City Of Cincinnati Retirement System
Board of Trustees Meeting

Minutes

December 22, 2010 / 1:00 P.M.
City Hall – Committee Room B

Present:
Madelynn Matlock, Chair
Bill Partridge, Vice-Chair
Karen Alder
Mark Berliant
Constance Cooper
Mike Fehn
Chris Meyer
Brian Pickering
Mike Rachford
Roger Sims
Eric Gary, Actuary, Cavanaugh Macdonald

Staff Present:
Gina Marsh
Paula Tilsley
Cheryl Volk

Absent
Don Beets

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

APPROVAL OF MINUTES
R. Sims made a motion to approve the Board minutes of November 19, 2010. M. Fehn seconded the motion and the motion passed. Minutes were approved.

M. Rachford made a motion to approve the Board minutes of December 2, 2010. M. Fehn seconded the motion and the motion passed. Minutes were approved.

Proposed Recommendations for a Sustainable Retirement System
Bill Partridge, Vice Chair, presented a report consisting of several proposals for the Board's consideration.
The Board has the responsibility of recommending a new structure for both the CRS Pension Plan and the Retiree Health Care Plan to City Council. If the Pension Plan is not placed on sound financial footing, it will not survive to serve future generations of City employees. The Board must act now to require all stakeholders, including the City, to participate in the solution.

Some of the recommendations included:

- Pension and Death Benefit Changes
  - Change the future Cost of Living Adjustment (COLA) to simple interest, not compound.
    - K. Alder requested a written legal opinion concerning the ability to adjust the COLA for current retirees. Potential legal difficulties or lawsuits should not deter the Board from recommending a reduction to the 3% compound COLA. B. Partridge agreed the Board should obtain a written legal opinion from Ice Miller.
  - Adjust the final average salary from 3 years to 5 years for groups meeting specific criteria
  - Reduce pension accrual rates to 2.0% for future service
  - Increase retirement ages and service requirements
  - Reduce death benefits for current retirees and eliminate benefit for future retirees. K. Alder recommended a step approach for reducing retiree death benefits.

- Apply grandfather and transition rules

- Healthcare Benefits:
  - Move all retirees to the 80/20 healthcare plan provided to actives
  - Develop a matrix using service time and age to develop a premium cost sharing approach for current and future retirees.
  - Consider an approach that would continue to provide access to healthcare upon retirement, but may have increased cost sharing if member retires before a certain age.
  - Medicare B: eliminate premium reimbursement for spouses and possibly the retiree

- Eric Gary, Actuary, Cavanaugh Macdonald to provide financial impact for each recommendation

The Board discussed components of the report and a straw vote revealed opinions, questions, and suggestions based on the current recommendations:

- Three members voted in favor of the current recommendations, as-is.
- Three members voted against the recommendations without revisions
- Three members had additional requests for more information before going forward.
- The Board's discussion revealed additional requests and suggestions:
  - Address the requirement for City contributions as stipulated in the Cincinnati Municipal Code (CMC)
  - Incorporate the retiree healthcare changes into the Board's final recommendations
  - Include a recommendation for the empowerment of the CRS Board of Trustees to make the necessary changes to retiree healthcare benefits
  - Identify the dollar amount retirees currently pay into the healthcare fund
  - Obtain a written legal opinion concerning the ability to restructure the retiree COLA
  - Provide actuarial reports identifying cost savings for each recommendation

<u>CRS Trustee Pension & Healthcare Plan Recommendations to City Council</u>

M. Fehn presented the following report:

- Overview and discussion:
  - Task Force II report and recommendations
  - Windfall Elimination Provision (WEP)
  - Government Pension Offset (GPO)
  - CMC 203-93 requirement for total employer contribution payable to the fund

- Recommendations included:
  - "I would like to make a motion that the Cincinnati Employee Retirement Board hire independent legal counsel to advise us on the means and methods available to collect any and all required City pension contributions that are now due and/or past due. See Cincinnati Municipal code 203-83, 85, 91, 93 and 101 and the following actuarial reports from 2006-7-8-9."
    - Gina Marsh, Assistant City Solicitor explained to the Board that hiring independent legal counsel was legally prohibited.
  - Development of a communication plan so members remain informed and updated. Provide a Frequently Asked Questions (FAQ) page on the retirement web page
  - Maintain the compound COLA – indexed to CPI-U w/3% cap
  - Move all retirees to the active healthcare plan
  - Reduce the assumed rate of return
  - Increase employee contributions to 10% of pay
  - City to pay 31% of payroll
  - City to provide cash infusion of approximately $200 million
  - Obtain the actuarial data supporting each recommendation for healthcare and pension changes. Determine if the projected savings can attain 80% funding within 30 years.

- "Develop a written collection of procedures that sets the collection of annual required contributions on "automatic pilot." Collections should occur automatically (with no exercise of discretion from step to step), and chronologically (proceeding on a set time formula). See CMC 203-93 "The Board shall specify the procedures and schedule for employer billings and collection of the amounts payable."

Board Action
A motion was introduced by M. Fehn with discussion by M. Berliant. The motion requested the Solicitor's Office to build a Chinese wall, an Ethical Wall, to prevent a conflict of interest and provide a legal opinion as to the legal obligation of the city to pay its annual required contribution. The motion as restated by Gina Marsh, Assistant City Solicitor: "Does the City have the legal obligation to fund the pension as designated in the Cincinnati Municipal Code (CMC)." Motion was seconded by C. Meyer and the motion passed.

Board members agreed to push back the date for the next Board meeting. The meeting for January 6, 2011 was cancelled and rescheduled for Thursday, January 13, 2011 at 1:00 P.M. in City Hall, Committee Room B.

Board Action
M. Fehn made a motion to adjourn the meeting. R. Sims seconded the motion and the motion passed. The meeting was adjourned at 4:05 P.M.