



The Retirement Report

• May 2007 •

Board of Trustees:

Margaret Allen
Civil Service Representative
Ex-Officio Trustee

Don Beets
Elected Retired Trustee

John Cranley,
City Council Member
Ex-Officio Trustee

Milton Dohoney
City Manager
Ex-Officio Trustee

Michael Fehn
Elected Employee Trustee

Joe Gray
Secretary Ex-Officio Trustee

Marijane Klug
Elected Employee Trustee
Board Chair

Mark Mallory
Mayor
Ex-Officio Trustee

Brian Pickering
Elected Employee Trustee

Michael Rachford
Elected Employee Trustee

V. Daniel Radford
Appointed Citizen Trustee

City of Cincinnati
Retirement System
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Cincinnati, Ohio 45202
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retirement@cincinnati-oh.gov

Staff:

John Boudinot
Executive Director

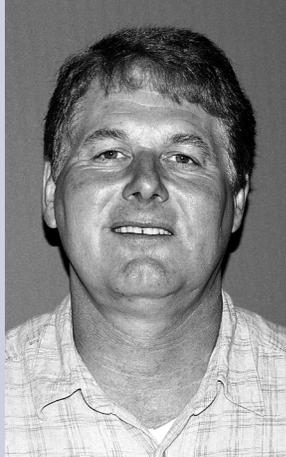
Jack Walsh
Investment Officer

Keith Giles
Supervisor of Pension Plans

Norma Haygood
Marilyn Filgis
Linda Johnson
Cheryl Volk
Carol Griffith
John Dietz

BOARD OF TRUSTEES ELECTION

The election for one of the Employee Member Representatives on the CRS Board of Trustees will be held on June 5th, 2007. Ballots will be distributed to active employees beginning on Monday, May 21, 2007, and ballots must be returned by close of business on June 5th, 2007. The Employee Member Representative elected will serve for a 4 year term beginning August 7th, 2007.



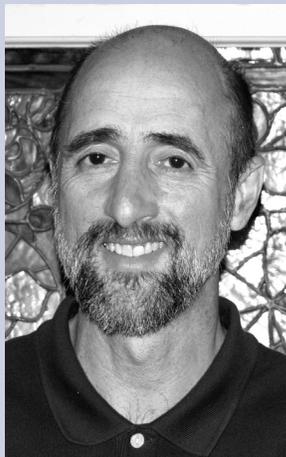
JIM KARLE

I have been a City employee in the MSD division for 22 years. I have a degree in Construction Management and a great interest in financial areas. My work experience and financial interests will allow me to bring a fresh perspective to the Retirement Board. My goal is to be a catalyst of change that will improve the retirement system and will do my best to see that we get it. I appreciate your vote and look forward to representing you on the Retirement Board.



DONNA MCKINNEY

My name is Donna McKinney. I am a 49-year-old African-American female. I was born and raised in the City of Cincinnati. I have been a member of AFSCME and worked for the Public Services Department for over 25 years. I served as Local 250 Vice President for five years; I am presently serving as Local Treasurer. I have strong moral convictions for well-deserved benefits, but at the same time maintaining existing benefits. For a strong voice, please vote for Donna McKinney.



BRIAN PICKERING

As a Retirement Board Trusted since 2003, I strongly believe that I can continue to best represent your interests. I am passionate about my Retirement Board work. I remain dedicated to the continued Financial Strength and Stability of the system based on my Experience, sense of Equity, Fairness and successes. 1) Experience 2) Financial Strength and Stability 3) Equity & Fairness. You will receive additional information detailing my successes, Experience, sense of Equity, Fairness and my dedication to the Financial Strength and Stability of the Retirement System. Pick Pickering.



DOUG SMITH

I have been a City employee for over 15 years. As an accountant with Parking Facilities, I am responsible for a multi-million dollar budget that includes monitoring, analysis, and forecasting of future revenue and expenses. I personally manage family investment portfolios with proven long term success. I have an excellent understanding of all aspects of investing and I want to apply my knowledge to benefit all current and future retirees. Maintaining the integrity and value of OUR pension investments and benefits is a vested interest we all share. Let me work for you for our future.

