



Cincinnati Retirement System: 2024 Update

CINCINNATI RETIREMENT SYSTEM

→ Welcome to CRS!

- Our Mission: *Help members retire successfully*
- Established in 1931; pre-dates Social Security
 - Public employees in OH do not participate in Social Security
 - CRS members can be eligible for Social Security through a previous employer
- CRS covers only certain City of Cincinnati employees. Excludes:
 - Sworn Police and Fire (OP&F), Members of Ohio systems (OPERS), Elected Officials

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→ CRS Snapshot

- As of 12/31/2022:
 - Retirees: 4,305
 - Actives: 3,975 (FT, PT, DROP)
 - Total assets = \$2.2B
 - Unfunded Actuarial Liability = \$803mm
 - Funded ratio (pension trust) = 69.3%
 - Funded ratio (health trust) = 146.4%

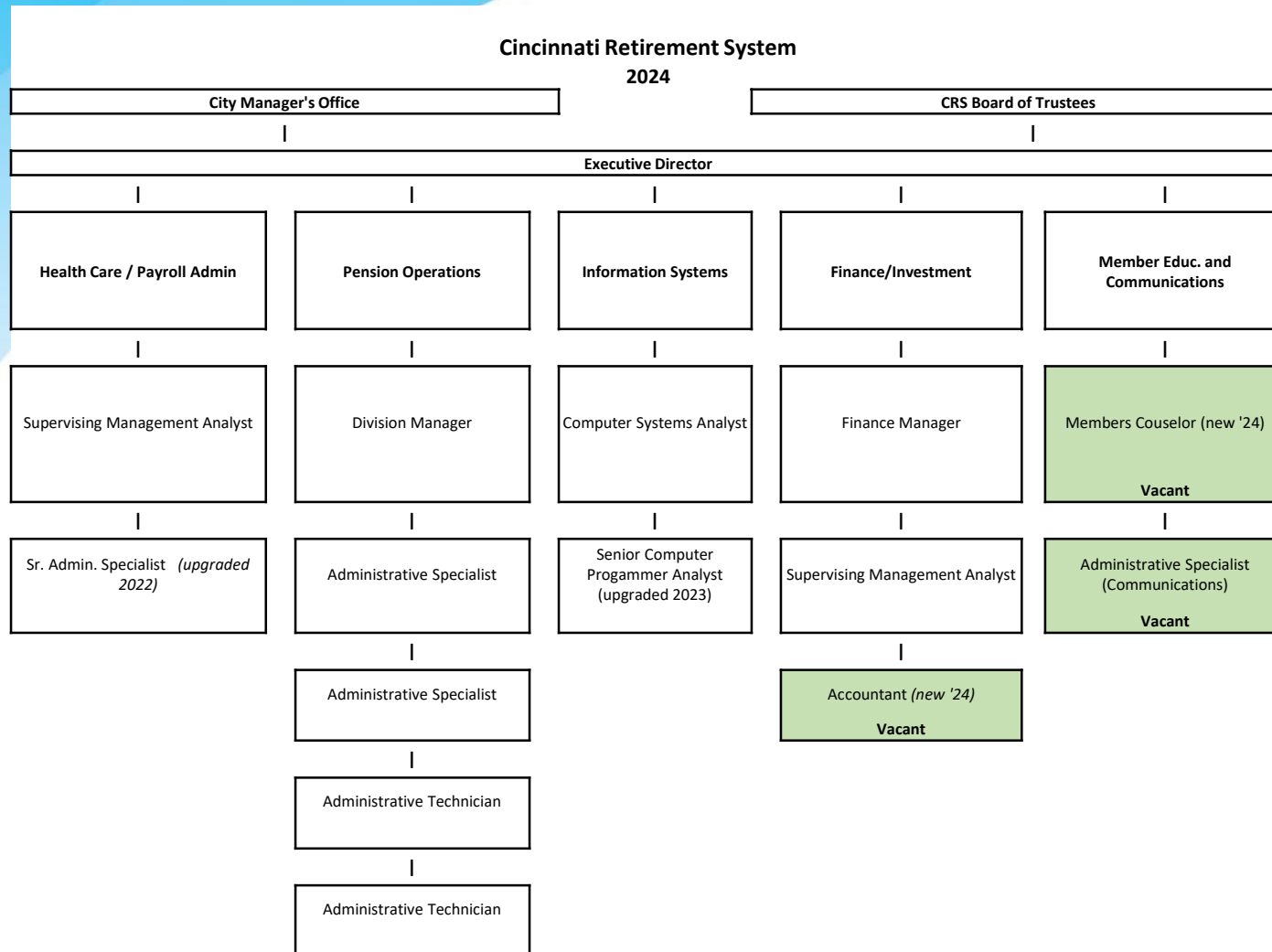
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→ Governance

