCs

From Brett Christenson <bchristenson@marquetteassociates.com>

Date Wed 3/25/2026 12:40 PM

To Salstrom, Jon <jon.salstrom@cincinnati-oh.gov>

External Email Communication

More info from Chad and his team....



Private Credit Updates - Continued Headlines and Data
March 24, 2026

What is Happening/Recent Headlines

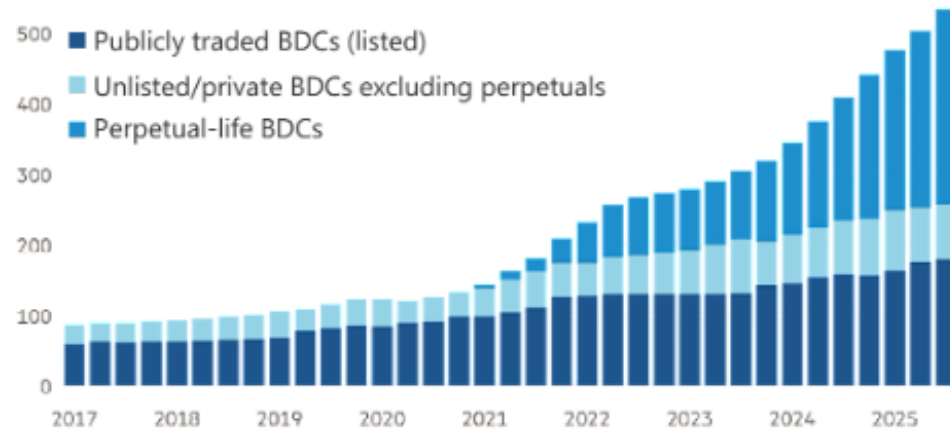
Recent media coverage has focused on redemption pressures at a number of large non-traded BDCs and interval private credit funds - Apollo, Ares, BlackRock, Blue Owl, Blackstone, Cliffwater, etc. For Q1 2026, announced redemptions requests were generally above stated liquidity limits; some managers honored elevated redemption requests while most limited liquidity to stated caps between 5-7%. While redemption requests exceeded stated limits in several cases, managers used contractual liquidity caps to manage outflows in an orderly manner. In many cases, ongoing inflows continued to offset redemptions, albeit at a slower pace than in prior quarters. Importantly, these vehicles are operating exactly as designed, protecting existing investors from downside pressure that would result from forced asset sales.

These firms represent a number of the largest alternative asset manager platforms that have been among the biggest beneficiaries of growth in retail capital flows in recent years. In particular, the non-traded (perpetual life) BDCs have become a preferred vehicle option for the retail channel, enabling access to an attractive private markets asset class that features attractive yields and offered the promise of quarterly liquidity. Many investors ignored the key term that redemptions can and would be gated, if necessary, in future quarters.

While retail growth has been notable for most alternative asset managers, growth has been significantly concentrated within a handful of the largest platforms.

Growth of retail investors in PC:

BDC assets under management (\$bn)²



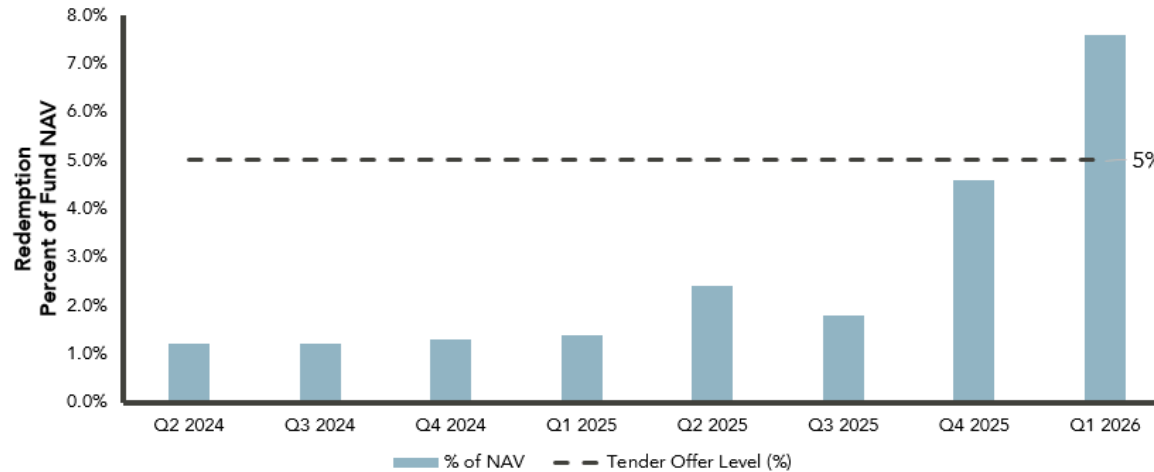
Source: Campbell Lutyens. Total AUM represents estimates from tracked managers. BDC data from “The Rapid Rise of Private Credit and the Expanding Role of BDCs”, S&P Global January 2026, and interval, European semi-liquid and institutional evergreen data from WithIntelligence “Private Credit Outlook”.

A short summary by asset manager is as follows:

- Blackstone (BCRED) – ~\$82B fund. Q1 2026 redemption request: 7.9%; BCRED raised cap and honored 7% in redemptions
- Cliffwater (CCLFX) – ~\$33B fund. Q1 2026 redemption request: ~14%; honored 7% interval fund cap. S&P revised Cliffwater’s ratings outlook to negative, citing the elevated redemption volume
- BlackRock HPS (HLEND) – ~\$26B fund. Q1 2026 redemption request: 9.3%; capped redemptions at stated 5%
- Apollo (ADS) - ~\$15B fund. Q1 2026 redemption request: 11.2%; capped redemptions at stated 5%
- Ares (ASIF) – ~\$10.7B fund. Q1 2026 redemption request: 11.6%; capped redemptions at stated 5%
- MS North Haven (NHPIF) - \$7B fund. Q1 2026 redemption request: 10.9%; capped redemptions at stated 5%
- TPG Twin Brook (TCAP) - \$4.3B fund. Q1 2026 redemption request: 1.3% (included for reference purposes)
- Blue Owl (OBDC) - ~\$1.6B fund. Suspended tender offer process and converted to return of capital distributions to treat all investors equally; sold 40% of performing assets at 99.7% of NAV and will seek continued liquidity to wind down the fund. This is a legacy BDC 1.0 offering with finite life, not a perpetual non-traded BDC like the others on this list.

In 1Q 2026, a wave of redemption requests (primarily retail investors) have tested liquidity limits for semi-liquid non-traded BDCs

- Redemption requests have surged above the standard 5% fund level limit, with several funds exercising gates to protect existing investors



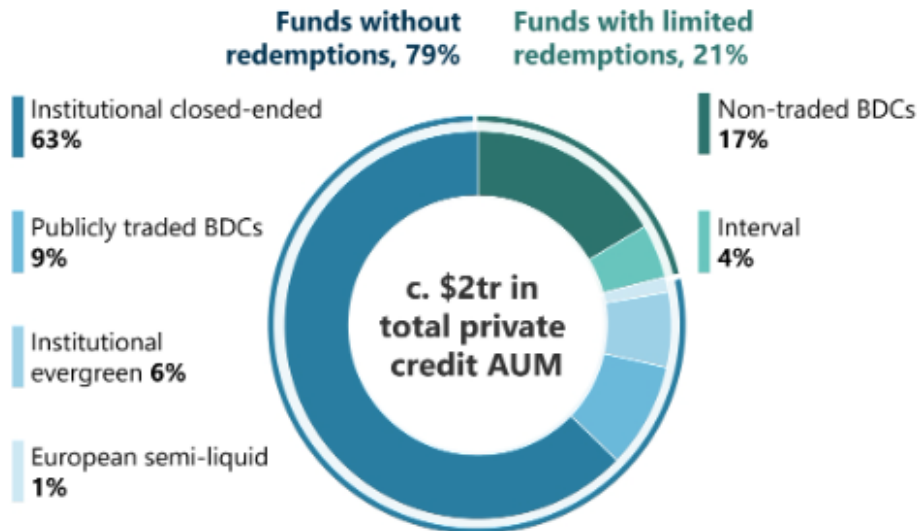
Source: Bloomberg, Robert A. Stranger & Co. Data as of March 6 2026 based on funds tracked by the investment bank.

Private Credit Investor Base Composition

Why had there been such strong growth in recent years from retail investors? For retail investors, BDCs focused on private credit offered (1) access to high-yielding credit strategies with low mark-to-market volatility compared to listed options, and (2) ease of access, low eligibility criteria, and easy reporting including for tax purposes, and (3) efficient/immediate deployment into an asset class producing double digit yields. For asset managers, retail oriented funds offered (1) access to new and large pools of capital to continue scale as institutional investors had increasingly reached target allocations, (2) management and incentive fees are significantly higher than institutional products, and (3) the retail channel diversified existing investor bases and also enabled potential asset cross selling for the largest platforms.

