



The Retirement Report

• February 2007 •

C.R.S. CHANGES APPROVED BY BOARD

At its meeting on January 5, 2007, the CRS Board of Trustees approved two important items concerning Medicare premiums and pensionable earnings.

Medicare Premiums: Effective January 1, 2007, the Social Security Administration (SSA) will start determining the Medicare Part B premium based on a person's income. "Higher income" seniors as determined by Medicare (above \$80,000 for single & above \$160,000 for joint) will be charged more for Medicare premiums. CRS pensioners are currently reimbursed 100% for Medicare Part B premiums (which helps pay the cost of doctor visits, diagnostic tests and other routine care) as part of their overall health coverage. The Board voted to recommend revision of the appropriate Cincinnati Municipal Code sections to reimburse eligible retirees at the base premium rate established by Medicare. The base premium monthly rate for 2007 is \$93.50. Any additional fees established by Medicare for the higher income retirees would not be reimbursed. This policy will continue to provide 100% reimbursement for those CRS retirees not falling into the higher income designations. The change was approved by City Council on January 18, 2007.

Pensionable Earnings: The Board approved a rule change to provide that all wages earned by City employees with two or more jobs will be subject to pension contributions, effective January 1, 2007. Prior to this, based on a Cincinnati Retirement System (CRS) rule adopted in November 1960, pension contributions were only collected on an employee's primary job. Earnings from additional jobs were originally exempt from pension contributions in order to prevent employees from artificially raising or "spiking" their average highest compensation (AHC) for the purpose of determining their pension benefit. This rule change provides that the calculation of the AHC for those employees with two or more jobs shall not exceed the maximum annual salary for their highest paying job (based on the hourly rate). The benefit is that employees with two or more jobs will now receive service credit for all hours worked, up to a full year's service credit, during any calendar year. Previously, service credit was limited to the employee's primary job.

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Did You Know . . . ?

2006 marked the 75th Anniversary of the Cincinnati Retirement System (CRS). Our system was established on August 1, 1931 by Ordinance No. 412 and is the only municipal retirement system in the State of Ohio. The CRS predates the Ohio Public Employees Retirement System which was established in 1935.

The CRS is a defined benefit plan in which the annual pension amount is determined by an employee's years of service, average highest compensation, and a multiplier. Ninety percent of state and local governmental employees are covered by defined benefit retirement plans. Approximately 25% of these employees are not covered by Social Security, including close to half of public school teachers and three-quarters of police officers and firefighters.

The CRS now has more than 3,300 full-time active members and more than 4,500 retirees, with assets of approximately \$2.6 billion. In 2006, the CRS paid approximately \$120 million in pension benefits and \$40 million in healthcare insurance costs. Based on 2003 figures, more than 2,000 state and local government retirement plans in the United States cover 14 million active employees (about 10 percent of the U.S. labor force), including police officers, firefighters, legislators, judges, teachers and general employees, and 6 million retirees. These systems have combined assets in excess of \$2 trillion and they distributed over \$110 billion in pensions and other benefits in 2004. (Statistical information – Pension Research Council 2004)

Medicare D: Prescription Drug Coverage

As of January 1, 2006, Medicare began providing prescription drug benefits for individuals age 65 and over, commonly referred to as Medicare D. The Medicare prescription drug benefits are plans offered by private insurance companies, and the plans vary by plan features, monthly premiums, out-of-pockets expenses, etc. However, nearly all CRS retirees do not need to enroll in a Medicare prescription drug plan because the drug coverage provided by the CRS is better than the standard Medicare D coverage.

The open enrollment period for enrolling in a Medicare D plan is November 15 through December 31. During the open enrollment period, CRS members age 65 and over are likely to receive solicitations from many insurance companies advertising their Medicare D prescription drug benefits. Unless your annual income is very low, CRS retirees should ignore these Medicare D solicitations because the CRS drug coverage is better than the standard drug coverage provided under Medicare D.

Fraudulent Requests for Sensitive Data

A number of CRS retirees have received phone solicitations supposedly related to Medicare D and requesting sensitive personal data such as address, social security number, etc. Please keep in mind that legitimate providers of Medicare D coverage would not request this information, and this type of sensitive data should not be provided to callers soliciting you as a potential customer.



New Board Chair Elected

At its meeting on December 7, 2006, the CRS Board of Trustees elected Employee Trustee Marijane Klug to serve as Board Chair until December 2008. Marijane is a 19-year City employee and is currently serving as the Chief Financial Officer for the Cincinnati Parks Department. In her position, she is responsible for managing the Parks Department \$10 million budget (operating & capital) which provides for the Department's 5,000 acres of greenspace, 150 parcels of land, 121 facilities and structures, 52 play areas, 60 miles of public trails, 80,000 street trees, and the Krohn Conservatory.

Her duties include: fiscal management; financial reporting; auditing; revenue and budget forecasting; procurement; lease and contract administration; sponsorships/fundraising; developing performance targets; and developing specialized presentations. Marijane was first elected to the CRS Board in June 2005. She is a member of the Government Finance Officers Association (GFOA) and the Association of Government Accountants (AGA).

Did You know?

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 the direct deposit option. Direct Deposit forms will be mailed to all retirees who currently receive manual checks. If you have questions about direct deposit or need assistance with the forms, please contact the Retirement Office.

A Reminder

For those retirees who still receive manual checks, all pension checks are mailed on the last **business day** of the month. If you have not received your check **within 3 business days of that date**, please notify the Retirement Office at 352-3227. You will be required to sign an affidavit to stop payment and a replacement check will be issued. This process takes approximately 2 weeks.



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GETTING READY TO RETIRE?

When the time has come, contact the retirement office to set up an appointment about one month before you plan to retire. The latest that an appointment will be scheduled is two weeks prior to the effective date of retirement. You will need to bring: **Your birth certificate;**

Birth certificates and social security numbers for your spouse and dependent children, if applicable;
Your marriage license; and dependent guardianship or adoption papers.

There are a number of required forms that Retirement office staff will complete with you which include:

Application for Retirement; Retirement Allowance (Option) Form; Spousal Waiver Form, if necessary;
Change of Beneficiary Form; Lump Sum Payment Form (City employees only); Medicare Status Form;
Health Care and Dental & Vision Enrollment Forms; Federal and State Withholding Tax Forms; and
Direct Deposit Form.

By the end of your appointment you will know: **Your retirement effective date; The date your final pay check and lump sum pay out will be processed (City employees only); The date that your first pension check and subsequent payments will be issued; When to expect your annual Cost Of Living increase; and in most cases, your estimated month benefit amount (City employees only).**

Here's looking forward to a Happy Retirement!