- Board of Trustees (4yr terms)
 - 4 appointed by Mayor
 - 3 elected by retirees
 - 2 elected by active employees
 - Board has exclusive authority over trusts
 - Meets first Thursday of each month
- Governed by:
 - Collaborative Settlement Agreement-2016
 - CMC Ch. 203; Admin Code Art. XV
 - Board Rules and Policies

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→ Staffing



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→ CRS Operations

- What We Do:
 - Process retirement applications
 - Enroll new members
 - Process Return of Contributions
 - Process Death Benefits
 - Process 457 Plan enrollments
 - Process Retiree Healthcare Open Enrollment and Medicare Transitions
 - Process Service Purchases
 - Member Education and Customer Service

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→2016 Collaborative Settlement Agmt.

- Settled litigation related to changes to CRS pension and health benefits
- Federal District Court retains continuing jurisdiction through Consent Decree
- CSA Changes:
 - Normal and early retirement eligibility
 - Retiree healthcare eligibility
 - Cost of Living Adjustment (COLA): Simple COLA/3yr delay
 - Created Deferred Retirement Option Program (DROP)
 - Created 115 Trust for healthcare
 - Board composition
 - Payoff of 2007 ERIP liability

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→ CRS Benefits

- 6 different types of retirement benefits:
 - Monthly Pension Benefit
 - Retiree Healthcare
 - Deferred Retirement Option Plan
 - Disability Retirement Benefits
 - Survivor Benefits
 - Deferred Compensation (457 Plan)
- Eligibility for each type of benefit differs

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→ CRS Benefits: Why?

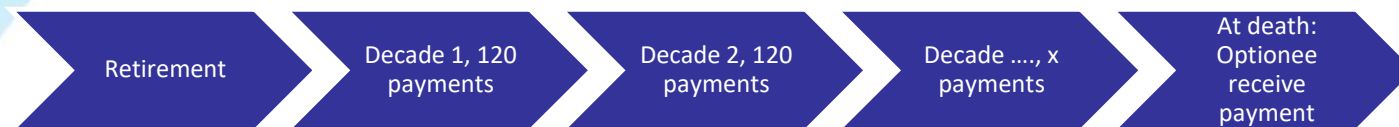
Long-term
Public
Service

Retirement
Security

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→ Monthly Pension Benefit

- CRS provides a “Defined Benefit” pension
 - “Defined Benefit” means a formula-based monthly payment for the rest of your life
 - Employer assumes financial risk



- Different than “Defined Contribution” which provides a lump sum at retirement
 - Employee assumes financial risk



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→ Funding Defined Benefit Plans

- Contributions + Investments =
Benefits + Expenses
- Actuaries Seek to Predict:
 - The CRS Board approves the actuary and actuarial assumptions
 - Rate of investment return, retirement age, years of service, salary increases, mortality, administrative cost, inflation, healthcare cost increases
 - Actuaries make good faith professional estimates
 - But no one has a crystal ball!