While retail investor influence in private credit has increased meaningfully over the past several years, it is important to note that the vast majority of private credit is still held by institutional investors in funds that are appropriately aligned with the underlying liquidity of the asset class. Including the publicly traded BDCs (listed and traded but these are finite capital pools), estimates indicate that almost 80% of private credit AUM is accessed in vehicles that do not offer regular liquidity to investors. An estimated 21% of private credit AUM is accessed via non-traded BDCs and interval funds, which does represent meaningful exposure, but it is still only about one-fifth of the total AUM (estimated). Importantly, these funds (interval funds, non-traded BDCs) offer liquidity, but within well-defined caps (5-7%) that are designed to protect existing investors from forced selling and downward pressure on performance. To be clear, these funds are functioning exactly as designed, allowing managers to manage investor liquidity requests in an orderly manner without forced asset sales. That said, it is an important reminder that vehicle structure is important, and funds with elevated concentrations in retail investors may continue to face pressures for several quarters. **Headline risks will likely remain amplified for a period of time due to the outsized media attention that is focused on the largest alternative asset managers that have benefited from significant capital inflows from retail investors in recent years.**

PC AUM by structure¹:



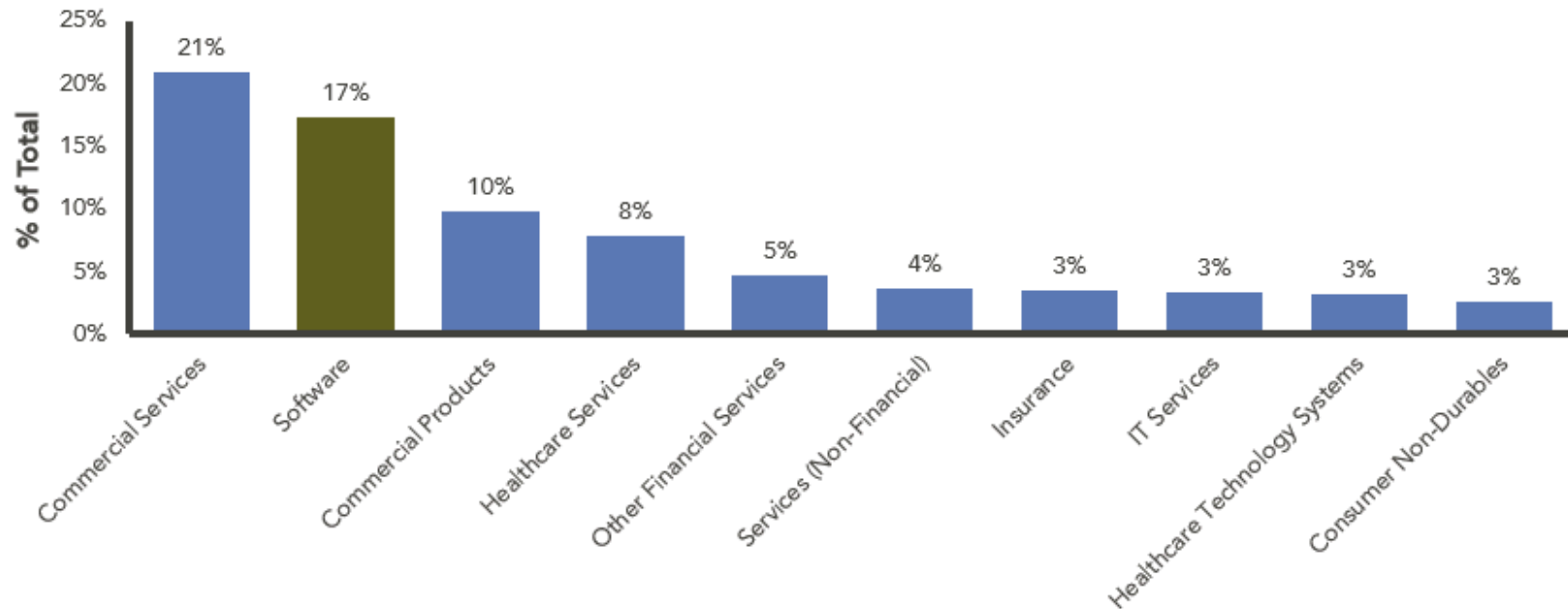
Source: Campbell Lutyens. Total AUM represents estimates from tracked managers. BDC data from “The Rapid Rise of Private Credit and the Expanding Role of BDCs”, S&P Global January 2026, and interval, European semi-liquid and institutional evergreen data from WithIntelligence “Private Credit Outlook”.

Market Sentiment – Why has sentiment turned negative for retail investors?

The primary reason sentiment has turned more negative for retail investors is that cash income (quarterly distributions) have come down in recent quarters. There’s two primary reasons for this: (1) lower base rates for floating rate loans and (2) tighter portfolio spreads driven by continued competition and downward pressure on new issuance. With all-in yields declining, the cash income return for the BDCs has become less attractive than before. Retail investors have also seen the publicly traded BDCs depreciate by ~20% in value over the past 6 months, resulting in material discounts to NAVs for these funds. Combined, less sophisticated investors may also conclude that lower returns (from an elevated experience in 2023-2024) could mean that there is significant stress or losses in the underlying portfolios (see next section on why this is not the case).

Another source of concern from retail investors is related to ongoing headlines around software exposure and the potential for significant disruption from AI. GenAI is most effective at automating routine, low-risk, and highly repeatable tasks. As a result, companies offering high-labor, lower-margin services—such as basic coding, commoditized content creation, or simple data and analytics platforms—are more exposed to displacement risk over time. Highly leveraged companies within these segments may face additional pressure when seeking refinancing, although there is no major near-term maturity wall across private credit portfolios that needs to be addressed immediately. In contrast, many software companies are likely to prove resilient. Businesses that provide mission-critical, deeply embedded software—particularly those that span multiple enterprise systems or operate in regulated environments—tend to have high switching costs, proprietary data, and stringent accuracy and reliability requirements. Examples include cybersecurity platforms, healthcare records systems, insurance claims processing, and core operating software. For these companies, AI is more likely to serve as a tailwind, enabling productivity gains, cost efficiencies, and enhanced product functionality rather than acting as a direct substitute. Further, it is important to note that while software exposure is a large and meaningful industry segment, portfolios are generally well diversified (software is the second largest segment within the BDCs), and exposure is still diversified by end market.

In short, declining cash yields and fears around potential risks fueled by headlines —not actual credit impairment—have been the primary catalyst for retail redemptions.



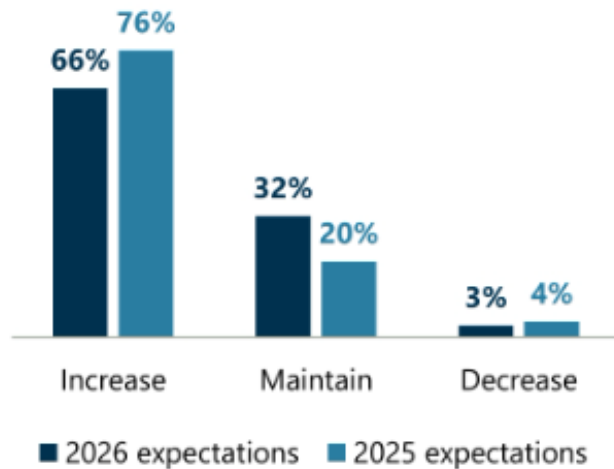
Source: PitchBook Monthly US Private Credit Monitor. BDC holdings by industry used as a proxy.

Market Sentiment – What about institutional investors?

As noted, institutional investors remain the largest owners of private credit assets globally. This investor cohort represents a more sophisticated investor base that is more focused on underlying fundamentals combined with expectations for the forward outlook. Survey data indicates institutional investor sentiment remains resilient, with healthy fundraising numbers in 2025 and expectations for continued commitments and deployment in 2026. While institutional deployment will likely continue to increase, it is likely that investors will be more discerning on the GPs they invest with, placing a heavier emphasis on things like underwriting standards, resources (including workout capabilities), and the segment of the market to focus on (areas with better covenant protections, lender controls, etc.).

97% of institutional investors plan to increase or maintain their allocations:

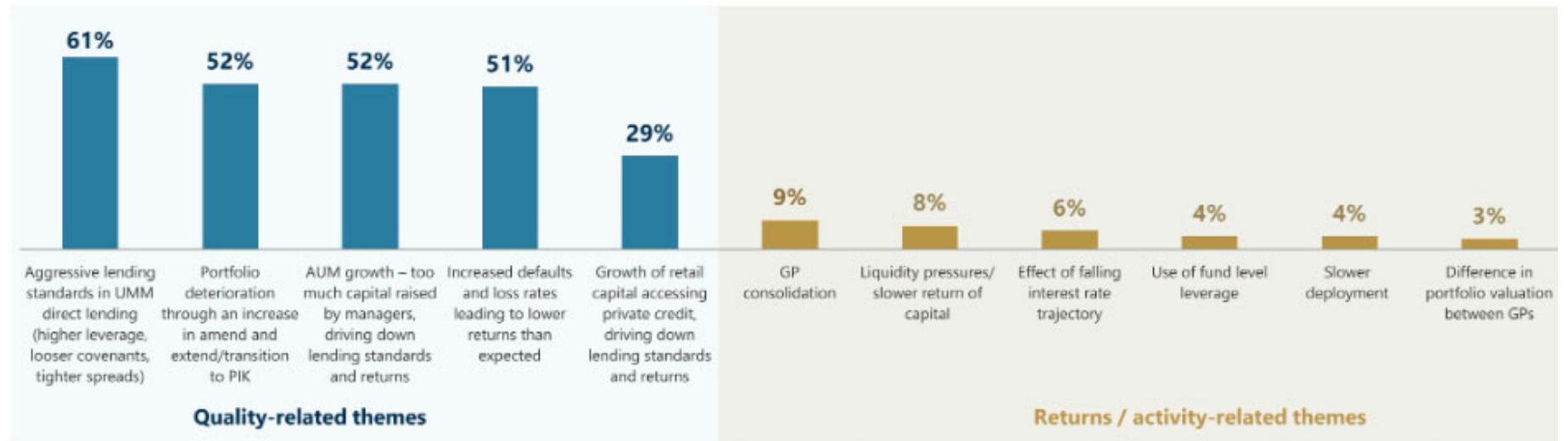
Plans to increase, maintain or decrease private credit exposure over the next 12 months²



Source: PitchBook Monthly US Private Credit Monitor. BDC holdings by industry used as a proxy.

