



## City of Cincinnati Retirement System Board of Trustees Meeting

### Agenda

October 3, 2024 / 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  
Tom West  
Seth Walsh  
Aliya Riddle  
Sonya Morris

#### CRS Staff

Jon Salstrom

#### Law

Linda Smith

#### Call to Order

#### Public Comment

#### Approval of Minutes

🇺🇸 September 12, 2024

#### Report from Governance Committee

##### Informational – Staff Report

- Marquette Investment Report
- Staff Update
- 115 Subcommittee Update
- Futures Commissions Update
- Fiduciary Audit Recommendations Update
- Mayoral Trustee Appointment

##### Old Business

- Term Limits Ordinance
- Memorandum of Understanding – Funston Recommendations

##### New Business

- Cheiron Training – Actuarial Terms and Concepts

#### Adjournment

**Next Meeting:** Thursday, November 7, 2024, 2:00 P.M. City Hall Council Chambers and via Zoom

**City of Cincinnati Retirement System  
Board of Trustees Meeting Minutes  
September 12, 2024 / 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  
Tom West  
Seth Walsh  
Aliya Riddle

**Administration**

Jon Salstrom

**Law**

Linda Smith

**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, and Riddle were present. Trustees West and Walsh were absent.

**PUBLIC COMMENT**

No Public Comment.

**APPROVAL OF MINUTES**

Approval of the minutes of the Board meeting of August 1, 2024, was moved by Trustee Rahtz and seconded by Trustee Riddle. The minutes were approved by unanimous roll call vote.

**Report from Benefits and Performance Evaluation**

Trustee Rahtz explained that there were two motions from the Performance Evaluation Committee.

- Motion to approve the 2023 and 2024 evaluation of the Executive Director. No second needed. The motion was approved by unanimous roll call vote.
- Motion for the Performance Evaluation Committee members to review existing performance evaluation form and format for improvements, and to work with the Director to draft performance goals and objectives for the next Performance Evaluation Committee meeting. No second needed. The motion was approved by unanimous roll call vote.

Trustee Gamel explained the motion from the Benefits Committee.

- Motion to approve the recommendation for Disability Retirement. Trustee Rahtz recused herself because she was not present at the meeting. No second needed. The motion was approved by unanimous roll call vote.

### **Informational – Staff Report**

#### **Marquette Investment Report**

Chair Moller referenced the Investment Report that is included in the packet. The year-to-date return is 6.5%. The one-year return is 9.3% which is above our assumed rate of return of 7.5%. Still a little behind the benchmark on U.S. Equity and Infrastructure.

Director Salstrom commented that he mentioned in the Performance Evaluation Committee that they anticipate some market volatility, but the resiliency and robustness of the portfolio of the asset allocation should help endure that. He also highlighted the contracts that are currently outstanding.

#### **Staff Update on Open Positions**

Director Salstrom explained that the Senior Computer Programmer Analyst and Accountant positions have been filled and the new employees will start at the end of the month. The Administrative Specialist position was filled by an internal candidate and are now working on filling their Administrative Technician position.

#### **Budget and Operational Update**

Director Salstrom explained each dashboard with the intent for the information to be visually easier to digest. His plan is to show these once a quarter.

- CRS Investment Dashboard
- CRS Benefits and Demographics Dashboard
- CRS Risk Dashboard
- CRS Budget Dashboard

Director Salstrom then gave a summary of the Funston recommendations that were discussed at the Performance Evaluation Committee.

#### **115 Subcommittee Update**

Director Salstrom explained that CRS is waiting to hear from Ice Miller regarding the Board of Trustees questions on comparisons to OPERS.

#### **Futures Commissions Motion Update**

Chair Moller explained that the City Manager's report has gone to Council.

#### **Fiduciary Audit Recommendations Update**

Director Salstrom explained that there is no update at this time.

#### **Mayoral Trustee Appointments**

Chair Moller explained that the Mayoral Trustee Appointment, Sonya Morris has been introduced to the Board and Director Salstrom confirmed that the Board will get more information on the other Mayoral appointee at the next Board meeting.

### **Old Business**

#### **Survivor Benefits Ordinance**

Director Salstrom explained that the ordinance has passed, and the final copy is included in the packet.

### Term Limits Ordinance

Director Salstrom explained that the ordinance is currently with Public Safety and Governance. The ordinance is currently on hold in committee. Chair Moller explained his concern of the ordinance being approved due to asking Council and the Mayor to remove term limits for the Board when they are functioning under term limits. He suggested a possible solution to have a limit of 3 terms as either an elected retiree member or as an active member. For example, if you were an active member and completed your 3 terms and you wanted to be a retiree member, then you would not be excluded, and the clock would start over if you wanted to run as a retiree. Another suggestion was that if an election does not occur in time to fill the position becoming vacant, the person filling the current position could continue to serve until the election is completed. After discussion, it was decided to continue with the current ordinance which will be on the Council agenda after September 17<sup>th</sup>.

### Points Gird Ordinance

Director Salstrom explained that the ordinance has passed, and the final copy is included in the packet.

### Annual Report Letter to CMO, Mayor & Council

Chair Moller explained that he and Director Salstrom did a presentation last week and believes it was well received. The point they were trying to make was that they would like to see the incremental increase approach in writing and agreed to so they can move forward on it; very similar to the Healthcare Trust Funding Ordinance that was just passed.

### New Business

#### Draft Trustee Training Policy

Director Salstrom explained the Trustee Training Policy that he created in the back of the packet. The purpose is to ensure that all trustees feel informed and receiving that training that they need, not only when they first join but on an ongoing basis. Trustee Riddle motioned to approve the policy with the change of the 8-hour training be changed from required to recommended and seconded by Trustee Rahtz. The motion was approved by unanimous roll call vote.

#### Trustee Training Manual and Education Annually

Director Salstrom explained that these are now on the website.

He has reworked 3 of the presentations and will work on adding these to the website. The idea is to present these annually to the Board of Trustees as a refresher.

1. Retirement 101 – Introduction to the CRS system, overall governance structure, and some history.
2. Retirement 201 – Investment principles
3. Retirement 301- Actuarial principles

### Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Rahtz. The Board approved the motion by unanimous roll call vote. The meeting was adjourned at 3:07 p.m.

**Meeting video link:** <https://archive.org/details/crs-board-9-12-24>

**Next Meeting:** Thursday, October 3, 2024, at 2:00 p.m. – City Hall Council Chambers and via Zoom

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Secretary

DRAFT



**Cincinnati Retirement System**

City of Cincinnati  
Retirement System  
Executive Summary  
**August 31, 2024**



Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,357,844,790
Net Cash Flow	-\$16,065,593
Net Investment Change	\$31,688,570
Ending Market Value	\$2,373,467,767

Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
<b>Total Fund Composite</b>	<b>2,373,467,767</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>
Fixed Income Composite	495,207,554	20.9	22.5	-38,822,694
Private Debt Composite	63,469,877	2.7	6.5	-90,805,528
U.S. Equity Composite	683,489,966	28.8	28.5	7,051,652
Non-U.S. Equity Composite	381,072,967	16.1	16.0	1,318,125
Volatility Risk Premium Composite	60,837,101	2.6	2.5	1,500,407
Real Estate Composite	153,617,275	6.5	6.0	11,209,209
Infrastructure Composite	251,551,730	10.6	10.0	14,204,953
Private Equity Composite	265,982,170	11.2	8.0	76,104,749
Total Cash Equivalents	18,239,129	0.8	--	18,239,129

