



Cincinnati Retirement System Pension Fund Task Force

Minutes

March 9, 2010 – 2PM
Centennial II – Meeting Room A

Present:

Hilary Bohannon
Laketa Cole
Cathy Crain
Dan Geeding (conference call)
Linda Graviss
Brian Pickering
James Girton
Francis Wagner
Marianne Steger (conference call)
Chris Stenger
Bryan Schmitt

Administrative Staff Present

Kathy Creager
Lea Eriksen
Paula Tilsley
Jack Walsh
Cheryl Volk

Absent

Milton Dohoney

The meeting was called to order at 2:04 P.M.

PROPOSED GUIDING PRINCIPLES

The Task Force discussed several guiding principles to support future decisions. Some of the proposed guidelines include:

- Pension is primary
- Healthcare is desirable but secondary
- All future contributions to go to pension trust
- Achieving 70%-80% stable funding is acceptable.
- Modify health care plan design to keep trust fully funded without new employer/employee contributions
- The sale of pension obligation bonds and/or City asset should be considered as a means to stabilize the pension plan
- Means testing and length of service considerations should be used to mitigate the impact of healthcare premium cost sharing
- Assumptions: 8% market and 8% discount rate for pension obligations

CAVANAUGH MACDONALD REPORT

Eric Gary and Ed Koebel attended the meeting via conference call. The following report was presented and discussed. The report was in response to the committee's request for a more detailed analyses of a select group of funding approaches. The report included:

- ✚ Pension Plan Only
 - Pension plan funding is primary
 - Ideally, long term pension plan funding goal is 100% funded
 - Potential approaches to funding

- Stable funded ratio: 80% by year 2038
 - Cash infusion on 1/1/2011
 - \$150 million
 - \$250 million
- ✚ “Pension Plan Only” Assumptions
 - Effective 1/1/2011:
 - Discontinue \$7500 death benefit
 - Change Cost of Living Adjustment (COLA) for future retirees
 - Assets as of 12/31/2008
 - 19.76% return on investments for 2009
 - Five year smoothing with 20% corridor
- ✚ Pension Plan #1 –Thirty year projection of funded ratio in four scenarios
 - Compounded COLA
 - Employee contributions increase to 9%
 - Cash infusions
 - Projected employer contributions
- ✚ Pension Plan #2 - Thirty-year projection of funded ratio in four scenarios
 - Simple COLA
 - Employee contributions increase to 9%
 - Cash infusions
 - Projected employer contributions
- ✚ Pension Plan #2 – Thirty-year projection of funded ratio in four scenarios
 - Simple COLA
 - Employee contributions increase to 10%
 - Cash infusions
 - Projected employer contributions
- ✚ Projected Assumptions
 - 12/31/08 Valuation
 - 5-year asset smoothing with 20% corridor
 - 2009 Investment return
 - 19.76% return
 - Assume 8% thereafter
 - Task Force #1 Changes effective 1/1/2010
 - Amortization period changed to thirty-years
 - Increase in employee contribution rate
 - New tier pension changes

DISCUSSIONS

- ✚ Current City contribution rate: 17% (\$28 million per year)
- ✚ Transition time is necessary when reducing COLA from compound to simple for new retirees
- ✚ State law changes are necessary to sell City assets for cash infusion
- ✚ Consider options available for leasing property for cash infusion, increasing property taxes, and millage
- ✚ Review millage of other Ohio cities such as Cleveland and Columbus
- ✚ Revisit Defined Contribution plan options
- ✚ Ongoing communications should be in place for educating retirees about the current pension solvency issues. Retirees must be informed of the significance of the pension’s unsustainable condition before Task Force recommendations can be shared. Unnecessary delays in conveying this information to the retirees could exacerbate misunderstandings and miscommunications.

- C. Crain questioned why informational sessions are not currently being held for retirees and recommended the immediate construct of an effective communication plan.
 - The information provided to retirees should serve as education and anticipate Task Force recommendations. Current pension conditions, contributing factors, and all options considered by the Task Force should be presented. Emphasis should be placed on the reparations needed and the resulting impact upon the retirees and active employees.
 - Suggestions for session participants: Task Force member(s), city administrative staff, Union leadership, Cavanaugh Macdonald, CRS Board member(s).
- ✚ Begin communications with City Council. Update Council on progress and timeline.
 - ✚ Examine a revised approach to the currently proposed elimination of the dependent healthcare subsidy over four years. Consider a formula based on age and years of service for all current and future retirees.

Next meeting is scheduled for Tuesday, March 16, 2010 – Centennial II – Meeting Room A. Meeting was adjourned at 4:15 P.M.