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Retirement System for Employees of the City of Cincinnati

Task Force Meeting
March 9, 2010

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Pension Plan Only

- Pension plan funding is primary
- Ideally, long-term pension plan funding goal is “100% Funded”
- Potential approaches to pension plan funding
 - Stable Funded Ratio
 - “Funded Ratio” is the ratio of a plan’s assets to its liabilities
 - Assets are keeping pace with liabilities
 - Possible interim solution
 - Funded Ratio = 80% by 2038
 - “Cash Infusion” on 1/1/2011
 - \$150 million
 - \$250 million



Pension Plan Only

➤ “Pension Plan Only” Assumptions

- Pension plan benefit changes
 - Effective 1/1/2011, discontinue the \$7,500 death benefit
 - Effective 1/1/2011, change the COLA for future retirees
 - o Task Force 2 – Pension Plan 1: Compound COLA
 - Tied to an inflation index that is capped at 3.0%
 - Index is CPI-U
 - For projection purposes, rate is assumed to be 2.50%
 - Applies to those who retire on or after 1/1/2011
 - o Task Force 2 – Pension Plan 2: Simple COLA
 - 3.0% every year, not indexed
 - Applies to those who retire on or after 1/1/2021



Pension Plan Only

- “Pension Plan Only” Assumptions (continued)
 - Pension assets as 12/31/2008
 - Actuarial Value = \$1,490,497,200
 - Market Value = \$1,242,081,000
 - Excludes 401(h) balances
 - 19.76% return on investments for 2009
 - 5-yr asset smoothing with a 20% corridor



Pension Plan Only

Task Force 2 – Pension Plan 1
Employee Contribution Increase to 9.00%



- Applies to the following options (A, B, C, and D):
 - Task Force 2 – Pension Plan 1: Compound COLA
 - Employee contributions increase to 9% of pay over four years beginning 1/1/2010
- Option A – Stable Funded Ratio
 - Employer contributions increase to 34.60% of payroll for years 2011 and beyond
- Option B – 80% Funded Ratio in 2038
 - Employer contributions increase to 36.55% of payroll for years 2011 and beyond