Performance

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
<b>Total Fund Composite</b>	<b>1.3%</b>	<b>4.3%</b>	<b>8.1%</b>	<b>12.8%</b>	<b>4.4%</b>	<b>8.9%</b>	<b>7.1%</b>	<b>8.8%</b>	<b>May-85</b>
Target Benchmark	1.5%	4.6%	8.3%	13.1%	3.4%	8.7%	7.3%	--	May-85
Actuarial Rate 7.5%	0.6%	1.8%	4.9%	7.5%	7.5%	7.5%	7.5%	7.5%	May-85
<b>Fixed Income Composite</b>	<b>1.4%</b>	<b>4.6%</b>	<b>3.8%</b>	<b>7.9%</b>	<b>-1.1%</b>	<b>1.7%</b>	<b>2.7%</b>	<b>5.1%</b>	<b>Nov-95</b>
Bloomberg US Aggregate TR	1.4%	4.8%	3.1%	7.3%	-2.1%	0.0%	1.6%	4.3%	Nov-95
<b>Private Debt Composite</b>	<b>0.0%</b>	<b>2.3%</b>	<b>6.7%</b>	<b>11.3%</b>	<b>7.4%</b>	<b>--</b>	<b>--</b>	<b>4.6%</b>	<b>Sep-20</b>
Bloomberg US Aggregate TR	1.4%	4.8%	3.1%	7.3%	-2.1%	0.0%	1.6%	-1.6%	Sep-20
Bloomberg US High Yield TR	1.6%	4.6%	6.3%	12.6%	2.5%	4.5%	4.7%	4.8%	Sep-20
<b>U.S. Equity Composite</b>	<b>1.9%</b>	<b>7.3%</b>	<b>17.0%</b>	<b>25.1%</b>	<b>7.6%</b>	<b>14.4%</b>	<b>10.8%</b>	<b>9.8%</b>	<b>Feb-89</b>
Russell 3000	2.2%	7.3%	18.2%	26.1%	7.9%	15.2%	12.4%	10.9%	Feb-89
<b>Non-U.S. Equity Composite</b>	<b>2.9%</b>	<b>5.0%</b>	<b>11.1%</b>	<b>17.9%</b>	<b>2.3%</b>	<b>7.7%</b>	<b>4.4%</b>	<b>6.0%</b>	<b>May-93</b>
MSCI ACWI ex USA	2.8%	5.1%	11.2%	18.2%	2.1%	7.6%	4.4%	--	May-93
<b>Volatility Risk Premium Composite</b>	<b>0.3%</b>	<b>2.6%</b>	<b>8.3%</b>	<b>11.1%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.0%</b>	<b>Jan-22</b>
CBOE Put Write Index	2.4%	5.6%	11.7%	14.4%	7.6%	9.1%	6.9%	7.6%	Jan-22
<b>Real Estate Composite</b>	<b>0.1%</b>	<b>0.1%</b>	<b>-2.6%</b>	<b>-8.1%</b>	<b>2.0%</b>	<b>3.7%</b>	<b>6.6%</b>	<b>4.8%</b>	<b>Aug-07</b>
NFI-ODCE	0.0%	-0.2%	-3.2%	-8.7%	-0.4%	2.1%	5.3%	3.8%	Aug-07
<b>Infrastructure Composite</b>	<b>0.1%</b>	<b>1.6%</b>	<b>3.3%</b>	<b>8.0%</b>	<b>9.1%</b>	<b>9.2%</b>	<b>7.2%</b>	<b>8.3%</b>	<b>Aug-08</b>
3 Month T-Bill +4%	0.8%	2.3%	6.3%	9.7%	7.5%	6.3%	5.6%	5.1%	Aug-08
<b>Private Equity Composite</b>	<b>0.0%</b>	<b>1.5%</b>	<b>3.1%</b>	<b>6.9%</b>	<b>7.2%</b>	<b>13.5%</b>	<b>12.5%</b>	<b>8.8%</b>	<b>Jul-93</b>
Burgiss Global All Private Equity	0.0%	0.8%	1.9%	4.4%	3.7%	14.6%	13.8%	15.1%	Jul-93

## DISCLOSURE

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## Funston Performance Audit - Summary of Recommendations

## Assignment

		Board	Board, Adm.	Priority	Board	Governance	IC	Staff	Performance evaluation	Audit
<b>1. Legal and Regulatory</b>										
	<b>Status</b>									
1.1	Improve definition and clarity of roles and authorities of:									
	<ul style="list-style-type: none"> <li>The Board of trustees</li> </ul>	Initiated	X		X					
	<ul style="list-style-type: none"> <li>Board chair</li> </ul>	Initiated	X		X					
	<ul style="list-style-type: none"> <li>Individual trustees</li> </ul>	Initiated	X		X					
	<ul style="list-style-type: none"> <li>City Council and Mayor</li> </ul>	Initiated		X						
	<ul style="list-style-type: none"> <li>City Manager and City Finance Director</li> </ul>	Initiated		X						
	<ul style="list-style-type: none"> <li>CRS Director</li> </ul>	Initiated		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.	Initiated		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.	Initiated		X	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.	Initiated		X	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.	Initiated		X	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.	Initiated		X	X					
	<small>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.</small>									

## 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.	Initiated		X	X					
2.2	Develop new policies or formalize current policies and practices for:									
	<ul style="list-style-type: none"> <li>Trustee personal financial disclosures</li> </ul>	Initiated	X							
	<ul style="list-style-type: none"> <li>Board self-evaluation / Board education policy</li> </ul>	Initiated	X							
	<ul style="list-style-type: none"> <li>Funding</li> </ul>	Initiated		X						
	<ul style="list-style-type: none"> <li>Separate investment policy statement for the 115 trust fund that is tailored to its liabilities</li> </ul>	Reviewed	X							
	<ul style="list-style-type: none"> <li>Strategic planning, in coordination with the City</li> </ul>	Initiated		X						
	<ul style="list-style-type: none"> <li>Collection of claims in securities class actions</li> </ul>	Initiated	X							

		Board	Board_Adm.	Priority	Board	Governance	IC	Staff	Performance evaluation	Audit
	• Succession planning, in cooperation with relevant City appointing authorities	Initiated	X							
	• Business continuity and resumption	Initiated	X							
	• Independent governance and benchmarking reviews	Reviewed	X							
	• External communications by Board members	Initiated	X							
	• Due diligence and reporting for referral of service provider candidates by trustees, along with limits on candidate contacts with trustees during an RFP process	Initiated	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.	Not Reviewed Yet	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.	Not Reviewed Yet	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.	Not Reviewed Yet	X	X						
2.8	Formalize a CRS stakeholder communications plan that identifies key stakeholders, communications responsibilities, and messages and objectives.	Not Reviewed Yet	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	<b>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.</b>	Initiated	X	X						
<b>3. Investment Program and Operations</b>										
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						
<b>4. Pension Operations</b>										
4.1	<b>Clarify the Board's responsibilities and role (or lack thereof) in pension and benefits administration.</b>	Initiated	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.	Not Reviewed Yet	X							
4.4	Charter a pension administration cost and performance benchmarking report.	Not Reviewed Yet	X							
4.5	Consult with its actuary and determine if an adjustment to the investment assumed rate of return should be recommended.	Reviewed		X						
4.6	<b>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.</b>	Reviewed	X	X						

**5. Administrative Operations**

		<u>Board</u>	<u>Board, Adm.</u>	<u>Priority</u>	<u>Board</u>	<u>Governance</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.		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.		X	X						
5.3	Develop a long-term IT plan that identifies future needs.		X							
5.4	Work with the City Enterprise Technology Solutions (ETS) Department to ensure security is adequate and tested.		X	X						
5.5	Update the documented disaster recovery plan.		X	X						

**6. Compliance**

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

# City of Cincinnati

LES

EESW/PA

## An Ordinance No. \_\_\_\_\_

- 2024

**MODIFYING** Article XV, "Retirement System," of the Administrative Code of the City of Cincinnati by **AMENDING** Section 1, "Board of Trustees," to remove the limitation on the terms of board members.

