



The Retirement Report

• October / November 2008 •

TASK FORCE REPORT

In December 2007, Cincinnati City Council adopted a motion to establish a Task Force to make recommendations to the City Council to ensure the long-term solvency of the Cincinnati Retirement System (CRS). The Task Force met 11 times from March 2008 through July 2008 in order to complete the charge given to them by the City Council. After several weeks of thoroughly scrutinizing and exhaustively reviewing CRS plan provisions, public fund comparisons, actuarial data, and retirement benefits, the Task Force produced a list of recommendations for the City Council's consideration. The Task Force's report was submitted to City Council on September 17, 2008.

After reviewing proposals from 6 actuarial firms, the Task Force hired Buck Consultants as an independent actuary. The Task Force reviewed and evaluated the current pension and healthcare benefits of the CRS, including actuarial accrued unfunded liabilities, City and employee contribution rates, funded ratios, pension benefit provisions, and retiree healthcare plans. The Task Force analyzed comparative data from four statewide Ohio public retirement plans (OPERS, OP&F, STRS, and SERS), including employer and employee contribution rates, service retirement provisions, benefit calculations, retiree healthcare benefits and healthcare actuarial funded ratios. During the course of its deliberations, the Task Force received the *Independent Actuarial Review of the Retirement System for Employees of the City of Cincinnati* prepared by Buck Consultants and *Benefit Alternatives for the Cincinnati Retirement System*, prepared by Mercer. The Buck report provided 4 options for reducing or stabilizing the City's expected future employer share of contributions. The actuarial report detailed the basis of actuarial calculations, summary of cost for plan alternatives, and pricing assumption for medical plan considerations.

As a package, the Task Force's recommendations provide for the long-term financial security of the CRS. The Task Force carefully constructed their recommended benefit changes with 3 primary considerations: first, the long-term financial security of the CRS; second, fairness to retirees regarding benefits; and third, the City's long-term ability to pay for retirement benefits. The Task Force hopes City Council will consider the recommendations as a package, rather than to pick and choose from the list of recommendations. The Task Force's recommendations are summarized below and categorized as short-term, mid-term, or long-term according to their financial impact on the CRS. If the City Council adopts the Task Force recommendations, the unfunded liability will decrease by approximately \$137 million, the funded ratio (actuarial assets/actuarial liabilities) will increase from 89.5% to 93.9%, and the annual required contribution will decrease by approximately \$25 million per year.

Short-Term Recommendations:

- Replace Pre-September 2007 retiree medical plan with a Modified PPO for existing retirees (\$1,000 out-of-pocket limit on prescription drugs; \$100 deductible, \$1,000 limit on medical out-of-pocket; Prescription drug tiers: \$5 generic; \$15 brand; \$30 non-formulary).
- Revise coordination with Medicare.
- Change amortization of actuarial accrued unfunded liability from 15 years to 30 years.
- For Pre-September 2007 retirees who meet all of the following criteria: 70 years of age or older; 30 or more years of service credit with the CRS; annual benefit of \$20,000 or less- mitigate some of the financial stress caused by the Modified PPO with the following changes:
 - o Reduce deductible from \$100 to \$0
 - o Reduce maximum medical out-of-pocket from \$1,000 to \$500
 - o Reduce maximum prescription drug out-of-pocket from \$1,000 to \$500.
- The City Budget Office should develop a policy that emphasizes and ensures the disciplined payment of the Annual Required Contribution to the CRS.
- Increase length of term for actuarial smoothing of gains and losses from 5 years to 10 years. This will allow for a more consistent, less volatile employer contribution rate and will assist the City Budget Office's long-term financial planning.
- Future retirees (retirements since September 2007) to remain on similar healthcare plans as current employees.

Mid-Term Recommendations:

- Increase employee contribution rate ½ % per year for 4 years from 7% in 2009 to 9% in 2012.

Long-Term Recommendations:

- For new employees hired after December 31, 2008:
 - o Increase age for normal retirement from 60 to 65;
 - o Increase age for early retirement from 55 to 60;
 - o Add minimum age of 55 to retirement with 30 or greater years of service;
 - o Change retirement formula factor from 2.5 % to 2.2%.

Board of Trustees:

James Robinson
*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

Bryan Schmitt
Elected Employee Trustee

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
Room 240, City Hall
801 Plum Street
Cincinnati, Ohio 45202
Phone: (513) 352-3227
Fax: (513) 352-1520
retirement@cincinnati-oh.gov

Staff:

John Boudinot, D.B.A.
Executive Director

Keith Giles
Supervisor of Pension Plans

Norma Haygood
Stacey Anderson
Cheryl Volk
Ron Wilson
Carol Griffith
John Dietz

THINGS YOU SHOULD KNOW...

- CRS active employee members with 20 or more years of service are eligible to select one of five available retirement options. These options specify how your retirement benefit will be paid to you and/or your designated optionee, such as your spouse or child. These options are described in detail in the CRS member handbook and online at the CRS Webpage <http://www.cincinnati-oh.gov/cityfinance/pages/-7446/>. If you have an option on file, and you die before you retire, your optionee will be entitled to a monthly pension benefit at the time you would have attained age 60 or would have reached 30 years of service, whichever comes first. Option forms need to be notarized and can be completed at the Retirement Office.
- Is your designated beneficiary information up to date? New beneficiary designation forms are available in the Retirement Office and must be signed by the member and notarized.
- Over 80% of CRS retirees receive their pensions through Direct Deposit? They no longer need to depend on the U.S. Postal Service to receive their pension checks because their money is deposited directly into their bank account! It's safe, simple, and dependable. We encourage all retirees to consider using direct deposit. If you would like to set up direct deposit for your monthly pension check, please contact the Retirement Office.



City Hall
801 Plum Street, Suite 240
Cincinnati, Ohio 45202

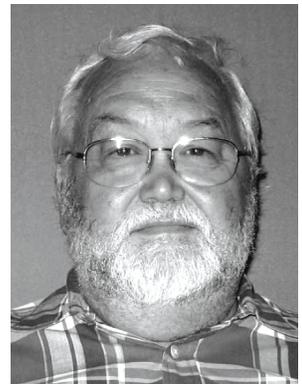
PRESORTED
STANDARD
US POSTAGE PAID
CINCINNATI OH
PERMIT # 9714

IN THIS ISSUE

- Task Force Report
- Board Members Elected and Re-Elected
- Direct Deposit
- Selecting a Retirement Option
- Keeping Beneficiary Information Updated

WELCOME ABOARD and WELCOME BACK

A big welcome to our newest member of the CRS Board of Trustees, Mr. Bryan Schmitt, who was elected as an Employee representative and was sworn in for a 4 year term on June 19th. Welcome back to Mr. Don Beets who ran unopposed for the position of Retiree representative and was sworn in for a 2 year term on September 5th.



CRS BOARD of TRUSTEES

The CRS Board of Trustees meeting is held on the first Thursday of each month (except July), at 2:00 PM in Committee Room B, 3rd Floor, City Hall, 801 Plum Street, Cincinnati. The approved minutes of the Board are available online at <http://www.cincinnati-oh.gov/cityfinance/pages/-7432/>