

City of Cincinnati



*Interdepartmental
Correspondence Sheet*

May 16, 2011

To: Mayor and Members of City Council

From: Milton Dohoney, Jr., City Manager

Subject: *Executive Summary of 12/31/10 Actuarial Valuation of the Cincinnati Retirement System*

At the Cincinnati Retirement System (CRS) Board of Trustees meeting on May 5, 2011, Cavanaugh Macdonald Consulting, LLC, the CRS actuary, presented the 2010 Annual Valuation for the Retirement System. The Board approved the report and as required, presents this report to City Council which includes the recommended employer Annual Required Contribution to the Retirement System for the 2012 fiscal year.

The Annual Required Contribution for 2012 is 30.88% of payroll or \$50 million. This includes \$3.3 million of Normal Cost (benefits earned during the year), \$4.4 million for the ERIP (Early Retirement Incentive Program in 2007), and \$42.3 million for the accrued unfunded liability.

These figures incorporate the changes to the Retirement System that were approved by City Council on March 16, 2011. The Pension accrued liabilities were reduced by \$111 million, and the Health Care accrued liabilities were reduced by \$231 million. As a result, the combined Pension and Health Care Annual Required Contribution was reduced from \$74.8 million for 2011 to \$50 million for 2012.

The investment return on the Market Value of Assets was slightly above 13% for 2010. However, actuarial smoothing of assets still recognizes 2008 investment losses resulting in a low return on Actuarial Value of Assets of less than 3%. The funded ratio uses the Actuarial Value of Assets. For 2010, the funded ratio for the Pension Trust is 75.1% and for the Health Care Trust 110.6%.

The changes that have positively impacted these valuation results were primarily born by employees and retirees. The Board strongly encourages City Council to take the necessary steps to achieve the employer funding requirements detailed in this report to support and continue the System's progress toward a stable and sound financial future.

C: Paula Tilsley, Director of Retirement

Attachment