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Retirement System for Employees of the City of Cincinnati

Task Force Meeting
March 30, 2010

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Objectives

- Provide the financial impact to the pension plan of proposed benefit, eligibility, and funding designs
  - Death benefit reduced to $2,000
  - Compound COLA vs. Simple COLA
  - 5-year highest average salary benefit formula
  - Employee contributions increase to 10%
  - Revised retirement eligibility conditions for some active employees hired prior to 1/1/2010
  - Increase to City contributions
    - Annual amount
    - Cash infusion

Scenario #1a

- $2,000 Death Benefit
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those who retire 1/1/2011 or later
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 35.13% of pay beginning 1/1/2011 to obtain a funded ratio of 80% by 2038

Scenario #1b

- $2,000 Death Benefit
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those who retire 1/1/2011 or later
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those actives employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Cash infusion of $149.6 million on 1/1/2011 and annual City contributions increase to 31% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038

Scenario #2a

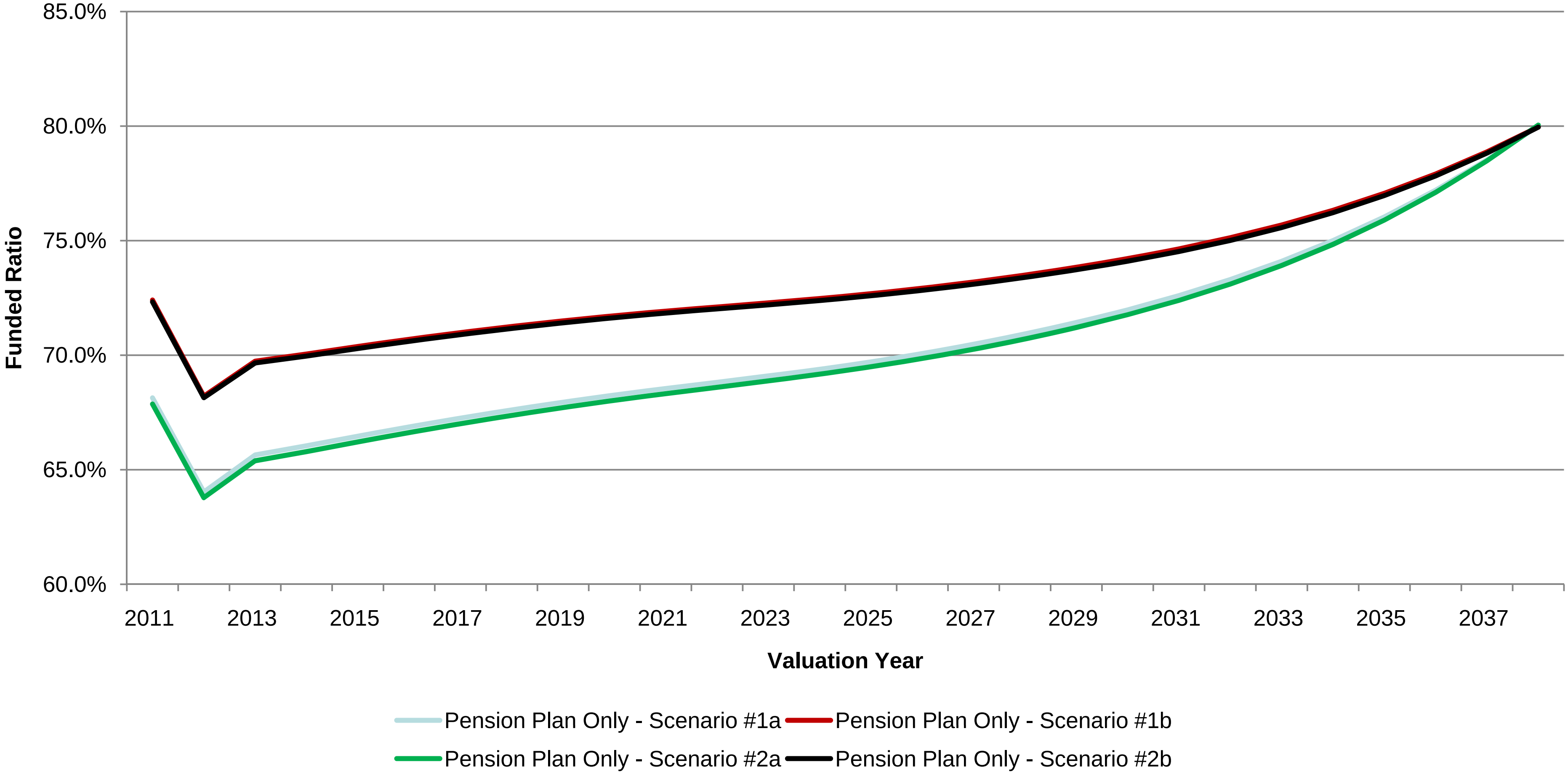
- $2,000 Death Benefit
- Simple COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 35.33% of pay beginning 1/1/2011 to obtain a funded ratio of 80% by 2038

