



## City of Cincinnati Retirement System Board of Trustees Meeting

### Agenda

December 7, 2023 / 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  
John Juech  
Tom West  
Seth Walsh  
Aliya Riddle

#### CRS Staff

Jon Salstrom

#### Law

Ann Schooley  
Linda Smith

#### Call to Order

#### Public Comment

#### Approval of Minutes

- 🚩 November 2, 2023

#### Report from Performance Evaluation Committees

#### Informational – Staff Report

- 🚩 Marquette Investment Report
- 🚩 City Manager FYI report to the Mayor and City Council on Bond Ratings
  - The Moody's rating report
  - The S&P rating report
- 🚩 CRS Staff Update
- 🚩 Fiduciary Audit
- 🚩 DROP Actuarial Analysis Update
- 🚩 Healthcare Funding Policy
- 🚩 Futures Commissions update

#### Old Business

- 🚩 Board & Committee Meetings Schedule '24 & Term Status
- 🚩 3Q'23 Budget update

#### New Business

- 🚩 CRS Budget CY 2024
- 🚩 Elections timetable 2024

#### Adjournment

**Next Meeting:** Thursday, January 11, 2024, 2:00 P.M. City Hall Council Chambers and via Zoom

**City of Cincinnati Retirement System  
Board of Trustees Meeting Minutes  
November 2, 2023 / 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  
John Juech  
Tom West  
Seth Walsh  
Aliya Riddle

**Administration**

Jon Salstrom

**Law**

Ann Schooley  
Linda Smith

**CALL TO ORDER**

Chair Moller called the meeting to order at 2:02 p.m. and a roll call of attendance was taken. Trustees Moller, Gamel, Rahtz, Menkhaus, Morton, West, Walsh, and Riddle were present. Trustee Juech was absent.

**PUBLIC COMMENT**

No public comment.

**APPROVAL OF MINUTES**

Approval of the minutes of the Board meeting of October 5, 2023, was moved by Trustee Gamel and seconded by Trustee Rahtz. The minutes were approved by unanimous roll call vote.

**Report from Investment Committee**

Chair Moller explained that Marquette has updated the September report which is included in the packet. He also explained the two motions that were made by the Investment Committee.

- Motion to approve the September quarterly report. The motion was approved by unanimous roll call vote.
- Motion to accept recommendation for Option B on the Asset Allocation discussion (page 12), which will be to terminate several managers and conduct an Evergreen private debt search. To accept the modeling form on proposed changes on page 10, noting that some dollar amounts may be different, but the model is there. The motion was approved by unanimous roll call vote.

## **Informational – Staff Report**

### **Marquette Investment Report**

Director Salstrom referenced the Investment Report that is included in the packet, which is a summary of the 3<sup>rd</sup> quarter presentation.

### **City Stabilization Fund**

Director Salstrom mentioned the waterfall mechanism from the City Stabilization Fund, which has been presented to Council and approved, will provide CRS an additional \$2 million contribution this year, which is based on surplus. The additional \$2 million in funds will add about 90 basis points, or almost 1% to the overall city contribution rate for 2023.

### **Fiduciary Audit**

Director Salstrom stated that Funston Advisory Services has been in contact with staff and the Board on a survey that was completed on Monday October 30, 2023. He expects Funston to reach out to staff and Board members in the next week or so to follow up on answers.

### **Investment Consultant**

Director Salstrom informed the Board that the contract has been signed, executed and in place.

### **DROP Actuarial Analysis Peer Review Update**

Director Salstrom explained that the first draft of the contract with Foster and Foster is being worked on and is about ready. He is hopeful that will be finalized in the next few weeks and Foster and Foster can present the report to the Board by the end of the year.

### **Healthcare Funding Policy**

Director Salstrom explained that there are positive and productive conversations regarding the Healthcare Funding Policy, and it is moving forward with details being worked on by the lawyers from each side.

## **Old Business**

### **Board & Committee Meeting Schedule '24 Term Status**

The schedule will remain the same as 2023 with the addition of the Benefits Committee so it will be considered a scheduled meeting. The 2024 schedule and terms of the trustees is included in the packet. Chair Moller asked Director Salstrom to create an election schedule for the December meeting.

## **New Business**

No New Business.

## **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 adjourned at 2:18 p.m.

**Meeting video link:** <https://archive.org/details/crs-board-11-2-23>

**Next Meeting:** Thursday, December 7, 2023, 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  
**October 31, 2023**



## Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,189,839,524
Net Cash Flow	-\$15,285,882
Net Investment Change	-\$41,744,167
Ending Market Value	\$2,132,809,475

## Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
Total Fund Composite	2,132,809,475	100.0	100.0	0
Fixed Income Composite	361,740,877	17.0	22.5	-118,141,254
Private Debt Composite	41,558,888	1.9	3.0	-22,425,396
U.S. Equity Composite	587,901,232	27.6	28.5	-19,949,469
Non-U.S. Equity Composite	372,903,233	17.5	18.0	-11,002,473
Volatility Risk Premium Composite	58,014,883	2.7	2.5	4,694,646
Real Estate Composite	178,141,128	8.4	7.5	18,180,417
Infrastructure Composite	262,628,016	12.3	10.0	49,347,068
Private Equity Composite	259,223,107	12.2	8.0	88,598,349
Total Cash Equivalents	10,698,112	0.5	--	10,698,112