WHEREAS, the Cincinnati Retirement System Board ("Board") desires to remove the limitation on the number of terms which board members may serve in order to provide flexibility and continuity in Board membership and to maintain attendance of a sufficient number of Board members; and

WHEREAS, the Board has voted to remove the limitation on the number of terms that board members may serve; now, therefore,

BE IT ORDAINED by the Council of the City of Cincinnati, State of Ohio, with three-fourths of its members concurring:

Section 1. That Article XV, "Retirement System," of the Administrative Code of the City of Cincinnati is amended to read as follows:

### **ARTICLE XV. – RETIREMENT SYSTEM**

#### **Sec. 1. Board of Trustees.**

- a) The general administration and responsibility for the proper operation of the retirement system shall be vested in a board of trustees. The board of trustees shall consist of nine members:
  - i. Four members with qualifications specified in subsection (b) shall be appointed by the Mayor with the advice and consent of Council.
  - ii. Two members, who shall be employee members of the system, shall be elected by deferred members and active members, as defined in Sections 203-1-D and 203-1-A2, who are not currently receiving a retirement benefit.
  - iii. Three members, who shall be retired members of the system, shall be elected by persons who are receiving retirement allowances, optional benefits, or survivor benefits from the system.
- b) At least two of the appointed members of the board shall have the following qualifications:

- i. Baccalaureate degree from an accredited college or university in finance, economics, business, or other field of study involving financial management; or
  - ii. A minimum of ten years of experience in pension administration, pension actuarial practice, institutional investment management, employee benefits/investment law, banking, asset/liability management for an insurance company, or university or college professor with a focus on fiduciary or trust fund law or quantitative background in financial theory or actuarial math.
  - iii. The appointed member shall not have any business, personal, or family interests related to the city or the retirement system that would constitute a conflict of interest, or that would create the appearance of a conflict of interest, with the duties of a trustee. Being a member of the Cincinnati Retirement System or a beneficiary of the Cincinnati Retirement System shall not constitute a conflict of interest.
  - iv. Residency shall not be considered as a qualification for any appointed member.
  - v. A current or former elected city official appointed as a member of the board pursuant to this section does not have to meet the requirements of subsection b)i and b)ii of this section. No more than two current or former elected city officials appointed as members of the board pursuant to this section shall be eligible to simultaneously serve as members of the board.
- c) Board members shall serve four-year terms, except that:
- i. when the Mayor makes initial appointments to the board under this Article, the Mayor shall appoint two members to serve four-year terms, and two members to serve two-year terms, so that the terms overlap to establish continuity in board membership from year to year.
  - ii. for the initial election of the board members elected pursuant to subsection a)ii of this section, the active employee candidate with the highest vote total shall serve a four-year term and the active employee candidate with the next highest vote total shall serve a two-year term.
  - iii. for the initial election of the board members elected pursuant to subsection a)iii of this section, the two retiree candidates with the two highest vote totals shall serve four-year terms and the retiree candidate with the third highest vote total shall serve a two-year term.
- ~~d) Each board member may serve up to three four-year terms, either consecutive or non-consecutive, except that persons serving two-year terms upon their initial appointments to the board may serve the initial term and two subsequent four-year terms.~~

- ed)** Each board member shall hold office from the first date of the term until the end of the term for which the member was appointed. Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall hold office for the remainder of the unexpired term. Any member shall continue in office after the expiration date of the member's term until the member's successor takes office, or until a period of thirty days has elapsed, whichever occurs first.
- i. Appointed members: A vacancy on the board shall be filled in the same manner as the original appointment.
- ii. Elected members: If the remaining portion of the unexpired term is nine months or less, the position will remain vacant until the next regularly scheduled election. If the remaining portion of the unexpired term is more than nine months, an election to elect a new board member shall be held in accordance with the election rules promulgated by the board.
- fe)** An entity authorized to appoint or elect a member under subsection a) shall remove its appointee or representative from the board for any act of misconduct involving the trustee's duties, including breach of fiduciary duty and failure to properly discharge the duties of the trustee, to the extent permitted by state law.
- gf)** The board shall meet regularly and shall convene other meetings at the request of the chairperson or a majority of the members. A member who fails to attend at least two-thirds of the regular and special meetings of the board during any two-year period forfeits membership on the board.
- hg)** The board shall report to council at least annually on the following issues:
- i. Success at meeting the investment and funding objectives.
- ii. Investment performance and attribution.
- iii. Compliance with conflict of interest and ethics policies.
- iv. Compliance with benefit delivery policies.
- v. Results of external and internal audit findings and follow-up efforts.
- vi. Board member attendance, travel, and educational efforts.
- ih)** The board shall vote to disqualify any candidate from seeking election to the board or any member from remaining as a board trustee for any of the following reasons:
- i. Finding of dishonesty in any civil proceeding or disciplinary decision.
- ii. Conviction of a felony for an act committed while the candidate or member was an adult.

iv. Failure to comply with election requirements established by the board.

Section 2. That this ordinance shall take effect and be in force from and after the earliest period allowed by law.

Passed: \_\_\_\_\_, 2024

\_\_\_\_\_  
Aftab Pureval, Mayor

Attest: \_\_\_\_\_  
Clerk

\_\_\_\_\_  
New language underscored. Deletions indicated by strike-through.

## Public Safety & Governance Committee Discussion (including Councilmember Walsh)

The Committee members and Councilmember Walsh are in favor of term limits for the CRS Board but suggested changes to the ordinance as a compromise. These are the related follow-up items.

### Term Limit Ordinance Compromise Follow-up

1. Find out if other City Boards and Commissions have term limits.
2. Ordinance changes:
  - a. Extend incumbent terms pending election, if needed.
  - b. If an incumbent does not extend the term, other active or retiree members could name an interim appointment depending on the vacant position.
  - c. Incumbents may return to the CRS Board after taking off a term.
  - d. The term clock starts over if an elected active CRS Board member wants to run for a retiree CRS Board member position.
3. Develop methods to increase potential candidate interest in elected CRS Board positions.
4. The Committee held the term limit ordinance for one month. If the CRS Board wants to provide a revised ordinance, it needs to be on the Committee agenda for 10/15/24. A brief explanatory report to be submitted with the ordinance would be helpful. Any related action by the CRS Board needs to be approved at the 10/3/24 Board meeting. The Law Department will need to have the ordinance ready for the meeting. A CRS Board member or members should be available to make a brief presentation to the Committee and otherwise speak for the CRS Board.