Jack Walsh
CRS Investment Officer

Investment News 2006 Investment Returns Exceed 13%

I am pleased to report that strong performance in both the domestic and international stock markets in 2006 has led to very good investment returns for the Cincinnati Retirement System (CRS). The performance of the total CRS investment portfolio exceeded 13%, which is well above the long-term 8.00% investment return assumption.

As of December 31, 2005 the funding ratio, which is a calculation of total assets divided by total liabilities, of the CRS was about 95%. This means that for every \$1.00 of projected liabilities, the CRS had \$0.95 of assets to cover these liabilities. Because actual investment returns in 2006 significantly exceeded the long-term 8.00% investment return assumption, we expect the CRS actuarial consultant to report an improvement in the funding ratio when the actuary delivers the 2006 actuarial valuation, which we expect to be presented to the CRS Board in May 2007.

CRS Board Hires New Investment Consultant – Marquette Associates

In late 2006, the CRS Board of Trustees conducted a search to hire a new investment consultant. After evaluating proposals from 19 different firms and conducting extensive interviews with four final candidates, the CRS Board agreed in January 2007 to hire Marquette Associates, an investment consulting firm based in Chicago, Illinois.

Immediately upon being hired, Marquette conducted an in-depth evaluation of all current CRS investment managers. After completing their review, Marquette recommended that three investment managers who were under-performing their benchmark be terminated and \$330 million of assets in these three portfolios be transferred to a new index style investment manager. As a result of this change, actual investment performance on these assets will be very close to benchmark returns; and as an added benefit, we will save more than \$1.1 million a year due to lower management fees.

Marquette also conducted an asset/liability review to determine if the overall allocation of CRS assets was appropriate for the long-term liability projections. At the time Marquette was hired, the CRS investment portfolio consisted of 53.5% U.S. stocks, 17.5% international stocks, 28.2% fixed income (bonds), and less than 1.0% in private equity. Marquette's review determined that the CRS portfolio was too heavily dependant on stock market returns and too much was invested in the low-yielding fixed income market.

In order to reduce the volatility (risk) of the CRS portfolio and increase the chances of meeting the long-term 8.00% investment return assumption, Marquette presented a new asset allocation that reduces total CRS investments in the U.S. stock and fixed income markets and introduces investments to new asset classes. The new allocation plan includes investing 5.0% of total CRS assets in private equity, 7.5% in real estate, 5.0% in infrastructure, and 5.0% in long/short equity strategies. Over the next twelve to eighteen months, the CRS Board will be evaluating the various strategies for investing in these asset classes and hiring investment managers that have an expertise in investing in these asset classes.



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SPRING CLEANING

The Household Hazardous Waste Collection Program sponsored by the Hamilton County Environmental Services Department is collecting household hazardous waste from residents of Hamilton County. The Program runs through October 27, 2007 for Hamilton County residents only and you must show proof of residency. The program has a detailed listing of waste items that it WILL and WILL NOT accept from residents.

Environmental Enterprise Inc. has 2 locations that serve as collection points for the Program: 4650 Spring Grove Ave. (across from Winton Rd.); and 10163 Cincinnati-Dayton Rd. The Spring Grove Ave. location is open Tuesdays from 2pm to 6pm; Thursdays and Saturdays from 9am to 1pm. The Cincinnati-Dayton Rd. location is open on Wednesdays from 2pm to 6pm.

For additional information about the program, call 513-946-7700 or visit their website:
http://www.hamiltoncountyrecycles.org/sw/HHW/hhw_collection_program.html

A NAP WILL DO YOU GOOD (from PLANSPONSOR.com)

In the largest study to date on the health effects of napping, researchers tracked 23,681 healthy Greek adults for an average of about six years, and found that those who napped at least three times weekly for about half an hour had a 37% lower risk of dying from heart attacks or other heart problems than those who did not nap, according to the Associated Press.

The research, published in the Archives of Internal Medicine, said that naps might benefit the heart by reducing stress, and jobs - as we all know - are a common source of stress. The researchers factored in diet, exercise, smoking and other habits that affect the heart but still found napping seemed to help.

Most participants were in their 50s, and the strongest evidence was in working men, according to the study. Heart problems killed 48 women who were studied, six of them working women, compared with 85 men, including 28 working men. It's likely that women reap similar benefits from napping, but not enough of them died during the study to be sure, said Dr. Dimitrios Trichopoulos, the study's senior author and a researcher at Harvard University of Athens Medical School.