



# Cincinnati Retirement System Pension Fund Task Force

## Minutes

April 20, 2010 – 2PM

Centennial II – Meeting Room A

### Present:

Cathy Crain  
Diana Frey  
James Girton  
Brian Pickering  
Roxanne Qualls  
Marianne Steger  
Chris Stenger  
Francis Wagner

### Administrative Staff Present

Lea Eriksen  
Lisa Berning  
Kathy Creager  
Paula Tilsley  
Jack Walsh  
Cheryl Volk

### Absent

Milton Dohoney  
Dan Geeding  
Linda Graviss

The meeting was called to order at 2:05 P.M.

### APPROVAL OF MINUTES

The Task Force minutes from April 13, 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.

### TASK FORCE II DRAFT REPORT

P. Tilsley provided a draft report for consideration by the Task Force members. The Task Force has the option of submitting to City Council several recommendations for reaching pension solvency. Although the pension is the primary focus, broad recommendations will be included for retiree healthcare benefits.

The Draft Report included:

- ✚ Executive Summary: Overview of current fund status, contributing factors, and the dire consequences of maintaining the status quo.
  
- ✚ The primary components of change for the pension plan are as follows:
  - Death Benefit
  - Final Average Salary
  - Retirement Eligibility Requirements
  - Benefit Multiplier
  - Cost of Living Adjustment (COLA) for future retirees
  - Employee Contributions
  - Employer Contributions

- + Broad Recommendations on HealthCare Benefits
- + Task Force II Guiding Principals
- + 30-year projection of funded ratio, pension plan only - at 8% return: 10 scenarios

## **DISCUSSIONS AND CONSIDERATIONS**

- + Executive Summary to:
  - o Serve as an education tool and an impetus for rational discussion
  - o Include the date of the pension's certain collapse should Council choose to do nothing
  - o Discuss the repercussions of draconian measures and explain the negative consequences that could outweigh any financial gains.
  - o Explain why the pension fund is the primary issue and the healthcare fund is secondary
  - o Discuss the sacrifices required of all stakeholders: City, employees, new hires, retirees
  - o Narrow the report to focus on the top three contributing factors for pension insolvency. Annex report with supporting demographic data.
  - o Expound on the magnitude of the pension problem and the potential solutions. Report should provide Council with the information to act urgently, prudently, and with an unwavering resolve
  - o Clarify the misperception that we can invest our way out of the fund's financial condition. Include a graphic depiction of the plummeting pension in spite of a 9% return for 30 years.
    - Frame the argument with an explanation for the need of an 8% return to simply pay expenses
    - Provide the average of investment returns for the past 10 years
- + Members agreed to focus on 3 or 4 recommendations and to rule out scenarios with negative normal costs
- + Request Cavanaugh Macdonald to create scenario with grandfathering 20 year service time and/or 7 years from retirement (rather than 10 years)
- + Task Force report to incorporate qualifier for recommendations: The components of change are not linear and are not interchangeable.
- + Healthcare Benefits:
  - o Explain the impact of high utilization and medical inflation as causal factors for soaring costs

### **Requested by the Task Force**

Cavanaugh Macdonald to provide scenarios with these considerations:

- + Retirement eligibility for all actives:
  - o Retirement at age 62 & 5 years vesting
  - o Early retirement at age 55 with 30 years
  - o Healthcare at age 62 – otherwise healthcare can be purchased
- + Redefine scenarios to eliminate the negative normal cost by moving simple COLA from 1% to 1.5% -2.0% and reducing employee contributions from 10% to 9%
- + Apply current eligibility criteria (from Task Force I) to scenarios
- + New Hires
  - o 1.75% - 2% multiplier
  - o Retirement age: 60
  - o Eliminate COLA
  - o Reduce employee contributions
- + Research the dollar amount saved through reduction in the death benefit

Next meeting is scheduled for Tuesday, April 27, 2010 – Centennial II – Meeting Room A. Meeting was adjourned at 4:05 P.M.