## Retirement 301 Actuarial Terms and Concepts

2024



# Agenda

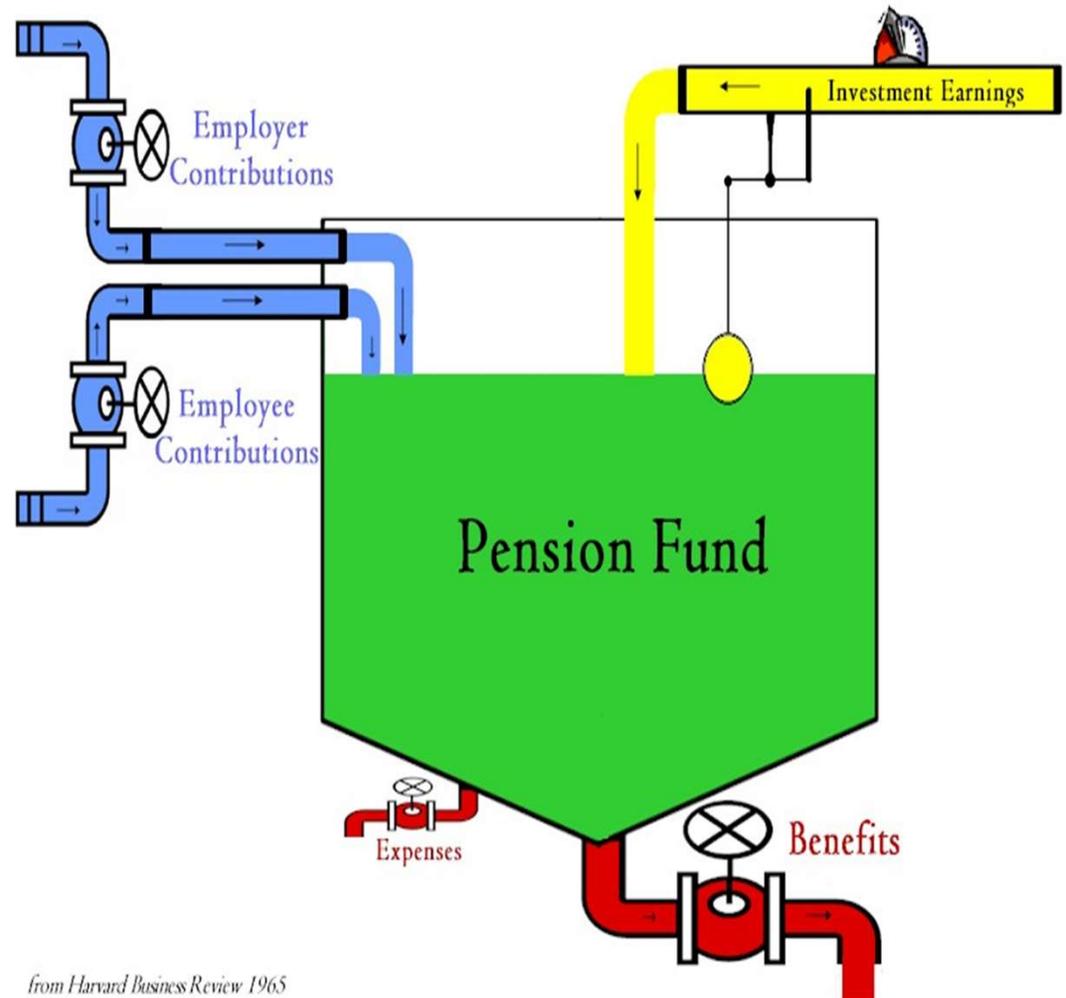


- Actuarial Valuation Process
- Pension Plan Basics
- Assumptions
- Actuarial Valuation
- Funding
- Results from December 31, 2023 Valuation
- OPEB Overview

# The Actuarial Valuation Process



1. Collect information
  - Member data
  - Plan provisions
  - Asset information
2. Apply assumptions
  - Demographic
  - Economic
3. Project all future benefit payments
4. Determine a present value of the benefits
5. Compare to assets
6. Calculate employer and employee contributions





- Defined benefit plan
  - The benefit a participant receives is based upon the plan provisions and his or her work history
  - The Plan Sponsor must provide the benefit throughout retirement
- Pension benefit valuation requires
  - Demographic information on plan participants
  - Plan provisions
  - Assumptions regarding the future

# Assumptions



- Ideally unbiased, objective, and long term
- Must balance past experience of the Plan with ongoing national trends
- Must balance recent experience with future expectations
  - Demographic (participant behavior): weighted to recent experience
  - Economic: weighted to expectations
- Consistency among assumptions
- Assumptions normally are determined when experience studies are done and remain in place until the next experience study



- Demographic assumptions:
  - Mortality
  - Termination
  - Retirement
  - Disability
  - DROP participation and crediting rate
  - Salary increases
  - Percentage of employees married and spouse age difference
- Economic assumptions:
  - Investment return (discount rate): 7.50%, net of investment expenses
  - Inflation: 2.75%
  - Administrative expenses: 0.8% of covered payroll

# Actuarial Valuation - Liabilities



- The true cost of the Plan is all future benefit payments (and expenses) paid from the Plan
- Actuaries calculate future expected benefit payments using Plan provisions, demographic information, and assumptions

## Total future benefits

- Using economic assumptions, actuaries discount future payments

## Present Value of Future Benefits

## Discount to present

- The actuarial cost method splits Present Value of Future Benefits (PVFB) into past (accrued) and future service
- The value of benefits accrued for the current year is called normal cost (NC)

Actuarial Liability

NC

Future NC



- Purposes of annual actuarial valuation
  - Primary:
    - Contribution requirements (CRS at fixed 17.75% of pay)
    - Funded status
    - Focus on future results and risks
  - Secondary:
    - Disclosure requirements
    - Basis for pricing proposed plan changes
    - Analysis of demographic experience
    - Analysis of financial experience
- Try to answer three questions: Where have you been? Where are you now? Where are you going?



- Money is set aside during the working life of an employee to cover all future benefit payments – Plan assets
  - Market Value of Assets (MVA) – current value
    - May be volatile depending on returns
  - Actuarial Value of Assets (AVA) – smoothed value
    - More predictable, often used for funding
    - CRS uses a five-year smoothing period
- If AVA is less than Actuarial Liability (AL), the Plan has an Unfunded Actuarial Liability (UAL)

# Tread Water Cost



- Normal cost + interest on UAL
- Minimum contribution needed to avoid an increase in the UAL



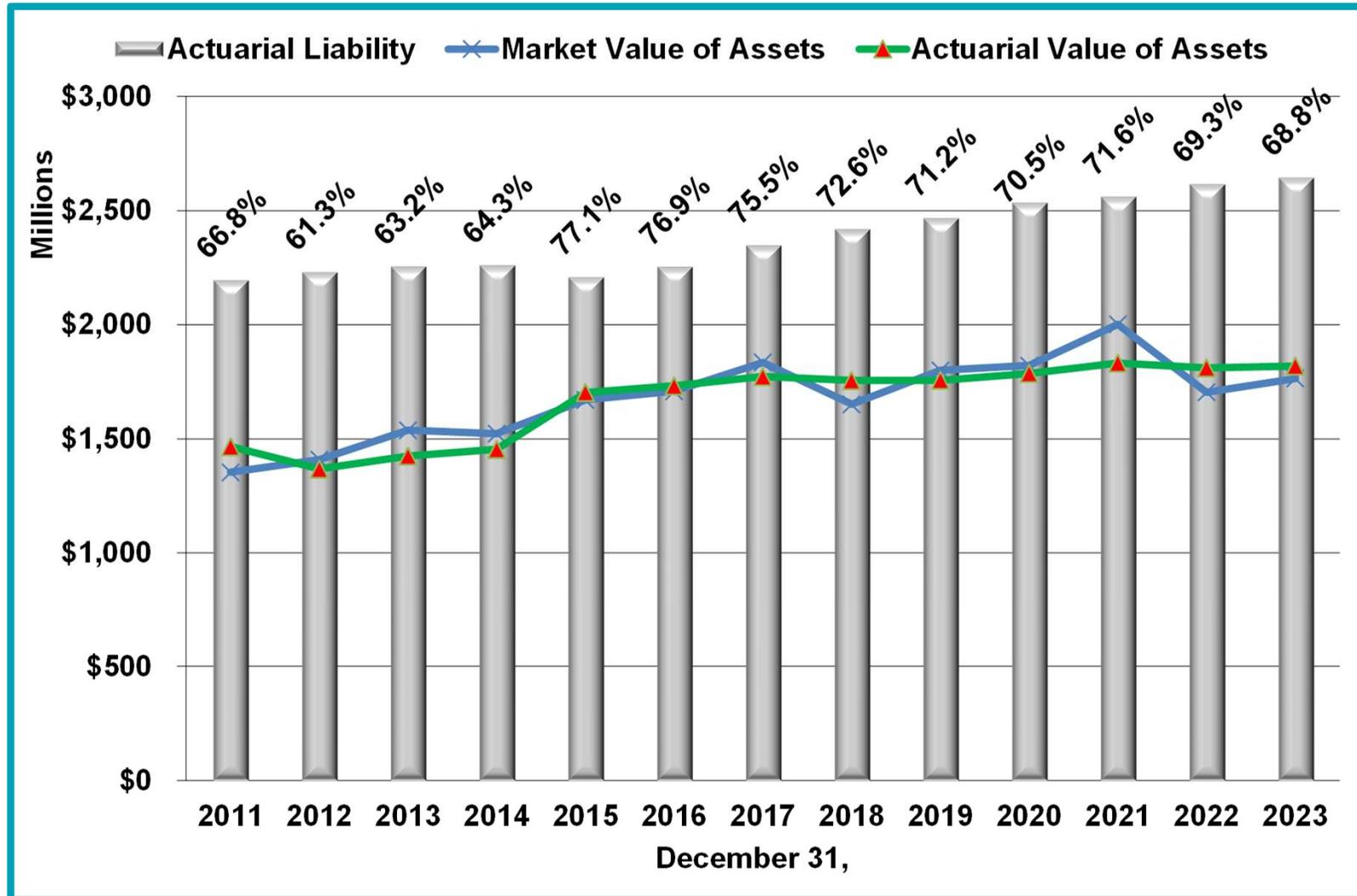
- Used as Board's funding benchmark
  - This is not what the City actually contributes
- Normal cost + expenses + UAL payment
- UAL payment
  - 30 year
  - Rolling/open
  - Level dollar

