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Retirement System for Employees of the City of Cincinnati

Board's New Plan Design
February 3, 2011

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 - 8.00% (current basis for valuations)
 - 7.50%
 - 7.00%



Board's New Plan Design (Pension)



- COLA Change
 - No change to existing retirees
 - For Active Groups D, E, F and G
 - No longer be guaranteed at 3%, but indexed to follow the CPI-U and capped at a maximum of 2%
 - Based upon simple interest, not compound
- Final Average Salary Change
 - For Active Groups E, F and G
 - For prospective benefits only
 - Changed from 3 year average to 5 year average
- Benefit Accrual Change
 - For Active Groups E, F and G
 - For prospective benefits only
 - Accrual rate reduced from 2.50% (and 2.22% for closed group) to 2.20% of base pay for service up to 30 years
 - After 30 years of service, accrual rate drops to 2.00% for service



Board's New Plan Design (Pension)



- Retirement Eligibility Change (For Active Groups E, F and G)
 - Normal Retirement for Groups E and F
 - Age 60 with 30 years of service, or
 - Age 65 with 5 years of service
 - Normal Retirement for Group G
 - Age 62 with 30 years of service, or
 - Age 67 with 5 years of service
 - Early Retirement for Groups E, F and G
 - Age 57 with 15 years of service
 - Actuarial reduction applies on Early Retirement Benefits
 - Group E participants have accrued benefits as of 7/1/2014 protected and the retiree gets the better of:
 - 7/1/2014 actuarially adjusted accrued benefit plus future accruals, or
 - Benefit calculated as if 7/1/2011 changes had always been in effect
 - Group F participants have accrued benefits as of 7/1/2011 protected and the retiree gets the better of:
 - 7/1/2011 actuarially adjusted accrued benefit plus future accruals, or
 - Benefit calculated as if 7/1/2011 changes had always been in effect



Board's New Plan Design (Pension)



- Pre-Retirement Death Benefits Change
 - For Active Groups D, E, F and G
 - Eliminate 50% salary death benefit of Section 203-45
- Post-Retirement Death Benefits Change
 - For All Retirees and Active Group C
 - Reduce \$7,500 death benefit under Section 203-47 to \$5,000
 - For Active Groups D, E, F and G
 - Eliminate the \$7,500 death benefit under Section 203-47



Board's New Plan Design (Health Care)



- Change in retirement eligibility ("New Pension Plan Eligibility")
 - Revised pension eligibility requirements
- Current and future participants assume 100% of costs for dental and vision benefits
- Spouses are required to pay Medicare Part B premium
- All health care benefits are to be provided through the Blue Access 80/20 plan
 - Assume those hired prior to 1/9/1997 pay active premium rate
 - Assume those hired on or after 1/9/1997 pay portion of the retiree premium equivalent
 - Portion is based upon the point system outlined under Section 203-44 (f)
 - Rate based upon Medicare eligibility
 - No "carve-out" benefits assumed
- All of the above changes combined



Solvency Projections (Pension)

- All Projections assume Market Value of Assets of \$2.11 Billion as of December 31, 2010
 - \$1.46 Billion balance for Pension Plan
 - \$0.65 Billion balance for Health Care Plan
- All Projections assume 8% Return for all years after 2010
- Active Employee Contribution Rates of 7.5% in 2010, growing to 9.0% in 2013 and afterwards.
- City Contribution Rates kept at 17%, though we have run other scenarios for comparisons.
- All contributions are assumed to be made to pension plan.
- New entrant profile based on last 2 years of new entrants
 - Static population growth assumed (i.e. those who leave are replaced)
- Expense assumption growth of 2%.
- New retirement decrements (assumed rates of retirement) were developed that may best match the experience of the new retirement eligibilities.
- Projections also include a New Plan Design using a 3% Simple COLA.



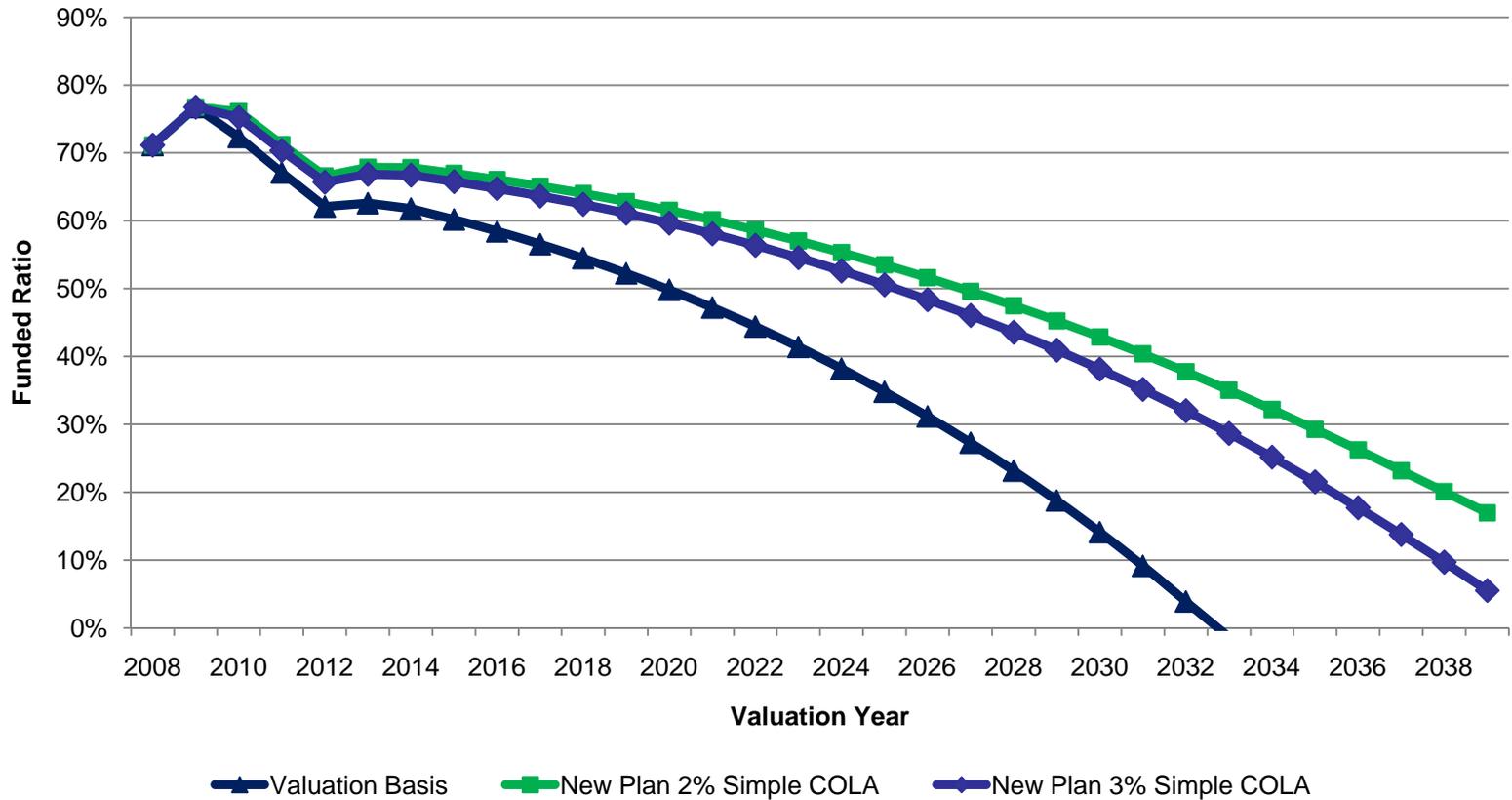
Solvency Projections (Pension)

- Projected results provided under the following three scenarios
 - Valuation Basis
 - Assumes no changes are made to the plan
 - Baseline from which impact results are developed
 - New Plan 2% Simple COLA
 - Assumes the Board's new plan design is adopted with a simple interest COLA indexed to the CPI-U and capped at a maximum of 2%
 - New Plan 3% Simple COLA
 - Assumes the Board's new plan design is adopted with a simple interest COLA indexed to the CPI-U and capped at a maximum of 3%



Solvency Projections (Pension)

30-Year Projection of Funded Ratio
City Contribution Rate of 17% for all years
Pension Only at 8%