## Performance

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
<b>Total Fund Composite</b>	<b>-1.9%</b>	<b>-5.8%</b>	<b>3.0%</b>	<b>5.1%</b>	<b>7.6%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>8.5%</b>	<b>May-85</b>
Target Benchmark	-2.1%	-6.2%	2.4%	4.9%	6.0%	6.5%	6.4%	--	May-85
<b>Fixed Income Composite</b>	<b>-1.7%</b>	<b>-4.7%</b>	<b>-1.6%</b>	<b>1.5%</b>	<b>-3.2%</b>	<b>0.8%</b>	<b>1.9%</b>	<b>4.8%</b>	<b>Nov-95</b>
Bloomberg US Aggregate TR	-1.6%	-4.7%	-2.8%	0.4%	-5.6%	-0.1%	0.9%	4.0%	Nov-95
<b>Private Debt Composite</b>	<b>0.0%</b>	<b>2.9%</b>	<b>10.9%</b>	<b>13.7%</b>	<b>3.3%</b>	<b>--</b>	<b>--</b>	<b>3.3%</b>	<b>Sep-20</b>
Bloomberg US Aggregate TR	-1.6%	-4.7%	-2.8%	0.4%	-5.6%	-0.1%	0.9%	-5.6%	Sep-20
<b>U.S. Equity Composite</b>	<b>-3.1%</b>	<b>-9.9%</b>	<b>5.5%</b>	<b>4.7%</b>	<b>11.6%</b>	<b>8.6%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>Feb-89</b>
Russell 3000	-2.7%	-9.1%	9.4%	8.4%	9.2%	10.2%	10.5%	10.2%	Feb-89
<b>Non-U.S. Equity Composite</b>	<b>-4.1%</b>	<b>-11.0%</b>	<b>1.3%</b>	<b>12.6%</b>	<b>4.6%</b>	<b>3.2%</b>	<b>2.7%</b>	<b>5.3%</b>	<b>May-93</b>
MSCI ACWI ex USA	-4.1%	-11.3%	1.0%	12.1%	3.0%	3.5%	2.5%	--	May-93
<b>Volatility Risk Premium Composite</b>	<b>-0.4%</b>	<b>-3.1%</b>	<b>9.1%</b>	<b>11.1%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1.0%</b>	<b>Jan-22</b>
CBOE Put Write Index	0.1%	-4.3%	9.5%	11.9%	11.1%	6.0%	6.4%	2.0%	Jan-22
<b>Real Estate Composite</b>	<b>0.0%</b>	<b>-2.3%</b>	<b>-6.2%</b>	<b>-10.6%</b>	<b>7.2%</b>	<b>5.9%</b>	<b>8.3%</b>	<b>5.5%</b>	<b>Aug-07</b>
NFI-ODCE	0.0%	-1.4%	-8.2%	-11.3%	6.1%	4.6%	7.1%	4.5%	Aug-07
NPI	0.0%	0.0%	-3.7%	-6.0%	6.4%	5.5%	7.5%	6.1%	Aug-07
<b>Infrastructure Composite</b>	<b>0.0%</b>	<b>1.6%</b>	<b>7.0%</b>	<b>10.0%</b>	<b>9.5%</b>	<b>8.9%</b>	<b>7.6%</b>	<b>8.4%</b>	<b>Aug-08</b>
3 Month T-Bill +4%	0.8%	2.4%	7.5%	8.9%	5.9%	5.7%	5.2%	4.8%	Aug-08
<b>Private Equity Composite</b>	<b>0.0%</b>	<b>0.0%</b>	<b>5.9%</b>	<b>4.4%</b>	<b>16.7%</b>	<b>13.9%</b>	<b>13.5%</b>	<b>8.8%</b>	<b>Jul-93</b>
Burgiss Global All Private Equity	0.0%	0.0%	2.8%	3.4%	15.7%	15.7%	15.2%	15.4%	Jul-93

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November 15, 2023

**FOR YOUR INFORMATION**

To: Mayor and Members of Council 202302450

From: Sheryl M. M. Long, City Manager

Subject: ***City General Obligation Bond Ratings Affirmed -- Moody's Investor Services and S&P Global***

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The City of Cincinnati is preparing to issue \$27.8 million of General Obligation Improvement Bonds as approved in the FY 2024 Capital Budget. In preparation for the bond sale in November 2023, bond ratings were requested from two rating agencies: Moody's Investor Services (Moody's) and S&P Global (S&P). The City's General Obligation rating was affirmed by Moody's (Aa2 stable) and S&P (AA stable). Copies of the rating reports are attached.

**Moody's**

The Aa2 rating is the third-highest rating offered by Moody's. The rating report states, "The outlook on the city is stable because the city will continue to benefit from its strong economy and because we expect cash and fund balance to remain solid, supported by the city's good budget management and broad revenue base."

The report cited credit strengths such as the City's position as "a regional economic center of southwest Ohio" and "healthy unrestricted liquidity and conservative budgeting." The primary credit challenge cited in the report is "a high adjusted net pension liability, which contributes to the city's above average long-term leverage and fixed costs."

**S&P**

The AA rating is the third-highest rating offered by S&P. The stable outlook reflects S&P's view "that, given the city's proactive fiscal management and its demonstrated ability to plan and adjust its budget during economic downturns, it will maintain its very strong financial position."

The factors leading to this rating include:

- Large, robust, and diverse employment base, with adequate economic metrics, that in recent years has been exhibiting population growth.
- Fiscal planning and policies that we consider very strong under our Financial Management Assessment (FMA), and which we believe will continue to ensure near- and long-term financial stability.
- High fixed costs and high debt burden, coupled with a large unfunded pension, and a lack of a plan to sufficiently address these factors.

**Summary**

The City Administration is extremely pleased with the agencies' affirmation of our ratings and the stable outlook. Arising from strong financial management practices and the leadership and policy direction from the Mayor and City Council, these results will ensure continued cost-efficient borrowing and access to liquidity. I would like to recognize the staff in the Finance Department who worked hard to make this result a reality and staff in the Budget Office, Solicitor's Office, and Department of Community and Economic Development who provided assistance.

**Attachments**

c: William "Billy" Weber, Assistant City Manager  
Karen Alder, Finance Director



## Rating Action: Moody's assigns Aa2 to Cincinnati, OH's GOULT bonds

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02 Nov 2023

New York, November 02, 2023 -- Moody's Investors Service has assigned a Aa2 to Cincinnati, OH's Unlimited Tax Various Purpose General Obligation Improvement Bonds Series 2023A with an estimated par amount of \$27.8 million. Moody's maintains the city's Aa2 issuer rating, a Aa2 rating on previously issued general obligation unlimited tax (GOULT) bonds, and Aa3 rating on outstanding non-tax revenue bonds. As of fiscal 2022, the city had approximately \$1.35 billion in outstanding debt. The outlook is stable.

### RATINGS RATIONALE

The Aa2 issuer rating incorporates the city's substantial local economy that serves as a regional economic center of southwest Ohio (Aa1 positive) and a financial profile that is expected to remain stable supported by sound policies, healthy unrestricted liquidity and conservative budgeting. The city's primary credit challenge is a high adjusted net pension liability, which contributes to the city's above average long-term leverage and fixed costs.

The Aa2 GOULT rating is at the same level as the issuer rating because the bonds benefit from the city's pledge of its full faith and credit and the authorization to levy a property tax unlimited as to rate or amount to pay debt service.

### RATING OUTLOOK

The outlook on the city is stable because the city will continue to benefit from its strong economy and because we expect cash and fund balance to remain solid, supported by the city's good budget management and broad revenue base.

### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Continued improvement of resident income levels and economic growth
- Moderation of long-term leverage

### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Weakening of economic profile
- Growth in long-term leverage
- Weakening of reserve position

### LEGAL SECURITY

The city's GOULT bonds are backed by the city's full faith and credit pledge and its authorization to levy a property tax unlimited as to rate or amount to pay debt service.