# Actual City Contributions



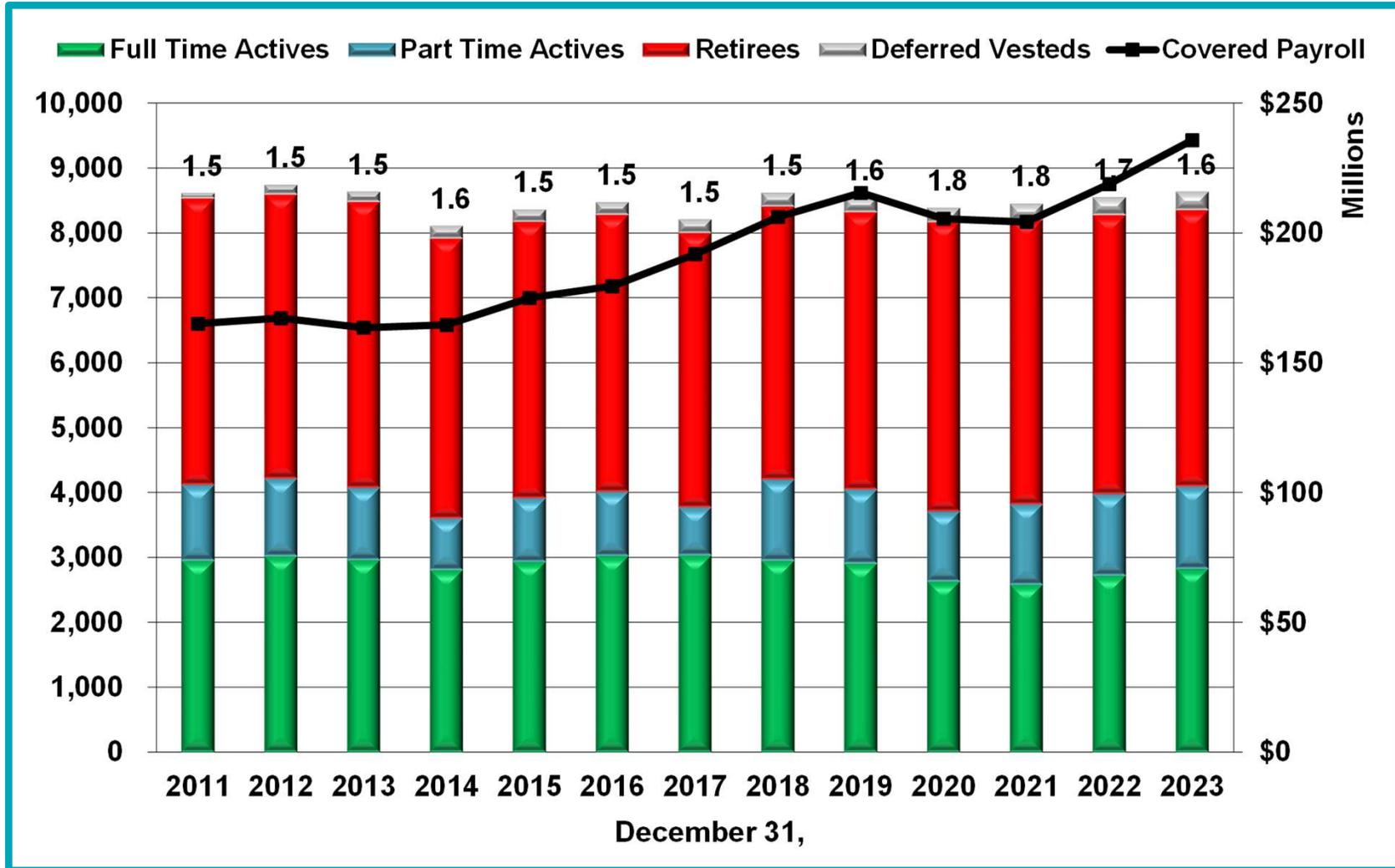
- City does not contribute based on the actuarially determined contribution rate
- City's contribution determined by the Collaborative Settlement Agreement
- Actual City contribution
  - 17.75% of payroll for full-time active members
  - 17.75% of payroll for DROP members
  - 3.00% of payroll for part-time members

