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Retirement System for Employees of the City of Cincinnati

Task Force Meeting
April 13, 2010

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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 increase to 10%
 - Increase to 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 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 (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%



Scenario #1a

- \$2,000 Death Benefit for all current and future retirees
- Simple COLA
 - Linked to CPI and capped at 3.00%
 - Assumed level 2.50% for projections
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current COLA for others
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 36.06% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038



Scenario #1b

- \$2,000 Death Benefit for all current and future retirees
- Simple COLA
 - Linked to CPI and capped at 3.00%
 - Assumed level 2.50% for projections
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current COLA for others
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Cash infusion of \$173.4 million on 1/1/2012 and annual City contributions increase to 31% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038



Scenario #2a

- \$2,000 Death Benefit for all current and future retirees
- Compound COLA
 - Linked to CPI and capped at 3.00%
 - Assumed level 2.50% for projections
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current COLA for others
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 36.55% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038



Scenario #2b

- \$2,000 Death Benefit for all current and future retirees
- Compound COLA
 - Linked to CPI and capped at 3.00%
 - Assumed level 2.50% for projections
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current COLA for others
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible to retire on or after 1/1/2016
 - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Cash infusion of \$185.0 million on 1/1/2012 and annual City contributions increase to 31% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038



Scenario #3a

- \$0 Death Benefit for all current and future retirees
- Eliminate COLA
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 2.00% benefit multiplier
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
 - Negative normal costs
- Annual City contributions increase to 19% of pay beginning 1/1/2012



Scenario #3b

- \$0 Death Benefit for all current and future retirees
- Eliminate COLA
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 2.00% benefit multiplier
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
 - Negative normal costs
- Cash infusion of \$207.7 million on 1/1/2012 and annual City contributions increase to 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038



Scenario #3c

- \$0 Death Benefit for all current and future retirees
- Eliminate COLA
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 1.00% benefit multiplier
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
 - Negative normal costs
- Annual City contributions increase to 19% of pay beginning 1/1/2012



Scenario #3d

- \$0 Death Benefit for all current and future retirees
- Eliminate COLA
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 1.00% benefit multiplier
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
 - Negative normal costs
- Cash infusion of \$57.6 million on 1/1/2012 and annual City contributions increase to 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038



Scenario #4a

- \$0 Death Benefit for all current and future retirees
- Simple COLA
 - Level 1.00%
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
 - Negative normal costs
- Annual City contributions increase to 19% of pay beginning 1/1/2012



