



Cincinnati Retirement System Pension Fund Task Force

Minutes

March 11, 2008 / 3PM
Committee Room B

Present:

Milton Dohoney, Chair
Marianne Steger
Diana Frey
Francis Wagner
Cathy Crain
Linda Graviss
Chris Stenger
James F. Girton

Administrative Staff:

Marijane Klug
Joe Gray
Lea Carroll
Hilary Bohannon
Cheryl Volk – Recorder

Members received an overview of the Task Force purpose and objectives. M. Dohoney referred to the November 15, 2007 City Council meeting that established a task force to make recommendations to City Council to insure the long-term solvency of the Cincinnati Retirement System (CRS). The Task Force is to examine the actuarial assumptions underlying projections of the financial condition of the CRS, the impact of current and future retiree health care benefits on the CRS, and the impact of any changes in health care benefits on the solvency of the CRS.

The Task Force should recommend to the Mayor and the City Council the following:

1. Any administrative and procedural changes that would reduce costs, including opening to bid provision of health care coverage.
2. Any changes in contribution rates, actuarial assumptions, benefit calculations that should be instituted to insure the solvency of the CRS.
3. Any reforms that would protect the City of Cincinnati's General Fund from continuously increasing contribution requirements.
4. The Task Force should examine all possible improvements and changes that would reduce the long-term liabilities of the taxpayers of Cincinnati.
5. Any recommendations should recognize the needs of individuals who retired due to disability, and whose service retirement was not calculated under 2.2%/2.5% upon reaching age 65.

The motion filed November 15, 2007 states: The Task Force will make recommendations to the Mayor and City Council by June 1, 2008.

Members will receive a draft of the recommendations for review and any revisions. City Council will then receive the finalized recommendations.

The Task Force reviewed and discussed the following reports:

- Description of Benefits for both Active Employees and Retirees *Attachment A*
- Financial Data Regarding Retiree Healthcare Coverage and Contributions *Attachment B*
Request to obtain the funding levels of other plans. Administrative Staff to provide.
- Comparison of Healthcare Benefits with other public retirement systems in Ohio *Attachment C*
Suggestion: Consider eliminating option for retirees to enroll in Medicare D.

- Description of 80/20 Health Plan
- Enrollment Data for both Active Employees and Retirees
- Employer Cost of Health Care provided to both Active Employees and Retirees
- Timeline of Health Plan changes for Active Employees (No changes have been made to Retiree Healthcare)

F. Wagner requested costs associated with providing dental and vision benefits to retirees.
Administrative staff to provide data at next meeting.

The Task Force discussed the options for retaining an ‘independent’ actuary, as stated in the Motion. Members took into consideration the Mercer actuarial valuation due in May. However, to assuage any perception of bias, it was agreed, that an independent actuary was warranted.

Actuaries recommended by Task Force members:

- CBIZ
- Watson, Wyatt & Company
- Buck Consultants
- Aon Consulting
- Towers Perrin
- Cuni, Rust & Strenk

Task Force Action

Solicit five independent actuaries for an independent pension and post-retirement health actuarial review. Each actuary will provide the Task Force with their commitment for:

1. Scope of work:
 - a) Actuarial Liability for retirement benefits and post-retirement medical benefits as of January 1, 2007
 - b) Respond to the five recommendations from City Council
 - c) Address specific questions submitted in advance by Task Force
2. Fees
3. Timeline for completion

Administrative Staff will contact actuaries, notify Task Force of progress, and provide copies of the Letters of Interest.

Members agreed to meet every other Tuesday. Next meeting scheduled for 3PM, March 25th Committee Room B.

Administrative Staff to provide schedule for members.

Meeting was adjourned: 4:15PM



Cincinnati Retirement System Pension Fund Task Force

Minutes

March 25, 2008 / 3PM
Committee Room B

Present:

Joe Gray, Chair
Francis Wagner
Cathy Crain
Chris Stenger
James F. Girton
Marianne Steger

Absent:

Milton Dohoney
Diana Frey
Linda Graviss
Marijane Klug
Lea Carroll

Administrative Staff Present:

Susan Pratt
Hilary Bohannon
Cheryl Volk – Recorder

The Chair confirmed a quorum and the meeting was called to order: 3:10 PM

MARCH 11, 2008 TASK FORCE MINUTES

Motion made by D. Stenger and seconded by F. Wagner to approve the minutes as submitted. The motion was carried.