# Assets and Liabilities



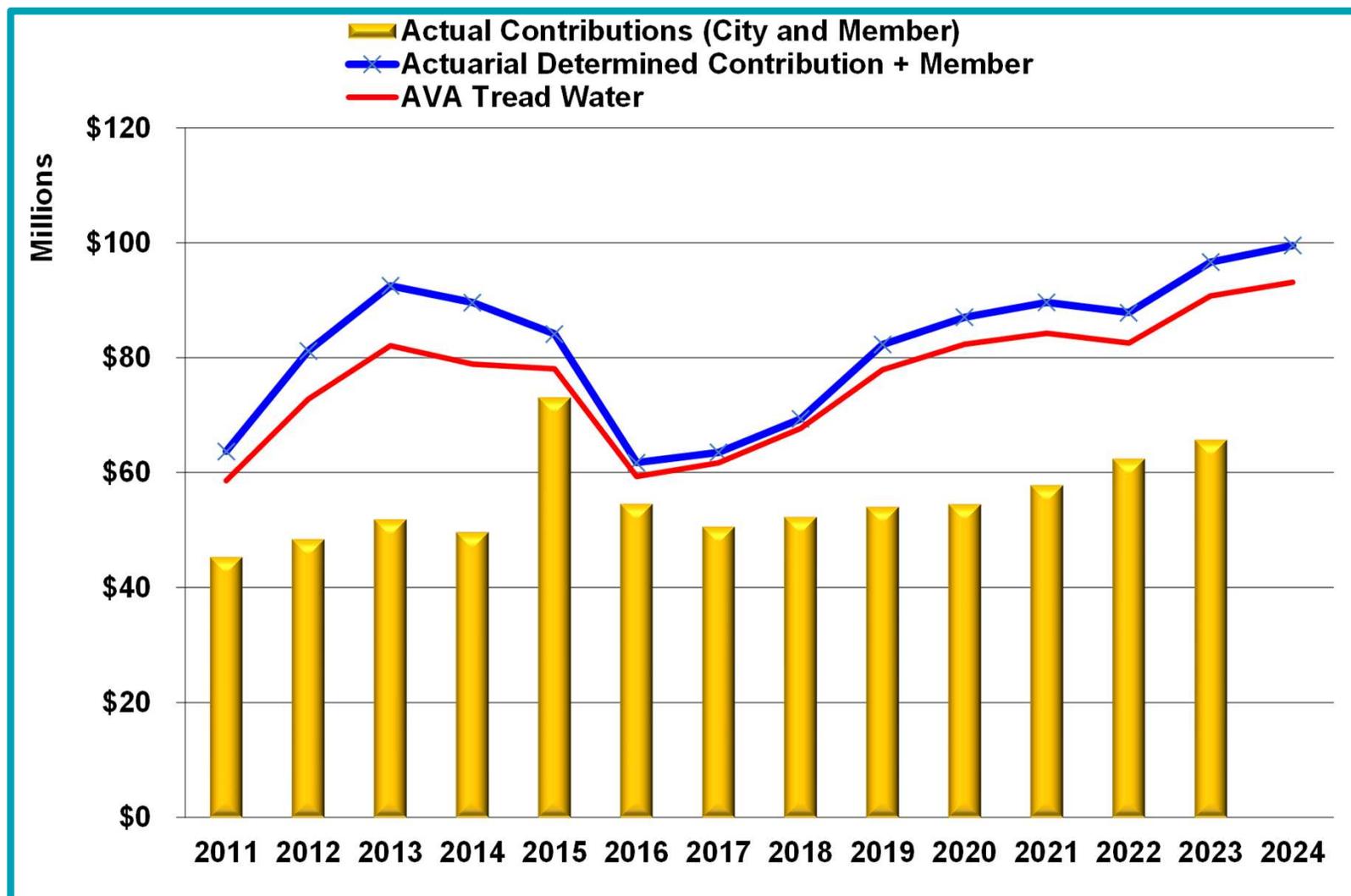
Percentages above the bars represent the funded ratios (ratio of Actuarial Value of Assets divided by the Actuarial Liability)

# Membership Trends



Support ratio above bars is the ratio of the number of inactive (Retirees and Deferred Vested) per active (Full-Time only). Payroll includes Full-Time and Part-Time actives for years shown. Beginning in 2018, amount includes payroll of DROP participants.

# Contributions vs ADC vs Tread Water



Actuarial Determined Contribution (ADC) calculated as of December 31 preceding year shown. ADC based on 30-year level dollar amortization of UAL.

For 2015, there was an additional contribution of \$220.0 million per the CSA and \$17.9 million for transferred earnings and expenses.

# Key Results from the December 31, 2023 Valuation



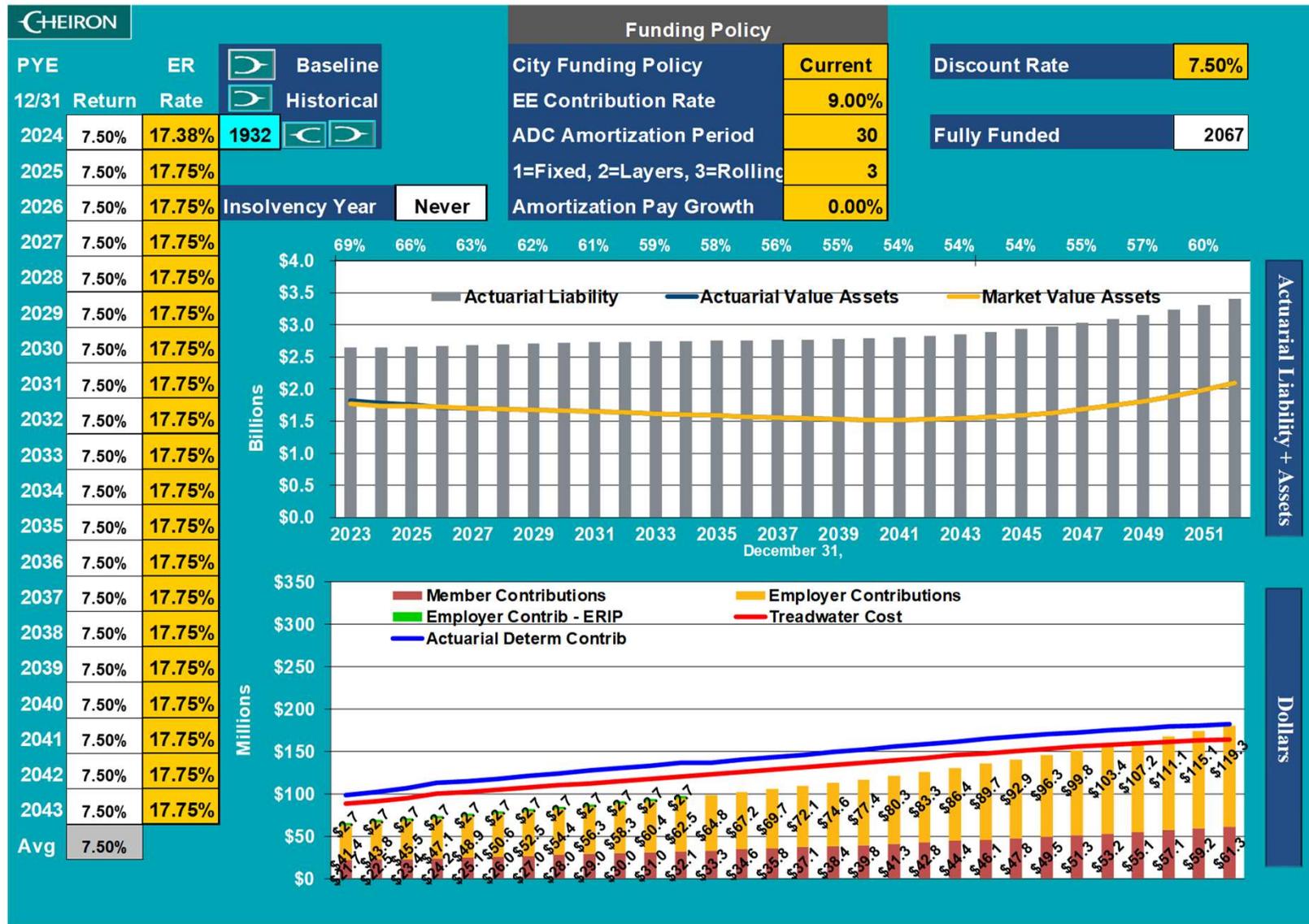
Key Results			
Valuation as of:	December 31, 2022	December 31, 2023	% Change
<b>Participant Counts</b>			
a) Full Time Actives	2,718	2,823	3.9%
b) Part Time Actives <sup>1</sup>	1,257	1,270	1.0%
c) Deferred Vesteds	275	282	2.5%
d) Members in Pay Status <sup>2</sup>	4,305	4,263	(1.0%)
e) Total	8,555	8,638	1.0%
f) Annual Salaries of Full Time Active Members <sup>2</sup>	\$ 205,235,180	\$ 223,059,661	8.7%
g) Annual Retirement Allowances	\$ 187,455,628	\$ 190,059,353	1.4%
<b>Assets and Liabilities</b>			
h) Present Value of Future Benefits	\$ 2,838,782,578	\$ 2,884,673,296	1.6%
i) Actuarial Liability	\$ 2,614,702,553	\$ 2,643,382,463	1.1%
j) Actuarial Value of Assets (AVA)	\$ 1,811,291,262	\$ 1,819,308,605	0.4%
k) Unfunded Actuarial Liability [(i) - (j)]	\$ 803,411,291	\$ 824,073,858	2.6%
l) Funded Ratio on AVA basis [(j) ÷ (i)]	69.3%	68.8%	(0.5%)
m) Market Value of Assets (MVA)	\$ 1,703,876,000	\$ 1,763,884,000	3.5%
n) Funded Ratio on MVA basis [(m) ÷ (i)]	65.2%	66.7%	1.5%
<b>City's Actuarial Determined Contribution (ADC)</b>			
	FYE June 30, 2024	FYE June 30, 2025	
o) Gross Normal Cost Rate	12.40%	12.24%	(0.16%)
q) Plan Changes <sup>3</sup>	1.22%	1.13%	(0.09%)
r) Unfunded Actuarial Liability Amortization Rate	28.60%	27.29%	(1.31%)
s) Administrative Expenses	0.80%	0.80%	0.00%
t) Expected Employee Contributions	(9.00%)	(9.00%)	0.00%
u) City's ADC Rate [(o) + (p) + (q) + (r) + (s) + (t)]	34.02%	32.46%	(1.56%)

<sup>1</sup> As of December 31, 2023, 278 of the 1,270 Part Time actives had reported last pay periods before December 2023.

