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Retirement System for Employees of the City of Cincinnati

Task Force Meeting
May 4, 2010

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Objective



- Provide the financial impact to the pension plan of additional benefit, eligibility, and funding designs



Retirement Eligibility

- For the first three scenarios presented (#1, #2, #3), the following retirement eligibility conditions apply
 - If, as of 1/1/2011, an active employee has 23 or more years of service, or is 7 years from retirement (under current eligibility rules), then current eligibility requirements apply
 - Age 60 and 5 years of service (normal)
 - 30 years of service (normal)
 - Age 55 and 25 years of service (reduced)
 - For those active employees hired prior to 1/1/2010 who do not meet the above requirements, the following, proposed eligibility requirements apply
 - Age 62 and 5 years of service (normal)
 - Age 55 and 30 years of service (normal)
 - Age 57 and 25 years of service (reduced)
 - The eligibility requirements for those hired on or after 1/1/2010 remain the same (as changed by the First Task Force)
 - Age 65 and 5 years of service (normal)
 - Age 55 and 30 years of service (normal)
 - Age 60 and 25 years of service (reduced)
 - Note: For this group, the benefit formula multiplier is 2.2%



Scenario #1



- \$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

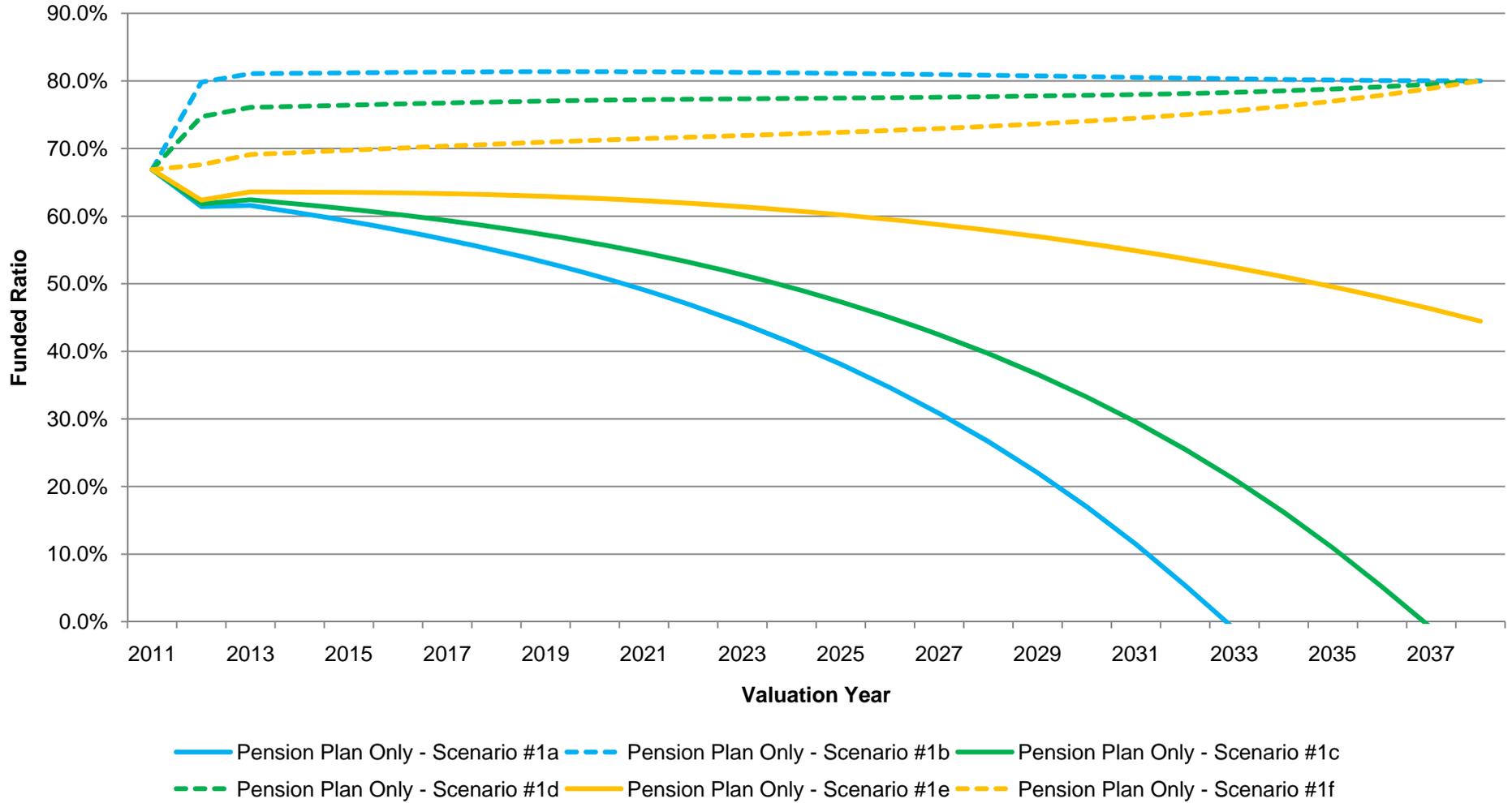


Scenario #1

- Scenario #1a
 - Annual City contributions of 19% of pay beginning 1/1/2012
- Scenario #1b
 - Cash infusion of \$428.5 million on 1/1/2012 and annual City contributions of 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #1c
 - Annual City contributions of 24% of pay beginning 1/1/2012
- Scenario #1d
 - Cash infusion of \$319.0 million on 1/1/2012 and annual City contributions of 24% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #1e
 - Annual City contributions of 31% of pay beginning 1/1/2012
- Scenario #1f
 - Cash infusion of \$166.0 million on 1/1/2012 and annual City contributions of 31% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System 30-Year Projection of Funded Ratio