ACTUARIAL PROPOSALS

The following actuaries were solicited for an independent pension and post-retirement health actuarial review:

- CBIZ
- Watson, Wyatt & Company
- Buck Consultants
- Aon Consulting
- Towers Perrin

- Cuni, Rust & Strenk

Towers Perrin did not submit a proposal. Watson Wyatt stated that Gabriel, Roeder, & Smith (GRS) conducted actuarial work for the firm. GRS submitted the proposal. Cuni, Rust, & Strenk could not spare the resources at this time and therefore declined.

Task Force Action

The Committee reviewed the proposals for Buck, Aon, CBIZ, and GRS. Motion made by F. Wagner, seconded by C. Stenger to contract with Buck. The committee unanimously carried the motion.

ALTERNATIVE BENEFIT COST ANALYSIS

Plan change alternatives were reviewed and discussed. Comparative data included:

- Current plan
- Revise coordination of Medicare benefits for current plan
- Provide active employee 80/20 coinsurance medical plan to retirees
- Provide retiree medical plan where retirees pay 10% of eligible charges
- Provide retiree medical plan where retirees pay 15% of eligible charges
- Eliminate Traditional Indemnity plan option
- Revise retirement eligibility to add 2 years for new hires
- Increase active employee contribution rate from 7% to 9%
- Decrease formula factor from 2.5% to 2.2% for new hires and non-vested participants

Task Force Action

The committee requested a review of other pension plans, particularly public pensions. Provide data to committee as soon as available.

M. Steger made motion to adjourn. F. Wagner seconded and the motion was carried.

Meeting was adjourned: 3:50PM



Cincinnati Retirement System Pension Fund Task Force

Minutes

April 8, 2008 / 3PM
Committee Room B

Present:

Joe Gray, Chair
Francis Wagner
Cathy Crain
James F. Girton
Marianne Steger
Linda Graviss
Marijane Klug

Absent:

Milton Dohoney
Diana Frey
Chris Stenger

Administrative Staff Present:

Lea Carroll
Hilary Bohannon
Cheryl Volk – Recorder

The Chair confirmed a quorum and the meeting was called to order: 3:05 PM

MARCH 25, 2008 TASK FORCE MINUTES

Motion made by M. Steger and seconded by L. Graviss to approve the minutes as submitted. The motion was carried.

PENSION PLAN COMPARISONS 2006 - 2007

Members reviewed Pension Plan Comparisons for CRS, OPERS, OSTRS, OSERS, OPFP.

➤ Data Examined:

- Service Retirement
- Employee Contribution Rates
- Employer Contribution Rates
- Benefit Calculations
- 2007 Health Care Funding estimates

BUCK CONSULTANTS

Consultants Chris Marshall, Director, Health and Productivity, and Jeff Leonard, Managing Principal, attended the meeting to review the goals of the Task Force and more clearly define components for their actuarial review.

➤ **Scope of Work:**

- City Council's five recommendations
- Assess Mercer's Actuarial Valuation
- Appraise Mercer's Alternative Benefit Cost Analysis
- Analyze unfunded liability for 15 v/s 30 year
- Identify industry norms for contributions
- Address the three financial scenarios provided previously, that identifies healthcare coverage and contributions rates. The three scenarios for consideration:
 - Current plan of grandfathered retirees 96/4 healthcare plan
 - No change to 96/4 healthcare for current /future retirees
 - All members of the CRS on 80/20 healthcare
- Ten year financial forecast for CRS if no changes made

J. Gray recommended the Task Force proceedings and findings remain transparent and available to everyone.

Buck Consultants to present their report at the Task Force meeting May 6, 2008. The Task Force will cancel the April 22nd meeting and meet again with Buck Consultants on May 6th. The meeting location is Centennial II Auditorium, 3PM.

M. Steger made motion to adjourn. M. Klug seconded and the motion was carried.

Meeting was adjourned: 4:10 PM



Cincinnati Retirement System Pension Fund Task Force

May 20, 2008

City Hall - Committee Room B

Present:

Cathy Crain
Marijane Klug
Marianne Steger
Chris Stenger
John Brazina (CODE representative)
Francis Wagner

Absent:

Milton Dohoney
James Girton
Linda Graviss
Diana Frey

Administrative Staff Present:

Joe Gray - Chair
Lea Carroll
Hilary Bohannon

The Chair confirmed a quorum and the meeting was called to order: 3:15 PM

May 6, TASK FORCE MINUTES

Motion made by M. Klug and seconded by C. Crain to approve the minutes as submitted. The motion was carried.

