



The Retirement Report

• October 2006 •

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Norma Haygood
Marilyn Filgis
Linda Johnson
Cheryl Volk
Carol Griffith
John Dietz

Service Credit Purchase/Transfer Among Ohio Public Pension Plans

In January 2002, the Cincinnati Retirement System entered into "reciprocity" agreements with the five statewide Ohio public pension plans (PERS, STRS, SERS, OP&F, and State Highway Patrol) making it possible for active members of these plans to purchase additional service credit if they were former members of any one of Ohio public pension plans. For example, if you were a member of the Ohio Public Employees Retirement System as a result of working for another Ohio governmental agency prior to your City employment, you would be eligible to purchase/transfer that service time to the CRS. Also, these reciprocity agreements allow former members of the CRS to transfer their CRS time if they leave City service and become a member of another Ohio public fund. If contributions were not withdrawn, there may be little or no cost to transfer the service credit. If contributions were withdrawn, there is a cost associated with the trans-

fer of the service credit. The contributions that were withdrawn, plus interest, must be repaid in order to obtain credit for the prior service.

At the same time that the CRS entered into the reciprocity agreements, new rules were adopted for the purchase of prior CRS service time. Active members of the CRS that have received a refund of previous contributions to the CRS can re-purchase the prior service time. The contributions that were withdrawn from CRS, plus interest, must be repaid in order to obtain credit for this prior service time. If the prior service occurred prior to July 1, 1991, the position you held must have been a full-time permanent position to be eligible for purchase of prior service. Part-time, seasonal, or co-op positions held prior to July 1, 1991 are not eligible for purchase of prior service credit. All service credit earned after July 1, 1991 is eligible to be re-purchased.

FACTS AND FIGURES

From Plansponsor.com

Health care costs for the average family of four enrolled in a typical employer-sponsored preferred provider organization plan grew 9.6% from 2005 to 2006 to a national average of \$13,382, according to the Milliman Medical Index 2006. Most of that increase resulted from outpatient treatment costs, which surged 12.6% between 2005 and 2006, the report found. This was followed by hospital inpatient costs, which grew by 9.3%; pharmacy costs, which climbed 8.3%; and physician costs, which increased 5.9%. Of the \$13,382 total average spending, employers paid about \$8,362, while employees paid about \$5,020, including \$2,810 in payroll deductions for premium contributions and \$2,210 in medical cost-sharing including co-payments and deductibles.

Medicare Part B – Changes on the Horizon

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 will be charged more for Medicare premiums. This change comes as part of the 2003 Medicare drug legislation. Cincinnati Retirement System (CRS) pensioners are currently reimbursed for Medicare part B (which helps pay the cost of doctor visits, diagnostic tests and other routine care) as part of their overall health coverage.

The CRS Board is considering a proposal to reimburse at the base premium rate established by Medicare; however, any additional fee established for the higher income retirees would not be included. The income considered by Medicare will include the CRS pension, in addition to other sources of income. The proposed policy will provide 100% reimbursement for CRS retirees not falling into the higher income designations.

Currently, the Medicare premium that eligible retirees pay (\$88.50 per month) is 25% of the total cost. The SSA pays the other 75%, or \$265.50, in 2006. This will change in 2007 when the SSA starts phasing in higher premiums for seniors with higher incomes. The following chart illustrates what estimated premiums may look like for 2007, as the Social Security Administration begins "income relating" or Means Testing:

Income: Individuals	Income: Filing jointly	Monthly premium in 2006	Estimated Monthly premium in 2007*	Monthly CRS Retiree portion after base rate reimbursement in 2007
Under \$80,000	Under \$160,000	\$88.50	\$93.50 (base rate)	\$0.00
\$80,000 - \$100,00	\$160,000 - \$200,000	\$88.50	\$106.00	\$12.50
\$100,000 - \$150,000	\$200,000 - \$300,000	\$88.50	\$124.70	\$30.50
\$150,000 - \$200,000	\$300,000 - \$400,000	\$88.50	\$143.40	\$49.90
Above \$200,000	Above \$400,000	\$88.50	\$162.10	\$68.60

*Source: *Medicare Premiums and Deductibles for 2007, Centers for Medicare and Medicaid Services, September 12, 2006.*

Based upon the above, some CRS retirees who fall into the higher income categories may see an increase in their net Medicare fees. **This proposal is scheduled for a vote of the Board of Trustees at its scheduled December 7, 2006 meeting.**



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Message from the New Pension Fund Manager - John Boudinot

I started working as the new Pension Fund Manager on July 5th, yet it's hard to believe I have been with the City for more than four months. The time has flown by and I have learned a few things about the CRS. First, the CRS staff is knowledgeable, team-oriented, and desirous of delivering exceptional service to our members. Secondly, the CRS has a strong, informed Board of Trustees that wants to ensure the financial strength of the CRS for retirees, and for current and future generations of City employees. Thirdly, we have a solid base upon which to build an exemplary retirement system.

I graduated from the University of Missouri with an M.B.A. in May 1985. I began administering retirement plans and personal trusts in June 1985 for a bank. Until 1999, I worked in various banks around the Midwest administering retirement plans and managing investments. In 1999, I began working with the Public School Retirement Systems of Missouri (PSRS) in Jefferson City, Missouri. The PSRS is a \$26 billion pension fund with 150,000 members and 50,000 retirees. My position was Assistant Executive Director but functionally, I was the chief operating officer and all of the division directors reported to me. I am currently working on the dissertation for my D.B.A. (Doctor of Business Administration) degree program, which I hope to finish by April 2007. Cincinnati is a great place to live and work and I want to thank all of you for the warm welcome I have received. I thoroughly enjoy working at the CRS; however, I must warn you, I will always be a St. Louis Cardinals fan.



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ICMA-RC to offer new Managed Accounts program in 2007

For those of us who do not have the time, knowledge or desire to actively manage our Deferred Compensation retirement accounts and would like to have a qualified professional do it for us, the City of Cincinnati will soon be adding a professionally managed account option to its ICMA Deferred Compensation program. Beginning in early 2007, city employees in the ICMA program can choose to participate in Managed Accounts through the new Guided Pathways™ program. Under Managed Accounts, ICMA-RC determines the appropriate mix of investments for your account, based on your personal and financial situation, from the investments available in our Plan. Then, on an ongoing basis, ICMA-RC will reallocate the account among available plan investments to keep you on track to reach your retirement investing goals. Employees electing to use Managed Accounts are charged an additional fee based on an average daily balance and deducted from the account monthly. For example, an employee with a \$40,000 account balance would pay under \$20 per month for professional account management. Visit www.icmarc.org for more information.

NEW RETIREE BOARD MEMBER ELECTED

Mr. Don Beets, a retiree who served as Supervisor of Customer Service at the Greater Cincinnati Water Works, was elected as the Retiree representative on the CRS Board of Trustees on September 15, 2006. He was sworn in as a new member of the Board in October.

NEW FACES AT CRS

Please welcome our two newest staff members, Ms. Carol Griffith and Ms. Cheryl Volk who joined the CRS staff in October. Ms. Griffith will fill the position that was left vacant as a result of Fannie Mitchell's retirement. Ms. Volk will serve as the Office Receptionist at the front desk.

IMPORTANT REMINDERS

- Is your address information correct? It is very important that current employees notify their agency payroll clerk of a change of address so that you can receive important City of Cincinnati information. Retirees should notify the Retirement Office of any change in address.
- Is your designated beneficiary up to date? If not, please contact the Retirement Office so a new beneficiary designation form can be mailed out to you. New beneficiary designation forms must be signed and notarized.