



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.

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A MESSAGE FROM THE DIRECTOR

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, Deferred

Retirement Option Plan (D.R.O.P.), 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



OVERVIEW AND PLAN SUMMARY

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 another 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 The Collaborative Settlement Agreement (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

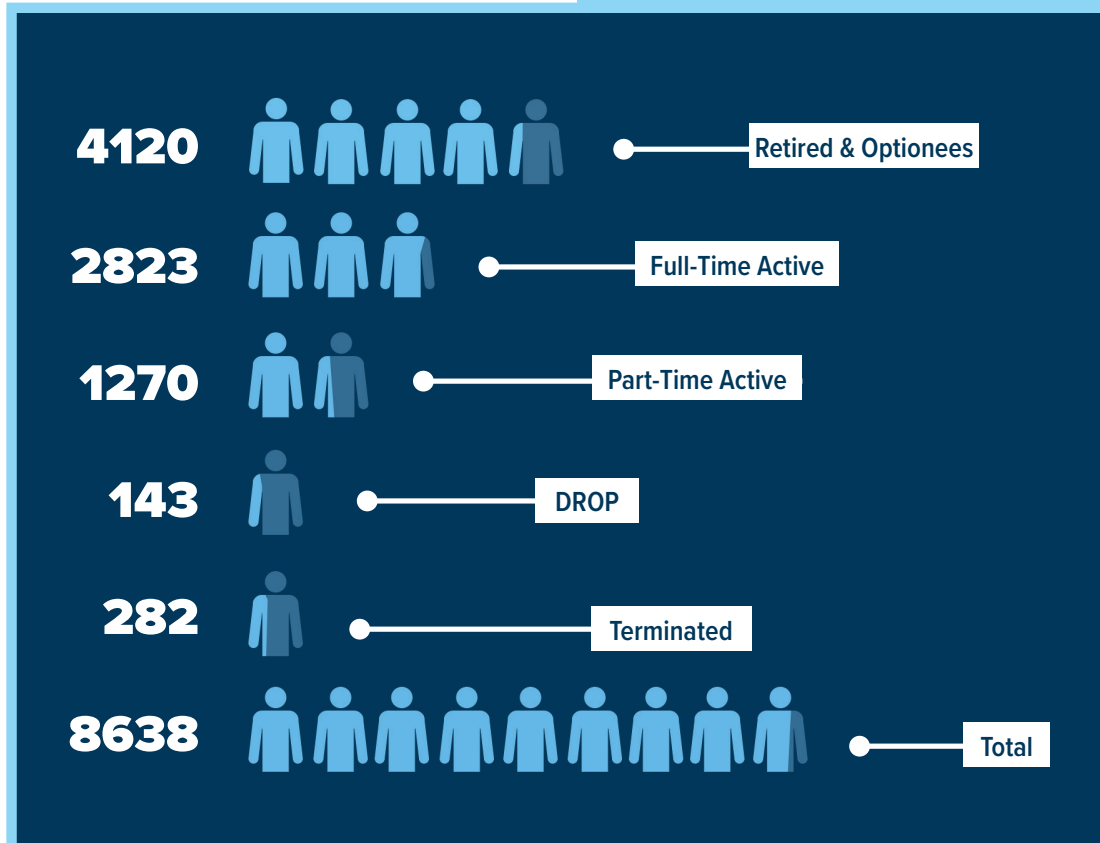
Core Benefits:

- 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



FINANCIAL SUMMARY



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

In (000s)

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.