Pension Plan Only

Task Force 2 – Pension Plan 1
Employee Contribution Increase to 9.00%

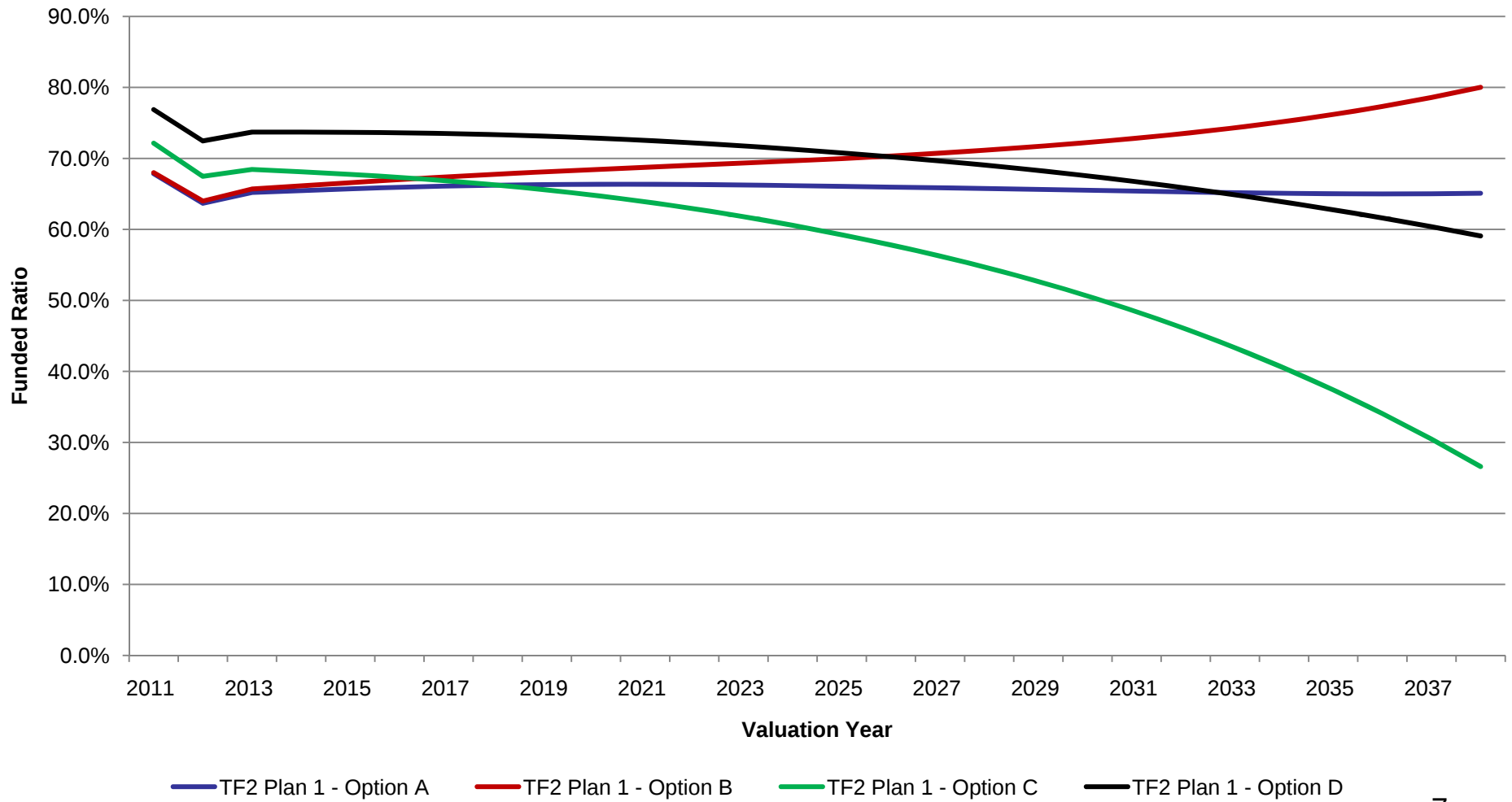


- Option C – \$150 million “Cash Infusion”
 - Employer contributions increase to \$150 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond
- Option D – \$250 million “Cash Infusion”
 - Employer contributions increase to \$250 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond

Cincinnati Retirement System

30-Year Projection of Funded Ratio

*Task Force 2 – Pension Plan 1: Compound COLA
Employee Contribution Increases to 9.00%
Pension Only @ 8.00%*



Projected Employer Contributions Only

Task Force 2 - Pension Plan 1

Employee Contribution Increases to 9.00%

Pension Plan Only @ 8.00%

Annual (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	59	62	150	250
2012	60	63	43	43
2013	61	65	44	44
2014	63	66	45	45
2015	64	67	46	46
2016	65	69	47	47
2017	66	70	48	48
2018	67	71	48	48
2019	68	72	49	49
2020	69	72	50	50
2021	69	73	50	50
2022	70	74	51	51
2023	71	75	52	52
2024	72	76	52	52
2025	74	78	53	53
2026	75	79	54	54
2027	76	80	55	55
2028	77	81	56	56
2029	78	82	56	56
2030	79	83	57	57
2031	80	84	58	58
2032	81	85	58	58
2033	82	86	59	59
2034	82	87	60	60
2035	83	88	60	60
2036	84	89	61	61
2037	85	90	61	61
2038	86	90	62	62