Survey data also indicates the top concerns for institutional investors are concerns over (1) underwriting standards (upper middle market), (2) PIK usage, and (3) competition/AUM growth. Increased default and loss rate concerns were a close fourth, but this is arguably related to potential impacts from the first three identified concerns. Note that concerns on liquidity, deployment, and valuations do not top the list of concerns. If you are only reading headlines, these are the primary themes that are repeatedly cited in relation to the BDCs.

What worries you most about private credit markets in the next five years¹?

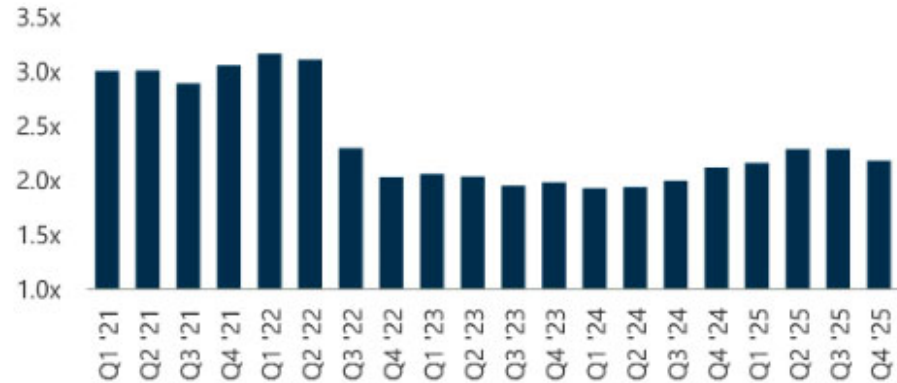


Source: PitchBook Monthly US Private Credit Monitor. BDC holdings by industry used as a proxy.

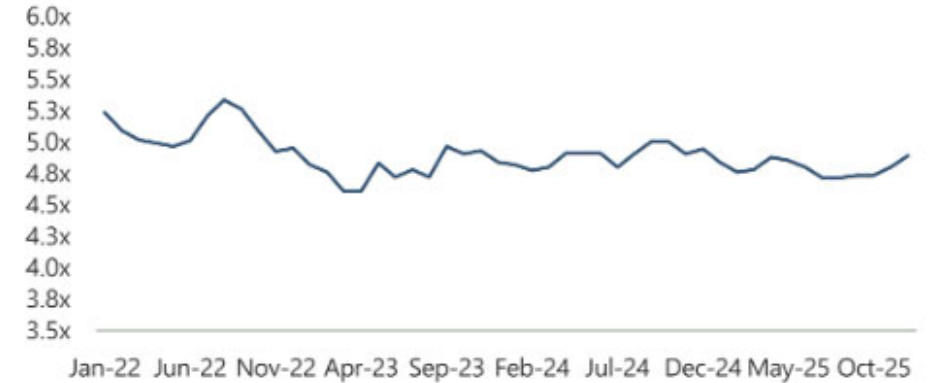
Fundamentals – What the underlying data shows

Credit fundamentals remain stable across private credit portfolios: no material increase in defaults or non-accruals, strong interest coverage and covenant protection, limited near-term maturity walls, and predominantly senior secured positioning which is intended to limit losses in a default scenario. With base rates falling from significantly elevated levels, interest and fixed charge coverage ratios have stabilized, albeit at lower levels than before the Fed began hiking rates. Still, note that an average 2.0x interest coverage ratio for senior secured debt provides a healthy buffer before a company faces true distress. Critically, none of the fundamental indicators typically associated with credit downturns are flashing warning signs.

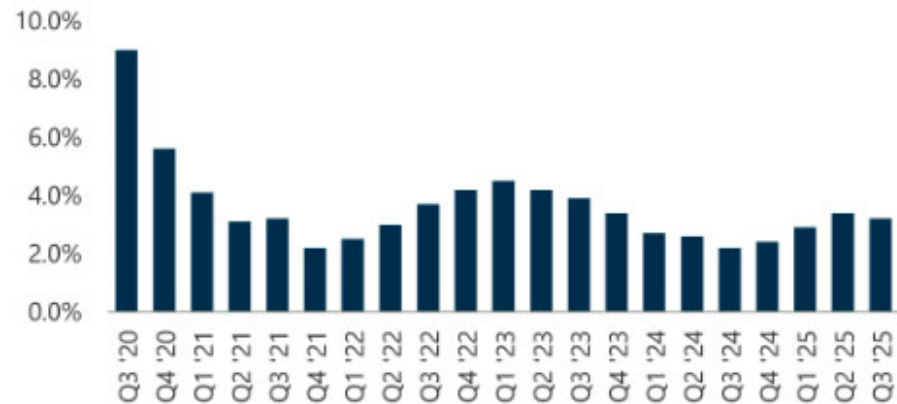
Healthy interest coverage ratios as base rates fall¹:



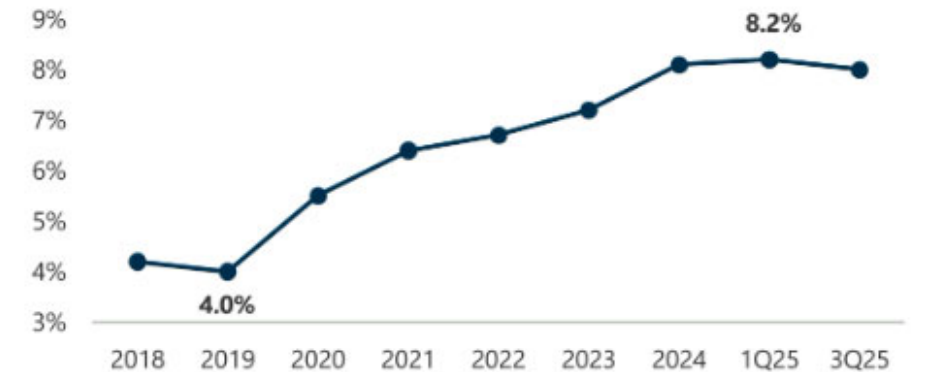
Stable entry debt to EBITDA multiples¹:



Default rates have remained at subdued levels²:

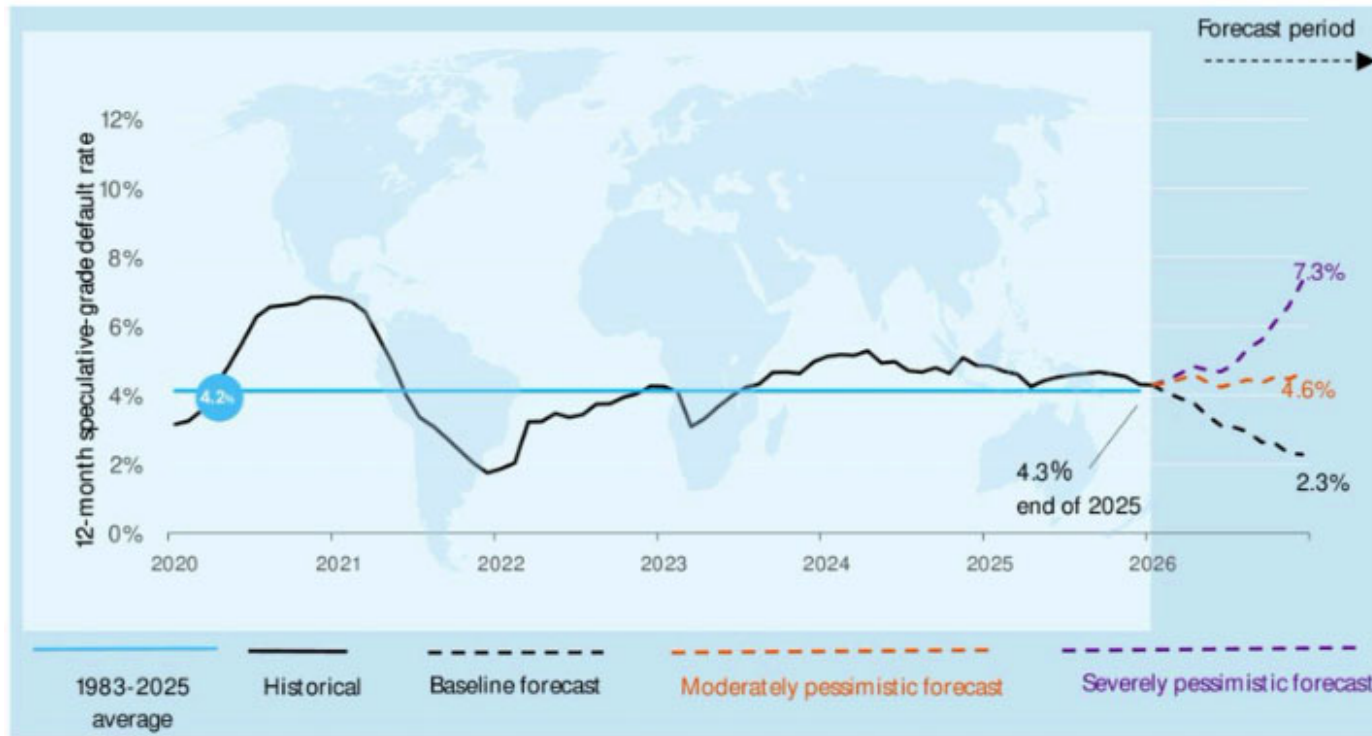


Percentage of non cash-pay interest (PIK) is stabilizing²:



Source: Campbell Lutyens, KBRA DLD Research Insights & Outlook. Private U.S. Sponsored Deals Analysis (December 2025). Q3 2025 Lincoln Senior Debt index.

