

EXHIBIT B

City of Cincinnati Cincinnati Retirement System 115 Trust and Other Post Employment Benefits (“OPEB”) Funding Policy (“Policy”)

Background

In 2015, the City of Cincinnati entered into a settlement agreement (Collaborative Settlement Agreement or “CSA”) to resolve pending litigation related to changes in the retirement benefits provided by the City, including healthcare benefits (also known as “Other Post Employment Benefits” or OPEB). The CSA required that the City continue to provide retiree healthcare benefits (including, but not limited to, Retirees Class Healthcare Benefits and Current Employees Class Retirement Health Benefits, as defined in the CSA) for certain City retirees and their eligible surviving spouses, dependent children, and orphans through the expiration of the CSA in 2045. The CSA specified varying eligibility and cost participation by retirees. (CSA paras. 23-24). The City implemented these provisions through amendments to CMC 203-42 through 203-44, and by creating a separate trust fund for the purposes of contributing to, investing, and funding the health benefits of these certain retirees of the City and their eligible surviving spouses, dependent children, and orphans (“115 Trust Fund”) (Ordinance 381-2015).

CSA paragraph 26 required the City to develop a funding policy for the 115 Trust Fund “that will satisfy all consent decree requirements including but not limited to the City’s obligation to fully fund the 115 Trust at actuarially appropriate levels for the term of this Agreement.” (CSA, para. 26; CMC 203-93(c)). Accordingly, this Policy is intended to implement the CSA and CMC and ensure that the 115 Trust is funded at actuarially appropriate levels at least through December 31, 2045. It does not supersede or amend the terms of the CSA.

Actuarial Evaluation: Valuation, Experience Study and Audit

Consistent with the City ordinances that require the regular application of sound actuarial analysis to the administration of pension and CRS OPEB trust benefits, this Policy requires that an actuarial valuation of CRS OPEB benefits and the 115 Trust will continue to be conducted annually. Additionally, an actuarial experience analysis will be conducted at least once every five years. (Admin. Code. XV sec. 9). Finally, an actuarial audit (i.e., a third-party audit of the work of the 115 Trust Fund’s actuary), with full replication of data and results, will be conducted once every 10 years (but not prior to the finalization of a second five-year actuarial experience analysis by the 115 Trust’s actuary within a 10-year period) by an actuary who had no role in the conduct of any actuarial valuation or experience studies during the 10-year period prior to the audit.

The annual actuarial valuation of the 115 Trust Fund will compute the actuarial liability, the actuarial value of assets, the unfunded actuarial liability, the funded ratio, the normal cost, and the actuarially determined employer contribution (“ADEC”). The terms in the preceding sentence shall have the same meaning as in the annual CRS OPEB actuary valuation report.

Actuarial Assumptions

Notwithstanding the provisions of the CSA and CMC, for purposes of calculating the ADEC for the 115 Trust and conservatively managing the 115 Trust, the actuarial assumptions include the following assumptions, which are subject to review every five years following the effective date of this Policy:

Assumed Investment Earnings Rate:	7.50%
Amortization period of any unfunded liability:	30 years
Amortization method:	Level dollar
Value of 115 Trust Assets:	Actuarial value

(Note: the above assumptions do not constitute an exhaustive list of assumptions on which the 115 Trust’s actuary, in exercising its professional judgment, may rely in providing actuarial services.)

Funding Triggers

The City recognizes its obligation to ensure 100% funding of health care benefits (including, but not limited to, Retirees Class Healthcare Benefits and Current Employees Class Retirement Health Benefits, as defined in the CSA) for eligible retired members of the CRS as provided in the CSA (including, but not limited to, Retirees Class members, Current Employees Class members, and their eligible surviving spouses, dependent children, and orphans) through the expiration of the CSA in 2045.

Upon a determination by the actuary in an annual OPEB valuation that the 115 Trust is funded at a level of **90% or less**, the City will begin to contribute the normal cost of the OPEB benefits *or* 2% of Covered Payroll, whichever is less, in the fiscal year that begins two years following the date of the OPEB valuation. Example: if the CY2024 OPEB valuation reflects that the 115 Trust is 89% funded, the City will contribute the OPEB normal cost rate in the FY2026 budget.

Upon a determination by the actuary in an annual OPEB valuation that the 115 Trust is funded at a level of **80% or less**, the City will begin to contribute the normal cost of the OPEB benefits *or* 2.5% of Covered Payroll, whichever is less, in the fiscal year that begins at two years following the date of the OPEB valuation.

The City may cease contributions to the 115 Trust following two consecutive years of funding levels at or above 100%, as certified by the actuary in the annual OPEB valuations, subject to re-starting contributions under the provisions of the previous two paragraphs. For the avoidance of

doubt, if either or both of the funding obligations in the previous two paragraphs have been triggered, the City must continue to make the contributions to the 115 Trust required by the preceding two paragraphs until there have been two consecutive years of funding levels at or above 100% as certified by the actuary in the annual OPEB valuations.

Good Faith Implementation

The City will implement this Policy in good faith. Nothing in this Policy shall be construed to prohibit City Council from appropriating funds into the 115 Trust Fund when conditions precedent for the funding triggers do not exist.

Effective Date

This Policy takes effect upon the date of adoption by the City Manager, with consent from the Mayor and City Council of the City of Cincinnati. The City anticipates an effective date of no later than April 30, 2024.

Review

Acceptable and appropriate actuarial assumptions, methods and practices vary over time, as do economic conditions and investment markets. Any funding policy should be regularly evaluated and updated to determine its suitability for the times. Accordingly, this Policy shall be reviewed upon the completion of each decennial audit described on page one of this Policy but in no event sooner than ten years following the effective date of this Policy.