Scenario #2b

- $2,000 Death Benefit
- Simple COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Employee contributions increase to 10% over next 6 years
- Cash infusion of $154.2 million on 1/1/2011 and annual City contributions increase to 31% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System
30-Year Projection of Funded Ratio

5-Year Highest Avg Salary Benefit Formula & $2,000 Death Benefit
Employee Contributions Increase to 10.00%
Pension Plan Only @ 8.00% Discount Rate



Impact of Change to 5-Year Highest Average Salary Benefit Formula

- Compare Scenario #1a and Scenario #1b results to a plan using a 3-year highest average salary benefit formula

Scenario #1c

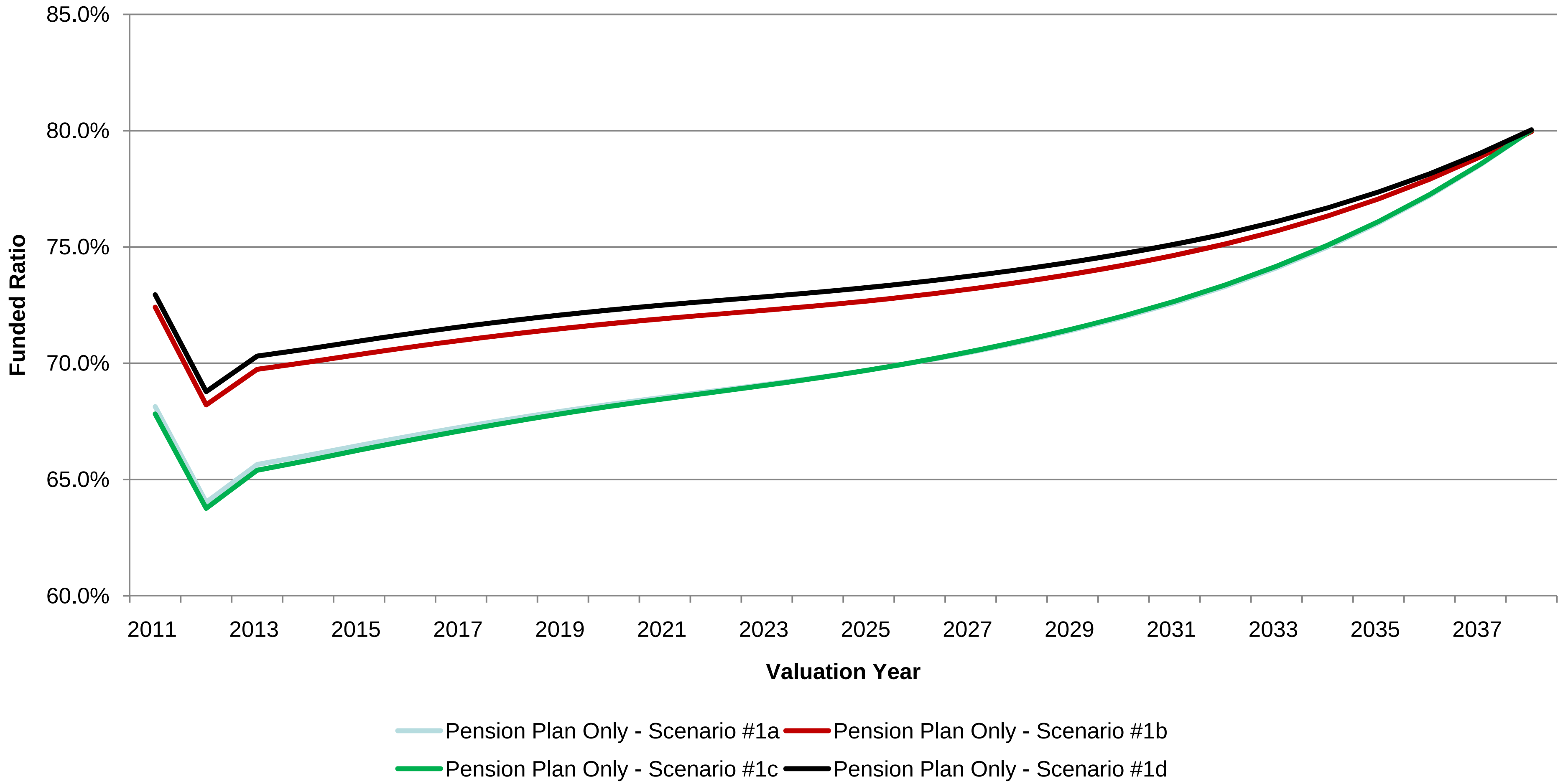
- $2,000 Death Benefit
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees who retire 1/1/2011 or later
    - Current COLA for others
- 3-year highest average salary benefit formula
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 35.97% of pay beginning 1/1/2011 to obtain a funded ratio of 80% by 2038