Default rates and accrual rates are also not showing signs of significant stress building. In fact, Moody’s Annual Default Report (March 12, 2026) indicates that corporate sub-IG default rates may actually fall, not increase in 2026. So far, data continues to confirm that underlying fundamentals do not appear to be deteriorating significantly. This has also been supported by manager update calls across direct lending.



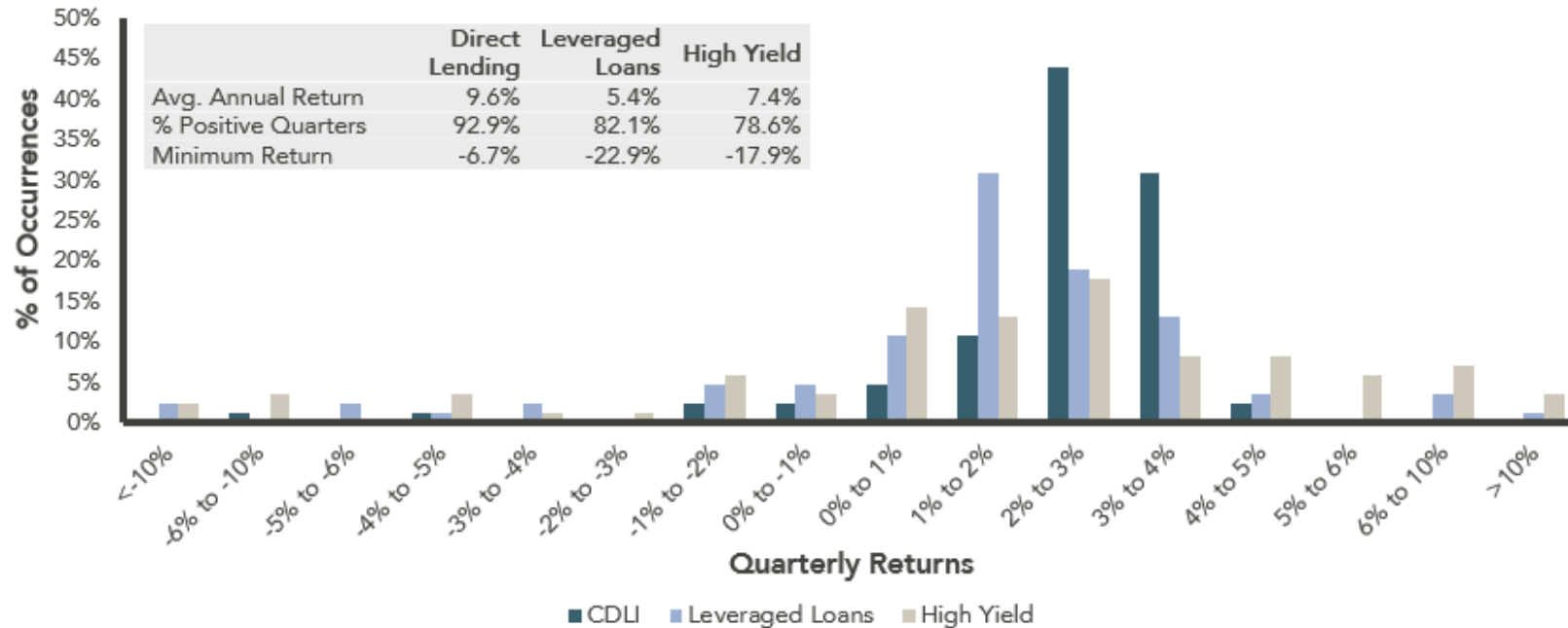
Stressed/Downside Scenario – Let’s test the absolute worst case downside scenario

Okay, what if we throw out all of the data above that shows portfolio credit fundamentals remain healthy? Let’s take some of the media headline concerns and assess what an extreme downside scenario may look like. One UBS article cited 15% as a potential default rate – this would be ~5% worse than the experience in the GFC, but let’s use that as a worst-case default scenario. Let’s also assume recovery rates for defaulted companies are 50% (worse than historical senior loan recovery rates). This would mean that cumulative losses would net to approximately 7.5% and is far more severe than history or current market pricing/fundamentals imply.

In reality, all 15% of defaults are extremely unlikely to occur at the same time; most likely this would be the result of an extended credit downturn over multiples years. If we conservatively assume the 7.5% loss rate occurs over five years, that’s 1.5% per year. If we compare to current direct lending yields at ~10% (S+520, plus 1-2% OID), there is a meaningful income cushion that protects investor returns. Even under this severe scenario, portfolio income would offset losses. In other words, returns over 3-5 years would be expected to remain positive. For historical context, the worst 5-year return experience for private credit was +5.4% and the single worst calendar year for private credit was in 2008 (-6.5%) followed by a rapid recovery in performance as unrealized losses rebounded.

Since 2004, private credit (direct lending) has delivered positive returns 93% of the time. There were only two periods when losses in any given quarter exceeded -2% (4Q 2008: -6.7%, 1Q 2020: -4.8%). The path forward may be different versus history, but it is helpful context to frame the potential downside scenario.

Private credit has delivered positive quarterly returns 93% of the time since 4Q 2004



To be clear, private credit is not without risk (it is sub-IG equivalent credit), but focusing on senior secured loans prioritizes income-oriented returns and can significantly help to offset losses. For reference, trailing 1-year realized losses as of 3Q 2025 detracted just 0.61% from return, well below long term averages of 1.0% and far from worst case scenarios of 7.5%+ in realized losses inferred by recent headlines.

Summary

Recent headlines around non-traded BDCs reflect a retail-driven liquidity event rather than a deterioration in private credit fundamentals. Elevated redemption requests in Q1 2026 were concentrated among the largest retail-oriented platforms and were managed within well-defined structural limits designed to protect existing investors. While retail sentiment has weakened amid lower cash distributions and heightened concern around AI-related software exposure, underlying credit performance remains stable, with no material increase in defaults, non-accruals, or borrower stress at this time. Importantly, private credit remains overwhelmingly institutionally owned, and institutional investors continue to allocate capital with a focus on underwriting discipline rather than liquidity fears. Even under highly punitive downside assumptions, current income levels provide a substantial buffer against losses. Overall, the data suggests that BDCs and interval funds are functioning exactly as intended, and recent market anxiety reflects sentiment and structure—not fundamentals.

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March 4, 2025

FOR YOUR INFORMATION

To: Mayor and Members of Council

From: Sheryl M.M. Long, City Manager *SM*

Subject: **Budget Schedule for Fiscal Year (FY) 2027 Budget Update**

The purpose of this memo is to provide an overview of the FY 2027 Budget Update process along with a schedule of important dates and events.

The FY 2027 Budget Update process will be structured in phases starting in earnest with an outline of the process on Monday, March 2nd at the Budget and Finance Committee meeting. The first phase, Budget Education and Outreach, includes a “Budget Basics” presentation in a virtual session on March 23rd at 6:00 PM, which can be registered for online (<https://www.cincinnati-oh.gov/budget/budget-engagement/>). Additionally, an interactive session on the City’s Budget will be part of the annual Neighborhood Summit on April 25th.

The second phase, Budget Policy Motion – Goals and Priorities, which partially overlaps with the first phase of the FY 2027 Budget Update process will kickoff at the regular meeting of the Budget and Finance Committee on March 2nd. This phase will include numerous community engagement sessions throughout March with a planned series of public Budget Hearings in the evenings on March 4th, March 11th, and March 16th. On March 16th, the City Manager will provide an overview presentation of the City’s strategic priorities. Additionally, the Office of Performance and Data Analytics (OPDA) will present results from the Community Survey and provide an update on Performance Based Budgeting (PBB). Continuing in March and April, departments will be making informational presentations on their department’s mission, and services; recent budget and staffing history; performance measures for FY 2026 and proposed measures for FY 2027; FY 2027 budget reduction impacts on performance, other service delivery challenges affecting their department, and accomplishments. These presentations will be held over six meetings across four weeks in March and April during the regular meetings of the Budget, Finance & Governance Committee on March 16th, March 30th, and April 6th and during three special meetings of the Budget, Finance & Governance Committee on March 18th, April 1st, and April 8th.

Once the department presentations are completed, the City Council will begin to develop a Budget Policy Motion for the FY 2027 Budget Update. The Budget Policy Motion is an annual process in which the City Council makes a motion providing direction to the City

Administration with regard to policy guidelines and priorities for the upcoming budget. In early April, as part of a regular Budget, Finance & Governance Committee meeting, a public hearing will be held on the Budget Policy Motion, which will then go to the City Council for adoption.