<sup>2</sup> Includes 143 and 157 members as of December 31, 2023 and 2022 respectively currently participating in DROP.

<sup>3</sup> The City began making level annual payments for the ERIP in December 2021. The City is currently contributing the remaining 13 annual payments of \$2.7 million by July 31 of each future year.

# Projections Based on December 31, 2023 Valuation



Reflects City contribution rate increasing from 17.00% to 17.75% of full-time payroll effective July 1, 2024.



- Benefits paid by employer but received after employment ends, if not part of the pension plan
  - Healthcare (medical, dental, Rx, vision)
  - Life insurance
  - Disability
  - Group legal
  - Long-term care
- Not part of OPEB
  - Leave (vacation, sick leave, etc.)
  - COBRA (Statement 47)
  - Early Retirement Incentives (Statement 47)
  - Life insurance, disability, etc. that is part of pension plan



- Plan Description
  - Name of the Plan, entity that administers the Plan, and identification of Plan type (single-employer, agent multiple-employer, or cost-sharing multiple-employer)
  - Brief description of the types of benefits and the authority under which benefit provisions are established or may be amended
  - Benefits design for each benefit (e.g., deductible, copay, coinsurance, out-of-pocket max for medical plan)
  - Whether the OPEB plan issues a stand-alone financial report or is included in the report of a PERS or another entity, and if so, how to obtain the report
- Funding Policy
  - Authority under which contribution requirements are established or may be changed
  - Required member contribution rates
  - Required employer contribution rates (and, if significantly different from GASB ADC, how it is determined)

# OPEB How to Estimate Liabilities



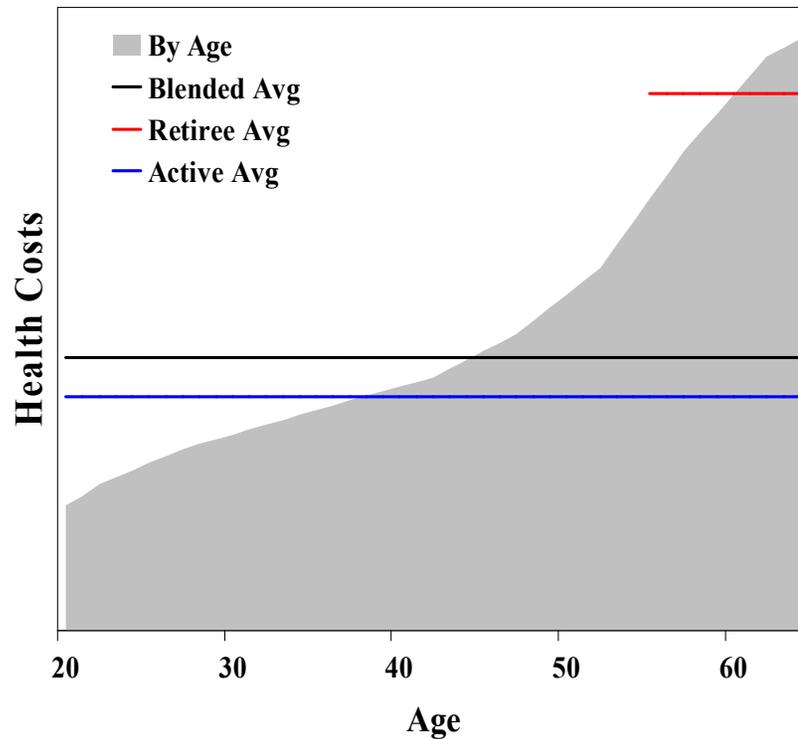
- Data
  - Age, sex, service, salary, division, Plan election, etc.
  - Includes all retirees and dependents with coverage
  - Includes all active employees who could one day retire and elect coverage (regardless of if they have coverage now)
- Benefits Promised
  - According to practice (not necessarily what's written)
  - Ages of eligibility
  - Retiree contributions
  - City explicit subsidy
- Assumptions
  - Demographic
    - Withdrawal, retirement, mortality, disability, family composition, election
  - Economic
    - Investment return, salary increases, health care inflation

# OPEB How to Estimate Liabilities (cont.)

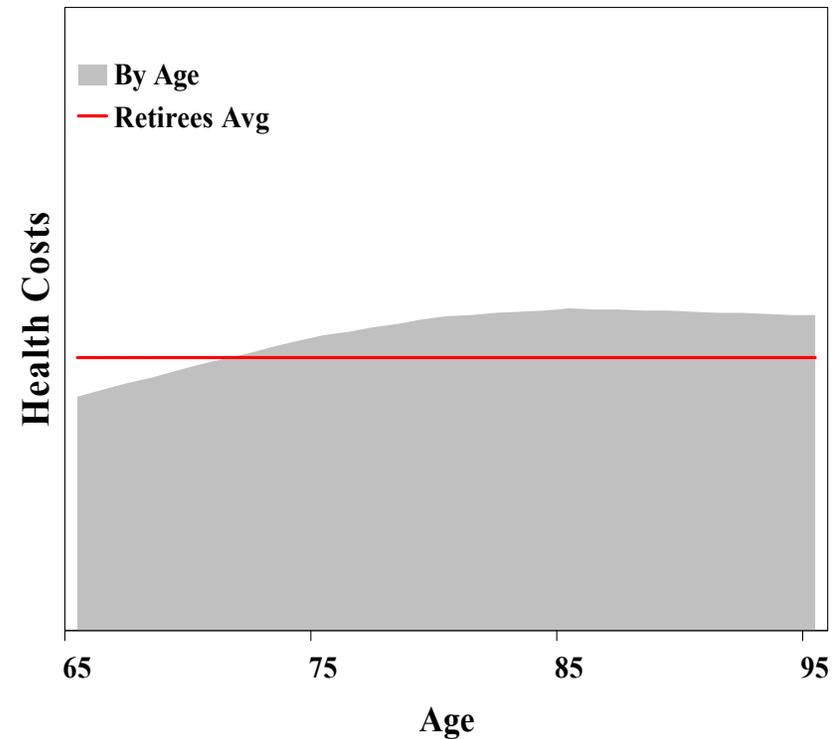


- We determine the cost per person by age
- And then subtract retiree contributions