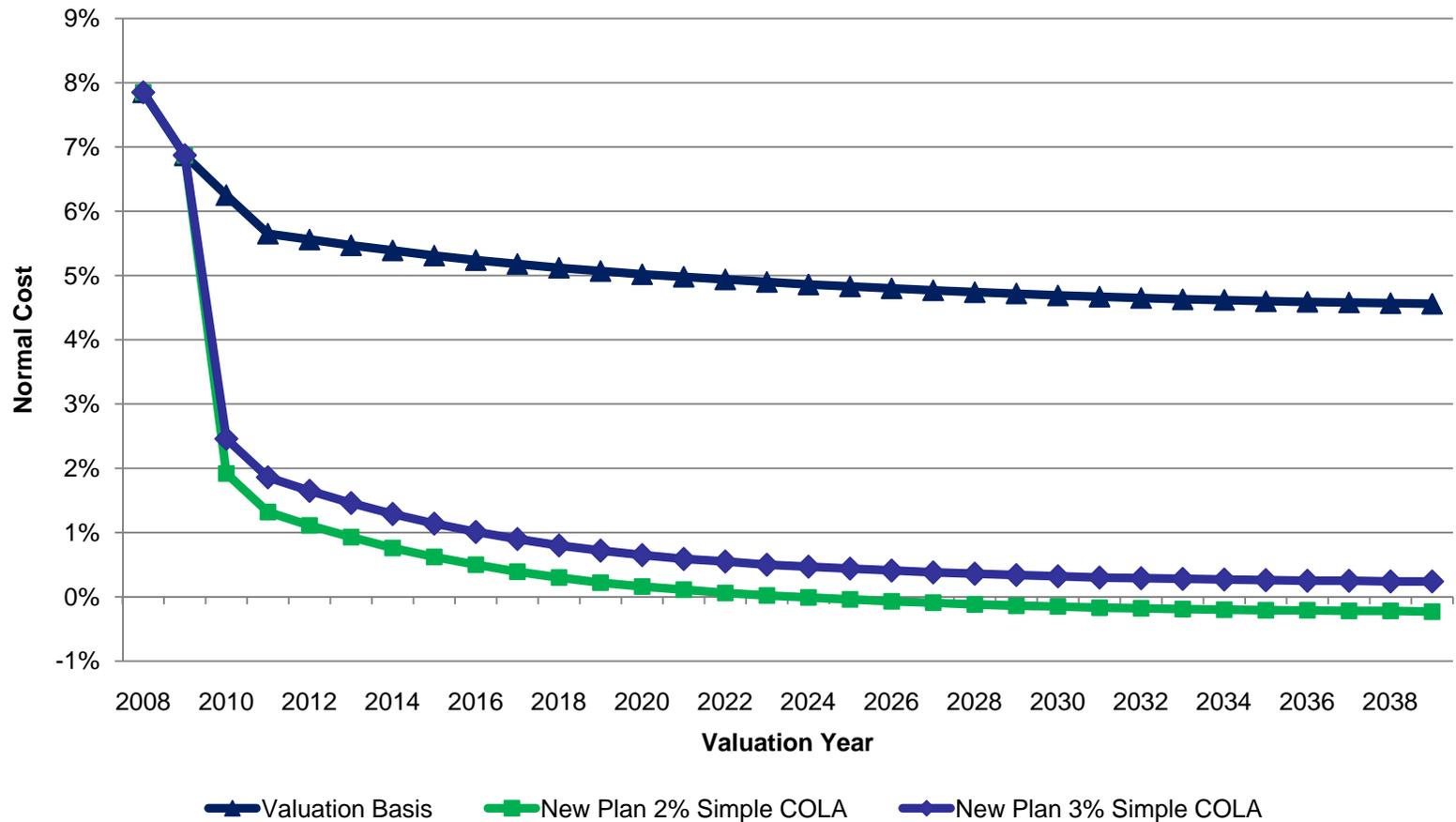




Solvency Projections (Pension)

30-Year Projection of Employer Normal Cost Rates

Pension Only at 8%





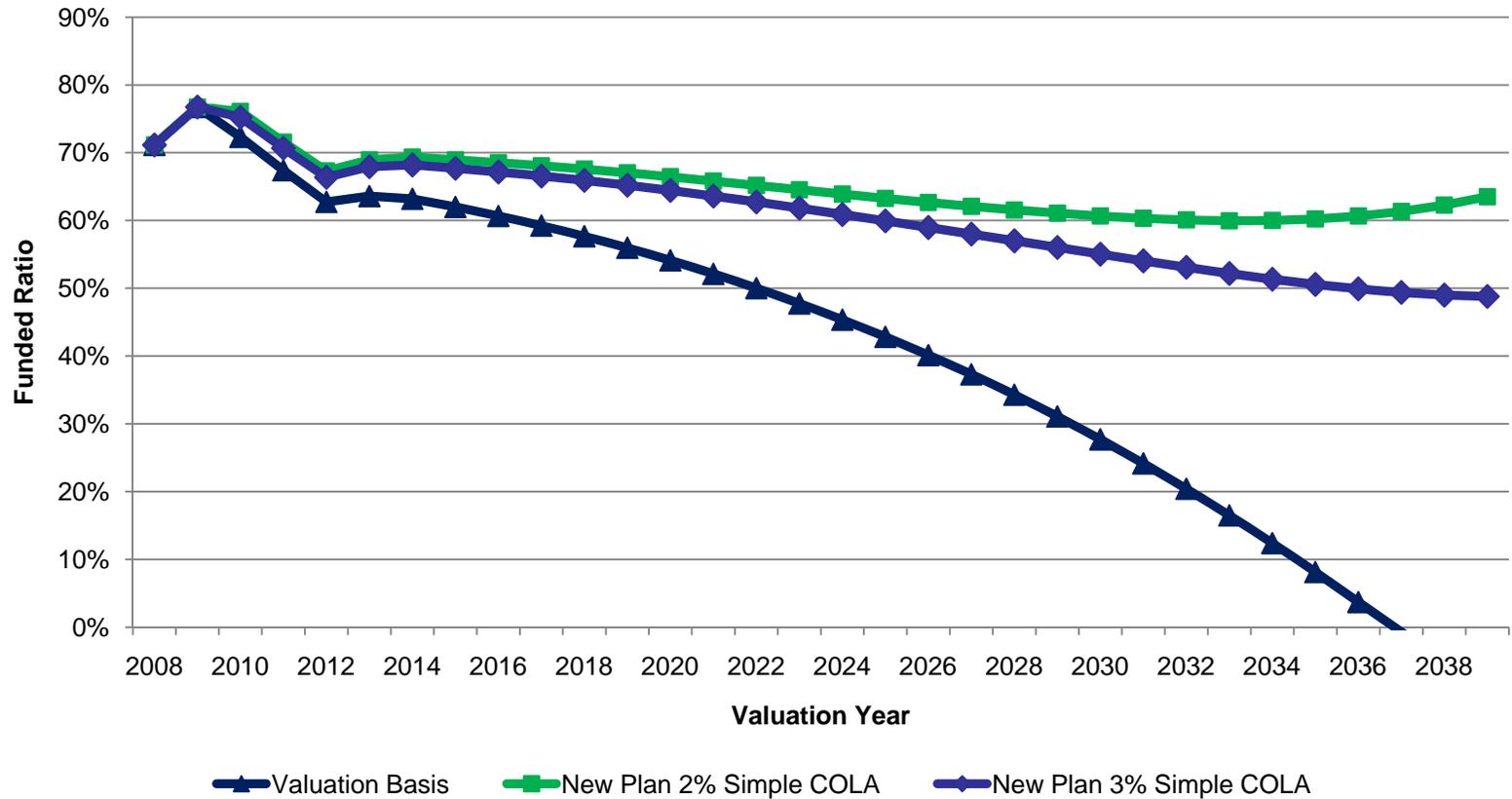
Solvency Projections (Pension)

- Following two graphs show the funding ratio assuming the City Contribution Rates are increased for each year in the future:
 - City Contribution of 21%
 - City Contribution of 24%
- All other projection assumptions remain the same.