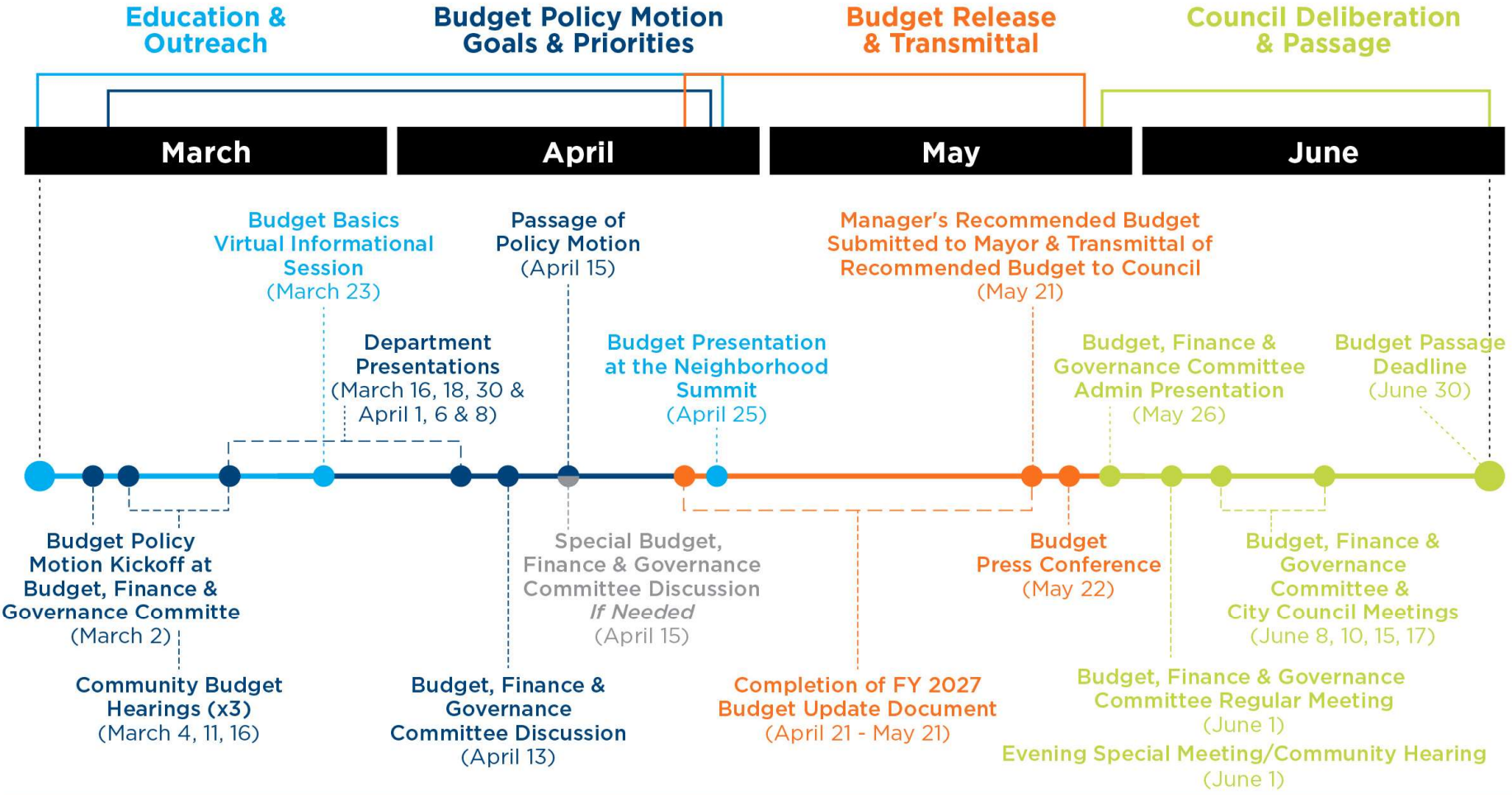
The City Manager is working toward completion and release in mid-May of the Recommended FY 2027 Budget Update. While a deficit is currently projected, the City Administration will recommend a balanced budget for FY 2027 through a combination of revenue increases and/or expenditure decreases. The City Manager's Recommended Budget will then be transmitted to the Mayor, who has up to 15 days to recommend changes to the Budget before transmitting the Budget to the City Council. In line with previous practice, it is expected that the City Council will begin budget deliberations at the end of May with a public Budget Hearing scheduled for early June. The City Council can then make budget motions to alter the Recommended Budget leading up to the scheduled passage of the FY 2027 Budget Update on June 17, 2026. Dates during the Final Budget Process phase are tentative.

A graphic of the FY 2027 Budget Update schedule is provided on the next page.

cc: William "Billy" Weber, Assistant City Manager
Andrew Dudas, Budget Director

Attachment

FISCAL YEAR 2027 BUDGET UPDATE SCHEDULE



For additional information, visit cincinnati-oh.gov/budget/budget-engagement

EMERGENCY**IMD****- 2026**

AUTHORIZING the City Manager to adopt a cybersecurity program for the City of Cincinnati in compliance with Section 9.64 of the Ohio Revised Code.

WHEREAS, Ohio Revised Code (“R.C.”) 9.64, enacted through House Bill 96 and effective September 30, 2025, requires the legislative authority of each political subdivision to adopt a cybersecurity program that safeguards the political subdivision’s data, information technology, and information technology resources to ensure availability, confidentiality, and integrity; and

WHEREAS, R.C. 9.64 requires that such cybersecurity program be consistent with generally accepted best practices for cybersecurity, including, but not limited to, the National Institute of Standards and Technology (NIST) Cybersecurity Framework and the Center for Internet Security (CIS) cybersecurity best practices; and

WHEREAS, R.C. 9.64 further establishes requirements related to incident reporting, legislative approval of ransomware payments, and the treatment of cybersecurity-related records under Ohio law; and

WHEREAS, the Ohio Auditor of State has issued guidance directing political subdivisions to formally adopt a cybersecurity program through legislative action; and

WHEREAS, the City recognizes the importance of safeguarding its data, information technology systems, and information technology resources against cybersecurity threats and ransomware incidents; and

WHEREAS, in accordance with Administrative Regulation 45, implemented by the City Manager on June 17, 2010, the City’s Department of Enterprise Technology Solutions (ETS) has long maintained an Information Security Policy that is consistent with generally accepted cybersecurity best practices and aligned with the requirements set forth in R.C. 9.64; now, therefore,

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

Section 1. That the City Manager is authorized to adopt a cybersecurity program in compliance with Ohio Revised Code (“R.C.”) 9.64 to safeguard the City’s data, information technology, and information technology resources to ensure availability, confidentiality, and integrity consistent with generally accepted best practices.

Section 2. That the Department of Enterprise Technology Solutions (ETS) or its successor is designated as the department that is responsible for the administration, implementation, oversight, and periodic review of the City’s cybersecurity program to ensure continued compliance with R.C. 9.64 and generally accepted cybersecurity best practices.

Section 3. That the appropriate City officials are authorized to do all things necessary and proper to comply with the terms of Section 1, and to implement, administer, maintain, and update the cybersecurity program as necessary to ensure continued compliance with R.C. 9.64.

Section 4. That this ordinance shall be an emergency measure necessary for the preservation of the public peace, health, safety, and general welfare and shall, subject to the terms of Article II, Section 6 of the Charter, be effective immediately. The reason for the emergency is the immediate need to comply with R.C. 9.64.

Passed _____, 2026

Aftab Pureval, Mayor

Attest: _____

Clerk
4903-9390-7602, v. 1

CINCINNATI RETIREMENT SYSTEM TRUSTEES

September 2024	Active #1	Active #2	Retired #1	Retired #2	Retired #3	Appointed #1	Appointed #2	Appointed #3	Appointed #4
Name	Mark Menkhaus, Jr.	Monica Morton	Tom Gamel	William Moller	Kathy Rahtz	Tom West	Sonya Morris	Mia Rivolta	Aliya Riddle
Oath/Confirmation Date	8/15/2024	10/6/2022	8/1/2024	8/1/2024	7/14/2022	11/7/2024	9/12/2024	4/2/2026	4/6/2023
Term End	Class of 2028	Class of 2026	Class of 2028	Class of 2028	Class of 2026	Class of 2027	Class of 2028	Class of 2030	Class of 2027
Board Officer			Vice Chair	Chair					
Investment Committee	Member	Vice Chair	Member	Chair	Member	Member	Member	Member	Member
Benefits Committee	Member	Member	Chair	Member		Vice Chair	Member		Member
Governance Committee	Chair		Vice Chair	Member	Member		Member	Member	Member
Performance Eval Committee	Vice Chair	Member	Member		Chair	Member		Member	Member
Elections Committee		Member			Vice Chair	Member	Chair	Member	



POPULAR ANNUAL FINANCIAL REPORT (PAFR)

For the Fiscal Year Ending June 30, 2024

ABOUT THIS REPORT

The Popular Annual Financial Report (PAFR) includes condensed and simplified information from the 2024 City of Cincinnati Annual Comprehensive Financial Report, which is prepared in accordance with generally accepted accounting principles in the United States of America. Financial information is designed to be easy-to-understand language. The City of Cincinnati ACFR is audited annually by an independent auditing firm, and the results are confirmed by the State of Ohio. The City of Cincinnati Retirement System is a unit of the City of Cincinnati ACFR.

2	MESSAGE FROM THE DIRECTOR
3	OVERVIEW & PLAN SUMMARY
3	ADMINISTRATION AND GOVERNANCE
4	DEFINED BENEFITS EXPLAINED
4	HOW CRS IS FUNDED
5	MEMBERSHIP AND DEMOGRAPHICS
5	MEMBER BENEFITS AND SERVICES
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14	ADDENDUM
15	CRS HIGHLIGHTS

Executive Summary

I am proud to present this Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2024. This report is designed to provide a clear and concise summary of the System's financial health, investment performance, membership statistics, and key operational highlights. It is derived from the more detailed Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with generally accepted accounting principles and available at the CRS website.

Helping Our Members Retire with Confidence

We are proud to serve the City of Cincinnati by providing secure retirement and healthcare benefits to eligible employees and retirees. Since 1931, CRS has helped thousands of public servants transition into retirement with financial stability and peace of mind. CRS is a defined benefit plan, meaning members receive guaranteed lifetime monthly payments based on their years of service and salary.

Membership Overview

We serve a diverse group of over 8,000 active employees, retirees, and beneficiaries. Member services include retirement counseling, DROP

administration, retiree healthcare coordination, and ongoing communication and education efforts. The system continues to prioritize service delivery improvements, including launching the MemberDirect portal for retirees and publishing updated member and retiree handbooks.

2024 Financial Highlights

- **Fiduciary Net Position:** Increased to **\$2.3 billion**, a \$71 million gain over FY2023, driven by strong investment performance.
- **Investment Return:** **9.7%** for the fiscal year, outperforming the actuarial assumed return of 7.5%.

