



Cincinnati Retirement System Pension Fund Task Force

Minutes

April 13, 2010 – 2PM

Centennial II – Meeting Room A

Present:

Milton Dohoney
Cathy Crain
Dan Geeding
Linda Graviss
James Girton
Brian Pickering
Marianne Steger (conference call)
Chris Stenger (conference call)

Administrative Staff Present

Lea Eriksen
Hilary Bohannon
Kathy Creager
Paula Tilsley
Jack Walsh
Cheryl Volk

Absent

Laketa Cole
Francis Wagner
Bryan Schmitt

The meeting was called to order at 2:10 P.M.

APPROVAL OF MINUTES

The Task Force minutes from April 6, 2010 were submitted for review and approval. M. Steger made a motion to approve the minutes. The motion was seconded by J. Girton and the motion passed. Minutes were approved.

CAVANAUGH MACDONALD REPORT

Eric Gary attended the meeting via conference call. The following report was presented and discussed. The report included:

Objectives

- Provide the financial impact to the pension plan of proposed benefit, eligibility, and funding designs
 - Reduced death benefit
 - Compound COLA vs Simple COLA
 - 5-year highest average salary benefit formula
 - Employee contributions to increase to 10%
 - Increase City contributions
 - * Annual amount
 - * Cash infusion

- ✚ Retirement Eligibility: For all scenarios presented, the following retirement eligibility conditions apply:
 - If, as of 1/1/2011, an active employee has 20 or more years of service, or is 10 years from retirement (under current eligibility rules), then the current eligibility requirements apply:
 - Age 60 and 5 years of service (normal)
 - 30 years of service (normal)
 - Age 55 and 25 years of service (early)
 - For those active employees hired prior to 1/1/2010 who do not meet the above requirements, the proposed eligibility requirements apply:
 - Age 62 and 5 years of service (normal)
 - Age 55 and 30 years of service (normal)
 - Age 57 and 25 years of service (early)
 - The eligibility requirements for those hired on or after 1/1/2010 remain the same a(as changed by the First Task Force)
 - Age 65 and 5 years of service (normal)
 - Age 55 and 30 years of service (normal)
 - Age 60 and 25 years of service (early)
 - Note: For this group, the benefit formula multiplier was changed to 2.2%

- ✚ Thirty year projections of funded ratio displayed in six different scenarios as presented previously at the Task Force meeting, April 6, 2010. Pension plan only scenarios included various adjustments in:
 - 5-year highest average salary benefit formula
 - Employee contributions
 - City contributions
 - Death benefits
 - Benefits multiplier
 - Cost of Living Adjustment (COLA) for future retirees
 - Cash infusion

- ✚ Thirty year projections of funded ratio displayed in four additional scenarios. Pension plan only scenarios included all of the above adjustments with:
 - Extensive reductions in the benefit multiplier
 - Increased employee contributions (negative normal costs)
 - Draconian style reductions without cash infusion

- ✚ Projection Assumptions
 - 12/31/08 Valuation Basis
 - 5-year asset smoothing with 20% corridor
 - Liabilities valued with 8% discount rate
 - 2009 Investment Return to Date
 - Positive 2009 – assume 19.76% return
 - First Task Force Changes (effective 1/1/2010)
 - Amortization period changed to 30 years
 - Increase in employee contribution percentages
 - New tier pension changes
 - * Reduced benefit formula
 - * Increased retirement eligibility
 - 17% city contribution for 2009, 2010, and 2011

DISCUSSIONS AND CONSIDERATIONS

Continued Examination of Scenarios

- ✚ A significant reduction or elimination of the Cost of Living Adjustment (COLA) for current employees is difficult to support.
 - Consider simple COLA for new hires
- ✚ Reduction of the benefit formula for current employees is within legal boundaries but could have an unrecoverable impact on employee morale, recruitment and retention. Subsequent legal litigation to be considered.
- ✚ Recommendations for change should be broad-based and inclusive of all those who benefit from the plan as well as those who are legally bound to uphold it: The City of Cincinnati, retirees, employees, and new hires.
- ✚ Eliminate scenarios with ‘negative normal costs’
 - “Negative Normal Costs” definition: The increase in employee contributions resulting in employees paying more into the pension than the service actually costs. The employees would be paying off the liability accrued by others.

Areas of Agreement:

- ✚ The three proposed Retirement Eligibility scenarios as cited above.
- ✚ Thirty year projections of funded ratio displayed in five separate scenarios. The scenarios target the need for cash infusion and/or increased city contributions to reach pension solvency. The scenarios also included various adjustments in:
 - 5-year highest average salary benefit formula
 - Employee contributions
 - City contributions
 - Death benefits
 - Benefits multiplier
 - Cost of Living Adjustment (COLA) for future retirees

Outlines for the Presentation:

- ✚ Provide the impact of Draconian measures to help articulate the abysmal condition of the pension and the overwhelming need for aggressive financial funding from the city.
- ✚ Lead the presentation with a “Do-Nothing” scenario with the resulting dire consequences.
- ✚ Show an “As-Is” scenario with the cash infusion needed to reach solvency.
- ✚ Include demographic data in report to City Council.
- ✚ Explain the reasoning behind the 80% funding ratio.
- ✚ Address guidelines to prevent future benefit enhancements when times are good.

Requested by the Task Force

- ✚ Present a draft presentation incorporating the areas of agreement and suggestions.

Next meeting is scheduled for Tuesday, April 20, 2010 – Centennial II – Meeting Room A. Meeting was adjourned at 3:45 P.M.