### USE OF PROCEEDS

Proceeds from the bonds will finance various capital improvements throughout the city as part of its Multi-Year Capital Improvement Program.

## PROFILE

Cincinnati is the economic engine of southwest Ohio. The city is the county seat of Hamilton County (Aa2 stable) and serves over 300,000 residents. The city provides a broad array of services including public safety, parks and recreation, transportation, community development and various utilities.

## METHODOLOGY

The principal methodology used in this rating was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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## Summary:

# Cincinnati, Ohio; General Obligation; Miscellaneous Tax

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## Summary:

# Cincinnati, Ohio; General Obligation; Miscellaneous Tax

### Credit Profile

US\$27.8 mil unlt'd tax var purp GO imp bnds ser 2023A due 12/01/2043		
<i>Long Term Rating</i>	AA/Stable	New
Cincinnati unlt'd tax var purp GO bnds ser 2011A due 12/01/2036		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Cincinnati, Ohio's \$27.8 million unlimited-tax general obligation (GO) improvement bonds.
- At the same time, we affirmed the long-term rating on the city's GO debt and nontax-revenue bonds at 'AA'.
- The outlook is stable.

### Security

Cincinnati's full faith credit and resources, and an agreement to levy ad valorem property taxes without limit as to rate or amount, secure the bonds. Per the city's charter, the levy used to support the debt service is not subject to the state's 10-mill limitation. The city's nontax-revenue bonds are secured by the city's nontax revenue in its general fund, which includes licenses, permits and fines; forfeitures; and penalties revenue. We rate these bonds on par with our view of its general creditworthiness, as reflected in the rating on the unlimited-tax GO bonds. The fungibility of resources, and the ability to manage those resources, drives our view of the city's ability and willingness to pay.

Bond proceeds are expected to finance various projects under the city's capital improvement plan.

### Credit overview

Cincinnati's rating reflects its very strong reserves and liquidity position, guided by proactive fiscal management with well-embedded fiscal planning and policies, and its anchor for a broad and diverse metropolitan statistical area (MSA), which emerged from the most recent recession better than anticipated. Significant and ongoing economic expansions are underway and expected to further boost economic growth and stability. The expected fiscal stability and further growth in reserves and liquidity also supports the rating. Below-average income levels and the city's large debt, pension, and other postemployment benefits (OPEB) liability are constraining credit factors.

Available fund balance increased by over 100% over the past two years and stood at a high \$219 million (including

committed reserves), or 55% of expenditures in fiscal 2022, despite the pandemic and concerns surrounding its potential impact on the city's major revenue stream, income tax (70%). Roughly \$280 million in American Rescue Plan Act (ARPA) funds provided significant financial flexibility (revenue replacement and public safety) and will continue through the fiscal 2025 budget. Continued growth in the job market, with actual income tax exceeding the budget by over 20% consecutively in 2021 and 2022, also contributed to the increased reserves. Fiscal 2023 (June 30) is expected to achieve another operating surplus, according to officials, attributable to strong revenue growth, primarily income tax. Officials continue to set aside \$50 million in reserves for potential income tax refunds. Pending litigation could allow workers to seek income tax refunds for tax year 2020 if they worked remotely because of the pandemic; if this prevails, reserves will decrease, but, in our opinion, remain very strong and continue to support the rating.

The city's large debt, pension, and OPEB liabilities remain a credit weakness, in our opinion. Historical underfunding of actuarially determined contribution (ADC) of its single-employer (Cincinnati Retirement System (CRS), 75.3% funded ratio) defined plan could lead to future budget stress. The city recently increased the contribution rate to 17% (from 16.25%) and will contribute \$2 million additionally in efforts to reduce the liability. Additionally, once the city exhausts its ARPA funds, it could face budget challenges, but is likely to make the necessary budgetary adjustments. Revenues are expected to be favorable with continued, albeit reduced, growth in income tax revenues. Increases in property tax millage, to a maximum 6.1 mills in 2024, will generate \$5 million in 2024 and \$14 million in 2025, given tax base growth.

With the approved \$1.6 billion sale of its railroad, expected to close in March 2024, proceeds will be held in a trust, and interest earnings will be transferred to the city. The city currently receives about \$26 million in lease revenues, but given the sale is expecting \$56 million annually from interest earnings (assuming a 5.5% rate of return, with 3.5% for funding infrastructure and 2% added to the corpus), which will provide additional flexibility for existing infrastructure funding. Fluctuations in interest rates will introduce some volatility to this additional revenue source. However, given strong fiscal oversight, we believe management will adjust its assumptions and budget as needed to avoid any shortfalls.

The rating also reflects our view of the city's:

- Large, robust, and diverse employment base, with adequate economic metrics, that in recent years has been exhibiting population growth. Cincinnati is the economic hub serving the region, and continues to see significant investments that will support economic and financial stability. There is diversity among the city's employment sectors, which include health care, higher education, financial services, and government. The city and region have seen significant new development in recent years, and the county projects a 25% increase in the city's assessed value for 2024. Regionally, there is over \$5.8 billion in construction activity, with another \$5.3 billion in proposed projects.
- Fiscal planning and policies that we consider very strong under our Financial Management Assessment (FMA), and which we believe will continue to ensure near- and long-term financial stability. These include five- and six-year financial and capital improvement plans, respectively, that are updated annually, and a stabilization fund reserve policy with a goal of maintaining an overall reserve target requiring minimum contingent reserves of two months' general fund revenue (16.7%) on a cash basis, which the city will exceed in fiscal 2023. The city also benefits from a strong institutional framework.

- High fixed costs and high debt burden (\$731 million), coupled with a large unfunded pension (CRS: \$505 million; \$445 million Ohio Police and Fire [OPRS]) as of June 30, 2022, and a lack of a plan to sufficiently address these factors. For more information on our view of OPRS plans, see "Pension Spotlight: Ohio," published July 31, 2023, on RatingsDirect. The city's OPEB trust was funded at 141.9% as of June 30, 2022.

## Environmental, social, and governance

We view the city's reliance on income taxes from commuters as a moderately negative social risk, given the shift to working from home, though we think the stability of institutional employers largely mitigates this risk. We also believe that the city's environmental factors are elevated compared with those of peers, given its location along the Ohio River, which is prone to flooding. That said, most of Cincinnati sits outside the flood plain, so we believe the risk will be manageable from a budget standpoint. In our view, governance factors are neutral within our analysis.

## Outlook

The stable outlook reflects our view that, given the city's proactive fiscal management and its demonstrated ability to plan and adjust its budget during economic downturns, it will maintain its very strong financial position.