Funding Status

- **Pension Funded Ratio:** 65.6%
- **City Contributions:** Increased to 18.2% of payroll
- **Healthcare Trust:** Fully funded as of 2024 at 142% with a formal funding policy adopted and approved by federal court.

Investment Strategy

CRS follows a disciplined long-term investment strategy that emphasizes diversification, prudent risk management, and cost efficiency. The System employs

both active and passive strategies, targeting a 7.5% long-term return. Over the five years ending June 30, 2024, the total fund earned an annualized return of 7.4%.

Looking Ahead

We continue to focus on strengthening governance, improving member experience, and achieving long term funding goals. Following an independent fiduciary audit, CRS has implemented over 90% of recommended improvements, reinforcing our commitment to transparency and excellence in plan administration.

We thank our members, retirees, and stakeholders for their continued trust and support. CRS remains committed to its mission: helping members retire with dignity and confidence.

Sincerely,



Jon Salstrom
Executive Director



The Cincinnati Retirement System (CRS) is a Defined Benefit Plan, sponsored by the City of Cincinnati as a 401(a) Plan under the United States Internal Revenue Code and qualifies as a Social Security replacement plan. As a government retirement plan, the CRS is a qualified plan for tax purposes and is exempt from the provisions of Employee Retirement Income Security Act (ERISA). The CRS is established by Chapter 203 of the Cincinnati Municipal Code and is a qualified governmental plan (401A) for tax purposes pursuant to 26 USC § 414(d).



Available pension benefits are determined exclusively by the member’s service credit years, plan multiplier, and average highest compensation. The CRS was established by Ordinance #412 1931 adopted by City Council on June 24, 1931, and became effective on August 1, 1931. It was the first retirement plan for general City employees in the State of Ohio. The creation of CRS predates the establishment of the Ohio Public Employees Retirement System (OPERS) and the Social Security System in 1935.

Our Mission: *Help members retire successfully*

- 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

Established in 1931;

- Public employees in OH do not participate in Social Security
- CRS members can be eligible for Social Security through a previous employer

Administration & Governance

The Cincinnati Retirement System (CRS) is administered by the **Retirement Division** of the **City Manager’s Office (CMO)**. The Division is managed by the **Executive Director**, who is appointed by the City Manager upon the recommendation of the CRS Board of Trustees. The staff of the Retirement Division report directly to the Executive Director.

The **CRS Board of Trustees** is composed of **nine members**:

- **3 Retired Members** – Elected by pensioners
- **2 Active Members** – Elected by current employees
- **4 Appointed Members** – Appointed by the Mayor of Cincinnati

CRS Board of Trustees Mission Statement

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

Understanding Defined Benefit Plans

The Cincinnati Retirement System is a **defined benefit (DB) plan**, which provides eligible employees with a guaranteed monthly retirement benefit for life.

Key Features:

- Employees and the City of Cincinnati both contribute to the Retirement System.
- Contributions are professionally managed and invested.
- Retirement benefits are calculated using a formula based on:
 - Average highest compensation
 - Years of service credit
 - Pension multiplier
- If you are vested and leave City employment before meeting retirement eligibility, you may:
 - Be eligible for a deferred benefit payable at retirement age, **or**
 - Receive a lump sum refund of your contributions.
- CRS offers several pension payment options and additional benefits, described in detail in the full member guide.

How CRS is Funded

CRS benefits are funded from **three main sources**:

1) Employee Contributions

- Employees contribute **9%** of pensionable earnings via pre tax payroll deductions.

2) City Contributions

- The City of Cincinnati contributes **at least 16.25%** of payroll based on CSA

3) Investment Returns

- Managed by the CRS Board of Trustees and professional investment staff.

These combined resources are used to pay retirement benefits and administrative expenses.

The Board and CRS staff are committed to transparency, fiduciary integrity, and the financial security of its members.



See www.cincinnati-oh.gov/retirement/ for more information.

MEMBERSHIP AND DEMOGRAPHICS

Eligibility

CRS covers eligible City of Cincinnati employees, excluding:

- Sworn Police and Fire personnel (covered by OP&F)
- Members of other Ohio retirement systems (e.g., OPERS)
- Elected Officials

CRS Membership Includes:

- Active Employees
- Deferred Vested Members
- Retirees and Beneficiaries (Optionees)

Member Benefits and Services

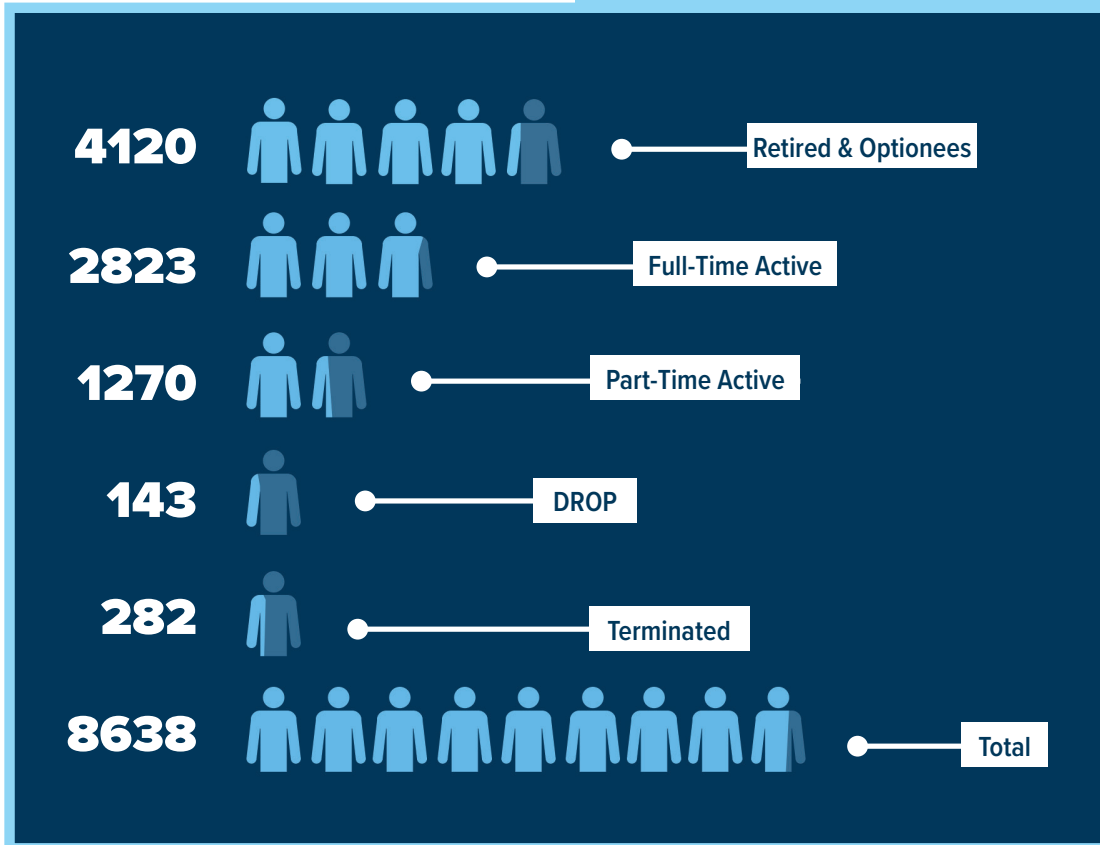
Core Benefits:

- Monthly Pension Benefits
- Retiree Healthcare (where eligible)
- Deferred Retirement Option (DROP)

Administrative Services Provided:

- Pension payroll administration
- Enrollment of new members
- Return of contributions processing
- Death benefit administration
- 457(b) Plan employer services administration
- Retiree healthcare processing and Medicare transition support
- Service purchase processing
- Survivor Benefits administration
- DROP administration and account distributions
- Member education and customer service

CRS FY2024 DEMOGRAPHICS





Assets and Liabilities

This table shows our assets and liabilities for the years ended June 30, 2022, 2023, and 2024. The fiduciary net position reflects the funds available at the end of the year to pay CRS Pension Benefits to our retired members or their beneficiaries, as well as health care insurance premium reduction payments for current and future retirees. The increase in fiduciary net position was primarily driven

by strong investment returns and higher contributions resulting from the City’s growing payroll. As of June 30, 2024, the fiduciary net position stood at \$2.3 billion.

During 2024, the value of our assets increased by \$78 million, largely due to an increase in the fair value of investments compared to their value at June 30, 2023.

	6/30/2022	6/30/2023	6/30/2024
Assets			
Cash and Cash Equivalents	\$ 55,386	\$ 40,437	\$ 46,864
Investments at Fair Value	2,223,395	2,237,686	2,306,422
Collateral on Loaned Securities	27,887	18,499	21,619
Receivables	7,815	10,026	10,134
Total Assets	2,314,483	2,306,648	2,385,039
Liabilities			
Accounts Payable	60,775	54,959	59,261
Obligations Under Securities Lending	27,887	18,499	21,619
Bonds Payable	283	271	259
Total Liabilities	88,945	73,729	81,139
Fiduciary Net Position restricted for benefits	\$ 2,225,538	\$ 2,232,919	\$ 2,303,900

Income and Expenses

This table summarizes our income (additions) and expenses (deductions) for the fiscal years ended June 30, 2022, 2023, and 2024. In 2024, total additions from contributions and investment returns reached \$295 million. Total deductions were approximately \$224 million, with \$219 million paid in retirement benefits including monthly CRS pension payments, health insurance premium reduction payments, death benefits, and DROP distributions to retirees and their beneficiaries.