Scenario 1 - Pension Plan Only @ 8.00%





Scenario #2



- \$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



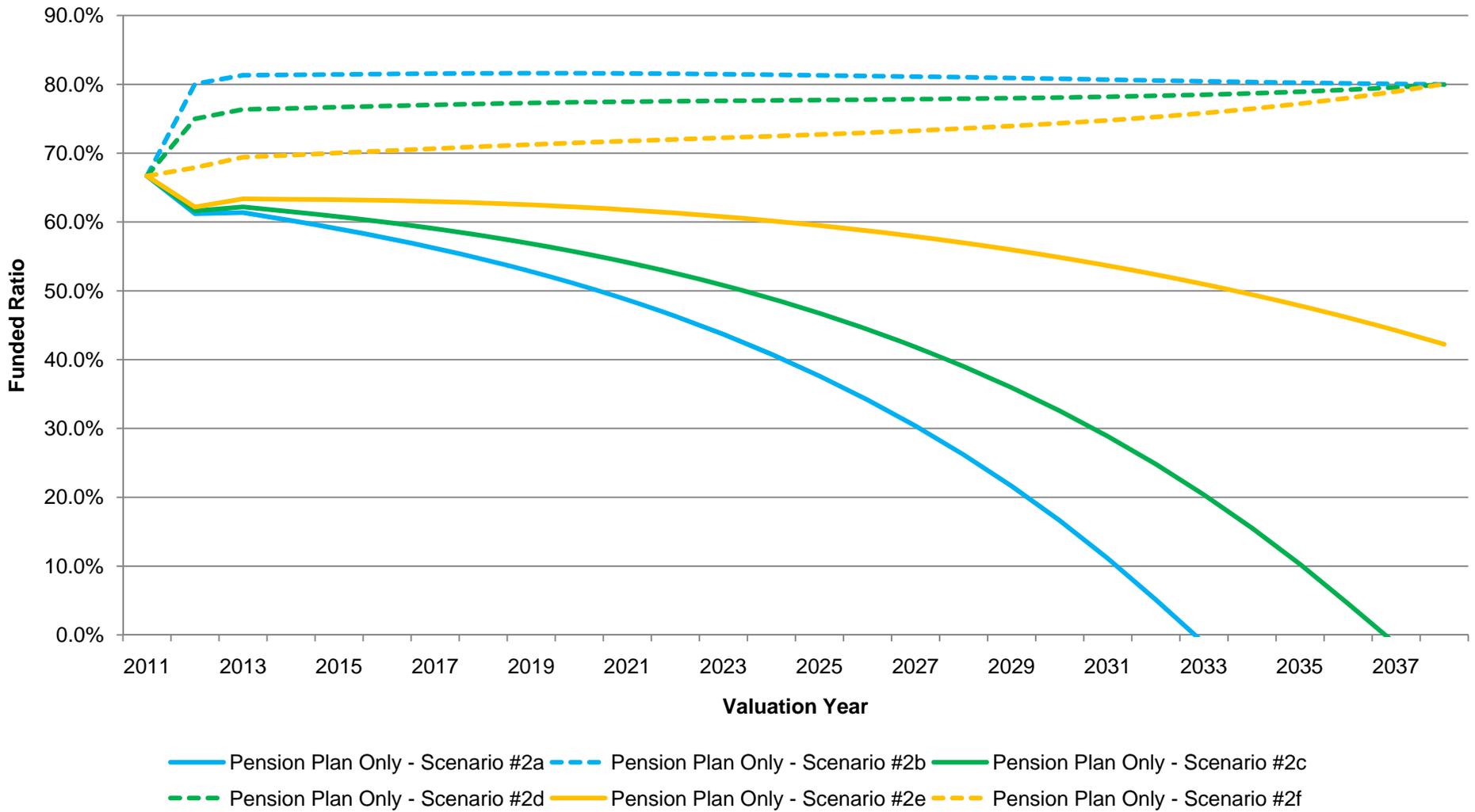
Scenario #2



- Scenario #2a
 - Annual City contributions of 19% of pay beginning 1/1/2012
- Scenario #2b
 - Cash infusion of \$439.5 million on 1/1/2012 and annual City contributions of 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #2c
 - Annual City contributions of 24% of pay beginning 1/1/2012
- Scenario #2d
 - Cash infusion of \$330.0 million on 1/1/2012 and annual City contributions of 24% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #2e
 - Annual City contributions of 31% of pay beginning 1/1/2012
- Scenario #2f
 - Cash infusion of \$177.0 million on 1/1/2012 and annual City contributions of 31% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System 30-Year Projection of Funded Ratio

Scenario 2 - Pension Plan Only @ 8.00%





Scenario #3



- \$0 Death Benefit for all current and future retirees
- Simple COLA
 - Level 1.50%
 - Applies only to those who become eligible to retire on or after 1/1/2011
 - Current COLA for others
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible to retire on or after 1/1/2011
 - Current formula for others
- Employee contributions increase to 10% over next 6 years