BUCK CONSULTANTS

Buck Consultants, Matthew Crouch and Chris Marshall, presented a draft of the Independent Actuarial Review of the Retirement System for Employees of the City of Cincinnati – Prepared for The City of Cincinnati Task Force.

Contents of the report included:

- ❖ Estimated Liability for Post-Retirement Healthcare
- ❖ Estimated impact to Liability for Post-Retirement Healthcare under Three Scenarios
- ❖ Range of Contributions to the Plan for 2008 and 2009
- ❖ Range of Change in Assets/Liabilities
- ❖ Review of Retirement System Assumptions and Methods
- ❖ Projected Contributions and Funded Status
- ❖ Benchmarking Post-Retirement Medical (includes survey report on Employee Benefits from Watson Wyatt Data Services)
- ❖ Potential Changes to Current Healthcare Benefits

Further information was requested.

Buck Consultants presented a document on Alternatives for Reducing Costs. Four options were presented for reducing the City's expected future contributions to the Cincinnati Retirement System in either the short or long term:

- ❖ Reduce the post-retirement health benefits for either current retirees or current active employees.
- ❖ Refinance the current shortfall by making amortization payments over a longer period than the current 15 year period.
- ❖ Reduce the retirement benefits for future hires.
- ❖ Increase in participants' contributions and cost sharing.

Members requested that additional information be provided on Medicare methods, pre 65 years old retiree information and future contributions.

Members were asked to contact J. Boudinot with any additional questions for Buck.

Motion made by J. Gray to adjourn, seconded by M. Klug. Motion carried and the meeting was adjourned: 4:55 PM



Cincinnati Retirement System Pension Fund Task Force

Minutes

May 6, 2008 / 3PM
Centennial II - Auditorium

Present:

Milton Dohoney - Chair
Francis Wagner
Cathy Crain
Marianne Steger
Chris Stenger
Marijane Klug
John Brazina (CODE representative)

Absent:

James F. Girton
Diana Frey
Linda Graviss

Administrative Staff Present:

Joe Gray
Lea Carroll
Hilary Bohannon
Cheryl Volk – Recorder

The Chair confirmed a quorum and the meeting was called to order: 3:05 PM

APRIL 8, 2008 TASK FORCE MINUTES

Minor amendment noted. Motion made by M. Klug and seconded by C. Crain to approve the minutes as submitted. The motion was carried.

BUCK CONSULTANTS

Buck Consultants, Matthew Crouch, Larry Langer, and Chris Marshall, presented a draft of the Independent Actuarial Review of the Retirement System for Employees of the City of Cincinnati – Prepared for The City of Cincinnati Task Force.

Contents of the report included:

-  Estimated Liability for Post-Retirement Healthcare
-  Estimated impact to Liability for Post-Retirement Healthcare under Three Scenarios
-  Range of Contributions to the Plan for 2008 and 2009
-  Range of Change in Assets/Liabilities

- ✚ Review of Retirement System Assumptions and Methods
- ✚ Projected Contributions and Funded Status
- ✚ Benchmarking Post-Retirement Medical
(includes survey report on Employee Benefits from Watson Wyatt Data Services)
- ✚ Potential Changes to Current Healthcare Benefits

Based on analysis, Buck submitted twelve recommendations:

1. Put Medical Plans Out to Bid
2. Claims Audit
3. Dependent Eligibility Audit
4. Revise Prescription Copays
5. Mandatory Mail-Order for “Maintenance” Prescription Drugs
6. Consumerism
7. Wellness Programs
8. Communication Audit
9. Medicare Coordination
10. Changing Retiree Medical Plan
11. Eliminating Indemnity Option
12. Revise Retirement Eligibility

Members reviewed the report and agreed the scope needed narrowing. Members requested more specific data with the results in a format easily understood by the general public. Analysis considerations:

- Benchmarking with government plans
- Consumerism – assess cost savings with the judicious use of health care
- Conduct Market Search to compare salary levels of employees
- Identify the city contribution rate (percentage of salary) as translated into hard-dollars
- Assess scenarios for enforcing generic brand drug utilization. Calculate savings of increased generic brand utilization.
- Should city consider linkage with the Drug Purchasing Coalition
- Data reflecting pension healthcare liability: public vs CRS

Members were asked to contact J. Boudinot with any additional questions for Buck.