Solvency Projections (Pension)

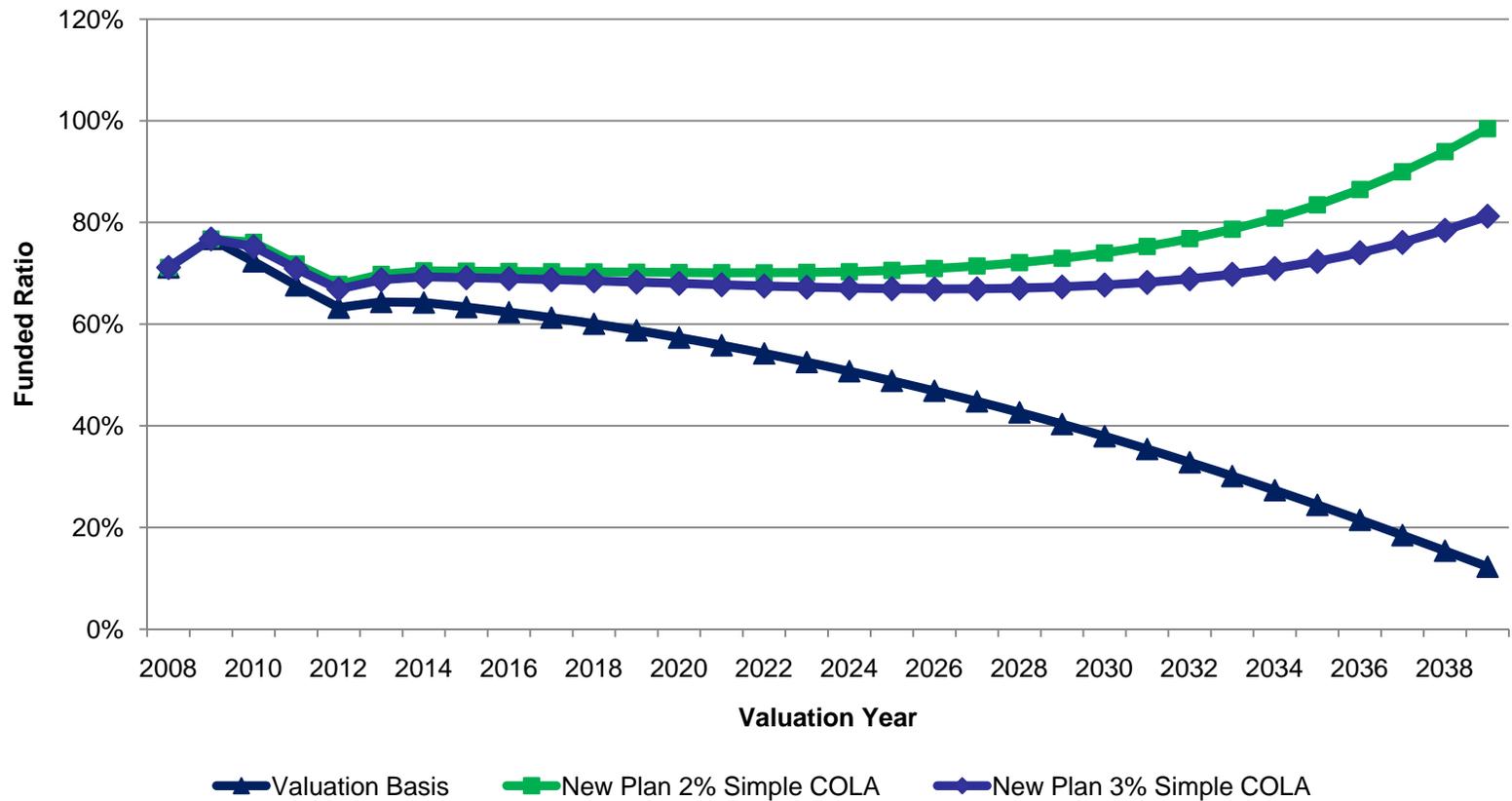
30-Year Projection of Funded Ratio
City Contribution Rate of 21% for all years after 2010
Pension Only at 8%





Solvency Projections (Pension)

30-Year Projection of Funded Ratio
City Contribution Rate of 24% for all years after 2010
Pension Only at 8%





Solvency Projections (Health Care)



- All Projections assume Market Value of Assets of \$2.11 Billion as of December 31, 2010
 - \$1.46 Billion balance for Pension Plan
 - \$0.65 Billion balance for Health Care Plan
- All Projections assume 8% Return for all years after 2010
- Assumes no future contributions towards health care by the City and active employees
 - All contributions are assumed to be made to pension plan
- New entrant profile based on last 2 years of new entrants
 - Static population growth assumed (i.e. those who leave are replaced)
- Expense assumption growth of 2%
- New retirement decrements (assumed rates of retirement) were developed that may best match the experience of the new retirement eligibilities.



Solvency Projections (Health Care)



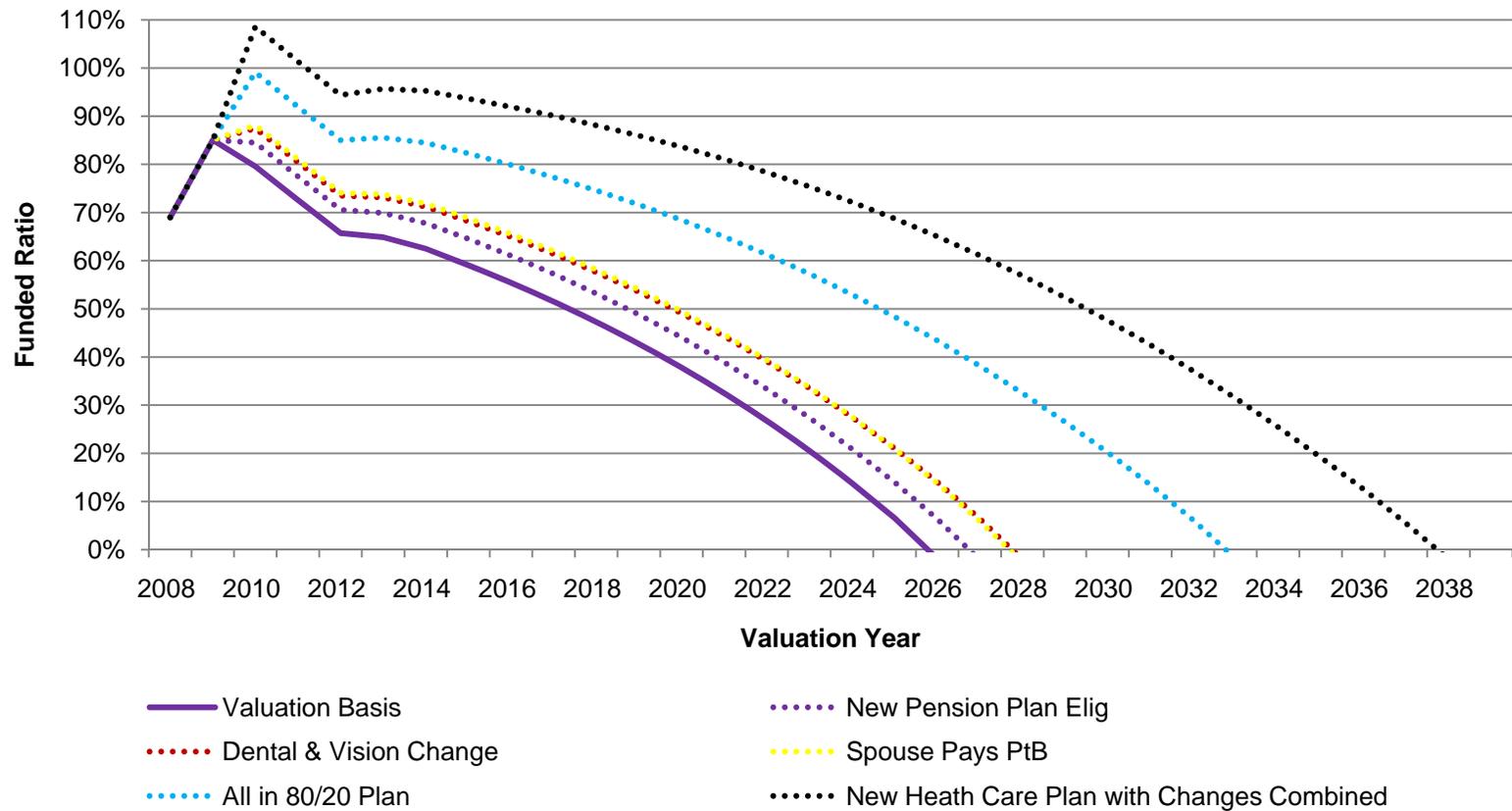
- Projected results provided under the following seven scenarios
 - Valuation Basis
 - Assumes no changes are made to the plan
 - Baseline from which impact results are developed
 - New Pension Plan Elig
 - Reflects retirement eligibility changes to the pension plan
 - Dental & Vision Change
 - Assumes current and future participants assume 100% of costs for dental and vision benefits and reflects retirement eligibility changes to the pension plan
 - Spouse Pays PtB
 - Assumes spouses are required to pay Medicare Part B premium and reflects retirement eligibility changes to the pension plan
 - All in 80/20 Plan
 - Assumes all health care benefits provided through the Blue Access 80/20 plan and reflects retirement eligibility changes to the pension plan
 - New Health Care Plan with Changes Combined
 - Assumes all of the above proposed changes are implemented
 - New Pension Plan Elig
 - Dental & Vision Change
 - Spouse Pays PtB
 - All in 80/20 Plan



