



# City Of Cincinnati Retirement System Special Board of Trustees Meeting

## Minutes

May 22, 2009 / 10:00 AM  
Committee Room B

### **Present:**

Brian Pickering, Chair  
Dave Rager, Vice Chair  
Donald Beets  
Michael Fehn  
Dan Radford  
James Robinson  
Bryan Schmitt  
Joe Gray

### **Staff present:**

Ron Wilson  
Cheryl Volk – Recorder

### **Absent**

M. Lindahl  
Michael Rachford  
Jason Barron (Unable to attend - Requested meeting to be held on a different day so he could attend)

Brian Pickering, Chairperson, called the meeting to order at 10:05 A.M.

### **OPENING STATEMENT BY BOARD CHAIR**

The Special meeting of the Board of Trustees was called in order to review the Report of the Actuary on Annual Valuation of the Cincinnati Retirement System (CRS) for Employees of the City of Cincinnati. The report was prepared as of December 31, 2008, by Cavanaugh Macdonald, Consulting, LLC.

There are two items on the agenda for discussion at the Special Board meeting. Special Board meetings prohibit adding other agenda items.

- 1) Employee Election Update
- 2) 2008 Valuation Report.

The Board wanted to review the actuary report as soon as available to allow for further evaluation and discussion at the June 4, 2009 meeting of the Board of Trustees. The Board acknowledges the market's ups and downs over the years but the solvency of the fund is to be assessed for the long-term. The Board will be looking at least 50-years down the road at the pension fund's long-term viability.

Although the CRS has been discussed in the press, the CRS administrative issues remain separate from the pension fund issues. The internal audit of the CRS which was requested by John Boudinot,



- Asset Values 2008: Market vs Actuarial
  - Decline in both the Market & Actuarial values
- Present Value of Future Benefits by Participant Type
- Funding of Present Value of Future Benefits:
  - Unfunded Liability Payments, Employer Normal Cost, ERIP, Unfunded Liability Payments, Actuarial Value of Assets
- Type of Contributions:
  - Percentages for Normal Contributions, Unfunded Liability, ERIP Contributions
    - Unfunded Liability is currently paid over a 15 year period
    - Option is available to extend payments over 30 years
- Pension Funded Percentage: Years 2003-2008
  - 2008 Pension Funded Percentage: 71.2%
- Medical Funded Percentage: Years 2003-2008
  - 2008 Medical Plan Funded Percentage: 69%
- Combined Pension and Medical Funded Percentage: 70.5%
- What-if Scenarios
- 5-Year Projection Results – Recommendations
- 5-Year Projection: 2008-2013: Assets/Unfunded Liability/Contributions/Funding Ratio
  - Summary:
    - Market Value (true value of fund) will decline: Annual Required Contributions (ARC) and an 8% assumed rate of return are not enough to pay the benefit payments for current and perspective retirees
    - Unfunded Accrued Liability will increase
    - Unfunded Accrued Liability will match Market Value in 4 years - with or without corridor.
    - ARC by 2013: 132.17%
    - Funded Ratio by 2013: 47.4%

Questions/Answer Session:

- Should there be a concern with the Internal Revenue Service (IRS) and a funding ratio drop?
  - Answer: Potential problems occur when there is an imbalance of 3-to-1 ratio contribution. A Maximum of 25% of contributions can be directed to medical benefits.
- What adjustments could be made regarding the percentage of contributions deposited to the CRS pension and healthcare funds.
  - J. Gray to provide follow-up at next Board meeting. Next meeting scheduled for June 4, 2009.
- What to do if the city is unable to make required contributions?
  - E. Koebel recommendation:
    - Refer to What-if Scenarios as cited in report
    - Change the Assumptions
    - Adjust benefits for retirees
- What are the investment assumption rates of return for other plans?
  - Answer: Other plans also have 8% assumption rate.
- Modeling software: will Cavanaugh Macdonald work with the Board and provide modeling for various “what if” scenarios?
  - E. Koebel confirmed Cavanaugh Macdonald is available to work with the Board.

- What is the impact if the number of active employees would drop?
  - Answer: The drop population would typically be due to lay-offs – and that usually involves the newer, unvested employees.
- What contribution would be necessary to preserve the fund principal?
  - E. Koebel will research and provide a report for the next Board meeting.
- Have the actuaries considered the large number of retirees nearing 65 years of age?
  - Answer: Yes, the reports include that population and adjusted the projections accordingly.

B. Pickering instructed Board members to forward questions or requests for information to C. Volk, CRS Office. Information will be handled appropriately for the June 4, 2009 meeting of the Board of Trustees.

J. Gray to send a communiqué outlining the actuary report to City Council. The Board of Trustees will submit a formal report to the City Council following the Board meeting on June 4, 2009.

D. Radford thanked Cavanaugh Macdonald for providing such comprehensive and thorough reports.

***Board Action***

Motion was made by B. Schmitt to adjourn the Board of Trustees meeting. D. Rager seconded the motion and the meeting was adjourned 10:50 A.M.