



Cincinnati Retirement System: 2023 Update

May 2023

CINCINNATI RETIREMENT SYSTEM

→Welcome to CRS!

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

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→Governance

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

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→ Defined Benefits: Pension + Health

- City provides a defined benefit retirement plan for its employees as described in City benefits summary publications
 - Pension Benefits
 - A monthly stipend based on length of employee's career calculated by formula
 - Health Benefits
 - For employees hired before 1/1/2016
 - Similar to employee health plan pre-65
 - Medicare Advantage Plan post-65

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→ Monthly Pension Benefit

- CRS provides a “Defined Benefit” pension
 - “Defined Benefit” means a guaranteed formula-based monthly payment for retiree’s life



- Different than “Defined Contribution” which provides a lump sum at retirement (e.g., 401k)



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→ CRS Defined Benefits: Why?

Long-term
Public
Service

Retirement
Security

- City provides defined retirement benefits to recruit and retain talented employees to provide superior public service

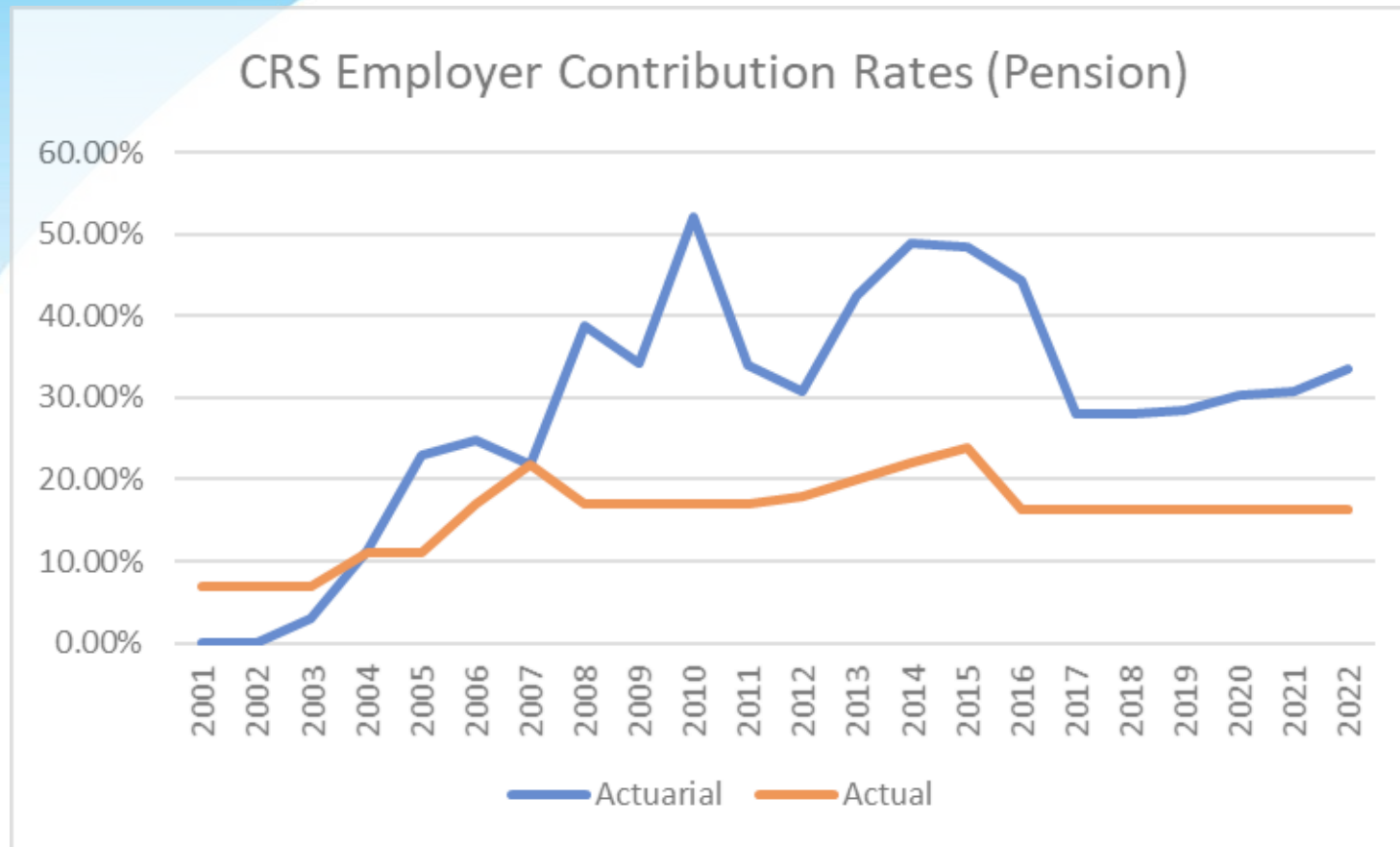
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→ Defined Benefits: Funding