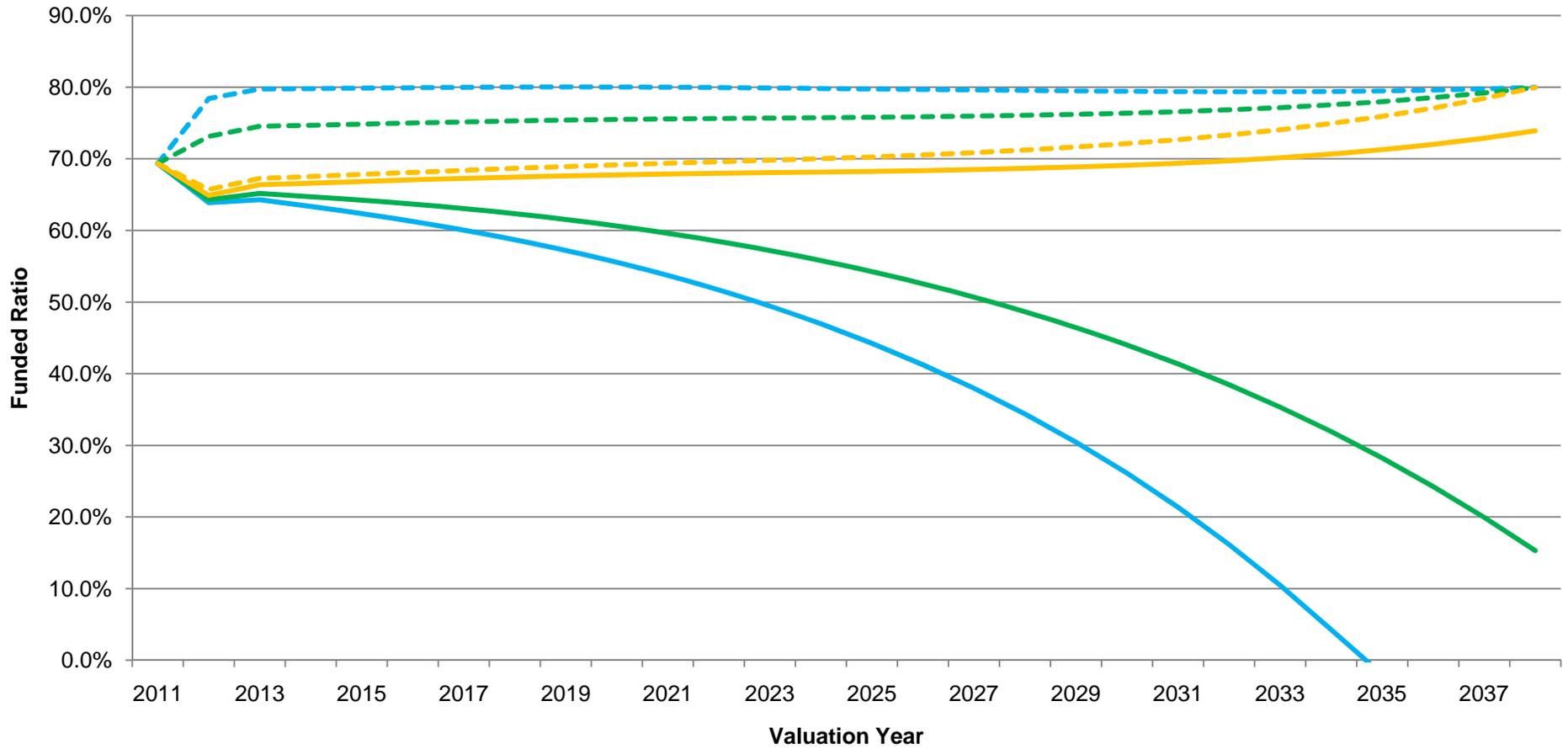
Scenario #3



- Scenario #3a
 - Annual City contributions of 19% of pay beginning 1/1/2012
- Scenario #3b
 - Cash infusion of \$333.5 million on 1/1/2012 and annual City contributions of 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #3c
 - Annual City contributions of 24% of pay beginning 1/1/2012
- Scenario #3d
 - Cash infusion of \$224.0 million on 1/1/2012 and annual City contributions of 24% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #3e
 - Annual City contributions of 31% of pay beginning 1/1/2012
- Scenario #3f
 - Cash infusion of \$70.8 million on 1/1/2012 and annual City contributions of 31% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System 30-Year Projection of Funded Ratio

Scenario 3 - Pension Plan Only @ 8.00%



— Pension Plan Only - Scenario #3a
 - - - Pension Plan Only - Scenario #3b
 — Pension Plan Only - Scenario #3c
- - - Pension Plan Only - Scenario #3d
 — Pension Plan Only - Scenario #3e
 - - - Pension Plan Only - Scenario #3f



Scenario #4



➤ Retirement Eligibility

- If, as of 1/1/2011, an active employee has 23 or more years of service, or is 7 years from retirement (under current eligibility rules), then current eligibility requirements apply
 - Age 60 and 5 years of service (normal)
 - 30 years of service (normal)
 - Age 55 and 25 years of service (reduced)
- For those active employees hired prior to 1/1/2010 who do not meet the above requirements and those hired on or after 1/1/2010, the following, proposed eligibility requirements apply
 - Age 65 and 5 years of service (normal)
 - Age 60 and 30 years of service (normal)
 - Age 60 and 25 years of service (reduced)
 - Those retiring with 25 to 30 years of service will have their benefit reduced to an actuarially equivalent form
 - Note: For this group, the benefit formula multiplier is changed to 2.2%