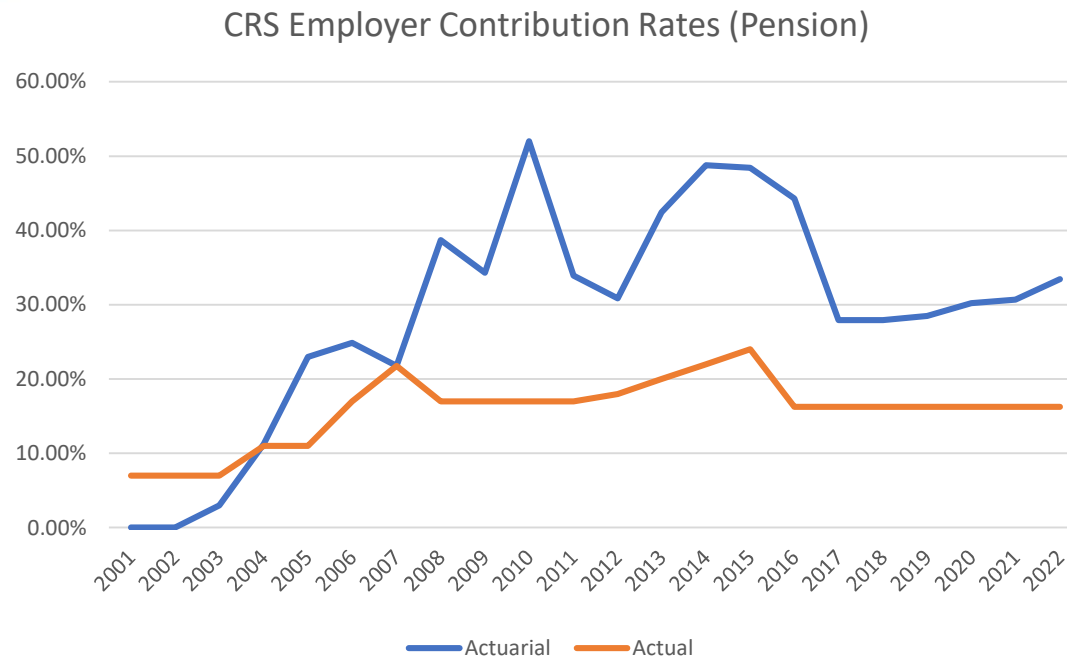
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→ Funding Benefits: Contributions

- FT Employee Contribution Rate: 9%
- City Employer Contribution Rate: 17.0%
- Actuarially Determined Contribution Rate (ADC): 34.0%
 - “Treadwater Rate” = Employer contribution rate needed to avoid an Unfunded Liability increase
- City 2023 ERIP payment (\$2.7mm)
- City 2023 “Stabilization Fund” payment (\$2mm)
- City 2023 rate = ~19.0%

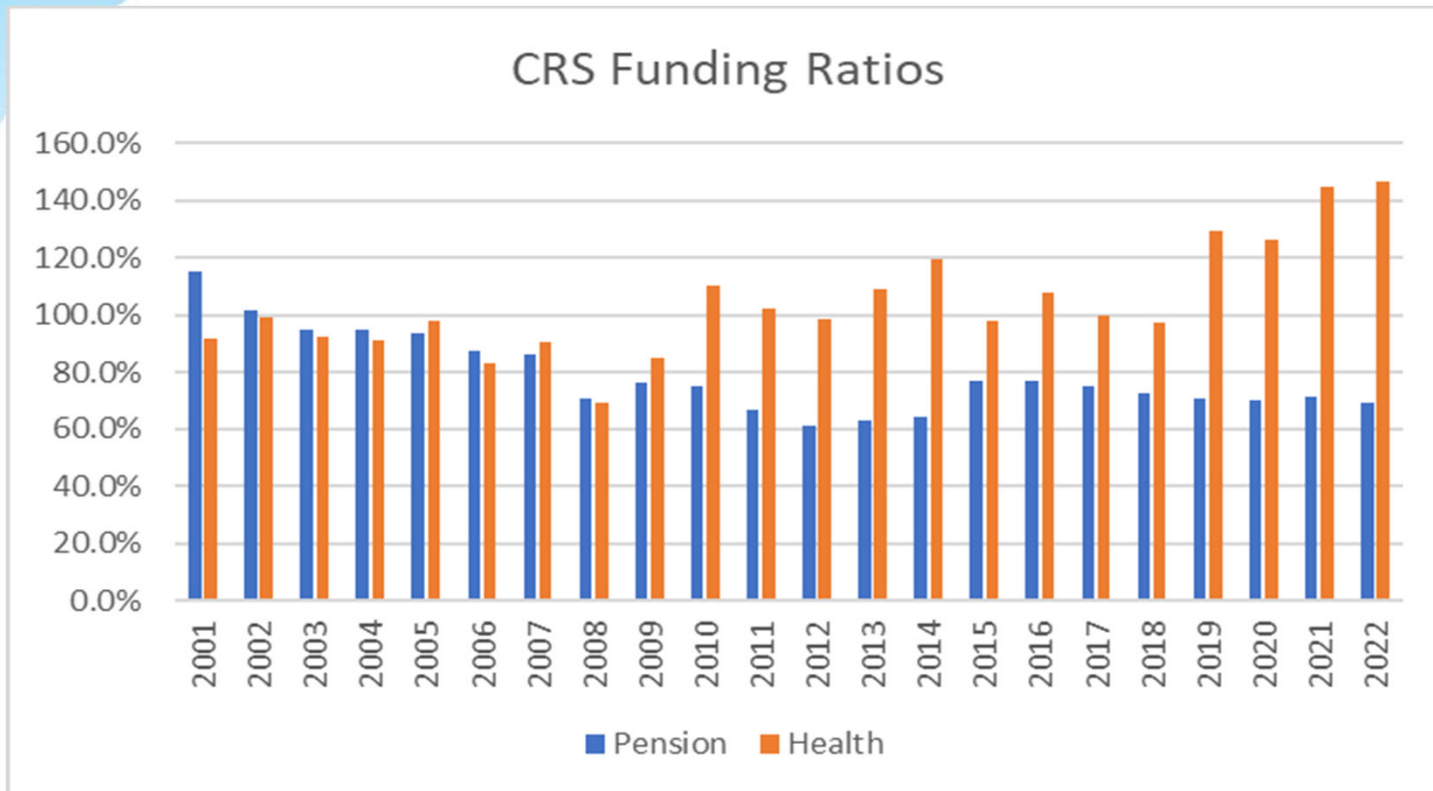
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→ Funding Benefits: Contributions