Motion made by M. Klug to adjourn, seconded by C. Crain. Meeting was adjourned: 5:40PM



Cincinnati Retirement System Pension Fund Task Force

Minutes

June 10, 2008 / 3PM
Centennial II - Auditorium

Present:

Milton Dohoney - Chair
Francis Wagner
Cathy Crain
Marianne Steger
Chris Stenger
John Brazina (CODE representative)
Linda Graviss
James F. Girton

Absent:

Marijane Klug
Diana Frey
Hilary Bohannon

Administrative Staff Present:

Joe Gray
Lea Carroll
Lisa Berning (Human Resources Representative)
Cheryl Volk – Recorder

The Chair confirmed a quorum and the meeting was called to order: 3:06 PM

JUNE 6, 2008 TASK FORCE MINUTES

Motion made by M. Steger, seconded by C. Crain to approve the minutes as submitted. The motion was carried.

RISK MANAGEMENT

Chuck Haas, Finance Manager, provided the following reports for review:

- Potential Retiree Medical Plan Savings – Annual Basis
The report identified the annual savings for each of the four recommendations:
 1. Eliminate the Traditional Indemnity Plan Option
 2. Revise the Prescription Drug Copays
 3. Change the Coordination of Benefits Methodology
 4. Replace the Indemnity Plan with Modified PPO Plan

2. Retiree Out-of-Pocket (Copays) with Rx Caps

- The report identified the number of retirees and the resulting dollar amounts that exceed the examples shown.

Chuck Haas was requested to provide the following data at the June 17th meeting:

- The total number of members currently enrolled in the Traditional plan.
- The total number of members who reach the annual out-of-pocket maximum.

The Task Force closely re-examined some of the data reviewed previously. The group referred to Buck's ten recommendations to assist in refining the Task Force proposals:

Buck Recommendations:

- 1) Dependent Eligibility Audit
(Currently evaluated by CRS)
- 2) Revise Grandfathered Prescription drug co-pays
- 3) Mandatory mail-order for maintenance drugs
- 4) Consumerism plan replacing 80/20
- 5) Wellness Programs
- 6) Communication Audit
- 7) Change Medicare Coordination Method
- 8) Change Grandfathered to 80/20 plan
- 9) Eliminate Grandfathered Indemnity Option
- 10) Change Eligibility Requirements for Actives

The group agreed they were prepared to transfer their oral discussions to paper. This preliminary outline will serve as a tool for obtaining additional data and fine-tuning recommendations.

The members identified specific areas requiring further consideration in order to provide short-term and long-term solvency of the CRS:

1. Vendor efficiencies – specifically drug
2. Drug rebates
3. Drug pricing – spread-pricing issue
4. Drug Purchasing Coalition – consider joining
5. Generic Drugs – increase education and utilization
6. Bid-out medical plans every 5 years (short term and long term)
7. Address the accumulating unfunded liability
 - a. Consider tax-exempt pension bonds
 - b. Amortization schedule
9. Consider changing eligibility requirements for active employees (long-term)
10. Get commitment as to how CRS will pay for the increasing unfunded liability
 - a. How to pay for the unfunded actuarial accrued liability
 - i.e. reduce cost or increase contributions
 - b. The city should designate the pension funding level and develop reasonable strategy
 - c. No split-out of medical plan and pension plan
11. Look into reducing benefits for new hires (long-term)
12. Consider goal of 100% funding: Funding level needs be to determined
13. Conduct periodic peer review of benefit package
14. Develop a Wellness Program – (long-term)
15. Restore the 6.1 Millage and allocate portion to increase funding
16. Eliminate Point System for healthcare benefits for active employees hired after 1997
 - a. Compare cost to the 80/20 plan

Motion made by C. Stenger, seconded by C. Crain to adjourn. Meeting was adjourned: 4:50 PM.



Cincinnati Retirement System Pension Fund Task Force

Minutes

June 17, 2008 / 1PM
Centennial II - Auditorium

Present:

Milton Dohoney - Chair
Francis Wagner
Cathy Crain
Marianne Steger
John Brazina (CODE representative)
Linda Graviss
James F. Girton
Hilary Bohannon

Absent:

Marijane Klug
Diana Frey
Chris Stenger
Joe Gray

Administrative Staff Present:

Lea Carroll
Cheryl Volk – Recorder

The Chair confirmed a quorum and the meeting was called to order: 1:05PM

JUNE 10, 2008 TASK FORCE MINUTES

Motion made by L. Graviss, seconded by C. Crain to approve the minutes as submitted. The motion was carried.