Scenario #4



- \$0 Death Benefit for all current and future retirees
- Simple COLA
 - Level 1.50%
 - Applies only to those who become eligible to retire on or after 1/1/2011
 - Current COLA for others
- 5-year highest average salary benefit formula
 - Applies only to those who become eligible to retire on or after 1/1/2011
 - Current formula for others
- Employee contributions increase to 9% over next 4 years
 - Current level, per the first Task Force
 - Avoids “negative normal costs”



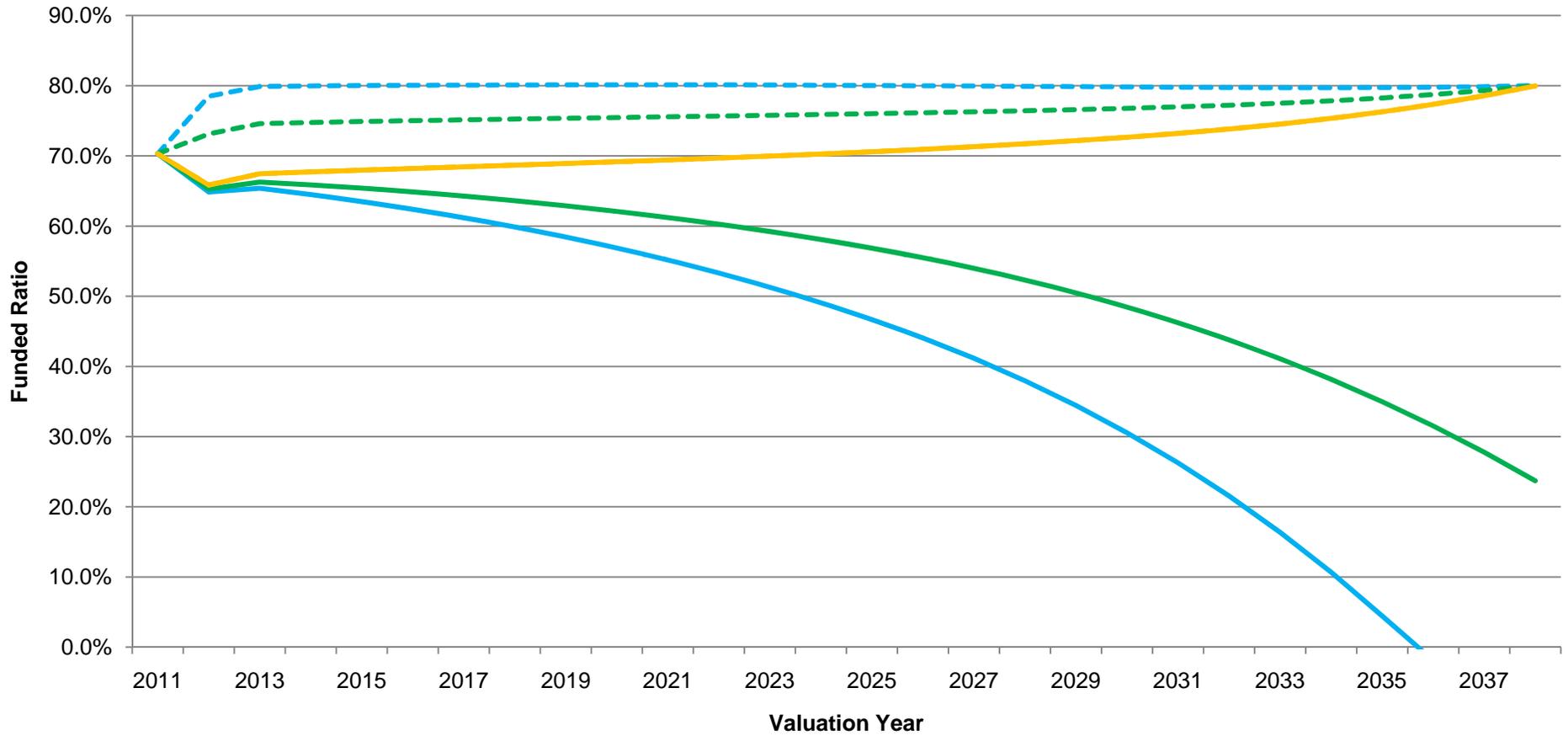
Scenario #4

- Scenario #4a
 - Annual City contributions of 19% of pay beginning 1/1/2012
- Scenario #4b
 - Cash infusion of \$310.8 million on 1/1/2012 and annual City contributions of 19% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #4c
 - Annual City contributions of 24% of pay beginning 1/1/2012
- Scenario #4d
 - Cash infusion of \$201.3 million on 1/1/2012 and annual City contributions of 24% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038
- Scenario #4e
 - Annual City contributions of 30.76% of pay beginning 1/1/2012
- Scenario #4f
 - Cash infusion of \$53.3 million on 1/1/2012 and annual City contributions of 30.76% of pay beginning 1/1/2013 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System

30-Year Projection of Funded Ratio

Scenario 4 - Pension Plan Only @ 8.00%



— Pension Plan Only - Scenario #4a
 - - - Pension Plan Only - Scenario #4b
 — Pension Plan Only - Scenario #4c
- - - Pension Plan Only - Scenario #4d
 — Pension Plan Only - Scenario #4e
 - - - Pension Plan Only - Scenario #4f

Summary of Results

Scenario	Death Benefit	COLA	Highest Average Salary Formula	Benefit Multiplier	Retirement Eligibility Requirements	Employee Contribution (% of Pay)**	City Contribution (% of Pay)	1/1/2012 Cash Infusion Amount (\$ millions)	Projected Funded Ratio (2038)					