Projected Employer Contributions Only

Task Force 2 - Pension Plan 1

Employee Contribution Increases to 9.00%

Pension Plan Only @ 8.00%

Cumulative (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	59	62	150	250
2012	118	125	193	293
2013	180	190	238	338
2014	242	256	283	383
2015	306	324	329	429
2016	371	392	376	476
2017	437	462	424	524
2018	504	532	472	572
2019	572	604	521	621
2020	640	676	570	670
2021	710	750	620	720
2022	780	824	671	771
2023	851	899	723	823
2024	923	976	775	875
2025	997	1,053	828	928
2026	1,072	1,132	882	982
2027	1,148	1,213	937	1,037
2028	1,225	1,294	993	1,093
2029	1,303	1,376	1,049	1,149
2030	1,382	1,460	1,106	1,206
2031	1,461	1,544	1,164	1,264
2032	1,542	1,629	1,222	1,322
2033	1,624	1,715	1,281	1,381
2034	1,706	1,802	1,340	1,440
2035	1,789	1,890	1,401	1,501
2036	1,874	1,979	1,461	1,561
2037	1,958	2,069	1,523	1,623
2038	2,044	2,159	1,585	1,685



Pension Plan Only

*Task Force 2 – Pension Plan 1
Employee Contribution Increase to 10.00%*



- Applies to the following options (A, B, C, and D):
 - Task Force 2 – Pension Plan 1: Compound COLA
 - Employee contributions increase to 10% of pay over six years beginning 1/1/2010
- Option A – Stable Funded Ratio
 - Employer contributions increase to 33.75% of payroll for years 2011 and beyond
- Option B – 80% Funded Ratio in 2038
 - Employer contributions increase to 35.78% of payroll for years 2011 and beyond



Pension Plan Only

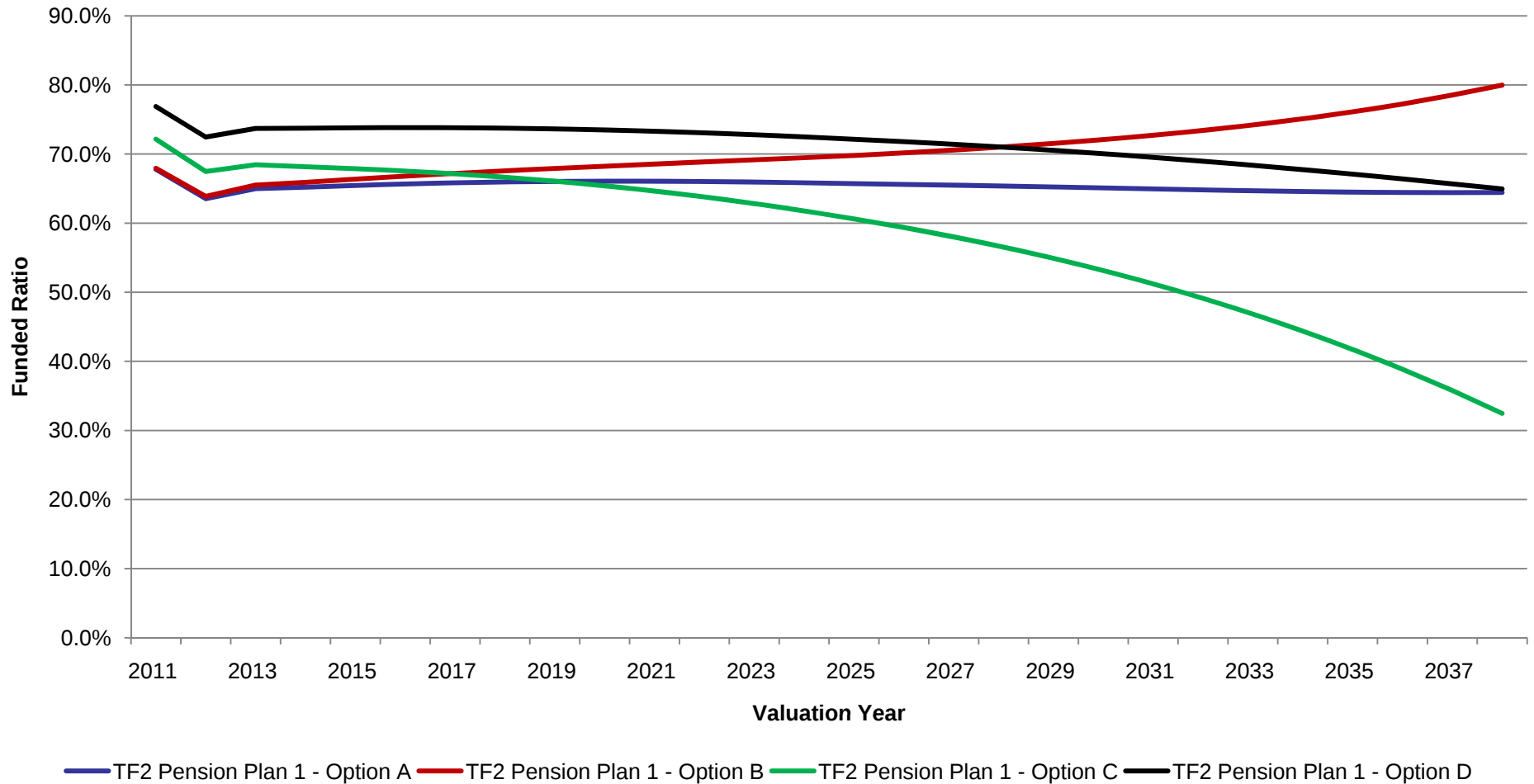
Task Force 2 – Pension Plan 1
Employee Contribution Increase to 10.00%