Solvency Projections (Health Care)



30-Year Projection of Funded Ratio
No Future Contributions from City or Active Employees
Health Care Only at 8%





Individual Cost Figures for New Plan Design (Pension)



- All specific cost savings are based on the 12/31/2009 valuation results
- Value of individual components
 - Each scenario is based on the new plan design as if that one component was not considered in the final Board Design Package.
 - Components may not be additive
 - Impacted by other changes



Individual Cost Figures for New Plan Design (Pension)



If Item was not included in Board Redesign Package	Accrued Liability Increases (\$ in Millions)		
	8.0%	7.5%	7.0%
Change 1 – COLA Change (2% and Simple)	\$35.9	\$40.2	\$44.8
Change 2 – Final Average Salary Change	\$4.9	\$5.2	\$5.6
Change 3 – Benefit Accrual Change	\$18.8	\$20.9	\$23.2
Change 4 – Retirement Eligibility Change	\$35.5	\$39.3	\$43.3
Change 5 – Elimination of Pre Retirement Death Benefits	\$2.5	\$2.7	\$2.9
Change 6 – Reduction of Post Retirement Death Benefits	\$4.9	\$5.2	\$5.6
Change 7 – COLA Change (3% and Simple)	\$20.8	\$23.2	\$25.9

As an example, the total reduction to the 12/31/2009 valuation's actuarial accrued liability for the entire plan redesign (Change 1 through Change 6) is estimated to be \$106.3mil. If Change 1 was not included in the new design, the reduction in liability would have only been \$70.4mil (\$106.3mil - \$35.9mil). Therefore, Change 1 is estimated to contribute \$35.9mil to the total liability reduction.



All Plan Design Changes

(Pension at 8%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings
Payroll	\$161,874,415	\$161,874,415	-
Total AAL	\$2,125,737,893	\$2,019,461,939	\$106,275,954
Total UAAL	\$494,331,387	\$388,055,433	\$106,275,954
Total Normal Cost Rate	14.87%	10.73%	4.14%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-
Employer Normal Cost Rate	6.87%	2.73%	4.14%
UAAL Rate (level \$, 30 years)	24.75%	18.92%	5.83%
ERIP as a % of payroll	2.28%	2.28%	-
Estimated Employer ARC Rate	33.90%	23.93%	9.97%
In dollars	\$54,875,000	\$38,737,000	\$16,138,000



All Plan Design without Change 1 COLA Change to 2% and Simple (Pension at 8%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings	Change from Final Package
Payroll	\$161,874,415	\$161,874,415	-	-
Total AAL	\$2,125,737,893	\$2,055,401,658	\$70,336,235	\$35,939,719
Total UAAL	\$494,331,387	\$423,995,152	\$70,336,235	\$35,939,719
Total Normal Cost Rate	14.87%	11.66%	3.21%	0.93%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-	-
Employer Normal Cost Rate	6.87%	3.66%	3.21%	0.93%
UAAL Rate	24.75%	20.89%	3.86%	1.97%
ERIP as a % of payroll	2.28%	2.28%	-	-
Estimated Employer ARC Rate	33.90%	26.83%	7.07%	2.90%
In dollars	\$54,875,000	\$43,431,000	\$11,444,000	\$4,694,000



All Plan Design without Change 2 – Final Average Salary (Pension at 8%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings	Change from Final Package
Payroll	\$161,874,415	\$161,874,415	-	-
Total AAL	\$2,125,737,893	\$2,024,355,280	\$101,382,613	\$4,893,341
Total UAAL	\$494,331,387	\$392,948,774	\$101,382,613	\$4,893,341
Total Normal Cost Rate	14.87%	11.04%	3.83%	0.31%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-	-
Employer Normal Cost Rate	6.87%	3.04%	3.83%	0.31%
UAAL Rate	24.75%	19.19%	5.56%	0.27%
ERIP as a % of payroll	2.28%	2.28%	-	-
Estimated Employer ARC Rate	33.90%	24.51%	9.39%	0.58%
In dollars	\$54,875,000	\$39,675,000	\$15,200,000	\$938,000



All Plan Design without Change 3 – Benefit Accrual (Pension at 8%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings	Change from Final Package
Payroll	\$161,874,415	\$161,874,415	-	-
Total AAL	\$2,125,737,893	\$2,038,302,267	\$87,435,626	\$18,840,328
Total UAAL	\$494,331,387	\$406,895,761	\$87,435,626	\$18,840,328
Total Normal Cost Rate	14.87%	11.40%	3.47%	0.67%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-	-
Employer Normal Cost Rate	6.87%	3.40%	3.47%	0.67%
UAAL Rate	24.75%	19.95%	4.80%	1.03%
ERIP as a % of payroll	2.28%	2.28%	-	-
Estimated Employer ARC Rate	33.90%	25.63%	8.27%	1.70%
In dollars	\$54,875,000	\$41,488,000	\$13,387,000	\$2,751,000



All Plan Design without Change 4 – Retirement Eligibility (Pension at 8%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings	Change from Final Package
Payroll	\$161,874,415	\$161,874,415	-	-
Total AAL	\$2,125,737,893	\$2,054,941,875	\$70,796,018	\$35,479,936
Total UAAL	\$494,331,387	\$423,535,369	\$70,796,018	\$35,479,936
Total Normal Cost Rate	14.87%	12.63%	2.24%	1.90%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-	-
Employer Normal Cost Rate	6.87%	4.63%	2.24%	1.90%
UAAL Rate	24.75%	20.87%	3.88%	1.95%
ERIP as a % of payroll	2.28%	2.28%	-	-
Estimated Employer ARC Rate	33.90%	27.78%	6.12%	3.85%
In dollars	\$54,875,000	\$44,969,000	\$9,906,000	\$6,232,000



All Plan Design without Change 7 – COLA Change to Simple (Pension at 8%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings	Change from Final Package
Payroll	\$161,874,415	\$161,874,415	-	-
Total AAL	\$2,125,737,893	\$2,040,256,396	\$85,481,497	\$20,794,457
Total UAAL	\$494,331,387	\$408,849,890	\$85,481,497	\$20,794,457
Total Normal Cost Rate	14.87%	11.27%	3.60%	0.54%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-	-
Employer Normal Cost Rate	6.87%	3.27%	3.60%	0.54%
UAAL Rate	24.75%	20.06%	4.69%	1.14%
ERIP as a % of payroll	2.28%	2.28%	-	-
Estimated Employer ARC Rate	33.90%	25.61%	8.29%	1.68%
In dollars	\$54,875,000	\$41,456,000	\$13,419,000	\$2,719,000



Individual Cost Figures for New Plan Design (Health Care)



- All specific cost savings are based on the 12/31/2009 valuation results
- Value of individual components
 - Components may not be additive
 - Impacted by other changes



Individual Cost Figures for New Plan Design (Health Care)



Potential Changes to Health Care Benefits	Accrued Liability Decreases (\$ in Millions)					
	Valuation Basis			New Pension Plan Eligibility		
	8.0%	7.5%	7.0%	8.0%	7.5%	7.0%
Change 1 – Current and future participants assume 100% of costs for dental and vision benefits	\$29	\$31	\$33	\$76	\$81	\$88
Change 2 – Current and future spouses are required to pay Medicare Part B premium	\$34	\$37	\$40	\$81	\$87	\$95
Change 3 – All health care benefits provided through the Blue Access 80/20 plan	\$116	\$122	\$128	\$164	\$174	\$185
Change 4 – All Changes Combined	\$180	\$190	\$201	\$225	\$239	\$254
Change 5 – Change in retirement eligibility (“New Pension Plan Eligibility”)	\$48	\$52	\$57	\$48	\$52	\$57



