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Retirement System for Employees of the City of Cincinnati



Task Force Meeting
November 30, 2009

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Recap of September Meeting

- Design a plan that will fit into a fixed contribution schedule
 - Target employer rate of 17% or 20%
- Biggest mover on pension side will be to reduce cost of living adjustments in some form
- Besides eliminating health care, the biggest mover on health care side will be to eliminate dependent coverage subsidy
- Cost sharing of changes is important to Task Force members
- Do not want to influence retirement patterns



Ice Miller's Comments

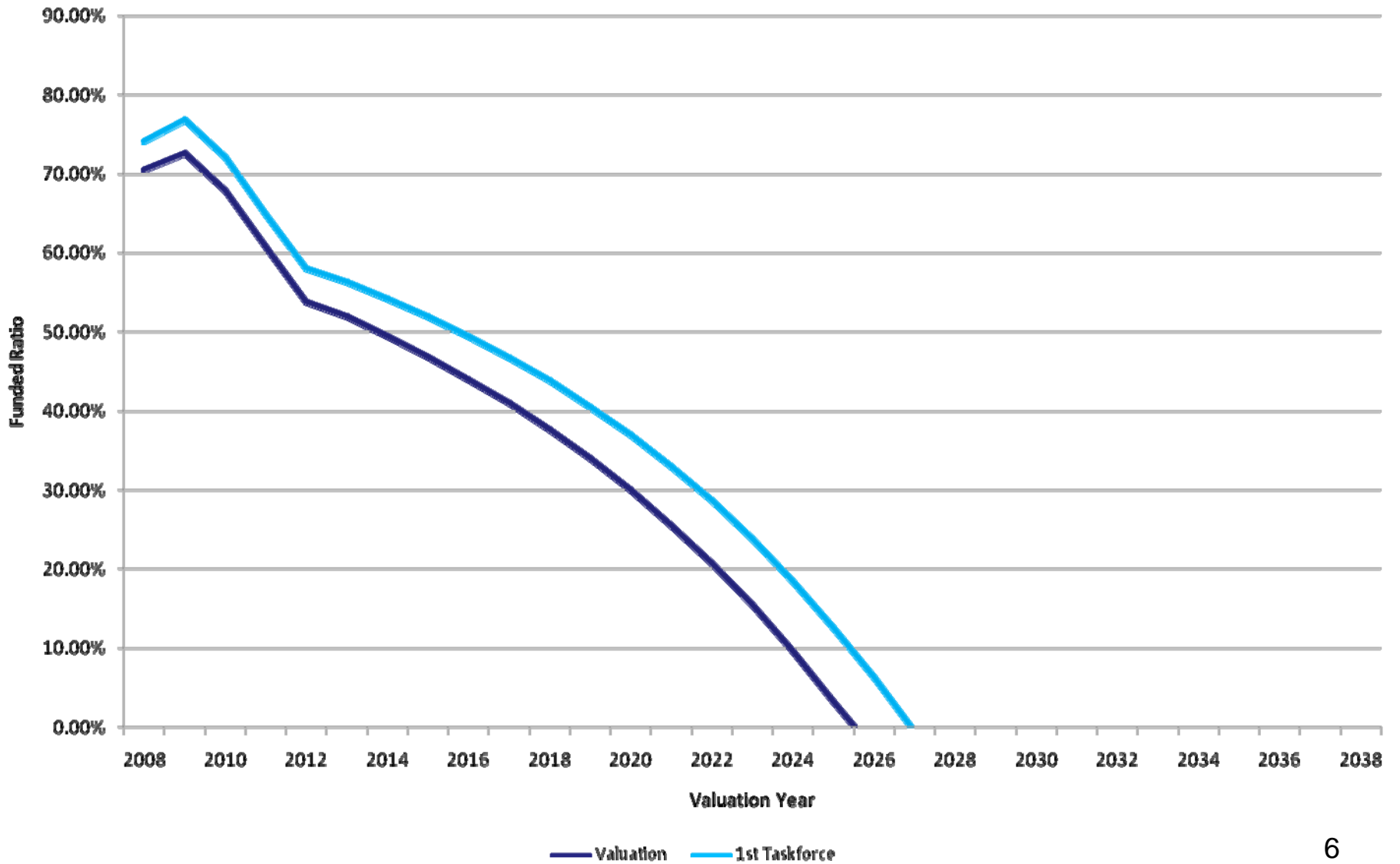
- Pensions treated as gratuities within CRS statute
- Four major pension items can be changed for those who have not met the normal retirement conditions of the plan as of the effective date
 - Benefit Multiplier (Change can be made to retroactive service)
 - Increase Years for Final Average Salary Definition (e.g. From 3 years to 5 years)
 - Lower COLA
 - Increase Retirement Eligibility (High Risk of Lawsuit without Grandfathering)
- COLAs for current retirees – need more research
- Health care components can be changed without worry of litigation.