Scenario #1d

- $2,000 Death Benefit
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees who retire 1/1/2011 or later
    - Current COLA for others
- 3-year highest average salary benefit formula
- Employee contributions increase to 10% over next 6 years
- Cash infusion of $169.6 million on 1/1/2011 and annual City contributions increase to 31% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System
30-Year Projection of Funded Ratio

5-Year Highest Avg Salary Benefit Formula vs. 3-Year Highest Avg Salary Benefit Formula
Employee Contributions Increase to 10.00%
Pension Plan Only @ 8.00% Discount Rate



Impact of Proposed Changes to Eligibility Rules

- Like Scenarios #1 and #2, except proposed retirement eligibility conditions apply
  - New eligibility conditions apply to those active employees hired prior to 1/1/2010
    - Eligibility for those hired on or after 1/1/2010 remains the same
  - If, as of 1/1/2011, an active employee has 20 or more years of service, or is 10 years from retirement (under current eligibility rules), then current eligibility requirements apply:
    - Age 60 and 5 years of service (normal)
    - 30 years of service (normal)
    - Age 55 and 25 years of service (early)
  - If not, eligibility requirements change to:
    - Age 62 and 5 years of service (normal)
    - Age 55 and 30 years of service (normal)
    - Age 57 and 25 years of service (early)

Scenario #3a

- $2,000 Death Benefit
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees who retire 1/1/2011 or later
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Proposed changes to retirement eligibility requirements
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 34.86% of pay beginning 1/1/2011 to obtain a funded ratio of 80% by 2038

Scenario #3b

- $2,000 Death Benefit
- Compound COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees who retire 1/1/2011 or later
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Proposed changes to retirement eligibility requirements
- Employee contributions increase to 10% over next 6 years
- Cash infusion of $143.3 million on 1/1/2011 and annual City contributions increase to 31% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038

