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# **Retirement System for Employees of the City of Cincinnati**

Task Force Meeting  
April 6, 2010

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# Objectives



- Provide the financial impact to the pension plan of proposed benefit, eligibility, and funding designs
  - Reduced death benefit
  - Compound COLA vs. Simple COLA
  - 5-year highest average salary benefit formula
  - Employee contributions increase to 10%
  - Increase to City contributions
    - Annual amount
    - Cash infusion



## Scenario #1a

- \$2,000 Death Benefit for all current and future retirees
- Simple COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 36.06% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038



## Scenario #1b

- \$2,000 Death Benefit for all current and future retirees
- Simple COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Cash infusion of \$173.4 million on 1/1/2012 and annual City contributions increase to 31% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038



## Scenario #2a

- \$2,000 Death Benefit for all current and future retirees
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 36.55% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038



## Scenario #2b

- \$2,000 Death Benefit for all current and future retirees
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies only to those who become eligible to retire on or after 1/1/2016
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Cash infusion of \$185.0 million on 1/1/2012 and annual City contributions increase to 31% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038



## Scenario #3a

- \$0 Death Benefit for all current and future retirees
- Eliminate COLA
  - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
  - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 2.00% benefit multiplier
  - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
  - Negative normal costs
- Annual City contributions increase to 19% of pay beginning 1/1/2012



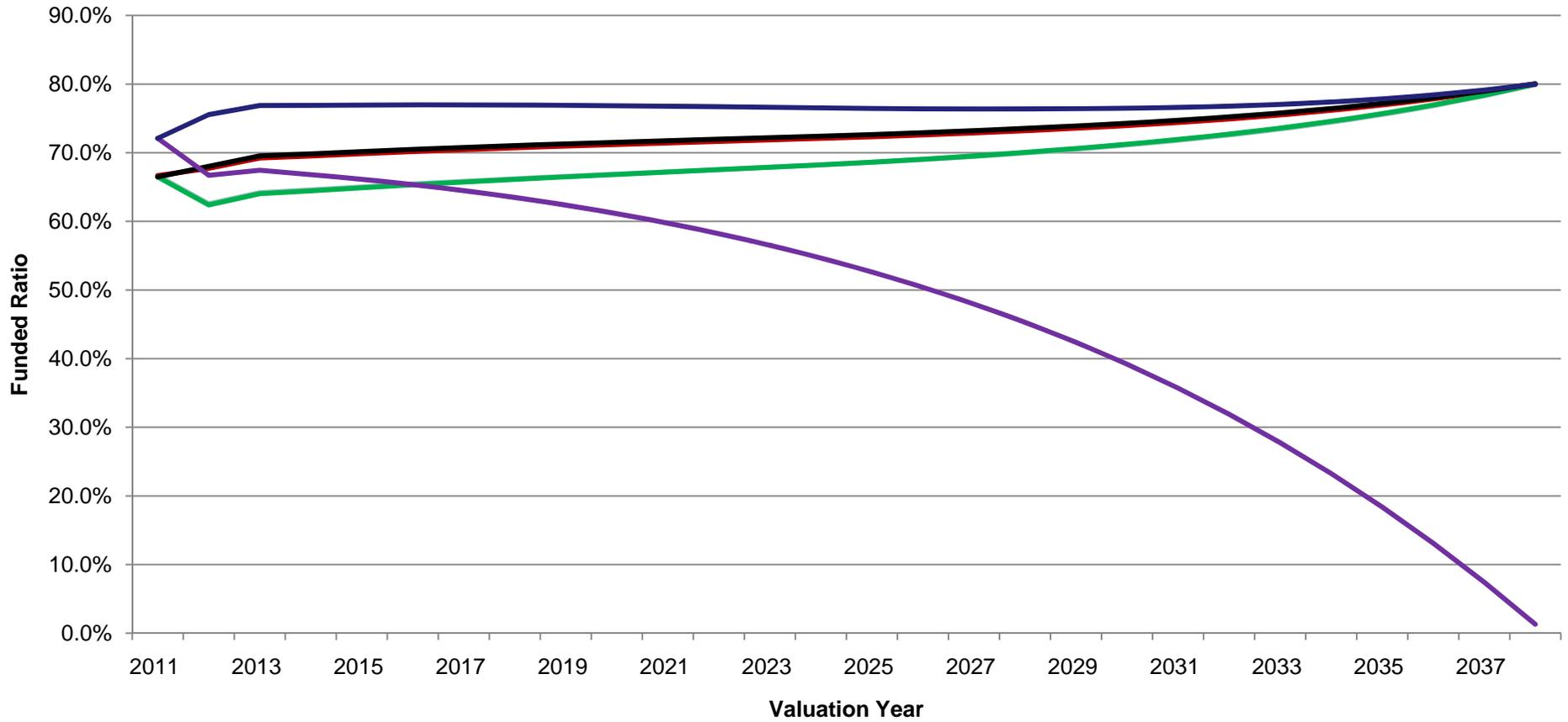
## Scenario #3b

- \$0 Death Benefit for all current and future retirees
- Eliminate COLA
  - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 5-year highest average salary benefit formula
  - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- 2.00% benefit multiplier
  - Applies only to those who become eligible for normal retirement on or after 1/1/2011
- Employee contributions increase to 10% over next 6 years
  - Negative normal costs
- Cash infusion of \$207.7 million on 1/1/2012 and annual City contributions increase to 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038

# Cincinnati Retirement System

## 30-Year Projection of Funded Ratio

*Pension Plan Only @ 8.00%*



— Pension Plan Only - Scenario #1a   
 — Pension Plan Only - Scenario #1b   
 — Pension Plan Only - Scenario #2a  
— Pension Plan Only - Scenario #2b   
 — Pension Plan Only - Scenario #3a   
 — Pension Plan Only - Scenario #3b

### Summary of Results

<b>Scenario</b>	<b>Death Benefit</b>	<b>COLA</b>	<b>Highest Average Salary Formula</b>	<b>City Contribution (% of Pay)</b>	<b>1/1/2012 Cash Infusion Amount (\$ millions)</b>
1a*	\$2,000	Simple	5 Years	36.06%	\$0
1b**	\$2,000	Simple	5 Years	31.00%	\$173.4
2a*	\$2,000	Compound	5 Years	36.55%	\$0.0
2b**	\$2,000	Compound	5 Years	31.00%	\$185.0
3a*	\$0	n/a	5 Years	19.00%	\$0.0
3b**	\$0	n/a	5 Years	19.00%	\$207.7

\*City Contribution (%of Pay) begins 1/1/2012

\*\*City Contribution (%of Pay) begins 1/1/2013



# Projection Assumptions

- 12/31/2008 Valuation Basis
  - 5-yr asset smoothing with a 20% corridor
  - Liabilities valued with 8.00% discount rate
- 2009 Investment Return to Date
  - Positive 2009 – assumed 19.76% return
- First Task Force Changes (effective 1/1/2010)
  - Amortization period changed to 30 years
  - Increase in employee contribution percentages
  - New tier pension changes
    - Reduced benefit formula
    - Increased retirement eligibility
- 17% City contribution for 2009, 2010, and 2011