- Option C – \$150 million “Cash Infusion”
 - Employer contributions increase to \$150 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond
- Option D – \$250 million “Cash Infusion”
 - Employer contributions increase to \$250 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond

Cincinnati Retirement System 30-Year Projection of Funded Ratio

*Task Force 2 - Pension Plan 1: Compound COLA
Employee Contribution Increases to 10.00%
Pension Only @ 8.00%*



Projected Employer Contributions Only

Task Force 2 - Plan 1: Compound COLA

Employee Contribution Increases to 10.00%

Pension Plan Only @ 8.00%

Annual (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	57	61	150	250
2012	58	62	43	43
2013	60	63	44	44
2014	61	65	45	45
2015	62	66	46	46
2016	63	67	47	47
2017	64	68	48	48
2018	65	69	48	48
2019	66	70	49	49
2020	67	71	50	50
2021	68	72	50	50
2022	69	73	51	51
2023	70	74	52	52
2024	71	75	52	52
2025	72	76	53	53
2026	73	77	54	54
2027	74	79	55	55
2028	75	80	56	56
2029	76	81	56	56
2030	77	82	57	57
2031	78	82	58	58
2032	79	83	58	58
2033	80	84	59	59
2034	80	85	60	60
2035	81	86	60	60
2036	82	87	61	61
2037	83	88	61	61
2038	83	89	62	62

Projected Employer Contributions Only

Task Force 2 - Plan 1: Compound COLA

Employee Contribution Increases to 10.00%

Pension Plan Only @ 8.00%

Cumulative (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	57	61	150	250
2012	116	123	193	293
2013	175	186	238	338
2014	237	251	283	383
2015	299	317	329	429
2016	362	384	376	476
2017	426	452	424	524
2018	492	521	472	572
2019	558	591	521	621
2020	624	662	570	670
2021	692	734	620	720
2022	761	806	671	771
2023	830	880	723	823
2024	901	955	775	875
2025	973	1,031	828	928
2026	1,046	1,108	882	982
2027	1,120	1,187	937	1,037
2028	1,195	1,267	993	1,093
2029	1,271	1,347	1,049	1,149
2030	1,348	1,429	1,106	1,206
2031	1,426	1,511	1,164	1,264
2032	1,504	1,595	1,222	1,322
2033	1,584	1,679	1,281	1,381
2034	1,664	1,764	1,340	1,440
2035	1,745	1,850	1,401	1,501
2036	1,827	1,937	1,461	1,561
2037	1,910	2,025	1,523	1,623
2038	1,994	2,114	1,585	1,685