Scenario #4a

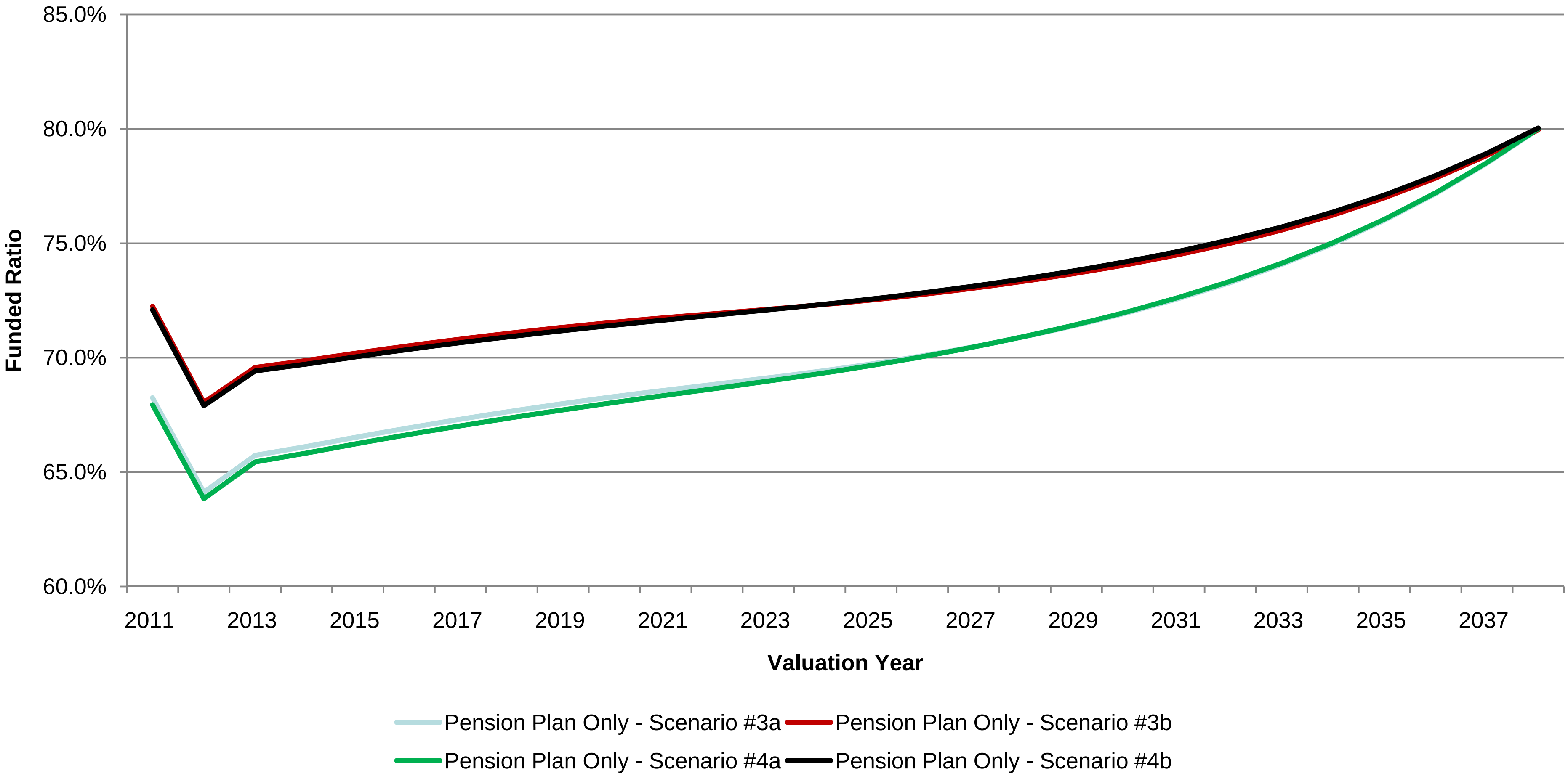
- $2,000 Death Benefit
- Simple COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Proposed changes to retirement eligibility requirements
- Employee contributions increase to 10% over next 6 years
- Annual City contributions increase to 35.01% of pay beginning 1/1/2011 to obtain a funded ratio of 80% by 2038

Scenario #4b

- $2,000 Death Benefit
- Simple COLA
  - Linked to CPI and capped at 3.00%
  - Assumed level 2.50% for projections
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current COLA for others
- 5-year highest average salary benefit formula
  - Applies to those active employees with less than 20 years of service as of 1/1/2011
    - Current formula for others
- Proposed changes to retirement eligibility requirements
- Employee contributions increase to 10% over next 6 years
- Cash infusion of $147.0 million on 1/1/2011 and annual City contributions increase to 31% of pay beginning 1/1/2012 to obtain a funded ratio of 80% by 2038

Cincinnati Retirement System
30-Year Projection of Funded Ratio

Impact of Proposed Changes to Eligibility Rules
Employee Contributions Increase to 10.00%
Pension Plan Only @ 8.00% Discount Rate



Summary of Results

Scenario	Death Benefit	COLA	Highest Average Salary Formula	Retirement Elgibility Requirements	City Contribution (% of Pay)	1/1/2011 Cash Infusion Amount ($ millions)
1a*	$2,000	Compound	5 Years	Current	35.13%	$0
1b**	$2,000	Compound	5 Years	Current	31.00%	$149.6
1c*	$2,000	Compound	3 Years	Current	35.97%	$0.0
1d**	$2,000	Compound	3 Years	Current	31.00%	$169.6
2a*	$2,000	Simple	5 Years	Current	35.33%	$0.0
2b**	$2,000	Simple	5 Years	Current	31.00%	$154.2
3a*	$2,000	Compound	5 Years	Proposed	34.86%	$0.0
3b**	$2,000	Compound	5 Years	Proposed	31.00%	$143.3
4a*	$2,000	Simple	5 Years	Proposed	35.01%	$0.0
4b**	$2,000	Simple	5 Years	Proposed	31.00%	$147.0

*City Contribution (%of Pay) begins 1/1/2011

**City Contribution (%of Pay) begins 1/1/2012

Projection Assumptions

- 12/31/2008 Valuation Basis
  - 5-yr asset smoothing with a 20% corridor
  - Liabilities valued with 8.00% discount rate
- 2009 Investment Return to Date
  - Positive 2009 – assumed 19.76% return
- First Task Force Changes (effective 1/1/2010)
  - Amortization period changed to 30 years
  - Increase in employee contribution percentages
  - New tier pension changes
    - Reduced benefit formula
    - Increased retirement eligibility