Investment returns vary year to year; some years yield gains, while others may result in neutral or negative performance. In weaker years, we absorb the loss. As long-term investors, we focus on preserving and growing assets by minimizing costs, managing expenses, and pursuing long-term strategies to address funding challenges.

Our largest expense remains the payment of monthly CRS pension and health benefits to retirees and beneficiaries. Investment expenses, which are netted against earnings, totaled approximately

\$9.2 million in 2024. Administrative expenses cover essential operations including staffing, professional services, IT, depreciation, and building costs. Combined, investment and administrative expenses represented less than 1% of CRS's assets under management.

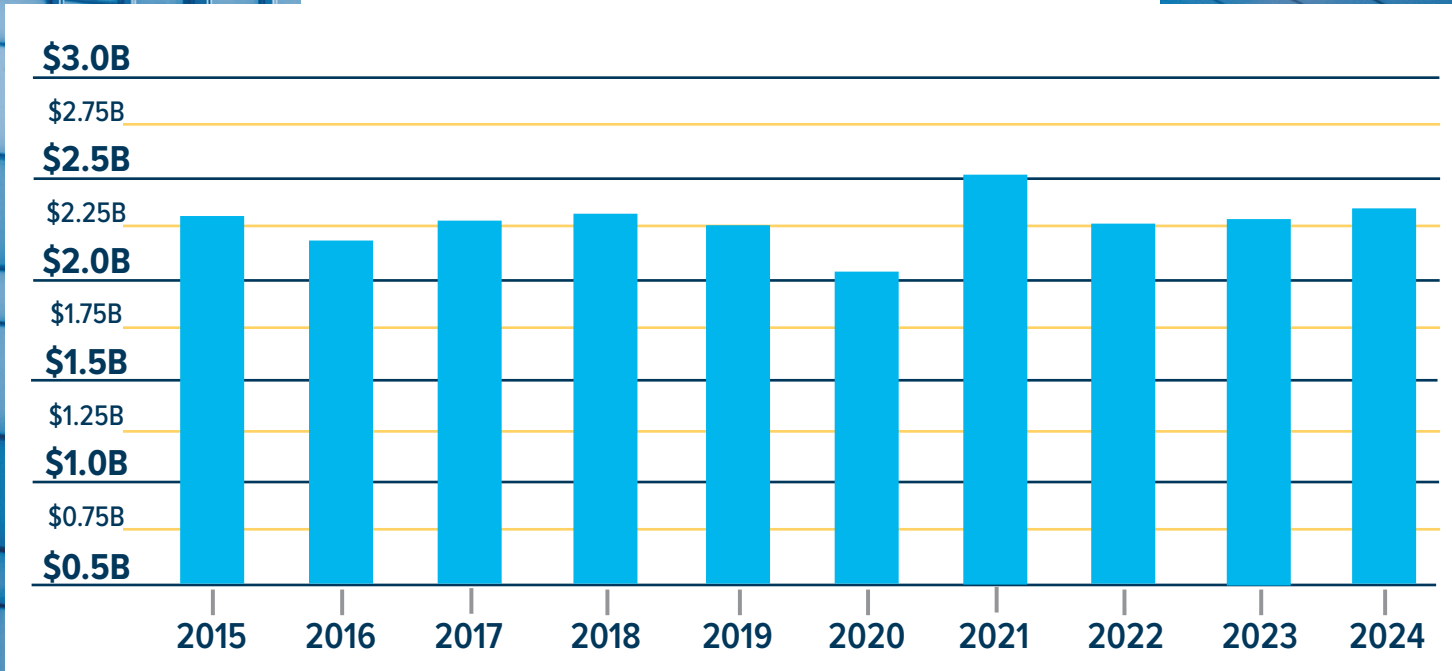
In 2024, net investment earnings increased by \$61 million compared to 2023, driven by favorable market conditions. Benefits paid rose by approximately \$1.7 million, primarily due to increased healthcare costs for retirees.

	6/30/2022	6/30/2023	6/30/2024
Additions			
Member Contribution	\$ 20,514	\$ 21,963	\$ 23,543
Employer Contribution	38,774	42,963	47,353
Transfer From Other Retirement System	7		
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	(111,139)	160,458	223,338
Earnings on Investment	12,679	10,515	10,327
Less Investment Expense	(7,715)	(7,550)	(9,206)
Net Income (Loss) From Securities Lending	13	(121)	(182)
Total Additions	(46,867)	228,228	295,173
Deductions			
Member Benefits and Refunds	217,112	218,423	221,483
Administrative Expenses	2,299	2,424	2,709
Total Deductions	219,411	220,847	224,192
Fiduciary Net Position Restricted for Benefits	\$ 2,225,538	\$ 2,232,919	\$ 2,303,900

10 Year Snapshot

Our Fiduciary net position represents assets available to pay pension benefits. The fund was \$2.30 billion at the end of fiscal year June 20, 2024. Most asset classes performed significantly better in 2024 than 2023.

Net Position Restricted for Benefits



FUNDING PROGRESS

Historical Contribution rates from Employer and Employee

Contribution Rates as of June, 30	2024	2023	2022	2021	2020
Actuarially determined employer contribution	75,831	68,354	70,017	67,309	63,405
Total Actual Employer Contributions	47,353	42,963	38,774	34,425	34,410
Annual Contribution Deficiency / (excess)	28,478	25,391	31,243	32,884	28,995
Covered Payroll	260,209	242,989	226,762	218,178	218,451
Actual City Contribution as a Percentage of Covered Payroll	18.2%	17.7%	17.1%	15.8%	15.8%
Actuarially Determined Employer Contribution as a Percentage of Payroll	29.1%	28.1%	30.9%	30.9%	29.0%

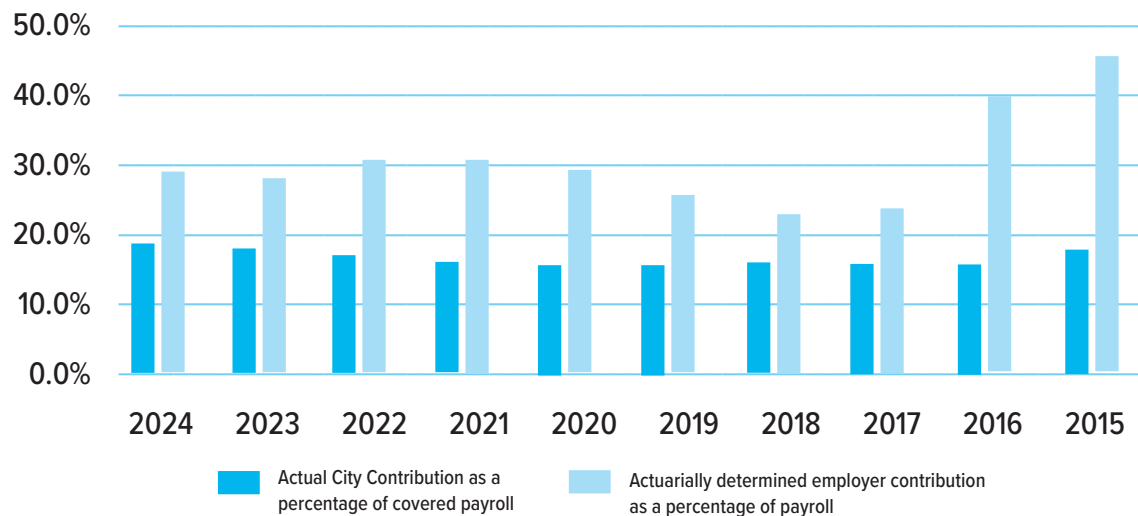
Current & Historical Funding Status *

Year	Pension	OPEB
2024	65.6%	142.1%
2023	51.4%	146.0%
2022	52.8%	142.6%
2021	75.6%	142.2%
2020	41.3%	120.5%
2019	57.9%	74.7%
2018	74.7%	86.8%
2017	76.9%	95.4%
2016	74.5%	0.0%
2015	52.0%	0.0%

* Refer to "Understanding Valuation and Funded Ratio Differences" on page 14 for detailed information.



Historical City of Cincinnati Employee Contribution Rates



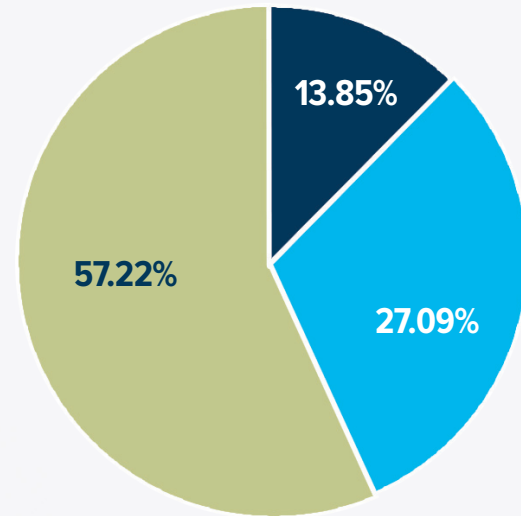
Healthcare Trust

- **Status:** Fully funded
- **Funding Policy Adopted:** 2023 (approved by federal court in 2024)
- **Trigger Level:** Contributions increase if funded ratio falls below 90%

Where does funding come from (last 3-year average from “additions” table at right):

- Investment returns – 59%
- Employer contributions – 27%
- Employee contributions – 14%

Funding Source 3yr Average



■ Member Contribution ■ Employer Contribution
■ Investment Income

Pension Trust

- **Goal:** 100% funded by 2045
- **Current Funded Ratio:** 65.6%
- **City Contributions in CY2024:** 17.00% of payroll
- **Actuarially Determined Contribution (ADC):** 29.1% of payroll
- **City’s Actual Contribution:** 18.2% of payroll includes ERIP and Stabilization fund contribution (page 165 of ACFR)

Projections now estimate full funding by 2061 under current contribution levels.