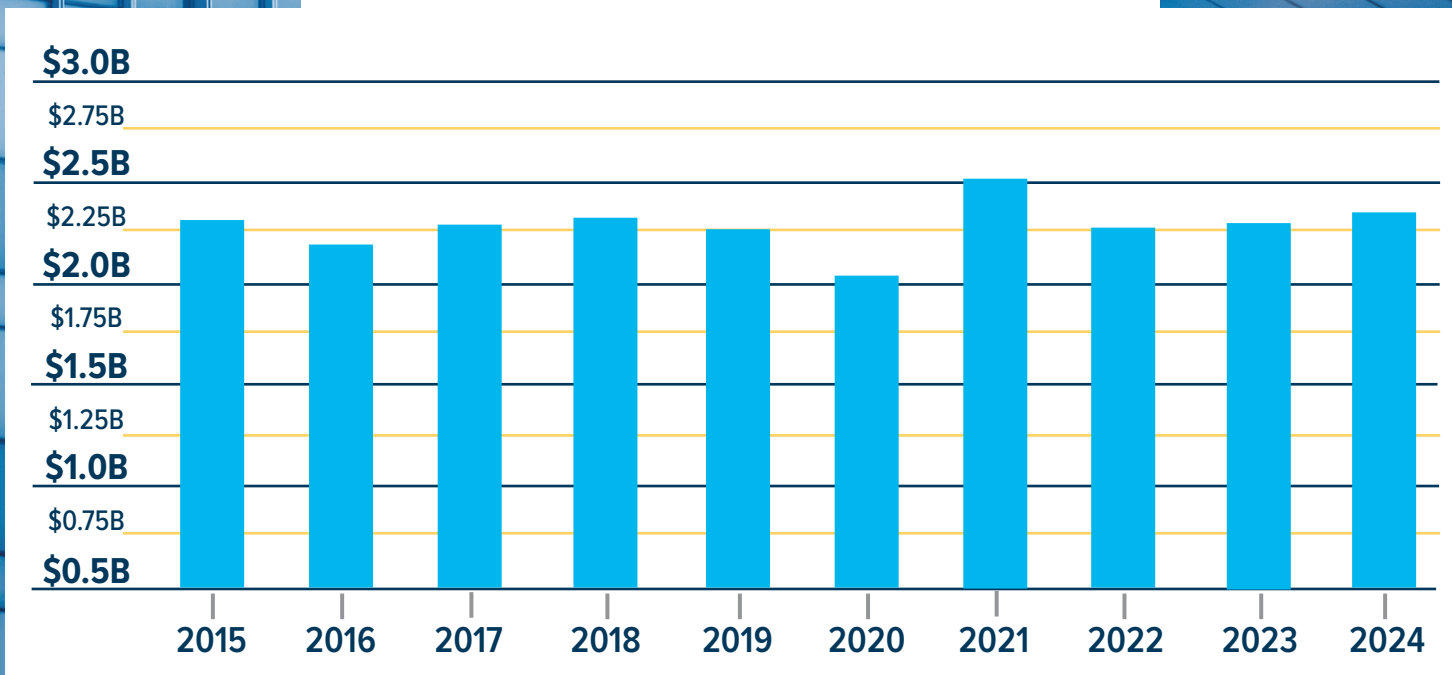
	6/30/2022	6/30/2023	6/30/2024
Additions			
Member Contribution	\$ 20,514	\$ 21,963	\$ 23,543
Employer Contribution	38,774	42,963	47,353
Transfer From Other Retirement System	7		
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	(111,139)	160,458	223,338
Earnings on Investment	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

In (000s)

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.

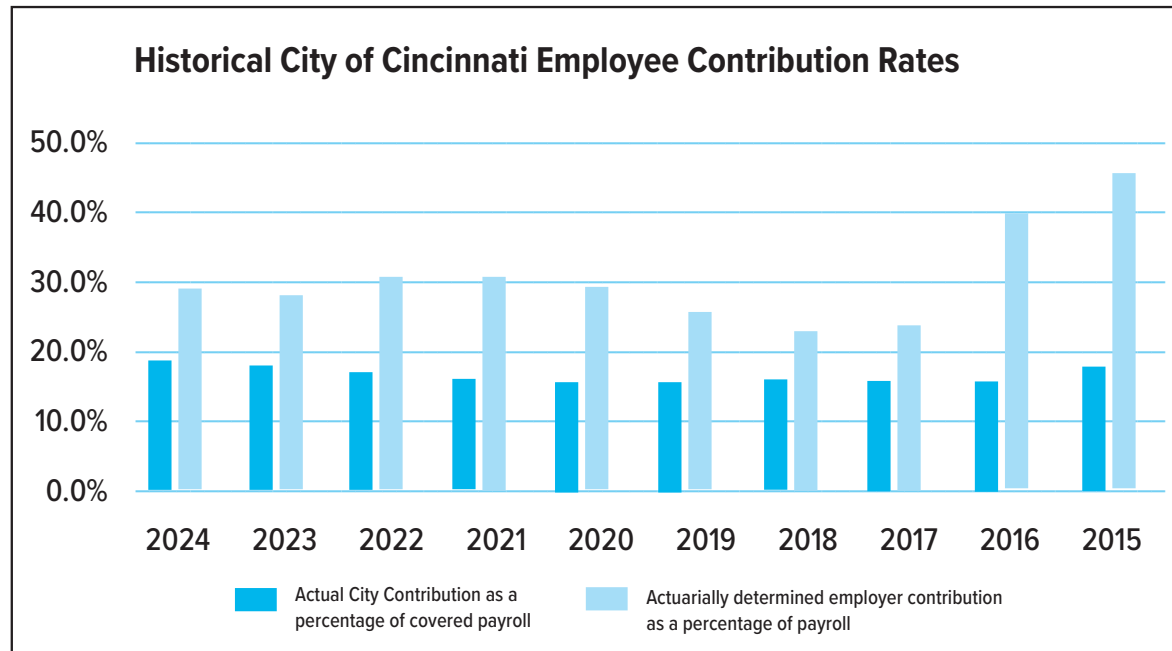
Net Position Restricted for Benefits



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.