RISK MANAGEMENT

Chuck Haas, Finance Manager, provided the following data:

- The total number of members currently enrolled in the Traditional plan
 - 4,628 members and dependents are covered by the Traditional Plan out of a total of 6,974. That is 66% of the total.
- The total number of members who reach the annual out-of-pocket maximum:
 - A patient must file approximately \$10,000 in claims in order to reach a \$1000 out of pocket

maximum. Based on that information, nearly 95% of retirees would not reach the \$1000 out of pocket maximum.

- Concerning the proposal to replace Indemnity Plan with modified PPO Plan: 90% of retirees would experience no disruption in continuity of care. Approximately 10% would eventually need to transfer their care to “in network” providers. Ample time would be provided for the transition.
- C. Haas acknowledged the CRS intent to bid-out health care administrative services every 5 years.

Discussion

Members reviewed and discussed the recommendations from the June 10th meeting. After refining and repositioning some recommendations, members reached consensus on the following: (Changes are in red)

1. Vendor efficiencies – specifically drug
2. Drug rebates
3. Drug pricing – spread-pricing issue
4. Drug Purchasing Coalition – consider joining
5. Generic Drugs – increase education and utilization
6. Bid-out medical plans every 5 years (short term and long term)
7. Address the accumulating unfunded liability
 - a. Consider tax-exempt pension bonds
 - b. Amortization schedule (30 year)
9. Consider changing eligibility requirements for future employees (long-term)
10. Get commitment as to how CRS will pay for the increasing unfunded liability
 - a. How to pay for the unfunded actuarial accrued liability
 - i.e. reduce cost or increase contributions
 - b. The city should designate the pension funding level and develop reasonable strategy
 - c. No split-out of medical plan and pension plan
11. Look into reducing benefits for new hires (long-term)
12. Consider goal of 100% funding: Funding level needs be to determined
13. Conduct periodic peer review of benefit package
14. Develop a Wellness Program – (long-term) (up to age 65)
15. Restore the 6.1 Millage and allocate a portion to increase funding
- ~~16. Eliminate Point System for healthcare benefits for active employees hired after 1997~~
 - ~~a. Compare cost to the 80/20 plan~~

Further Considerations

- L. Graviss submitted a recommendation for the City to consider the issuance of tax-exempt pension obligation bonds as a tool to fund all or part of the previously accumulated unfunded liability.
- Re: changing eligibility for new employees: Opinions varied as to the impact changing eligibility would have on future liability.
- Members requested the actuary to determine the short-term and long-term impact of implementing the following changes (for future CRS members). The following topics were discussed and the group agreed that additional actuarial data was needed to more accurately define parameters. The committee will incorporate the new data into the decision-making process for determining the long-term funding level of the pension.

- 1) For new hires, increase pension eligibility service time to:
 - 33 years
 - 35 years

- 2) For new hires, Raise minimum age for retirement to 55 years
- 3) For new hires, Lower formula factor to 2.2% and 2.0%
- 4) Risk Mgmt Recommendations (see attached document)
 - a) Eliminate Traditional Indemnity Plan option
 - b) Revise RX drug copays
 - c) Change the coordination of benefits methodology
 - d) Replace the Indemnity Plan w/modified PPO Plan
- 7) Amortization – 30 Years
- 8) Increase employee contribution rate over 4 years to 8%
- 9) Increase employee contribution rate over 4 years to 9%
- 10) For new hires- Change the compound COLA to 3% simple
- 11) Additional liability to eliminate point system for health care
- 12) For new hires- Add 5 years for eligibility for medical care (from 15 to 20)

Report to be reviewed at next meeting. Motion made by L. Graviss to adjourn and motion seconded by C. Crain. Motion passed and meeting was adjourned 2:30PM.



Cincinnati Retirement System Pension Fund Task Force

Minutes

June 3, 2008 / 3PM
Centennial II - Auditorium

Present:

Milton Dohoney - Chair
Francis Wagner
Cathy Crain
Marianne Steger
Chris Stenger
John Brazina (CODE representative)
Linda Graviss

Absent:

Marijane Klug
James F. Girton
Diana Frey
Hilary Bohannon

Administrative Staff Present:

Joe Gray
Lea Carroll
Arnell Jackson (Human Resources Representative)
Cheryl Volk – Recorder

The Chair confirmed a quorum and the meeting was called to order: 3:04 PM

MAY 20, 2008 TASK FORCE MINUTES

Motion made by C. Crain, seconded by F. Wagner to approve the minutes as submitted. The motion was carried.

