



# Cincinnati Retirement System Pension Fund Task Force

## Minutes

March 2, 2010 – 2PM  
Centennial II – Meeting Room A

### Present:

Milton Dohoney, Chair  
Hilary Bohannon  
Laketa Cole  
Cathy Crain  
Dan Geeding (conference call)  
Linda Graviss  
Brian Pickering  
Marianne Steger (conference call)  
Chris Stenger  
Roxanne Qualls  
Bryan Schmitt

### Administrative Staff Present

Kathy Creager  
Susan Pratt  
Paula Tilsley  
Jack Walsh  
Cheryl Volk

### Absent

James Girton  
Francis Wagner

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

### **CAVANAUGH MACDONALD REPORT**

Eric Gary attended the meeting via conference call. The following report was presented and discussed. The report was in response to the committee's request for more analyses of members' pension and health care benefits. The report included:

#### ✚ Objectives

- Provide liabilities and funding requirements separately for pension and medical plans
- Recognize need to develop transition plan
- Develop additional ideas for consideration

#### ✚ Pension Plan Only

- Pension plan funding is primary
- Ideally, long term pension plan funding goal is 100% funded
- Potential approaches to funding
  - 100% by year 2038
  - Cash infusion on 1/1/2011
    - \$250 million
    - \$350 million
    - \$450 million
  - Contribute 100% of Annual Required Contribution (ARC)
  - Stable funded ratio

- Thirty-year projection of funded ratio in nine separate scenarios
  - Scenarios included 8% assumed rate of return
  - Continuation of compounded Cost of Living Adjustment (COLA) with a cap for current and future retirees
  - Projected employee and employer contributions – annual and cumulative
- Thirty-year projection of funded ratio in nine separate scenarios
  - Scenarios included 8% assumed rate of return
  - COLA changed to simple for future retirees
  - Projected employee and employer contributions – annual and cumulative
- ✚ Medical Plan Only
  - Assumptions
    - No employee/employer contributions
    - Investment income is only source of additional funds
    - 401(h) sub-account assets cannot be transferred
  - Thirty-year projection of funded ratio in four scenarios reflecting 8% and 6.5% assumed rate of return
- ✚ Projection Assumptions
  - 12/31/08 Valuation Basis with 5-year smoothing
  - 2009 Investment return: 19.5%
  - Assumed 8% thereafter
  - First Task Force Changes (effective 1/1/10)
    - Amortization thirty-years
    - Increased employee contributions
    - New tier pension changes
  - Health Care participation
    - Participation decreases as cost share increases
- ✚ Additional Ideas for Consideration
  - Eliminate the CRS loan provision
  - Legal review of 401 (h) (4) non-diversion requirement  
Corpus  
Investment Income
- ✚ Comments
  - Task Force may need to develop a transition approach to stabilize the CRS financial situation.

## **DISCUSSIONS**

- ✚ Pension Obligation Bonds – pros and cons
- ✚ Consider sale of assets to provide a cash infusion
  - Not all assets provide an annuity stream to the city
  - Not all sales could be diverted to pension fund
- ✚ CRS joining OPERS: not feasible at this time
- ✚ Simple COLA: prevents retirees from keeping up with inflation
- ✚ Determine an acceptable funding rate for medical benefits
- ✚ Consider approaches to cost sharing for retiree healthcare benefits
  - Means testing
  - Sliding scale approach based on service credit
- ✚ City debt structure and limitations

## **AREAS OF AGREEMENT**

- ✚ Pension is primary concern
- ✚ Assumed rate of return: 8% with 8% discount rate
- ✚ A stable pension funding level around 80% is acceptable goal
- ✚ Annual required contributions: 19% city and 9% employee
- ✚ Consider all options available for cash infusion
- ✚ Means testing and length of service should be considered to mitigate the impact of healthcare reductions
- ✚ Provide carve-out options
- ✚ Pursue modifications to healthcare plan design that will maintain funding without new employer/employee contributions
- ✚ Develop a solid communication plan before networking with stakeholders. Obtain feedback from stakeholders.
- ✚ Application of a cap to the compounded COLA

## **ADDITIONAL INFORMATION REQUESTED BY THE TASK FORCE:**

- ✚ Provide more options on pension side along with healthcare options
- ✚ Include carve-out options

Next meeting is scheduled for Tuesday, March 9, 2010 – Centennial II – Meeting Room A. Meeting was adjourned at 4:10 P.M.