APPENDIX



Alternate Long-Term Investment Returns

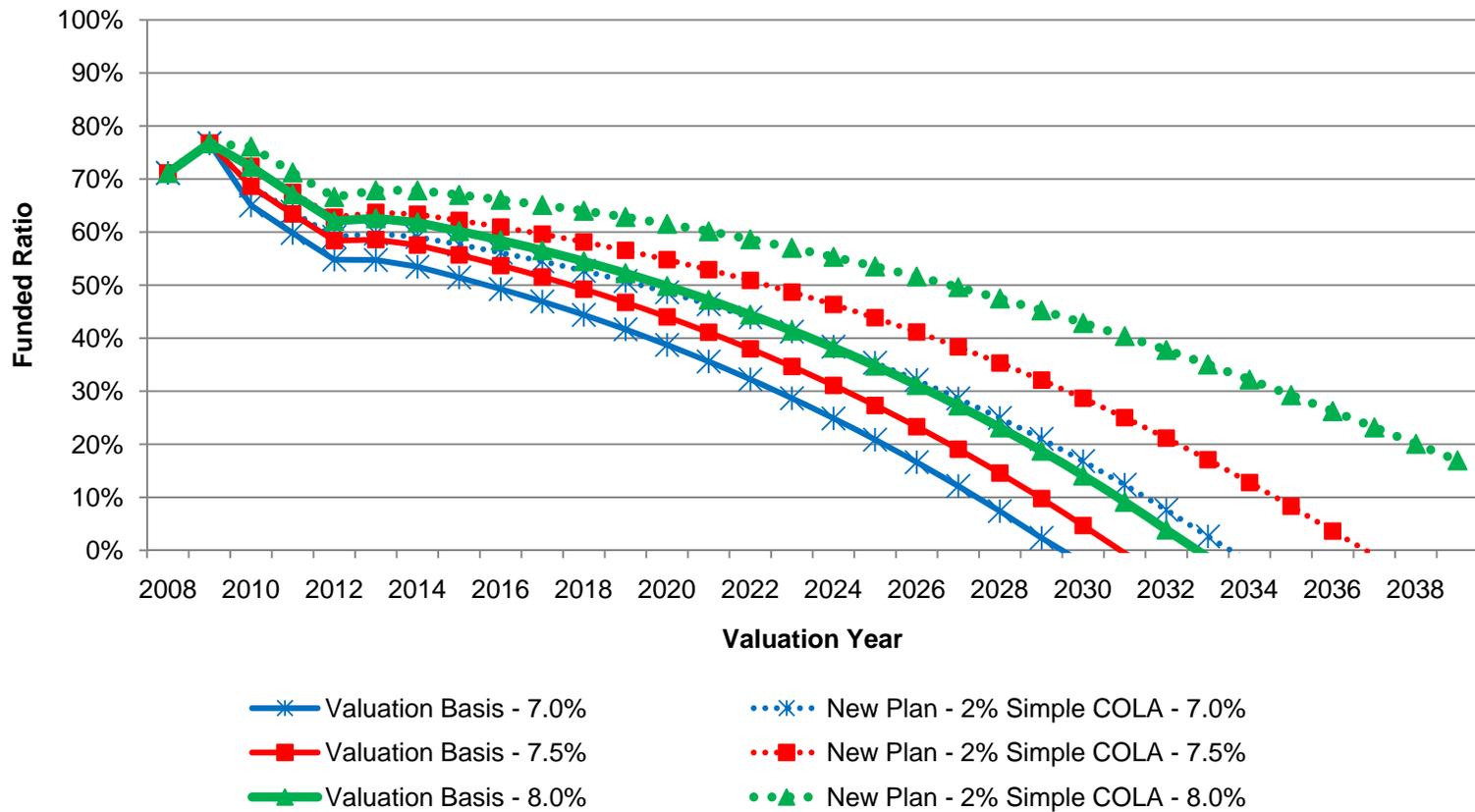


- Three investment return scenarios considered
 - 8.00% (current basis for valuations)
 - 7.50%
 - 7.00%
- Alternate liability projections computed assume the alternate long-term investment return assumption for all valuation years beginning 12/31/2010.
- Alternate asset projections computed assume the alternate long-term investment return assumption for all years beginning in 2011.



Solvency Projections (Pension)

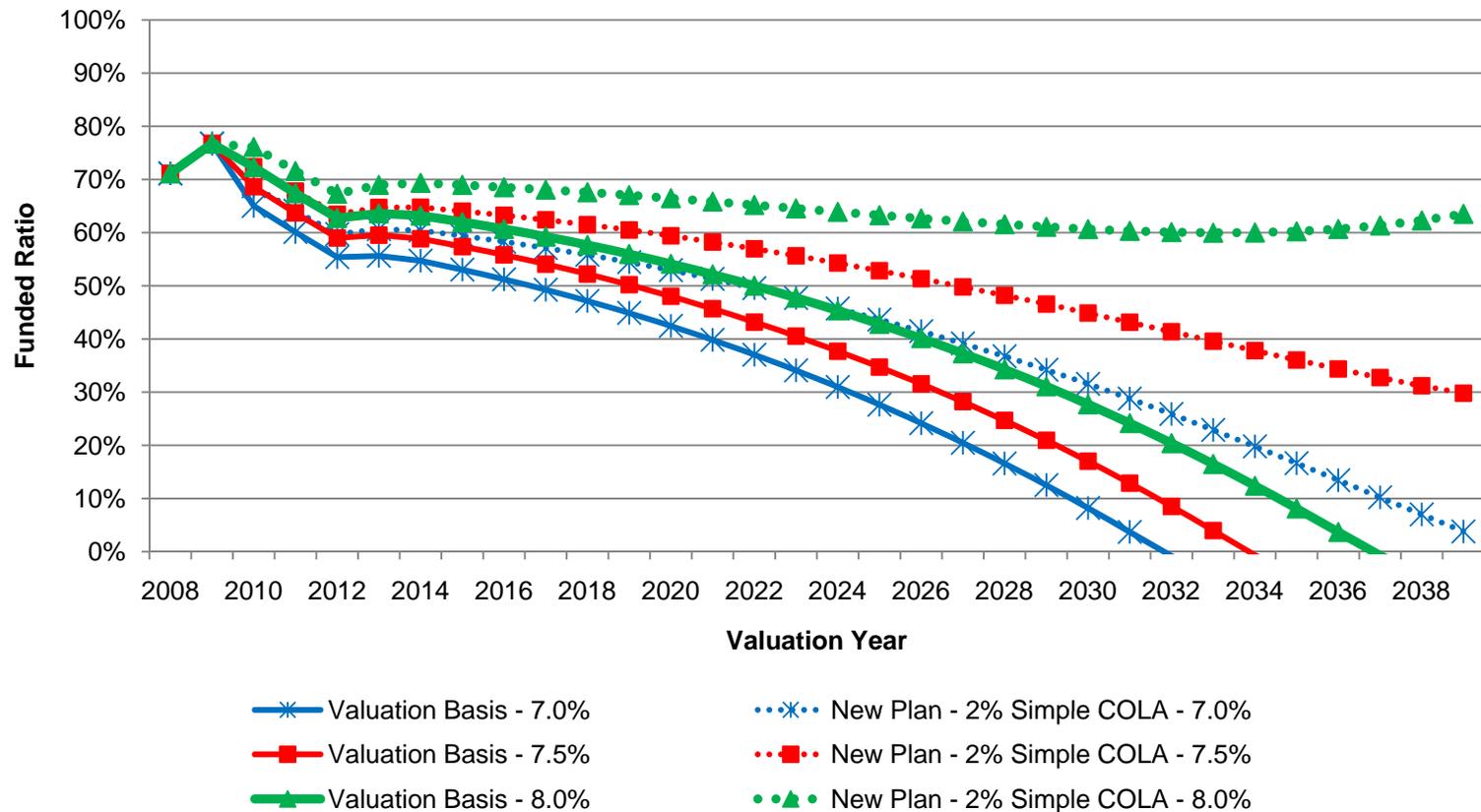
30-Year Projection of Funded Ratio City Contribution Rate of 17% for all years *Pension Only*





Solvency Projections (Pension)