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→ Funding Benefits: Funding Ratios



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→ D.R.O.P. (Deferred Retirement Option Program)

- This is an additional benefit to the employee created by CSA.
- Participation in DROP is completely voluntary
- Can defer retirement for up to 5 years
- Active employees are eligible after 30 years of service
- Employee pension contributions and monthly pension payments are deposited and earn interest during DROP
- At final retirement, the taxable accumulated deposits are paid out

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→ Retiree Healthcare

- For each plan type, there is a pre-65 (Commercial) and 65+ plan (Medicare Advantage)
 - When member ages into Medicare (65), Medicare pays as primary and CRS pays as secondary
 - CRS premiums drop by about 75%
 - Member pays Medicare Part B premium
 - Medicare Advantage (65+) combines traditional Medicare (Part A and Part B) with CRS plan

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→ Funding Benefits: Investments

- CRS Board has exclusive authority over investments of trust assets
- Board Fiduciary Duty
 - “The fiduciary responsibility shall be solely to the active and retired members of CRS.”
CSA, para. 30(iv)

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→ Funding Benefits: Investments

- CRS Board has adopted an Investment Policy Statement (revised, 2024)
 - Preserve safety of principal
 - Adopts prudent investor rule
 - Diversify investments in different asset classes with strategic asset allocation
 - Board Inv. Consultant: Marquette Assocs.
 - Selects and manages investments according to Board asset allocation

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→ Funding Benefits: Investments

CRS Asset Allocation

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

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→ Funding Benefits: Investments

- **Active Investing**
 - Manager seeks to beat benchmark through proprietary analysis and selection of investments
 - Can be costly; results vary—can beat the benchmark some of the time; difficult to do all the time
- **Passive Investing**
 - Use index funds to track the benchmark
 - Very inexpensive compared to active investment
- **Alternatives**
 - Investment in illiquid markets of equity, credit and real assets

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→ Funding Benefits: Investments