- City is primarily responsible for funding defined benefits; CSA minimum contribution = 16.25%
 - Employees contribute 9%
 - Investment returns (7.5% assumed per CSA)
 - Employer accepts the financial risk of a DB plan
- Pension is seriously underfunded (70.6%)
- Actuary experience study projects system trending toward insolvency by 2051
- Risk of inability to provide retirement benefits
 - Impacts current employees and retirees

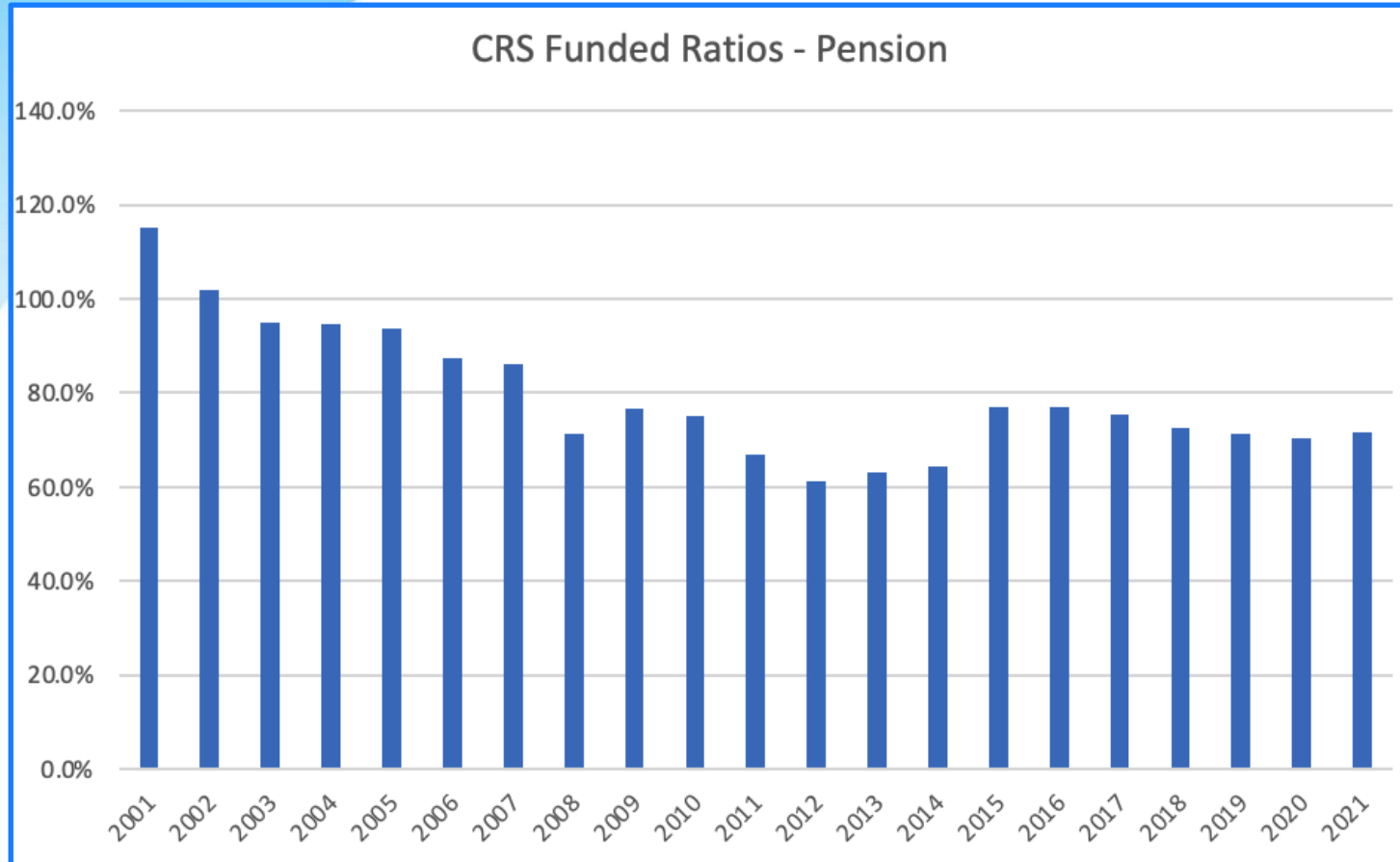
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→ City Contributions: Underfunding Since 2006



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→ Funding Benefits: Funding Ratios



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→Funding Benefits: Investments (2021)

Annual CRS Rates of Investment Return		
	Investment Return	
<u>Plan Year</u>	<u>Assumption</u>	<u>Market Return</u>
2011	7.50%	0.88%
2012	7.50%	12.06%
2013	7.50%	16.99%
2014	7.50%	6.46%
2015	7.50%	-0.11%
2016	7.50%	9.24%
2017	7.50%	14.51%
2018	7.50%	-3.93%
2019	7.50%	16.40%
2020	7.50%	8.03%
2021	7.50%	18.06%
10-Year compound Average		9.54%
5-Year Compound Average		10.31%