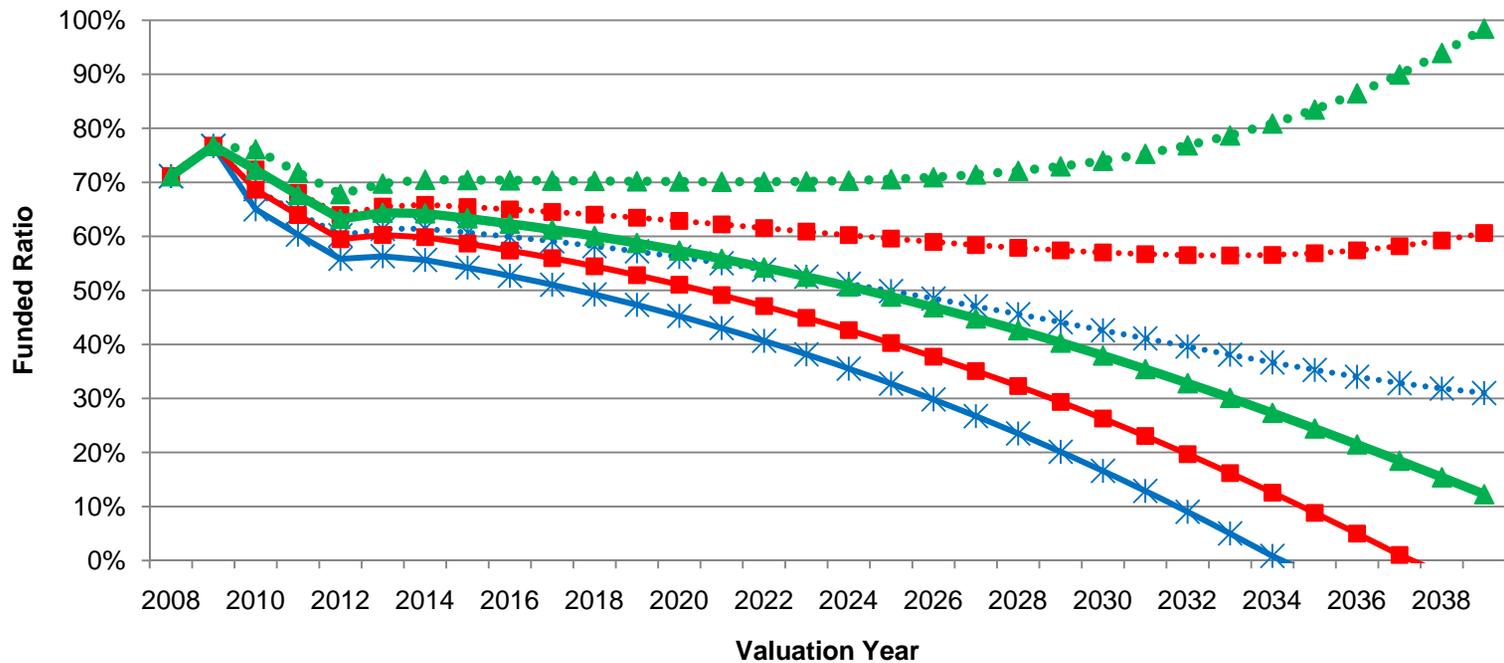
30-Year Projection of Funded Ratio City Contribution Rate of 21% for all years *Pension Only*





Solvency Projections (Pension)

30-Year Projection of Funded Ratio
City Contribution Rate of 24% for all years
Pension Only



- Valuation Basis - 7.0%
- Valuation Basis - 7.5%
- Valuation Basis - 8.0%
- New Plan - 2% Simple COLA - 7.0%
- New Plan - 2% Simple COLA - 7.5%
- New Plan - 2% Simple COLA - 8.0%

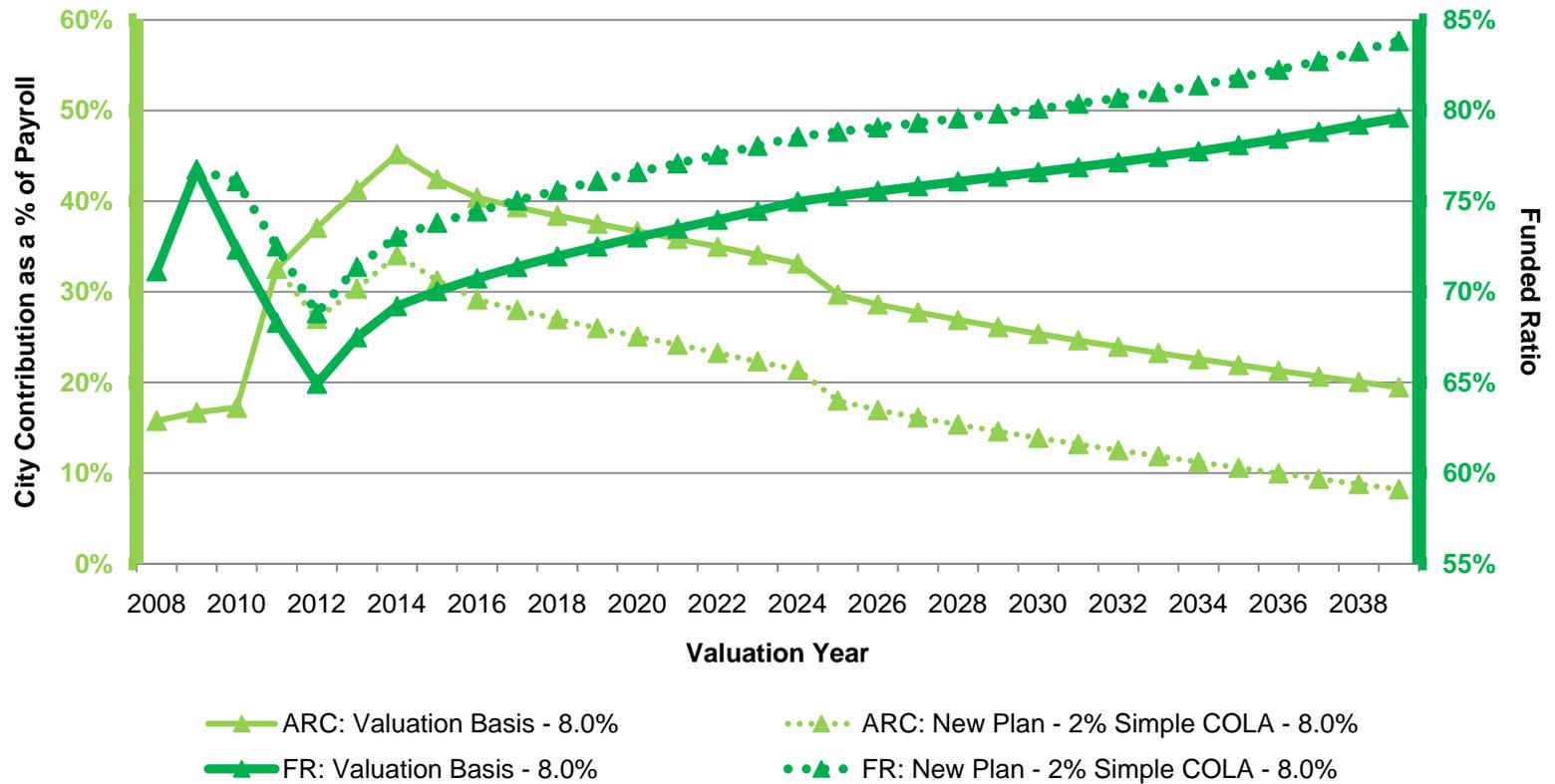


Solvency Projections (Pension)