### Downside scenario

We could lower the rating if reserves decrease to a level that we feel is no longer commensurate with that of similarly rated peers. We could also lower the rating if the city's pension funding discipline leads to material weakening in its funding status.

### Upside scenario

In the longer term, if economic indicators, such as per capita effective buying income (EBI) and market value per capita, improve to levels that are comparable with those of higher-rated peers, and the city improves its pension funding discipline and liability, with all other rating factors remaining constant, we could raise the rating.

Cincinnati, Ohio--Key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
<b>Adequate economy</b>				
Projected per capita EBI % of U.S.	89.2			
Market value per capita (\$)	61,724			
Population		309,092	306,503	306,518
County unemployment rate (%)		3.6		
Market value (\$000)	19,078,337	19,005,897	16,696,160	16,382,191
Ten largest taxpayers % of taxable value	13.1			
<b>Adequate budgetary performance</b>				
Operating fund result % of expenditures		15.1	11.2	5.3
Total governmental fund result % of expenditures		(2.8)	8.5	9.4
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		55.5	38.6	24.8

**Cincinnati, Ohio--Key credit metrics (cont.)**

	Most recent	Historical information		
		2022	2021	2020
Total available reserves (\$000)		218,898	152,754	105,081
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		55.0	63.0	48.0
Total government cash % of governmental fund debt service		528.0	513.0	437.0
<b>Very strong management</b>				
Financial Management Assessment	Strong			
<b>Very weak debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		10.8	12.3	11.0
Net direct debt % of governmental fund revenue	79.0			
Overall net debt % of market value	5.1			
Direct debt 10-year amortization (%)	65.5			
Required pension contribution % of governmental fund expenditures		12.1		
OPEB actual contribution % of governmental fund expenditures		0.1		
<b>Strong institutional framework</b>				
<b>EBI--Effective buying income. OPEB--Other postemployment benefits.</b>				

Data points and ratios may reflect analytical adjustments.

**Related Research**

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

**Ratings Detail (As Of November 8, 2023)**

Cincinnati bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati economic dev rev bnds (federally taxable) (Hudepohl Brewery Remediation Proj)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati economic dev rev bnds (federally taxable) (Industrial Site Redev Proj)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati economic dev rev bnds (East Price Hill Revitalization Proj)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati economic dev rev bnds (Otr Arts Permanent Imp Proj)		
<i>Long Term Rating</i>	AA/Stable	Affirmed

**Ratings Detail (As Of November 8, 2023) (cont.)**

Cincinnati econ dev		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati unlted tax various purp GO rfdg bnds (federally taxable)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cincinnati GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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**2024 CRS Board and Committee Schedule**  
**City Hall -- Council Chambers**



<b>Date</b>	<b>Investment</b>	<b>Governance</b>	<b>Performance Evaluation</b>	<b>Elections</b>	<b>Benefits</b>	<b>BOARD</b>
Jan. 11		12:00 PM				2:00 PM
Feb. 1	12:00 PM					2:00 PM
Mar. 7			12:00 PM		12:00 PM	2:00 PM
Apr. 4		12:00 PM				2:00 PM
May 2	12:00 PM					2:00 PM
Jun. 6			12:00 PM		12:00 PM	2:00 PM
Jul. 11		12:00 PM				2:00 PM
Aug. 1	12:00 PM					2:00 PM
Sept. 12			12:00 PM		12:00 PM	2:00 PM
Oct. 3		12:00 PM				2:00 PM
Nov. 7	12:00 PM					2:00 PM
Dec. 5			12:00 PM		12:00 PM	2:00 PM

**City of Cincinnati Retirement System  
Cash Flow Budget Analysis - as of September 30, 2023**

	<b>Budget 2023</b>	<b>Actual Q3, 2023</b>	<b>Difference</b>	<b>% of Budget Utilized</b>	<b>75% of Budget</b>	<b>Difference 75% of Budget v Actual</b>
<b>75% Expectation</b>						
Office Staff	2,179,260	1,210,866	968,394	56%	1,634,445	423,579
Office Expenses	131,000	61,231	69,769	47%	98,250	37,019
Training and Travel	77,630	15,263	62,367	20%	58,223	42,960
Data Processing	607,500	69,000	538,500	11%	455,626	386,626
Professional Fees	607,740	219,912	387,828	36%	455,805	235,893
Other	7,500	2,825	4,675	38%	5,625	2,800
Fiduciary Insurance	106,700	99,952	6,748	94%	80,025	(19,927)
<b>Operating</b>						
<b>Budget Total</b>	<b>3,717,330</b>	<b>1,679,049</b>	<b>2,038,281</b>	<b>45%</b>	<b>2,787,999</b>	<b>1,108,950</b>
<b>Member</b>						
<b>Cost (75% expectation)</b>	<b>232,418,700</b>	<b>166,405,564</b>	<b>66,013,136</b>	<b>72%</b>	<b>174,314,025</b>	<b>7,908,461</b>
<b>Contributions</b>						
<b>(75% Expectation)</b>	<b>63,290,350</b>	<b>51,812,131</b>	<b>(11,478,219)</b>	<b>82%</b>	<b>47,467,763</b>	<b>4,344,368</b>
<b>Net Investment</b>						
<b>Returns</b>						
<b>(75% Expectation)</b>	<b>148,528,149</b>	<b>109,856,509</b>	<b>(38,671,640)</b>		<b>111,396,112</b>	<b>(1,539,603)</b>