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→ Experience Study (2023)

- Actuary reviews last 5yrs of plan experience
 - Demographic assumptions include when members retire, mortality, how many elect DROP
 - Economic assumptions include how much the system will earn from investments
- Actuary proposed assumption changes
 - Demographic changes increase liability by \$35mm, or 1.6% increase in actuarial liability
 - City should consider reducing earnings assumption from 7.5% closer to peer 7.0%

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→ Experience Study: Impact

Impact of Economic Assumptions

Demographic Assumptions / Discount Rate*	December 31, 2021 Actuarial Liability (\$mil)	December 31, 2021 Funded Status (AVA)	Gross Normal Cost (% of Pay)	City's Actuarially Determined Contribution Rate
Proposed / 7.50%	\$ 2,595.2	70.6%	12.51%	34.46%
Proposed / 7.25%	\$ 2,657.5	68.9%	13.24%	36.89%
Proposed / 7.00%	\$ 2,722.4	67.3%	14.01%	39.36%

Inflation kept at 2.75% in all scenarios above.



Classic Values, Innovative Advice.

March 2, 2023

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→Funding Options

Funding Options

- Increase contribution rate by 1.5% annually – 7.5% earnings assumption
- Increase contribution rate by 1.75% annually – 7.25% earnings assumption
- Increase contribution rate by 2% annually – 7.0% earnings assumption (median level of pension plans nationally)
- Peer plan median is 7.0%, range 6.5% to 8.0%

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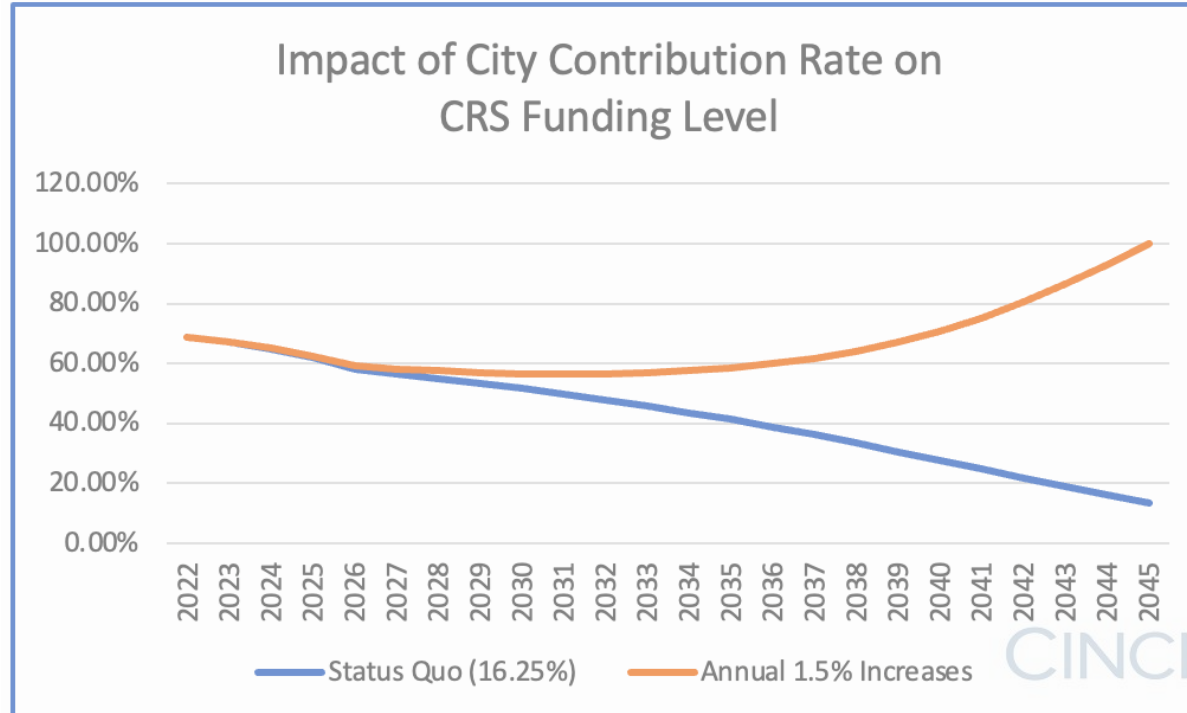
→ CRS Trustee Board Recommendation

- Increase the City employer contribution by 1.5% each year to achieve full funding by 2045
- Adopt the multi-year incremental increase funding methodology to achieve full funding by 2045
- Update the multi-year funding methodology annually and budget accordingly

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→ CRS Trustee Board Recommendation

- Increasing City contribution rate by 1.5% annually by 2045 will fully fund City pension benefits (red line below)
- Making no change (leaving at 16.25%) will result in system nearly out of funds by 2045 (blue line below)



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→Questions?

- Please visit the CRS Website:
<https://cincinnati-oh.gov/retirement/>
- Email: retirement@cincinnati-oh.gov
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→ Contact Info

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