Pension Plan Only

*Task Force 2 – Pension Plan 2
Employee Contribution Increase to 9.00%*



- Applies to the following options (A, B, C, and D):
 - Task Force 2 – Pension Plan 2: Simple COLA
 - Employee contributions increase to 9% of pay over four years beginning 1/1/2010
- Option A – Stable Funded Ratio
 - Employer contributions increase to 36.05% of payroll for years 2011 and beyond
- Option B – 80% Funded Ratio in 2038
 - Employer contributions increase to 38.07% of payroll for years 2011 and beyond



Pension Plan Only

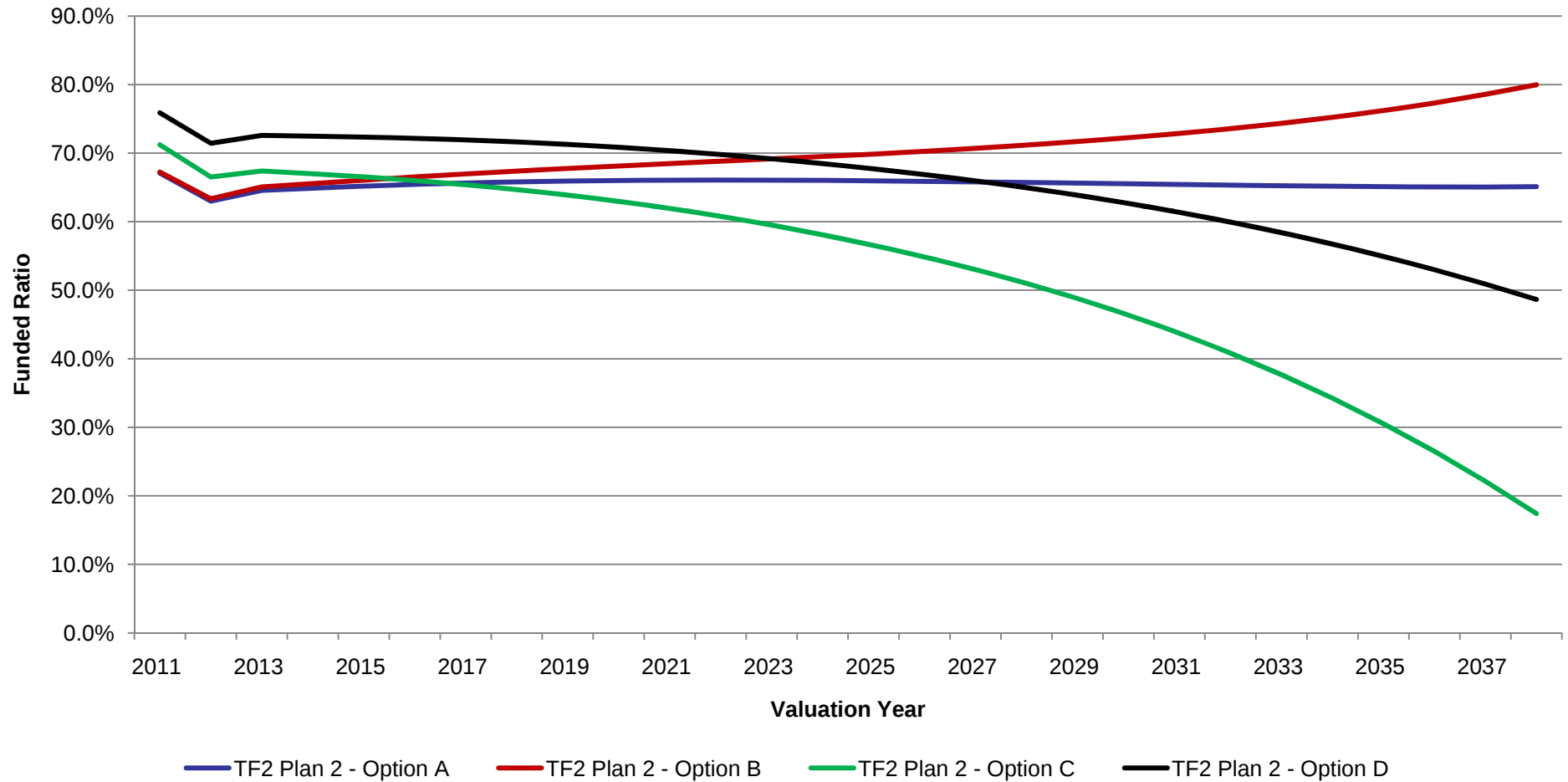
Task Force 2 – Pension Plan 2
Employee Contribution Increase to 9.00%