**2023 CRS CASH FLOW BUDGET**

<b>I. OPERATING EXPENSES</b>	<b>2023 BUDGET</b>	<b>% Cost of Operations</b>	<b>2023 YTD September</b>	<b>Difference Budget v Actual</b>	<b>75% of Budget</b>	<b>Difference 75% v Actual</b>
<b>A Office Staff</b>						
1. Salaries & Wages	1,555,260	41.84%	888,836	666,424	1,166,445	277,609
2. Fringe (35%)	574,000	15.44%	279,536	294,464	430,500	150,964
3. Temporary Services	50,000	1.35%	42,494	7,506	37,500	(4,994)
<b>A. Total Office Staff</b>	<b>2,179,260</b>	<b>58.63%</b>	<b>1,210,866</b>	<b>968,394</b>	<b>1,634,445</b>	<b>423,579</b>
<b>B Office Expenses</b>						
1. Office Improvements	28,000	0.75%	2,000	26,000	21,000	19,000
2. Equipment / Purchase and Rent	10,000	0.27%	1,923	8,077	7,500	5,577
3. Supplies	3,300	0.09%	1,203	2,097	2,475	1,272
4. Printing and Postage	89,700	2.41%	56,105	33,595	67,275	11,170
<b>B. Total Office Expenses</b>	<b>131,000</b>	<b>3.52%</b>	<b>61,231</b>	<b>69,769</b>	<b>98,250</b>	<b>37,019</b>
<b>C Training and Travel</b>						
1. Training/Trav Board	32,500	0.87%	0	32,500	24,375	24,375
2. Training/Trav Staff	45,130	1.21%	15,263	29,867	33,848	18,585
<b>C. Total Training and Travel</b>	<b>77,630</b>	<b>2.08%</b>	<b>15,263</b>	<b>62,367</b>	<b>58,223</b>	<b>42,960</b>
<b>D Data Processing Expenses</b>						
1. Pension Gold Hosting and Modifica	202,200	5.44%	150	202,050	151,650	151,500
2. Pension Gold Annual License Fee	150,000	4.04%	0	150,000	112,500	112,500
3. Regional Computer Center (ETS)	4,200	0.11%	2,790	1,410	3,150	360
4. Hardware and Software for PCs	90,750	2.44%	41,234	49,516	68,063	26,829
5. Other	160,350	4.31%	24,826	135,524	120,263	95,437
<b>D. Total IT Expenses</b>	<b>607,500</b>	<b>16.34%</b>	<b>69,000</b>	<b>538,500</b>	<b>455,626</b>	<b>386,626</b>
<b>E Professional Services</b>						
1. Actuarial Fees	178,000	4.79%	126,995	51,005	133,500	6,505
2. Consulting Fees	241,740	6.50%	76,373	165,367	181,305	104,932
3. Legal Services	110,000	2.96%	5,290	104,710	82,500	77,210
4. Retiree Locator Fees	3,000	0.08%	400	2,600	2,250	1,850
5. Treasury, Accounts and Audits	25,000	0.67%	10,854	14,146	18,750	7,896
6. Financial Audit	50,000	1.35%	0	50,000	37,500	37,500
<b>E. Total Professional Services</b>	<b>607,740</b>	<b>16.35%</b>	<b>219,912</b>	<b>387,828</b>	<b>455,805</b>	<b>235,893</b>
<b>F Other Expenses</b>						
1. Board Meeting Expenses	2,500	0.07%	0	2,500	1,875	1,875
2. Membership and Subscriptions	5,000	0.13%	2,825	2,175	3,750	925
<b>F. Total Other</b>	<b>7,500</b>	<b>0.20%</b>	<b>2,825</b>	<b>4,675</b>	<b>5,625</b>	<b>2,800</b>
<b>G. Insurance</b>						
Fiduciary Insurance	106,700	2.87%	99,952	6,748	80,025	(19,927)
<b>G. Total Insurance</b>	<b>106,700</b>	<b>2.87%</b>	<b>99,952</b>	<b>6,748</b>	<b>80,025</b>	<b>(19,927)</b>
<b>Total Operating Costs</b>	<b>3,717,330</b>	<b>99.99%</b>	<b>1,679,049</b>	<b>2,038,281</b>	<b>2,787,999</b>	<b>1,108,950</b>

<b>2023 CRS CASH FLOW BUDGET</b>	<b>2023</b>	<b>% Cost of</b>	<b>2023</b>	<b>Difference</b>	<b>75% of</b>	<b>Difference</b>
<b>(Continued)</b>	<b><u>BUDGET</u></b>	<b><u>Operations</u></b>	<b><u>YTD September</u></b>	<b><u>Budget v Actual</u></b>	<b><u>Budget</u></b>	<b><u>75% v Actual</u></b>
<b><u>II. MEMBER BENEFITS EXPENSES</u></b>						
A. Pensions	197,006,500	84.76%	144,353,831	52,652,669	147,754,875	3,401,044
B. Return of Contributions	2,874,000	1.24%	2,191,081	682,919	2,155,500	(35,581)
C. Death Benefits	670,000	0.29%	399,500	270,500	502,500	103,000
D. Medical	31,868,200	13.71%	19,461,152	12,407,048	23,901,150	4,439,998
<b>Total Benefit Costs</b>	<b>232,418,700</b>	<b>100.00%</b>	<b>166,405,564</b>	<b>66,013,136</b>	<b>174,314,025</b>	<b>7,908,461</b>
	<b>2023</b>	<b>% of</b>	<b>2023</b>	<b>Difference</b>	<b>75% of</b>	<b>Difference</b>
	<b><u>BUDGET</u></b>	<b><u>Contributions</u></b>	<b><u>YTD September</u></b>	<b><u>Budget v Actual</u></b>	<b><u>Budget</u></b>	<b><u>75% v Actual</u></b>
<b><u>III. CONTRIBUTIONS</u></b>						
A. City Contributions	39,930,050	63.09%	33,102,511	(6,827,539)	29,947,538	3,154,973
B. Employee Contributions (9.0%)	21,377,100	33.78%	17,396,710	(3,980,390)	16,032,825	1,363,885
C. Retiree Medical Premiums	2,233,200	3.53%	1,668,999	(564,201)	1,674,900	(5,901)
D. Transfers In (Out) Reciprocity	(250,000)	-0.40%	(356,089)	(106,089)	(187,500)	(168,589)
<b>Total Contributions</b>	<b>63,290,350</b>	<b>100.00%</b>	<b>51,812,131</b>	<b>(11,478,219)</b>	<b>47,467,763</b>	<b>4,344,368</b>
<b><u>IV. NET INVESTMENT RETURNS</u></b>						
<b><u>A. Gross Returns</u></b>	<b>156,455,149</b>		<b>115,609,281</b>	<b>(40,845,868)</b>	<b>117,341,362</b>	<b>(1,732,081)</b>
<b><u>B. Investment Expenses</u></b>						
1. Custodial Fees	232,000		149,759	82,241	174,000	24,241
2. Investment Consultant	285,000		176,250	108,750	213,750	37,500
3. Investment Management Fees	7,410,000		5,426,763	1,983,237	5,557,500	130,737
<b>Total Investment Expenses</b>	<b>7,927,000</b>	<b>0.38%</b>	<b>5,752,772</b>	<b>2,174,228</b>	<b>5,945,250</b>	<b>192,478</b>
<b>Net Investment Returns (Budget 7.5%)</b>	<b>148,528,149</b>		<b>109,856,509</b>	<b>(38,671,640)</b>	<b>111,396,112</b>	<b>(1,539,603)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(24,317,531)</b>		<b>(6,415,973)</b>	<b>17,901,558</b>	<b>(18,238,149)</b>	<b>11,822,176</b>
<b>Net Assets Beginning Balance</b>	<b>2,203,917,404</b>	<b>1/1/2023</b>	<b>2,203,917,404</b>			
<b>Net Assets Ending Balance</b>	<b>2,179,599,873</b>	<b>12/31/2023</b>	<b>2,197,501,431</b>			