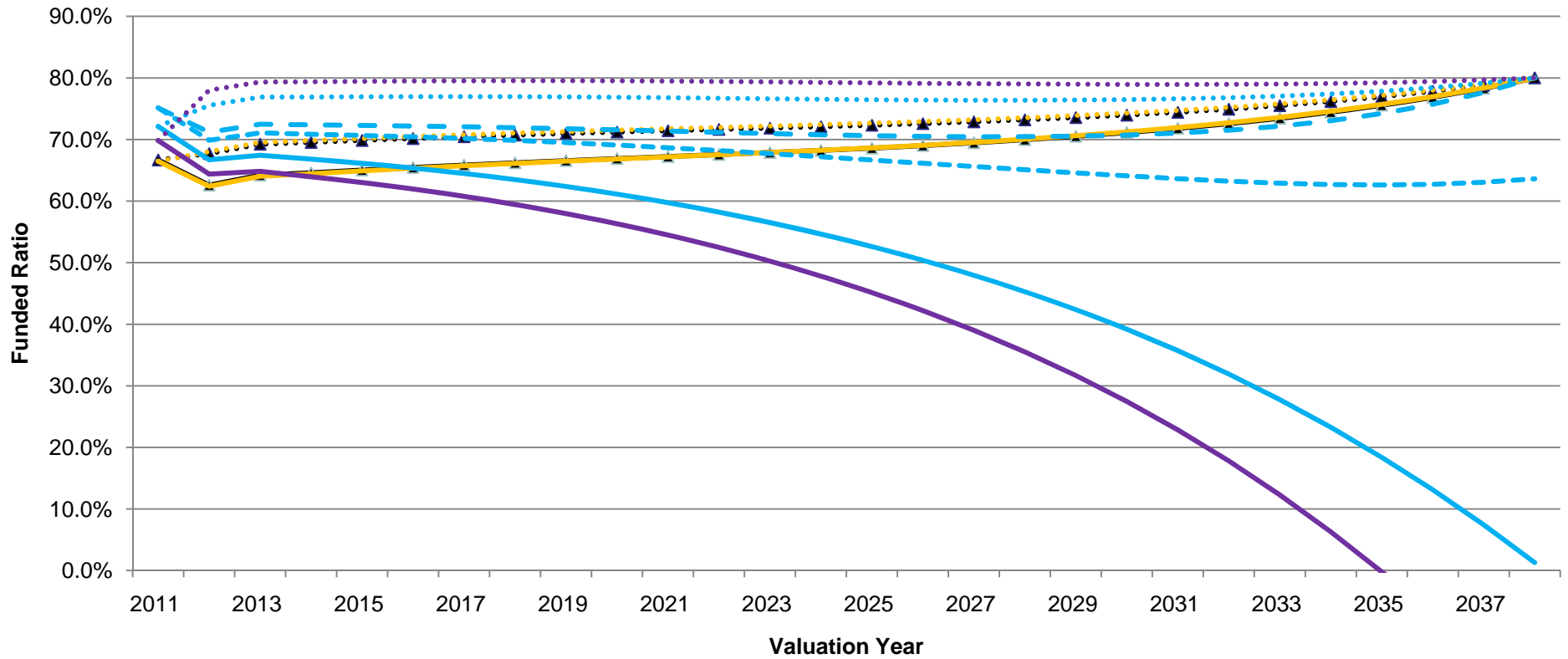
Scenario #4b

- \$0 Death Benefit for all current and future retirees
- Simple COLA
 - Level 1.00%
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
 - Negative normal costs
- Cash infusion of \$312.5 million on 1/1/2012 and annual City contributions increase to 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System

30-Year Projection of Funded Ratio

Pension Plan Only @ 8.00%



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Summary of Results

Scenario	Death Benefit	COLA	Highest Average Salary Formula	Benefit Multiplier	Retirement Eligibility Requirements	City Contribution (% of Pay)	1/1/2012 Cash Infusion Amount (\$ millions)	Projected Funded Ratio (2038)
1a*	\$2,000	Simple - Indexed w/ 3% Cap	5 Years	Current	Proposed	36.06%	\$0.0	80%
1b**	\$2,000	Simple - Indexed w/ 3% Cap	5 Years	Current	Proposed	31.00%	\$173.4	80%
2a*	\$2,000	Compound - Indexed w/ 3% Cap	5 Years	Current	Proposed	36.55%	\$0.0	80%
2b**	\$2,000	Compound - Indexed w/ 3% Cap	5 Years	Current	Proposed	31.00%	\$185.0	80%
3a*	\$0	n/a	5 Years	2.00%	Proposed	19.00%	\$0.0	1%
3b**	\$0	n/a	5 Years	2.00%	Proposed	19.00%	\$207.7	80%
3c*	\$0	n/a	5 Years	1.00%	Proposed	19.00%	\$0.0	64%
3d**	\$0	n/a	5 Years	1.00%	Proposed	19.00%	\$57.6	80%
4a*	\$0	Simple - Level 1%	5 Years	Current	Proposed	19.00%	\$0.0	0%
4b**	\$0	Simple - Level 1%	5 Years	Current	Proposed	19.00%	\$312.5	80%

*City Contribution (%of Pay) begins 1/1/2012

**City Contribution (%of Pay) begins 1/1/2013



Projection Assumptions

- 12/31/2008 Valuation Basis
 - 5-yr asset smoothing with a 20% corridor
 - Liabilities valued with 8.00% discount rate
- 2009 Investment Return to Date
 - Positive 2009 – assumed 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