- Option C – \$150 million “Cash Infusion”
 - Employer contributions increase to \$150 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond
- Option D – \$250 million “Cash Infusion”
 - Employer contributions increase to \$250 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond

Cincinnati Retirement System 30-Year Projection of Funded Ratio

*Task Force 2 - Pension Plan 2: Simple COLA
Employee Contribution Increases to 9.00%
Pension Only @ 8.00%*



Projected Employer Contributions Only

Task Force 2 - Pension Plan 2

Employee Contribution Increases to 9.00%

Pension Plan Only @ 8.00%

Annual (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	61	64	150	250
2012	62	66	43	43
2013	64	67	44	44
2014	65	69	45	45
2015	67	70	46	46
2016	68	71	47	47
2017	69	73	48	48
2018	70	74	48	48
2019	71	75	49	49
2020	71	75	50	50
2021	72	76	50	50
2022	73	77	51	51
2023	74	78	52	52
2024	75	80	52	52
2025	77	81	53	53
2026	78	82	54	54
2027	79	84	55	55
2028	80	85	56	56
2029	81	86	56	56
2030	82	87	57	57
2031	83	88	58	58
2032	84	89	58	58
2033	85	90	59	59
2034	86	91	60	60
2035	87	92	60	60
2036	88	93	61	61
2037	89	93	61	61
2038	89	94	62	62

Projected Employer Contributions Only

Task Force 2 - Pension Plan 2

Employee Contribution Increases to 9.00%

Pension Plan Only @ 8.00%

Cumulative (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	61	64	150	250
2012	123	130	193	293
2013	187	198	238	338
2014	253	267	283	383
2015	319	337	329	429
2016	387	408	376	476
2017	455	481	424	524
2018	525	554	472	572
2019	596	629	521	621
2020	667	704	570	670
2021	739	781	620	720
2022	812	858	671	771
2023	887	936	723	823
2024	962	1,016	775	875
2025	1,039	1,097	828	928
2026	1,117	1,179	882	982
2027	1,196	1,263	937	1,037
2028	1,276	1,348	993	1,093
2029	1,357	1,434	1,049	1,149
2030	1,440	1,520	1,106	1,206
2031	1,523	1,608	1,164	1,264
2032	1,607	1,697	1,222	1,322
2033	1,692	1,786	1,281	1,381
2034	1,778	1,877	1,340	1,440
2035	1,864	1,969	1,401	1,501
2036	1,952	2,061	1,461	1,561
2037	2,041	2,155	1,523	1,623
2038	2,130	2,249	1,585	1,685



Pension Plan Only

*Task Force 2 – Pension Plan 2
Employee Contribution Increase to 10.00%*



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 - Task Force 2 – Pension Plan 2: Simple COLA
 - Employee contributions increase to 10% of pay over six years beginning 1/1/2010
- Option A – Stable Funded Ratio
 - Employer contributions increase to 35.20% of payroll for years 2011 and beyond
- Option B – 80% Funded Ratio in 2038
 - Employer contributions increase to 37.31% of payroll for years 2011 and beyond