### Pre-Medicare Costs



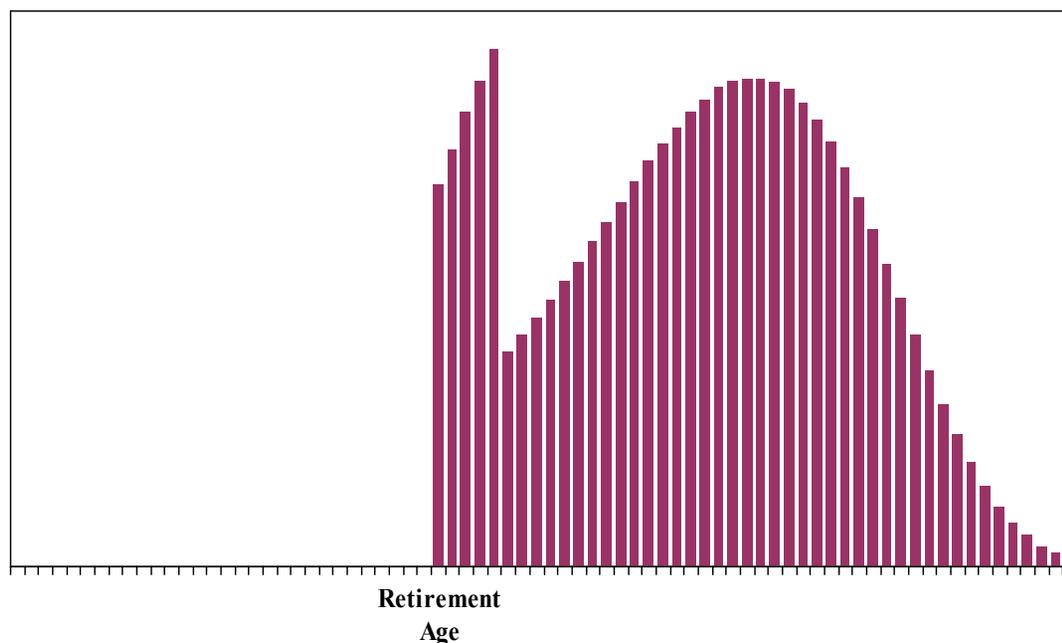
### Post-Medicare Costs



# OPEB How to Estimate Liabilities (cont.)

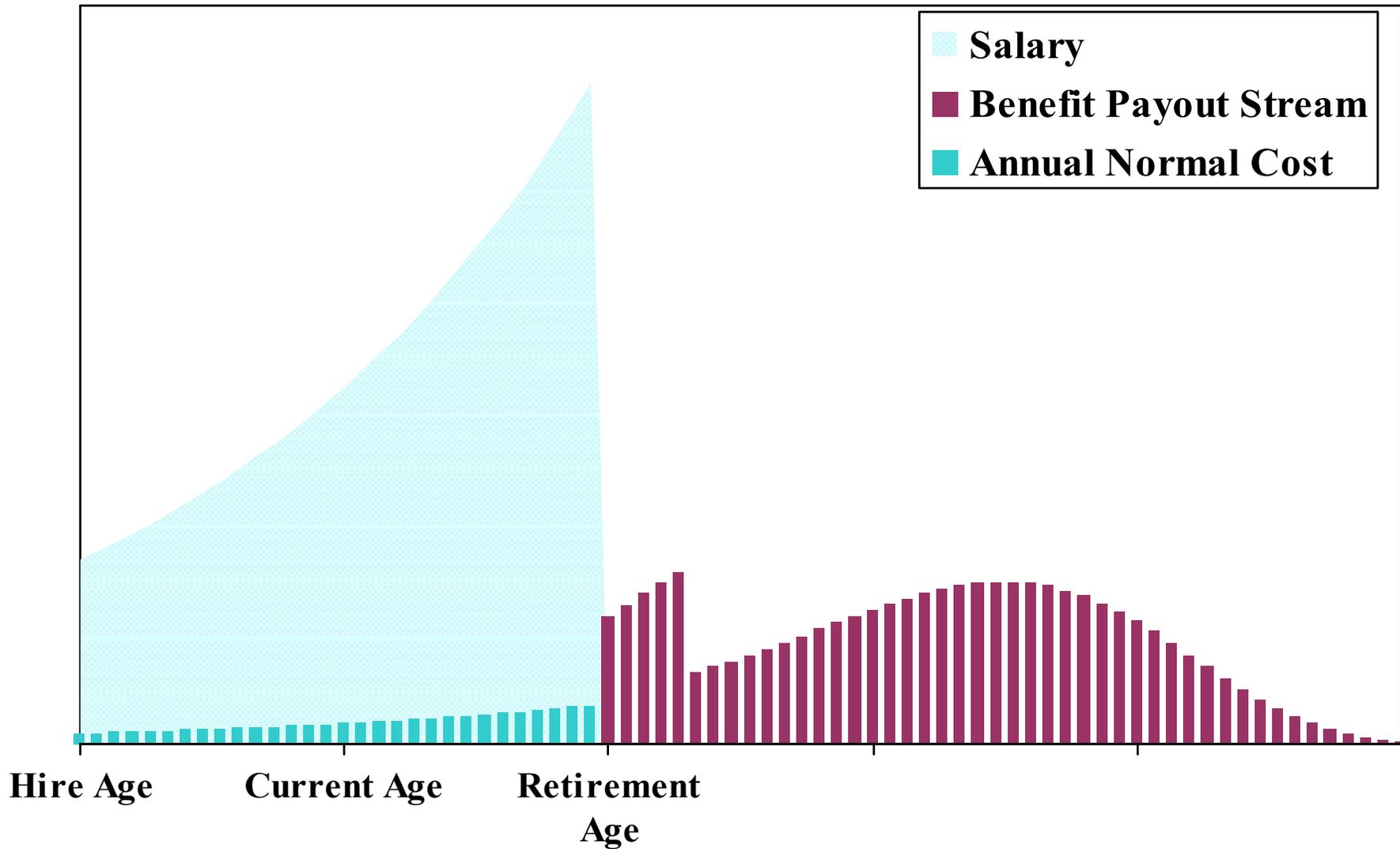


- We then project the claims to be paid by the Plan (net of retiree contributions) for each age in the future
- This payout stream reflects health care trends, age, Medicare status, and the probabilities of reaching retirement and then living to each age



- *The discounted value of all payout streams is the Present Value of Future Benefits (PVFB)*

# OPEB Terminology Illustrated



# OPEB December 31, 2023 Results



## Summary of Valuation Results

Valuation Date	December 31, 2022	December 31, 2023
Discount Rate	7.50%	7.50%
Actuarial Liability (AL)	\$ 363,450,123	\$ 393,177,787
Actuarial Value of Assets	<u>532,169,108</u>	<u>549,871,265</u>
<b>Unfunded actuarial liability (UAL)</b>	<b>\$ (168,718,985)</b>	<b>\$ (156,693,478)</b>
Funded Ratio (AVA/AL)	146.42%	139.85%
Market Value of Assets	\$ 500,041,000	\$ 533,879,000
Funded Ratio (MVA/AL)	137.58%	135.79%
<b>Fiscal Year Ending</b>	<b>June 30, 2024</b>	<b>June 30, 2025</b>
Actuarially Determined Contribution	\$ 0	\$ 0
<b>Calendar Year</b>	<b>2023</b>	<b>2024</b>
Actual/Expected Net Benefit Payments	23,356,000	27,097,862

# Required Disclosures



The purpose of this presentation is to review actuarial terms and concepts. This presentation is for the use of the Cincinnati Retirement System (CRS or System) Board and staff.

In preparing this presentation, we relied on information (some oral and some written) supplied by the Cincinnati Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality.

The actuarial assumptions and methods are the same as those used in the preparation of the Actuarial Valuation Report as of December 31, 2023. The census data provided to us by CRS was as of December 31, 2023.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

Projections in this presentation were developed using *P-Scan*, our proprietary tool for developing deterministic projections to illustrate the impact of changes in assumptions and actual experience (particularly investment experience) on the future financial status of the Plan.

This presentation and its contents were prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared solely for the Cincinnati Retirement System for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

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Principal Consulting Actuary



Classic Values, Innovative Advice

August, 2024