BUCK CONSULTANTS

Buck Consultants, Matthew Crouch and Chris Marshall, presented for further discussion, the report from May 20, 2008: Alternative for Reducing Costs.

ANTHEM

Scott Bush, Senior Account Manager, provided a Coordination of Benefits report. Mr. Bush provided examples of cost-savings as illustrated in the report.

RISK MANAGEMENT

A request was made for an outline of drug co-pay, and tier system cost-savings. Chuck Haas to provide report at the June 10th meeting.

The Task Force members agreed the data submitted up to this point was substantial and comprehensive enough to develop formal recommendations. The committee will meet every Tuesday until recommendations are complete.

Members are to contact J. Boudinot with requests for any additional information.

Motion made by C. Stenger, seconded by C. Crain to adjourn. Meeting was adjourned: 4:50 PM.



Cincinnati Retirement System Pension Fund Task Force

Minutes

July 1, 2008 / 3PM
Centennial II - Auditorium

Present:

Milton Dohoney - Chair
Francis Wagner
Cathy Crain
John Brazina (CODE representative)
Linda Graviss
James F. Girton
Hilary Bohannon
Marijane Klug
Chris Stenger

Absent:

Marianne Steger
Diana Frey
Hilary Bohannon

Administrative Staff Present:

Lea Carroll
Joe Gray
Lisa Berning (HR Representative)
Cheryl Volk – Recorder

The Chair confirmed a quorum and the meeting was called to order: 3:05 PM

JUNE 17, 2008 TASK FORCE MINUTES

Motion made by C. Crain, seconded by L. Graviss to approve the minutes as submitted. The motion was carried.

MERCER REPORT

Gary Dickson, FSA and Tom Hackman, ASA provided the actuarial data as requested by the June 17th Task Force. The following reports were presented:

- Summary of Costs for Plan Alternatives. The report identified the liability, normal cost, city contribution and funded status for each alternative.
- Pricing Assumptions Regarding Medical Plan design Considerations
- Description of Alternatives

The Task Force analyzed the data and considered all options presented. After further evaluation, members agreed supplementary alternatives were necessary.

Additional Data Requested

Mercer was asked to submit the following data in two weeks:

- For new hires, raise minimum age for retirement to age 65
- Beginning 2009 for all existing employees, lower formula to 2.0%
- Analysis of combination of alternatives:
 - For existing and future retirees - Change in coordination of benefits with Medicare to carve-out basis.
 - Replace pre-2008 retiree plans with a Modified PPO plan with \$1000 OOP limit on medical.
 - 30 year amortization schedule.

Next meeting is scheduled for July 15th – 3PM.

C. Crain made a motion to adjourn, seconded by L. Graviss. Motion passed and meeting was adjourned 4:50PM.



Cincinnati Retirement System Pension Fund Task Force

Minutes

July 15, 2008 / 3PM
Centennial II – Room A

Present:

Milton Dohoney - Chair
Francis Wagner
Cathy Crain
John Brazina (CODE representative)
Linda Graviss
James F. Girton
Chris Stenger

Absent:

Marianne Steger
Diana Frey
Marijane Klug
Joe Gray

Administrative Staff Present:

Hilary Bohannon
Lea Carroll
Cheryl Volk – Recorder

A quorum was confirmed and the meeting was called to order: 3:07 PM

JULY 1, 2008 TASK FORCE MINUTES

Motion made by L. Graviss, seconded by C. Stenger to approve the minutes as submitted. The motion was carried.

MERCER REPORT

Gary Dickson, FSA provided the following report:

- Benefit Alternatives for the Cincinnati Retirement System – Expanded Options
Calculations concerning benefit change alternatives were updated to include the additional alternatives requested at the July 1st Task Force meeting. Mercer analyzed the impact of the plan changes on four measurements:
 1. Unfunded accrued liability
 2. Normal cost
 3. City's contribution amount
 4. Funded status

- The alternatives were grouped into three scenarios:
 1. Replace pre-08 retiree plans with a modified PPO for existing retirees (\$1,000 OOP limit on Rx); Change coordination of benefits with Medicare for existing and future retirees; Change amortization period to 30 years.
 2. Change multiplier to 2.2% effective 1/1/09 for all current active participants.
 3. Change Normal Retirement Age to 65; Early Retirement at age 60 with 25 years of service; Add age 55 to 30 and out retirement (new hires).