Pension Plan Only

Task Force 2 – Pension Plan 2
Employee Contribution Increase to 10.00%

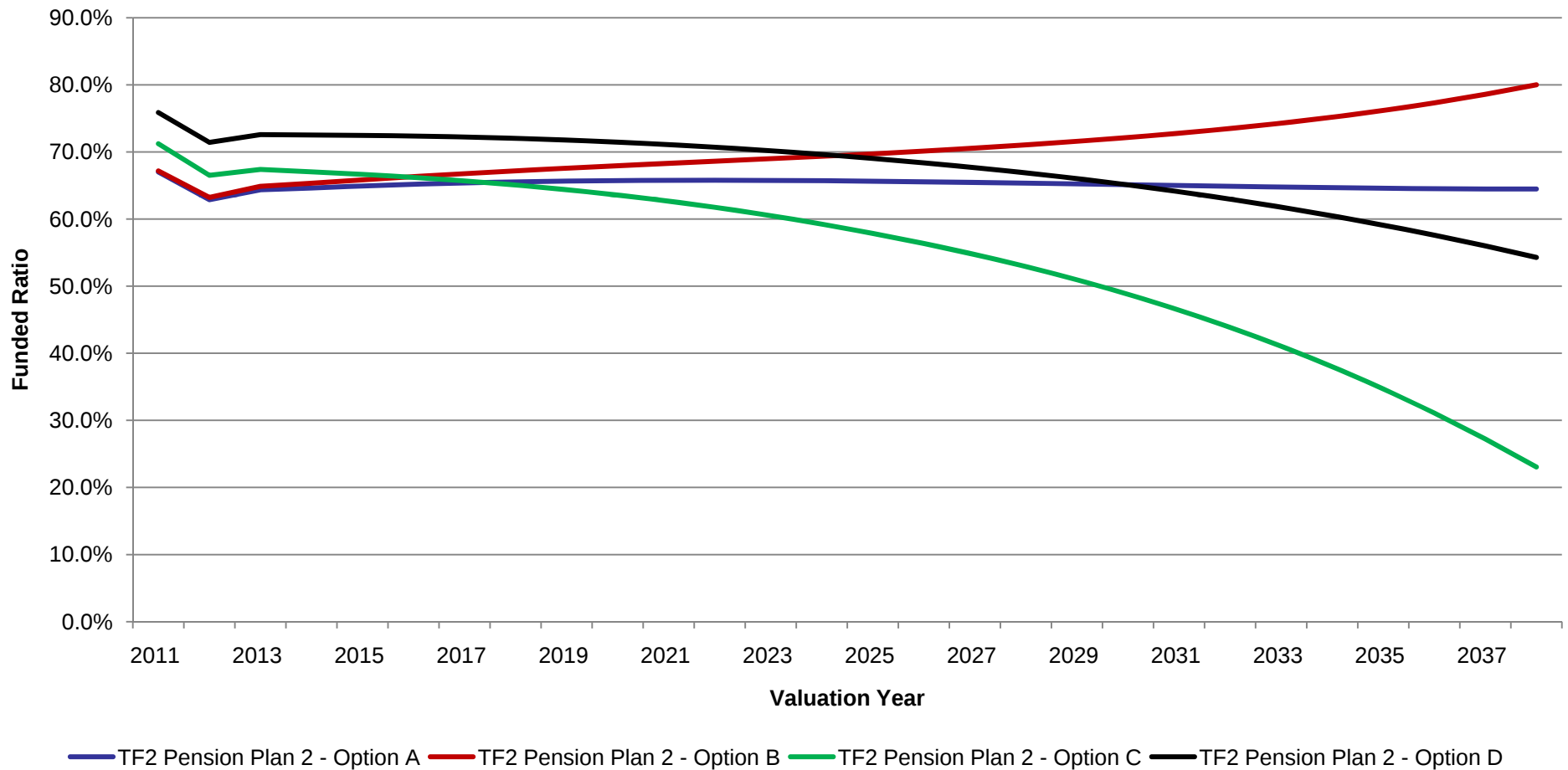


- Option C – \$150 million “Cash Infusion”
 - Employer contributions increase to \$150 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond
- Option D – \$250 million “Cash Infusion”
 - Employer contributions increase to \$250 million in 2011
 - Employer contributions are 25.00% of payroll for years 2012 and beyond