30-Year Projection of Employer Contributions and Funded Ratios

City Contributes the ARC for Years 2011+

Pension Only - Long Term Discount Rate of 8.0%



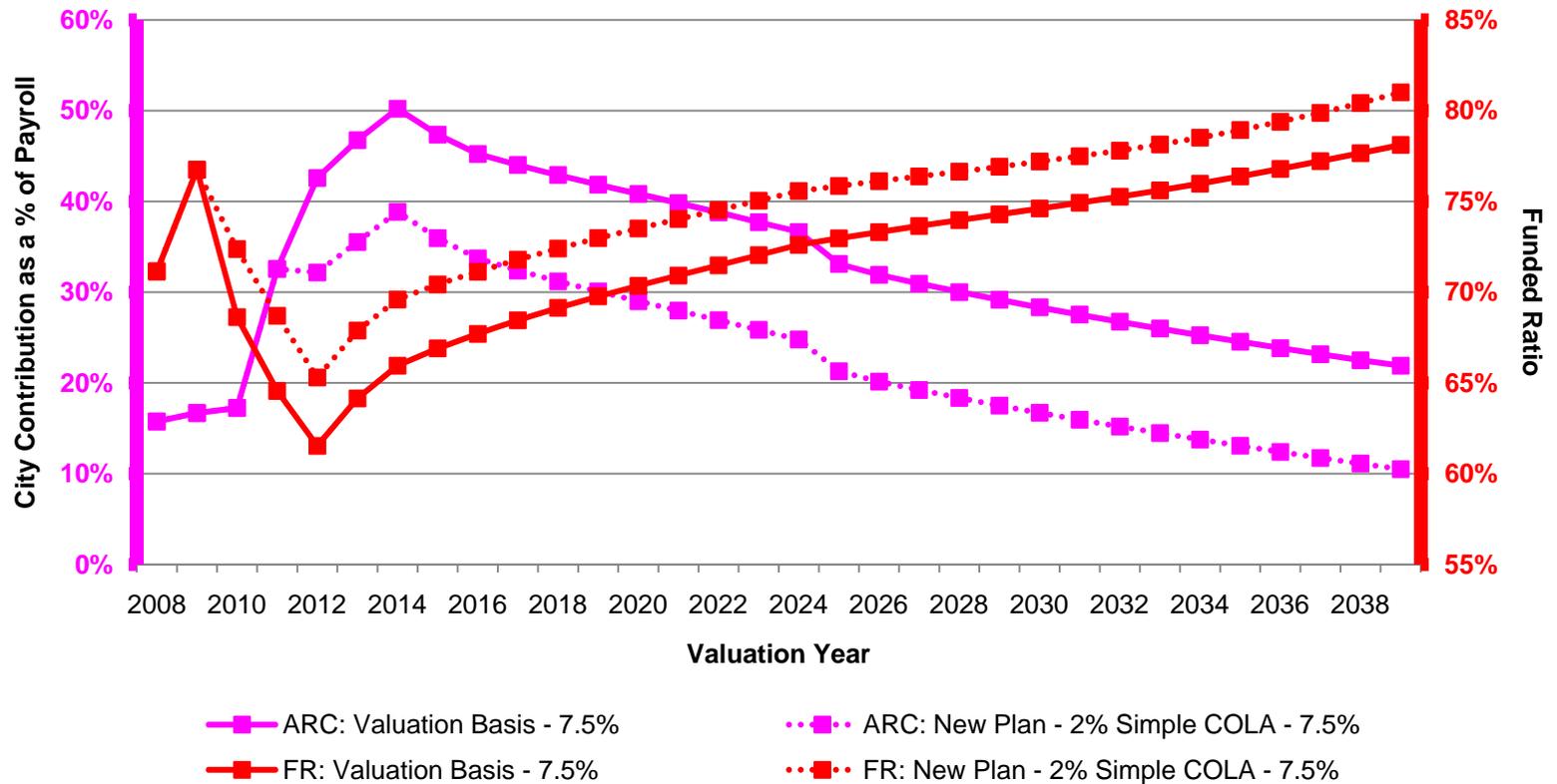


Solvency Projections (Pension)

30-Year Projection of Employer Contributions and Funded Ratios

City Contributes the ARC for Years 2011+

Pension Only - Long Term Discount Rate of 7.5%



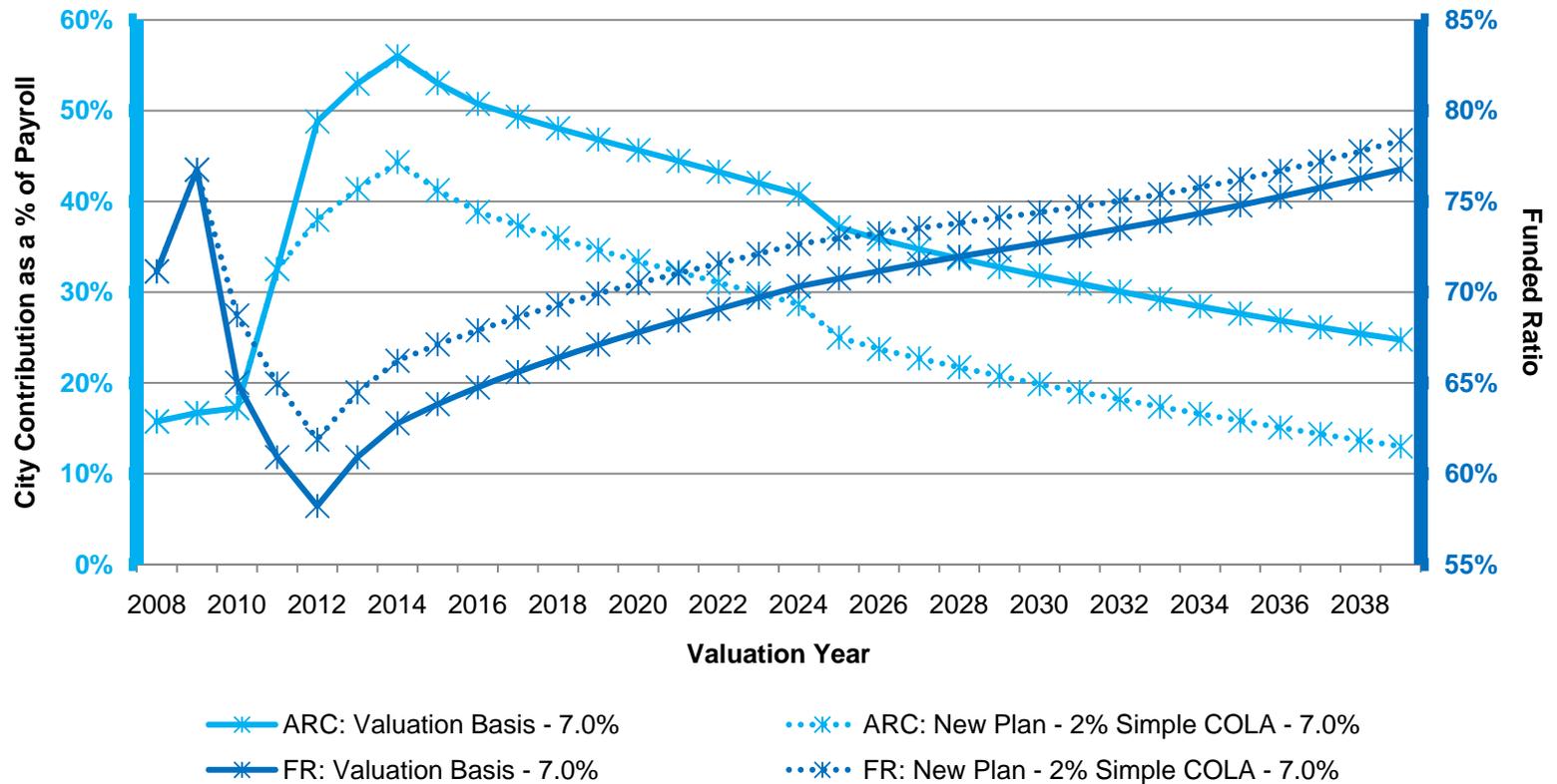


Solvency Projections (Pension)