Return Objectives *

The primary return objectives of the System 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 ensure the systematic and adequate funding of actuarially determined benefits through contributions and professional management of the System assets.

Risk Tolerance

While achieving the return objectives, the System can tolerate certain levels of risk, which are:

- (a)** to accept prudent levels of short and long term volatility consistent with the near term cash flow needs, funding level, and long term liability structure of the System,
- (b)** to tolerate appropriate levels of downside risk relative to the System’s actuarial assumed rate of return. In doing so, the Board of the Trustees will attempt to minimize the probability of underperforming the System’s actuarial assumed rate of return over the long term and to minimize the shortfall in the event such underperformance occurs,
- (c)** to accept prudent variances in the asset allocation structure of the System relative to the broad financial markets and peer groups, **and**
- (d)** to tolerate prudent levels of short term underperformance by the System’s investment managers.

*Refer to “Return Calculation and Interpretation” on page 14 for detailed information.

CRS Investment Beliefs:

Time Horizon – The Board of Trustees maintains a long term investment horizon, recognizing that our obligations extend far into the future. Investment decisions are aimed at providing sustainable returns over the long term, rather than focusing solely on short term market fluctuations.

Strategic Asset Allocation – A long term strategic asset allocation will be adopted, and assets will be rebalanced regularly. However, in times of extreme market dislocations, tactical adjustments will be considered. The Board of Trustees recognizes that, if properly compensated for the risk, tactical shifts could benefit the portfolio.

Diversification – The Board of Trustees recognizes the importance of diversification across asset classes, geographies, and investment strategies. Diversification helps to mitigate risk and enhance the resilience of our portfolio against market volatility. However, over diversification is to be avoided, and investments must be sizable enough to impact the overall portfolio.

Efficient Markets – The Board of Trustees subscribes to modern portfolio theory which means that generally over long periods of time, major market segment asset prices reflect all available information and that consistently exceeding market returns on a risk adjusted basis is improbable.

Risk – An appropriate level of risk is necessary to achieve desired long term investment returns. Risk should be discussed in terms of balancing desired returns with tolerance for volatility, tracking error, beta, value at risk, and maximum draw down. The portfolio risk should be evaluated based on the System’s investment capacity to recover from adverse market volatility. Since no single metric adequately conveys risk, the Board of Trustees will evaluate risk holistically, incorporating quantitative and qualitative assessments into management of the portfolio.

Active vs. Passive – In markets where evidence suggests that security prices are efficiently set, passive (indexed) market strategies will be employed. Conversely, in less efficiently priced markets, the Board of Trustees will use active management strategies.

Private Markets/Illiquid Strategies – Private markets/illiquid strategies can add value when an appropriate illiquidity premium is expected to be captured. The Board of Trustees has the ability and risk tolerance to invest in illiquid strategies.

The following chart reflects the annual rates of return including 1 year, 5 year & 10 year annualized returns*.

Returns (as of June 30)

Annual CRS Pension Rates of Investment Return & Funded Status

Fiscal Year (12 m)	Actuarial Rate of Return	CRS Return	Funded Status
2015*	7.5%	1.0%	52.0%
2016	7.5%	-0.5%	74.5%
2017	7.5%	12.1%	76.9%
2018	7.5%	7.8%	74.7%
2019	7.5%	4.2%	57.9%
2020	7.5%	-1.1%	41.3%
2021	7.5%	26.2%	75.6%
2022	7.5%	-3.9%	52.8%
2023	7.5%	8.3%	51.4%
2024	7.5%	9.7%	65.6%

		Median Peer Plan Return**
10-Year Compound Return	6.1%	6.3%
5-Year Compound Return	7.4%	7.2%
3-Year Compound Return	4.5%	2.7%

* Refer to "Return Calculation and Interpretation" on page 14 for detailed information.



Asset Allocation (2024 Target Mix)

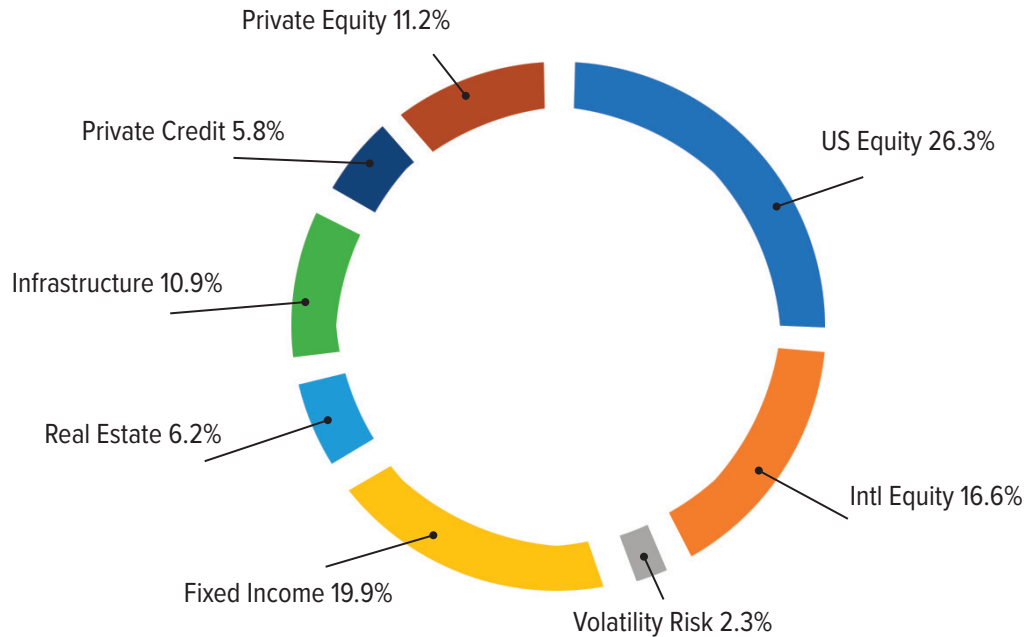
The Board of Trustees, with the assistance of the Investment Consultant, will conduct a strategic asset allocation study and an asset/liability study every 3 to 5 years. Tactical studies may take place more frequently in times of extreme market dislocations. They will take into consideration applicable statutes, the actuarial rate of return of the System, the long-term nature of the asset pool, the cash flow needs of the System, and the general asset allocation structure of their peers. They will make assumptions on the capital markets over the long-term and optimize the asset allocation to best meet the actuarial and cash flow needs of the System at a prudent level of risk.

Return Over Unit of Risk (Standard Deviation):
More efficient use of risk relative to peers and policy benchmark

5 yrs as of June 30, 2024	Return	Standard Deviation
Total Fund	7.4%	8.8%

Asset Class	Strategic Band	Target %	Actual %	Strategic Band	Benchmark Index
Domestic Equity	23.5%	28.5%	26.3%	35.5%	Russell 3000
International Equity	13.0%	16.0%	16.6%	23.0%	MSCI ACWI ex. U.S.
Vol Risk Premia	1.0%	2.5%	2.3%	4.0%	CBOE Put/Write Index
Fixed Income	24.0%	29.0%	19.9%	34.0%	Bloomberg U.S. Aggregate
Real Estate	3.0%	6.0%	6.2%	8.0%	NCREIF ODCE
Infrastructure	5.0%	10.0%	10.9%	15.0%	T-Bill + 4%
Private Debt	1.0%	6.5%	5.8%	4.0%	S&P Leveraged Loan Index
Private Equity	0.0%	8.0%	11.2%	14.0%	Burgiss Global All PE
Total		100.00%			

Investment Asset Allocation



Understanding Valuation and Funded Ratio Differences *(from page 9)*

The Cincinnati Retirement System reports asset values and funded ratios under two separate frameworks, each serving a different purpose.

The PAFR, prepared in accordance with GASB Statements No. 67 and 68, reports assets at fair value as of the fiscal year-end and presents a funded ratio intended for financial reporting and comparability across public pension plans.

The actuarial valuation report, prepared on a calendar year by the System’s independent actuary, measures funded status using

methods and assumptions designed to support funding policy, contribution requirements, and long-term sustainability. This valuation may incorporate techniques such as asset smoothing, different measurement dates, and actuarial assumptions that differ from those used for financial reporting.

As a result, funded ratios and asset values reported in the ACFR and the actuarial valuation report will generally differ. Both are appropriate for their respective purposes and should not be directly compared.

Return Calculation and Interpretation *(from page 11)*

Investment returns presented in this PAFR are intended to reflect the overall investment experience of the Retirement System and therefore incorporate the impact of contributions, benefit payments, and other cash flows. Accordingly, PAFR investment returns are calculated using a cash-weighted (money-weighted) methodology.

For investment oversight purposes, the Board of Trustees and staff rely on performance reports prepared by the System’s independent

investment consultant. Consultant-reported returns are calculated on a time-weighted basis, which removes the effect of external cash flows and is the appropriate methodology for evaluating investment manager performance and compliance with policy benchmarks.

Due to these methodological differences, investment returns presented in this PAFR should not be directly compared to consultant-reported returns. Both measures are appropriate for their respective purposes.

CRS HIGHLIGHTS

Key Improvements & Activities

- Healthcare funding policy finalized in 2024
- Add Member Counselor 1Q 2024
- Publish new Member Handbook 2025
- Publish a Retiree Handbook in 2025
- 1-on-1 retirement counseling mtgs 2024
- Regular Retirement 101 trainings for actives
- Open MemberDirect portal for Retirees in 2024
- Outreach to deferred and non-vested members

Our mission is helping our members have a successful retirement!!

Fiduciary Audit (Governance Report)

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.cincinnatioh.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.