Tom Hackman, ASA provided the following report:

- Market Alternatives for Medicare eligible retirees and dependents Medical Coverage. Components of Medicare Advantage (MA) Plans were outlined.
- Market Considerations for Medicare eligible retirees and dependents Prescription Drug Coverage
- Market Considerations for all retirees and dependents other miscellaneous items.

The Task Force assessed the data and considered all options available. Members reviewed the short, mid, and long-term alternatives and drafted a list of recommendations:

- Short-Term
 1. Replace pre-08 retiree plans with a modified PPO for existing retirees (\$1,000 OOP limit on Rx); Change coordination of benefits with Medicare for existing and future retirees.
 2. Change amortization of unfunded liability period from 15 to 30 years.
 3. Develop a policy to insure disciplined payment of obligations.
 4. Increase actuarial gain and loss smoothing from 5 years to 10 years.
 5. Future retirees to remain on same medical benefit plan as current employees.
- Mid-Term
 6. Increase employee contribution rate $\frac{1}{2}$ % over 4 years to reach 9% of pay. This action would be contingent upon implementation of the modified PPO.
(#1 short-term list)
- Long Term
 7. Change the Normal Retirement Age from 60 to 65; Early Retirement to age from 55 to 60 with 25 years of service; Add age 55 minimum to 30-and-out retirement (new hires).
 8. Reduce multiplier from 2.5% to 2.2% (new hires).
- Future Funding Sources
 9. Research issuance of tax-exempt pension obligation bonds as a tool to fund current unfunded liability.
 10. Restore the 6.1 Millage and allocate 1/3 to the unfunded liability.
 11. Periodically review market alternatives for Medicare eligible retirees and dependents for medical coverage (Medicare Advantage Plan) and Prescription Drug Coverage.

The list of recommendations will be reviewed at the next meeting of the Task Force, July 22, 2008 in Centennial II, Room B, Human Resources.

J. Girton made a motion to adjourn, seconded by C. Stenger. Motion passed and meeting was adjourned 5:20PM.



Cincinnati Retirement System Pension Fund Task Force

Minutes

July 22, 2008 / 3PM
Centennial II – Room A

Present:

Milton Dohoney - Chair
Francis Wagner
Linda Graviss
Chris Stenger
Marijane Klug
John Brazina (CODE representative)

Absent:

Marianne Steger
Diana Frey
Cathy Crain
James F. Girton
Joe Gray
Hilary Bohannon

Administrative Staff Present:

Lea Carroll
Lisa Berning (HR Representative)

The meeting was called to order: 3:06 PM

JULY 15, 2008 TASK FORCE MINUTES

Motion made by F. Wagner, seconded by L. Graviss to approve the minutes as submitted. The motion was carried.

Draft of Recommendations

The Task Force reviewed the draft of recommendations, and concerns were raised for the elderly members with pensions at the lower end of the spectrum who might be adversely affected by a modified PPO. Suggestions were made to develop specific criteria in order to identify the most vulnerable members.

The following criteria were developed:

1. 70 years of age and older
2. 30 years of service with the City
3. Pension under \$20,000 per year (as of 2008)

Those who meet all criteria in 2008 will have their modified PPO adjusted accordingly: Future cost-of-living increases will not affect pensioners' eligibility.

1. Reduce deductible to \$0
2. Reduce Medical annual out-of-pocket maximum from \$1000 to \$500
3. Reduce Prescription annual out-of-pocket maximum from \$1000 to \$500

The financial impact on the savings is to be determined once the population has been identified. This information is to be forwarded to the Task Force for their review.

Task Force members approved the recommendations with the inclusion of the defined group. An Executive Summary will accompany the recommendations with all supportive actuarial data, replete with a 10 year projection (based on an 8% annual return) of the unfunded liability, city contribution, and funded status.

Appendices to be included:

1. An illustration of the CRS pension plan as compared to other state pension plans
2. An outline of all issues discussed, and actions previously considered by the Task Force.

The entire report will be circulated among Task Force members for their final review. The official report will then be presented to City Council by the Task Force.

C. Stenger made a motion to adjourn, seconded by L. Graviss. Motion passed and meeting was adjourned 3:55PM.