Annual CRS Rates of Investment Return

<u>Plan Year</u>	<u>Investment Return</u>	
	<u>Assumption</u>	<u>Market Return</u>
2011	7.5%	0.9%
2012	7.5%	12.1%
2013	7.5%	17.1%
2014	7.5%	6.5%
2015	7.5%	-0.1%
2016	7.5%	8.9%
2017	7.5%	14.9%
2018	7.5%	-4.3%
2019	7.5%	16.8%
2020	7.5%	10.3%
2021	7.5%	17.4%
2022	7.5%	-9.3%
2023	7.5%	11.7%
10-Year compound Average		6.9%
5-Year Compound Average		8.9%

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→ Funding Benefits: Investments

- Collaborative Settlement Agreement (CSA), implemented 2016
 - Fixes the assumed rate of return at 7.5%
- US public defined benefit plans
 - Median return assumption = 7%

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→ Expenses

- CRS Board of Trustees is fiduciary of CRS assets and has budget authority per the CSA and CMC
- Board adopts annual calendar year budget
- CRS Budget provided to Council and CMO for information
- FY24 Operating Costs = \$3.8mm (0.17%)
- FY24 Inv. Fees = \$8.1mm (0.36%)
- All-in costs = 0.53% of assets under mgmt.

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→ Upcoming for CRS

- Add Member Counselor 1Q 2024
- Publish new Member Handbook 1Q 2024
- Publish a Retiree Handbook in 2024
- 1-on-1 retirement counseling mtgs 2Q 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!!

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→ Pending Issues

- Adequate employer contributions to ensure sustainability of system.
- Continued funding for 2020 ERIP
- Health trust funding policy
- Model health points (grid) system (CSA)
- Actuarial analysis of DROP cost neutrality
- Deduction of Attorney's Fees from Current Employee's Class Members Monthly Pension Benefits
- Multiplier for Group G (2.2 to 2.0 at 30 years)

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→ Scenario to Fully Fund by 2045

Schedule of Funded Ratios	Earnings Assumption = 7.5%			
	Flat E'r Rate of 17%		Increase E'r Rate by 1.5%	
	E'r Contr Rate	Funded Ratio	E'r Contr Rate	Funded Ratio
12/31/2022	16.25%	69.3%	16.25%	69.3%
12/31/2023	17.00%	68.2%	17.00%	68.2%
12/31/2024	17.00%	66.2%	17.00%	66.2%
12/31/2025	17.00%	64.1%	18.50%	64.2%
12/31/2026	17.00%	60.5%	20.00%	60.8%
12/31/2027	17.00%	59.3%	21.50%	60.0%
12/31/2028	17.00%	58.1%	23.00%	59.4%
12/31/2029	17.00%	56.8%	24.50%	58.9%
12/31/2030	17.00%	55.4%	26.00%	58.6%
12/31/2031	17.00%	54.0%	27.50%	58.5%
12/31/2032	17.00%	52.5%	29.00%	58.6%
12/31/2033	17.00%	50.9%	30.50%	59.0%
12/31/2034	17.00%	49.3%	32.00%	59.7%
12/31/2035	17.00%	47.6%	33.50%	60.8%
12/31/2036	17.00%	45.8%	35.00%	62.2%
12/31/2037	17.00%	43.8%	36.50%	64.1%
12/31/2038	17.00%	41.9%	38.00%	66.5%
12/31/2039	17.00%	39.9%	39.50%	69.5%
12/31/2040	17.00%	37.8%	41.00%	73.1%
12/31/2041	17.00%	35.8%	42.50%	77.4%
12/31/2042	17.00%	33.9%	44.00%	82.5%
12/31/2043	17.00%	32.0%	45.50%	88.5%
12/31/2044	17.00%	30.2%	47.00%	95.3%
12/31/2045	17.00%	28.5%	48.50%	103.0%

Cheiron Projection, May 2023



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- *CRS website is continually updated*
 - Board meeting packets, minutes, agenda, financial reports, investment and actuarial reports, resources, newsletters, updates governance documents (CSA, Muni Code, Board rules and polices). Click here for [CRS](#).

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→ Questions?

- Please visit the CRS Website:
<https://cincinnati-oh.gov/retirement/>
- Email: retirement@cincinnati-oh.gov
- Office:
City Hall, Room 328
801 Plum Street
Cincinnati, OH 45202
(513) 352-3227



- ***Please keep CRS updated on your contact info!***

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→ Contact Info

- We appreciate your participation today!
- Contact info:

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