Cincinnati Retirement System

30-Year Projection of Funded Ratio

Task Force 2 - Pension Plan 2: Simple COLA
Employee Contribution Increases to 10.00%
Pension Only @ 8.00%



Projected Employer Contributions Only

Task Force 2 - Plan 2: Simple COLA

Employee Contribution Increases to 10.00%

Pension Plan Only @ 8.00%

Annual (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	60	63	150	250
2012	61	65	43	43
2013	62	66	44	44
2014	64	68	45	45
2015	65	69	46	46
2016	66	70	47	47
2017	67	71	48	48
2018	68	72	48	48
2019	69	73	49	49
2020	70	74	50	50
2021	71	75	50	50
2022	71	76	51	51
2023	73	77	52	52
2024	74	78	52	52
2025	75	79	53	53
2026	76	81	54	54
2027	77	82	55	55
2028	78	83	56	56
2029	79	84	56	56
2030	80	85	57	57
2031	81	86	58	58
2032	82	87	58	58
2033	83	88	59	59
2034	84	89	60	60
2035	85	90	60	60
2036	86	91	61	61
2037	86	92	61	61
2038	87	92	62	62

Projected Employer Contributions Only

Task Force 2 - Plan 2: Simple COLA

Employee Contribution Increases to 10.00%

Pension Plan Only @ 8.00%

Cumulative (\$ Millions)

Year	Option A	Option B	Option C	Option D
2011	60	63	150	250
2012	121	128	193	293
2013	183	194	238	338
2014	247	261	283	383
2015	312	330	329	429
2016	378	400	376	476
2017	445	471	424	524
2018	513	543	472	572
2019	582	616	521	621
2020	651	690	570	670
2021	722	765	620	720
2022	793	841	671	771
2023	866	918	723	823
2024	939	996	775	875
2025	1,014	1,075	828	928
2026	1,090	1,156	882	982
2027	1,168	1,238	937	1,037
2028	1,246	1,321	993	1,093
2029	1,325	1,405	1,049	1,149
2030	1,406	1,490	1,106	1,206
2031	1,487	1,576	1,164	1,264
2032	1,569	1,663	1,222	1,322
2033	1,652	1,751	1,281	1,381
2034	1,736	1,840	1,340	1,440
2035	1,820	1,930	1,401	1,501
2036	1,906	2,020	1,461	1,561
2037	1,992	2,112	1,523	1,623
2038	2,080	2,204	1,585	1,685

Projected Benefit Payments

Pension Plan Only @ 8.00%

Annual (\$ Millions)

Year	TF2 - Plan 1	TF2 - Plan 2
2011	143	143
2012	148	148
2013	154	154
2014	159	159
2015	165	165
2016	171	171
2017	177	178
2018	184	184
2019	190	191
2020	197	198
2021	203	205
2022	210	212
2023	215	218
2024	220	223
2025	224	228
2026	228	232
2027	231	236
2028	234	240
2029	237	243
2030	240	246
2031	242	249
2032	244	251
2033	245	253
2034	245	254
2035	246	255
2036	245	255
2037	245	254
2038	244	253



Projection Assumptions

- 12/31/2008 Valuation Basis
 - 5-yr asset smoothing with a 20% corridor
- 2009 Investment Return to Date
 - Positive 2009 – assumed 19.76% return
 - Assume 8.00% thereafter
 - This rate may decline as the portfolio is rebalanced to meet short-term cash needs
- 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