1a*	\$2,000	Simple - Indexed w/ 3% Cap Applies to those who become eligible to retire on or after 1/1/2016	5 Years Applies to those who become eligible to retire on or after 1/1/2016	Current	Transition group: 23 years of service or 7 years from retirement. For those who were hired prior to 1/1/2010 and do not qualify for the transition group: Normal Retirement: 62&5 or 55&30 Reduced Retirement: 57&25 For those who are hired on or after 1/1/2010: Normal Retirement: 65&5 or 55&30 Reduced Retirement: 60&25	10.00%	19.00%	\$0.0	0%					
1b**							\$428.5	80%						
1c*							24.00%	\$0.0	0%					
1d**							\$319.0	80%						
1e*		31.00%	\$0.0				44%							
1f**		\$166.0	80%											
2a*		Compound - Indexed w/ 3% Cap Applies to those who become eligible to retire on or after 1/1/2016	5 Years Applies to those who become eligible to retire on or after 1/1/2016				Current	10.00%	19.00%	\$0.0	0%			
2b**									\$439.5	80%				
2c*	24.00%			\$0.0	0%									
2d**	\$330.0			80%										
2e*	31.00%	\$0.0	42%											
2f**	\$177.0	80%												
3a*	\$0	Simple - Level 1.5% Applies to those who become eligible to retire on or after 1/1/2011	5 Years Applies to those who become eligible to retire on or after 1/1/2011	Current, except for those who were hired prior to 1/1/2010 and do not qualify for the transition group (reduced to 2.2%)	Transition group: 23 years of service or 7 years from retirement. For those who do not qualify for the transition group: Normal Retirement: 65&5 or 60&30 Reduced Retirement: 60&25	9.00%	19.00%		\$0.0	0%				
3b**							\$333.5		80%					
3c*							24.00%	\$0.0	15%					
3d**							\$224.0	80%						
3e*			31.00%				\$0.0	74%						
3f**			\$70.8				80%							
4a*											9.00%	19.00%	\$0.0	0%
4b**												\$310.8	80%	
4c*	24.00%	\$0.0		24%										
4d**	\$201.3	80%												
4e*	30.76%	\$0.0		80%										
4f**	\$53.3	80%												

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

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

***Once phase-in period is complete



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