30-Year Projection of Employer Contributions and Funded Ratios

City Contributes the ARC for Years 2011+

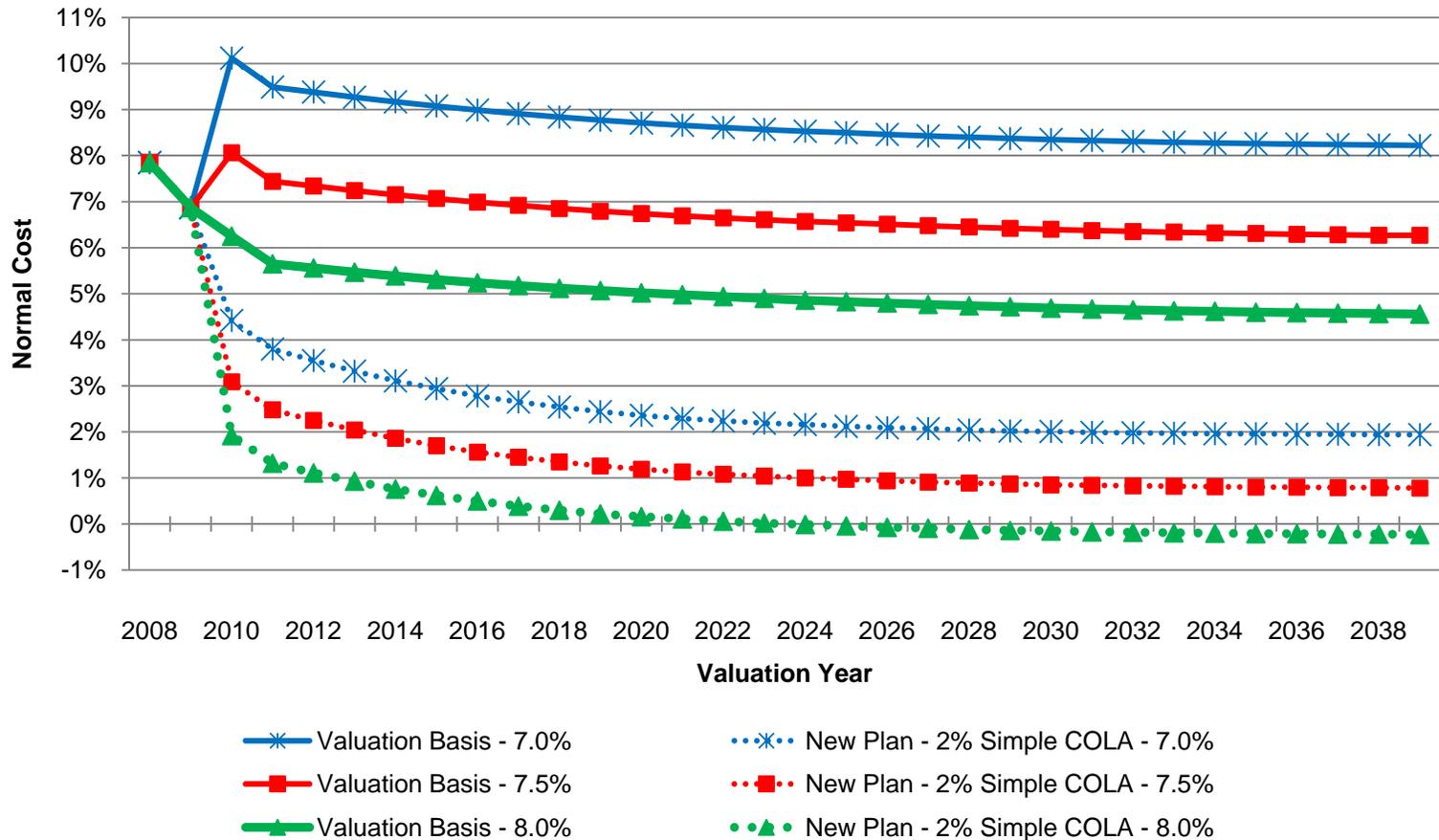
Pension Only - Long Term Discount Rate of 7.0%





Solvency Projections (Pension)

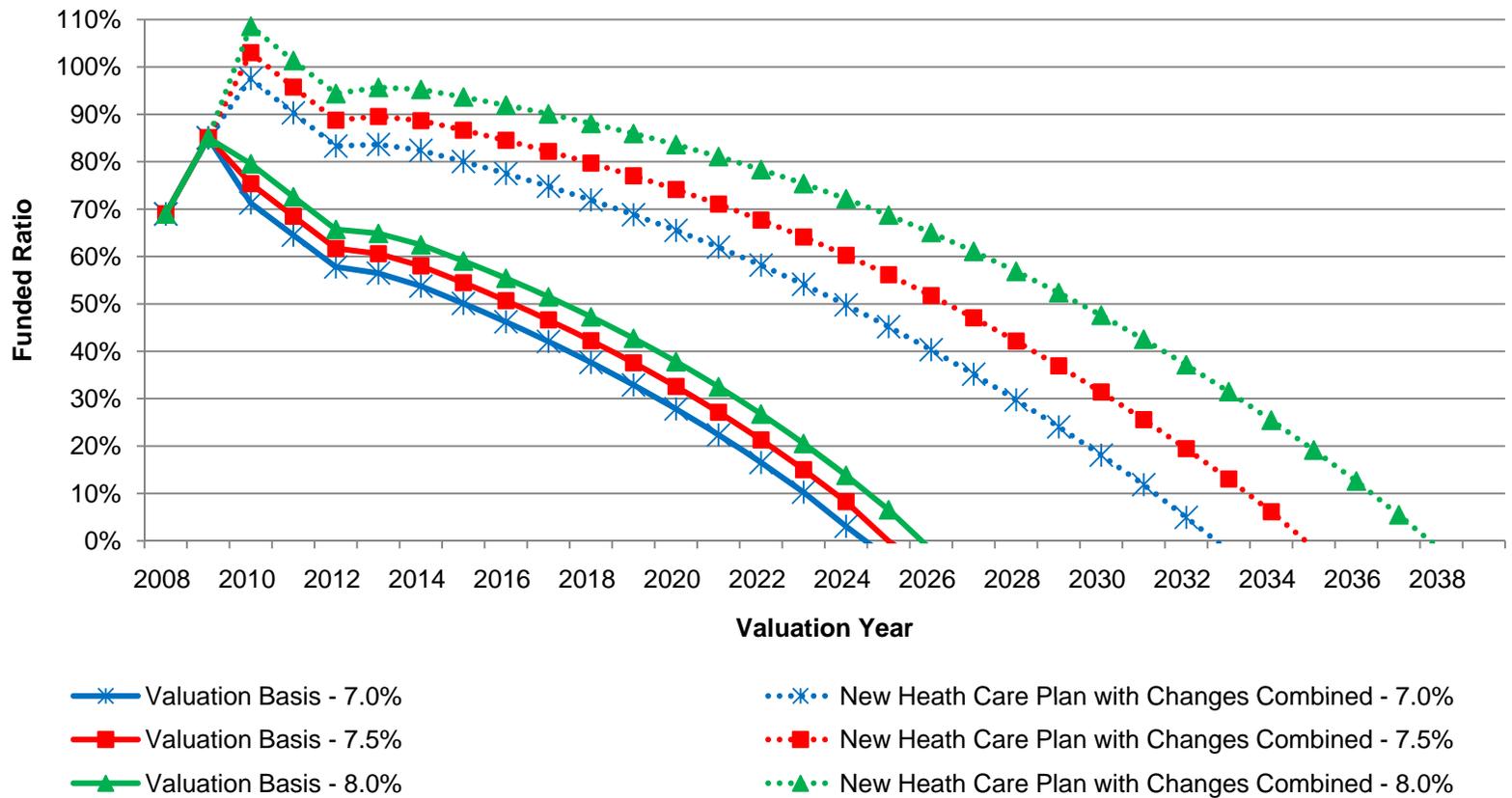
30-Year Projection of Employer Normal Cost Rates *Pension Only*





Solvency Projections (Health Care)

30-Year Projection of Funded Ratio No Future Contributions from City or Active Employees *Health Care Only*





All Plan Design Changes

(Pension at 7.5%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings
Payroll	\$161,874,415	\$161,874,415	-
Total AAL	\$2,243,493,049	\$2,125,477,030	\$118,016,019
Total UAAL	\$612,086,543	\$494,070,524	\$118,016,019
Total Normal Cost Rate	16.68%	12.01%	4.67%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-
Employer Normal Cost Rate	8.68%	4.01%	4.67%
UAAL Rate (level \$, 30 years)	29.67%	23.58%	6.09%
ERIP as a % of payroll	2.28%	2.28%	-
Estimated Employer ARC Rate	40.63%	29.87%	10.76%
In dollars	\$65,770,000	\$48,352,000	\$17,418,000



All Plan Design Changes

(Pension at 7.0%)



	12/31/2009 Valuation Results	12/31/2009 New Plan Changes	Savings
Payroll	\$161,874,415	\$161,874,415	-
Total AAL	\$2,370,632,110	\$2,240,482,637	\$130,149,473
Total UAAL	\$739,225,604	\$609,076,131	\$130,149,473
Total Normal Cost Rate	18.64%	13.39%	5.25%
Employee Rate for 2011 FY	(8.00)%	(8.00)%	-
Employer Normal Cost Rate	10.64%	5.39%	5.25%
UAAL Rate (level \$, 30 years)	34.65%	28.17%	6.48%
ERIP as a % of payroll	2.28%	2.28%	-
Estimated Employer ARC Rate	47.57%	35.84%	11.73%
In dollars	\$77,004,000	\$58,016,000	\$18,988,000