<b>2023 CRS CASH FLOW BUDGET</b>				
<b>I. OPERATING EXPENSES</b>	<b>2024 BUDGET</b>	<b>% Cost of Operations</b>	<b>2023 BUDGET</b>	<b>% Cost of Operations</b>
<b>A. Office Staff</b>				
1. Salaries & Wages	1,690,150	44.06%	1,555,260	41.84%
2. Fringe (35%)	592,000	15.43%	574,000	15.44%
3. Temporary Services	20,000	0.52%	50,000	1.35%
<b>A. Total Office Staff</b>	<b>2,302,150</b>	<b>60.01%</b>	<b>2,179,260</b>	<b>58.63%</b>
<b>B. Office Expenses</b>				
1. Office Improvements	28,000	0.73%	28,000	0.75%
2. Equipment / Purchase and Rent	10,000	0.26%	10,000	0.27%
3. Supplies	3,300	0.09%	3,300	0.09%
4. Printing and Postage	89,700	2.34%	89,700	2.41%
<b>B. Total Office Expenses</b>	<b>131,000</b>	<b>3.42%</b>	<b>131,000</b>	<b>3.52%</b>
<b>C. Training and Travel</b>				
1. Training/Travel Board	32,500	0.85%	32,500	0.87%
2. Training/Travel Staff	57,000	1.49%	45,130	1.21%
<b>C. Total Training and Travel</b>	<b>89,500</b>	<b>2.34%</b>	<b>77,630</b>	<b>2.08%</b>
<b>D. Data Processing Expenses</b>				
1. Pension Gold Hosting and Modifications	204,480	5.33%	202,200	5.44%
2. Pension Gold Annual License Fee	152,830	3.98%	150,000	4.04%
3. Regional Computer Center (ETS)	6,010	0.16%	4,200	0.11%
4. Hardware and Software for PCs	78,030	2.03%	90,750	2.44%
5. Other	183,260	4.78%	160,350	4.31%
<b>D. Total IT Expenses</b>	<b>624,610</b>	<b>16.28%</b>	<b>607,500</b>	<b>16.34%</b>
<b>E. Professional Services</b>				
1. Actuarial Fees	155,300	4.05%	178,000	4.79%
2. Consulting Fees	231,000	6.02%	241,740	6.50%
3. Legal Services	110,000	2.87%	110,000	2.96%
4. Retiree Locator Fees	3,000	0.08%	3,000	0.08%
5. Treasury, Accounts and Audits	25,220	0.66%	25,000	0.67%
6. Financial Audit	50,000	1.30%	50,000	1.35%
<b>E. Total Professional Services</b>	<b>574,520</b>	<b>14.98%</b>	<b>607,740</b>	<b>16.35%</b>
<b>F. Other Expenses</b>				
1. Board Meeting Expenses	2,500	0.07%	2,500	0.07%
2. Membership and Subscriptions	5,000	0.13%	5,000	0.13%
<b>F. Total Other</b>	<b>7,500</b>	<b>0.20%</b>	<b>7,500</b>	<b>0.20%</b>
<b>G. Insurance</b>				
Fiduciary Insurance	106,700	2.78%	106,700	2.87%
<b>G. Total Insurance</b>	<b>106,700</b>	<b>2.78%</b>	<b>106,700</b>	<b>2.87%</b>
<b>Total Operating Costs</b>	<b>3,835,980</b>	<b>100.01%</b>	<b>3,717,330</b>	<b>99.99%</b>
<b>II. MEMBER BENEFITS EXPENSES</b>				
A. Pensions	201,451,100	85.39%	197,006,500	84.76%
B. Return of Contributions	2,874,000	1.22%	2,874,000	1.25%
C. Death Benefits	670,000	0.28%	670,000	0.29%
D. Medical	30,927,000	13.11%	31,868,200	13.71%
<b>Total Benefit Costs</b>	<b>235,922,100</b>	<b>100.00%</b>	<b>232,418,700</b>	<b>100.01%</b>
<b>III. CONTRIBUTIONS</b>				
A. City Contributions	43,698,050	63.18%	39,930,050	63.09%
B. Employee Contributions (9.0%)	23,493,700	33.97%	21,377,100	33.78%
C. Retiree Medical Premiums	2,227,200	3.22%	2,233,200	3.52%
D. Transfers In (Out) Reciprocity	(250,000)	-0.36%	(250,000)	-0.40%
<b>Total Contributions</b>	<b>69,168,950</b>	<b>100.01%</b>	<b>63,290,350</b>	<b>99.99%</b>
<b>IV. NET INVESTMENT RETURNS</b>				
<b>A. Gross Returns</b>	<b>161,917,765</b>		<b>156,455,149</b>	
<b>B. Investment Expenses</b>				
1. Custodial Fees	232,000		232,000	
2. Investment Consultant	270,000		285,000	
3. Investment Management Fees	7,701,000		7,410,000	
<b>Total Investment Expenses</b>	<b>8,203,000</b>	<b>0.38%</b>	<b>7,927,000</b>	<b>0.38%</b>
<b>Net Investment Returns (Budget 7.5%)</b>	<b>153,714,765</b>		<b>148,528,149</b>	
<b>NET CHANGE IN FUND BALANCE</b>	<b>(16,874,365)</b>		<b>(24,317,531)</b>	



# Cincinnati Retirement System: Proposed 2024 Budget

December 2023

# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024 Op. Exps. Budget

- Summary of changes:
  - Office Staff +\$134.9k
  - Office Expenses 0.0k
  - Training & Travel +11.9k
  - Data Processing +17.1k
  - Professional Services -33.2k
  - Other Expenses +0.0k
  - Insurance +0.0k
  - Total Op. Exps. Increase: +\$118.7k

# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024 Op. Exps. Budget

- Budget Detail of Proposed Increments:

CRS Proposed 2024 Budget		
Operating Budget		
	Top Line	Sub Lines
<b>Office Staff</b>	\$122,900	
Wage Increases & COLA (3.5%)		\$77,200
Executive Director Salary Redirect		\$45,700
<b>Training and Travel</b>	\$11,900	\$11,900
<b>Data Processing</b>	\$17,100	
Info Systems Improvement		\$4,200
Scanning Project		\$6,000
Pension Gold licensing fees increase		\$5,100
ETS Support		\$1,800
<b>Professional Svcs</b>	-\$33,200	
Horan new contract (addtl)		\$127,000
Cheiron Actuarial Experience Study Complete		-\$20,500
Fiducary Audit 50% complete/ billed		-\$50,000
Executive Search Consultant Fees		-\$89,700
<b>Other Expenses</b>	\$0	\$0
<b>Insurance</b>	\$0	\$0
<b>Total</b>	\$118,700	\$118,700

# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024 Inv. Exps. Budget

- Summary of changes:
  - Custodial Fees: +0.0k
  - Investment Consultant: -\$15.0k
  - Inv. Mgmt. Fees: +291.0k
  - Total Op. Exps Increase: +\$276.0k

# CINCINNATI RETIREMENT SYSTEM

## → Budget-Related 2023 Board Objectives

- Fiduciary Performance Audit Started - Jan'24 target completion
- Investment Consultant RFP - Completed
- Review CRS Department staffing positions and complement - Completed
- Ethics, Attendance, & Trustee Training Policy - Completed
- New charters for all committees - Completed
- Prepare annual financial report for active and retired members - Target 2024
- Review current customer service practices and identify strengths and opportunities for improvements - Members Counselor Hire in Q1'24 & Performance Audit Recommendations



# CINCINNATI RETIREMENT SYSTEM

## → Observed Staffing Issues

- High “Personnel” Risk
  - 2 staff members (49 yrs combined CRS exp) can retire in next 2-3 yrs (Head of IT retiring in '24)
  - 7 remaining staff (26 yrs combined CRS exp)
- Need to build-in staff redundancy & increase capacity
  - One staff member responsible for monthly payroll, health administration, member education
  - Overburdened when one or more team members is out sick/vacation
- Limited staffing for communications
- No CPA-qualified backup for accounting functions

# CINCINNATI RETIREMENT SYSTEM

## → Observed Functional Gaps

- Customer Service and Member Education
  - No 1-on-1 member counseling
  - No mid-career member education
  - No front desk staffing
- One person IT team by end of '24
  - Need to hire back up
  - Review and improve website design & content
- Financial Reporting
  - No calendar year audited CRS financial statement/Annual Comprehensive Financial Report
  - Creation of Popular Annual Financial Report (PAFR)

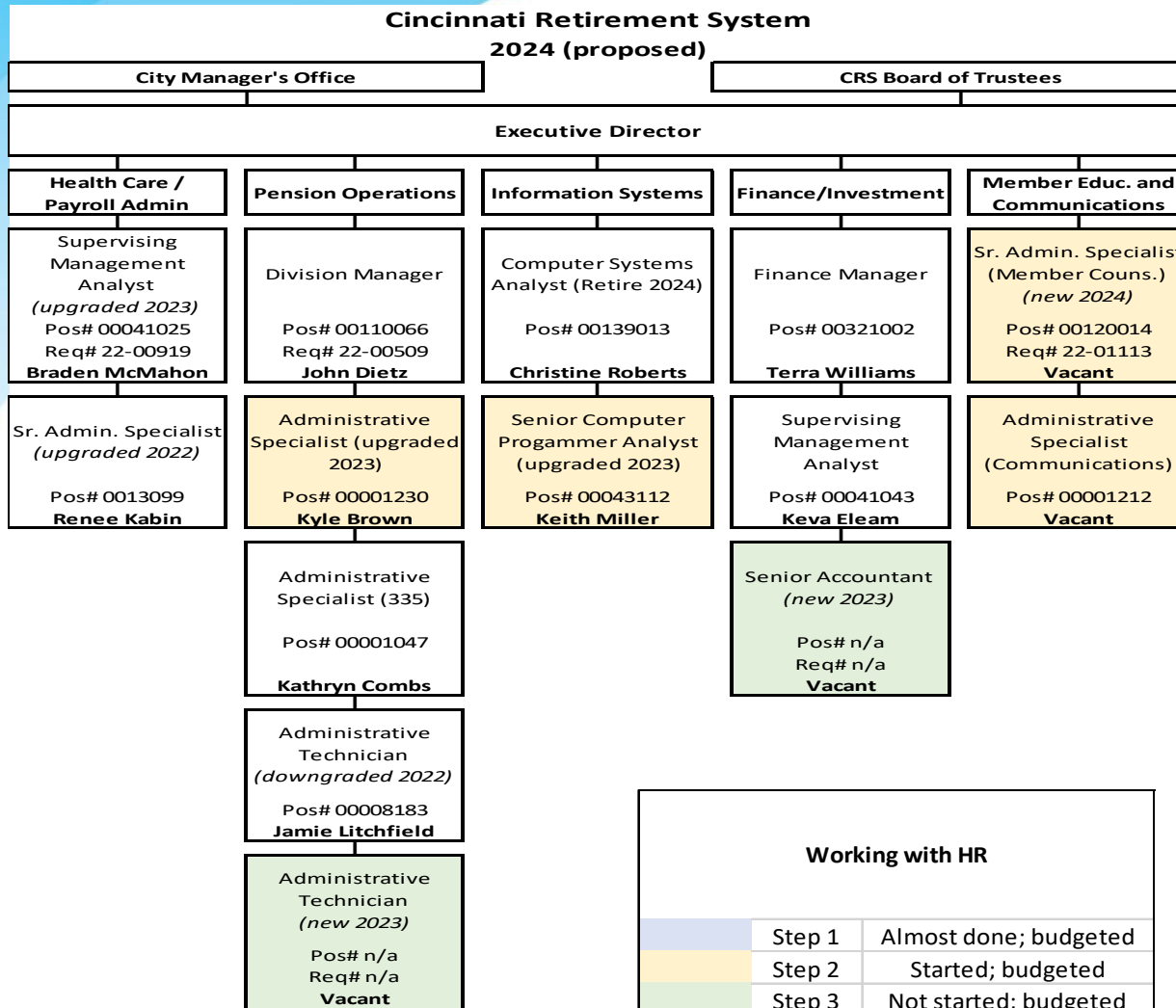
# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024 Op. Exps. Budget

- Office Staff needs and priorities for '24:
  - Admin Tech: staff front desk, answer phones
  - Members Counselor Position – Communications and Education
  - Admin Spec: support operations and new members counselor position
  - Information Technology support staff
  - Jr. Accountant: financial audit support, backup on accounting functions
  - Formalize succession planning
  - Review performance audit staffing recommendation

# CINCINNATI RETIREMENT SYSTEM

## → Proposed Staffing



# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024 Op. Exps. Budget

- Data Processing: +\$17k
  - Information system improvements
  - Scanning project
  - Upgrade to imaging system
  - Increase in Pension Gold licensing fees
  - Refresh staff workstations and equipment
- Data Processing improvements will help the customer experience: imaged member files accessible to staff for phone calls with members; multi-factor authentication for security

# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024 Op. Exps. Budget

- Professional Svcs: - 33K (+\$150.35k in '23)
  - New Horan Healthcare consulting contract for '24 (+127K)
  - Fiduciary Audit (-\$50k – billed)
  - 5-year actuarial experience study by Cheiron (-\$20K – completed)
  - Executive search fee eliminated in '24 budget

# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024 Inv. Exps. Budget

- Actuarial Consultant: RFP in 2024 may increased fees for '25
- Investment mgmt. fees projected to be up
  - Asset value increased

# CINCINNATI RETIREMENT SYSTEM

## → Proposed 2024: Measured as % Assets

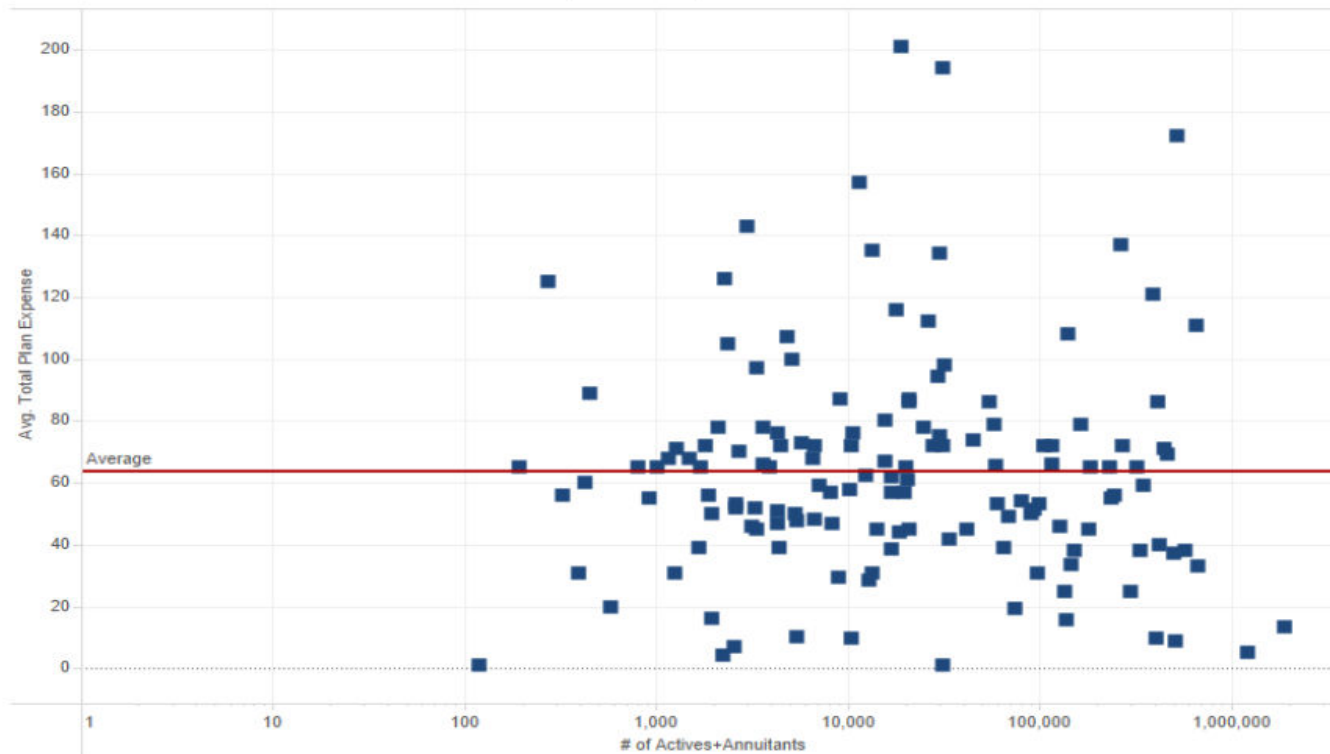
- 11/24/23 Asset Balance (unaudited) =  
\$2,223,922,370
  - Operating Expenses: \$3,835,980
    - 0.1724% or 17.24 bps
  - Investment Expenses: \$8,082,000
    - 0.3634% or 36.34 bps
  - Total: 0.5358% or 53.58 bps
  - FY22 Actual: 0.524% or 52.4 bps (+1 bps)



# CINCINNATI RETIREMENT SYSTEM

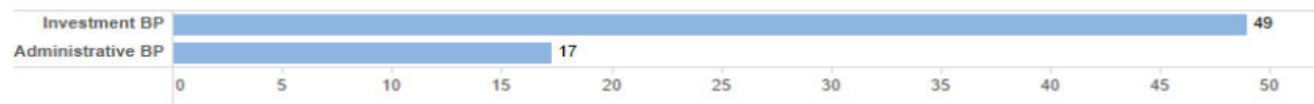
## → Peer Expenses

Total Expenses by Size of Fund



NCPERS 2023 Public Retirement Systems Study

Average Fund Expenses (Basis Points)



## Cincinnati Retirement System Retiree and Active Election Process 2024

Proposed Process and Timeline	Dates
Submission of Proposed Election Appeal Rules for Board consideration	Thursday, April 4, 2024
Inventory and Order Envelopes	by April 8, 2024
Contact Printing Services - about timeline to get nominations notice (RETIREEES) and ballots to USPS.	by April 15, 2024
Remind HR Liaisons to update employee addresses (before label list created)	by May 1, 2024
<b><u>Opening of Nominations (one active and two retirees)</u></b> CRS Members Emails / Nomination postcards for retirees	Monday, May 20, 2024
Ballot Skeleton to Printing Services	May 24, 2024
Labels with ID#'s and Envelopes to Printing for Ballots	May 31, 2024 (based on PP 11)
<b><u>Closing of Nominations.</u></b> Nomination Petition sheets & Candidate Position Papers are due. <b>(25 days)</b>	Thursday June 13, 2024
Authenticate Names - Review Position Papers <i>(Within 2 business days of Closing of Nomination)</i>	Friday June 14, 2024
<b>Distribute Candidates Names &amp; Bios</b> Post to Web page for Actives /USPS Mail to Retirees <b>(5 business days after Close of Nominations)</b>	Thursday June 20, 2024
<b><u>Election Opens</u></b> (Ballots to U.S. mail first-class) <b>(14 days after close of Nominations)</b>	Friday, June 28, 2024
<b><u>Election Closes -</u></b> <b>(21 days)</b>	Thursday, July 18, 2024
<b><u>Ballot Count -</u></b> Election Committee Declares winners <b>(Within 5 business days after election close)</b>	Tuesday , July 23, 2024
<b><u>Oath of Office</u></b> <b>Board meeting</b>	Thursday, August 1, 2024