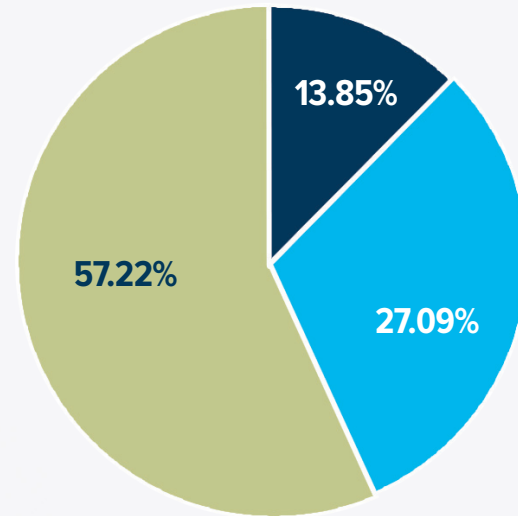
Healthcare Trust

- **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.

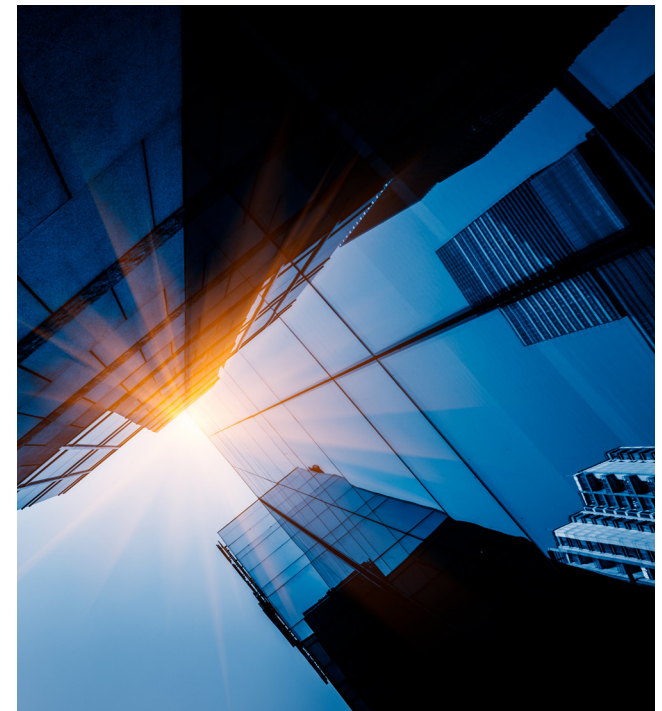
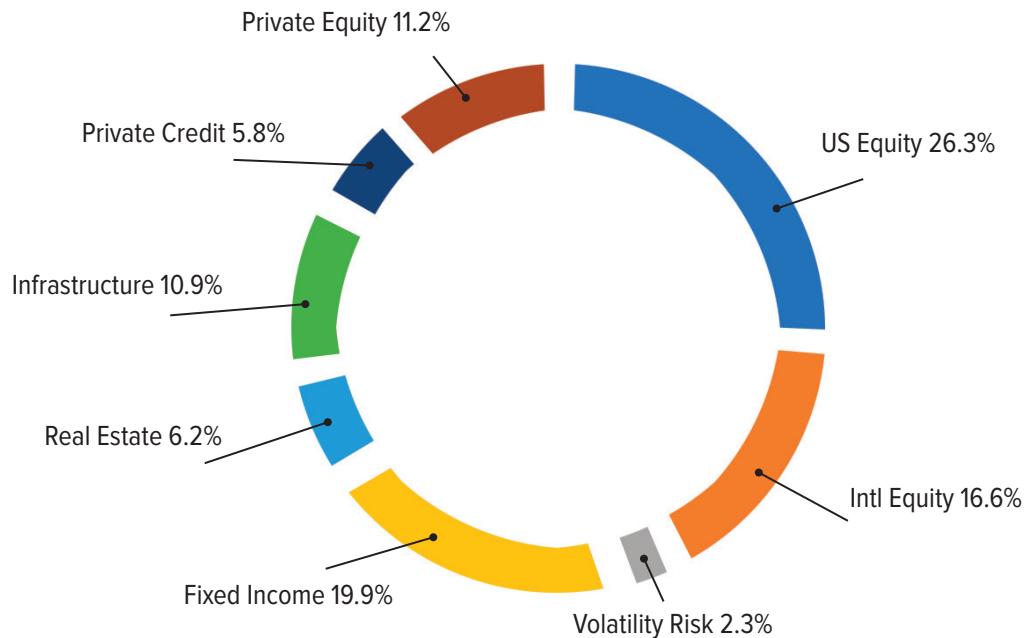
Return Over Unit of Risk (Standard Deviation):

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.

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.cincinnati.oh.gov/retirement>

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

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

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

As part of the report there were thirty seven recommendations for improvement. Over the past 18 months the Board has worked with administration and staff to review all recommendations and act on approximately 90% of recommendations.