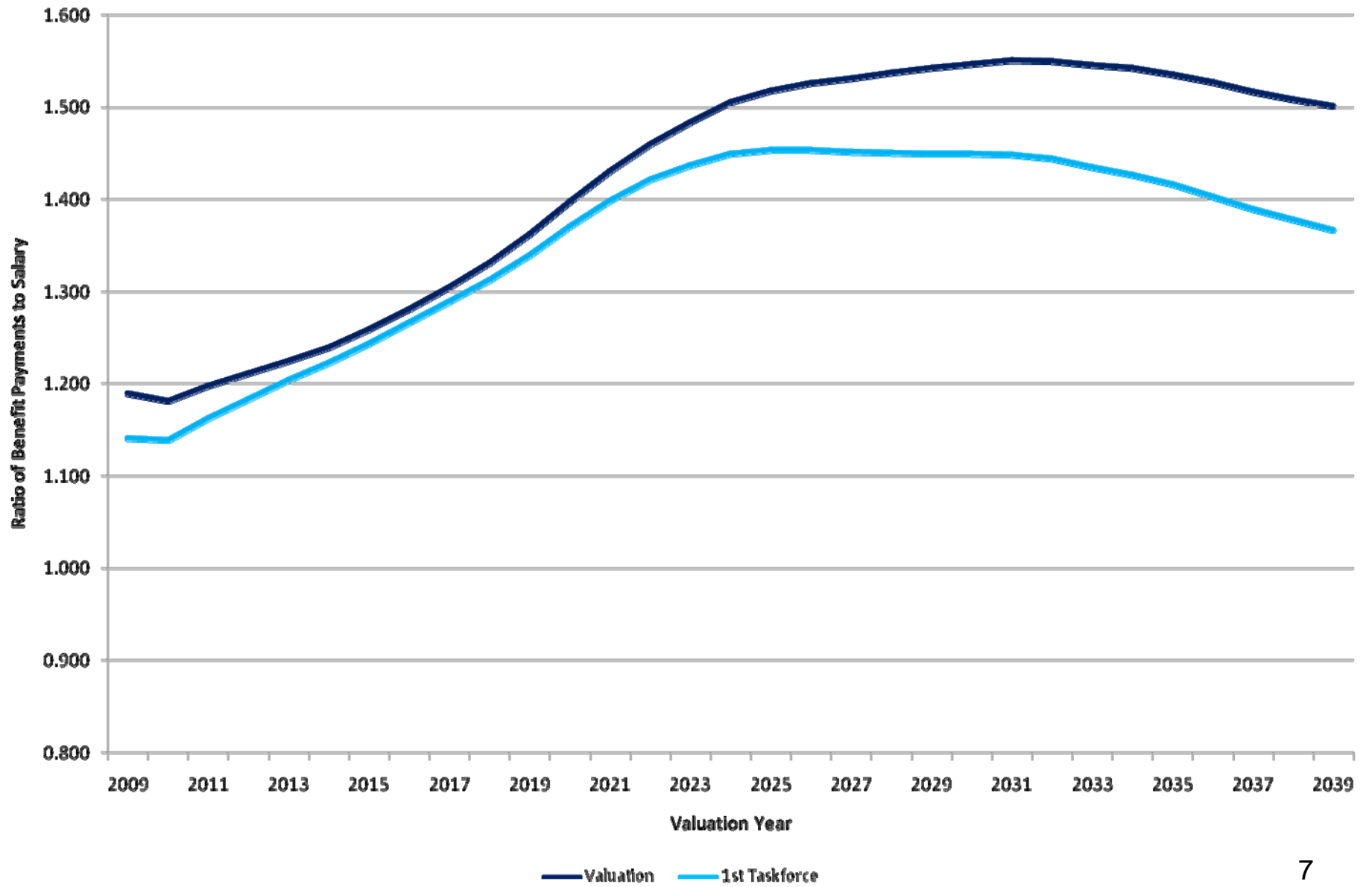
Current 30-Year Projections

- 2009 Investment Return to Date
 - Positive 2009 – Assumed 15% Return
 - Assume 8% Thereafter
- Assume 17% Employer Contribution Continues
- 12/31/2008 Valuation Basis
- 1st Task Force Changes (effective 1/1/2010)
 - Amortization period changed to 30 years
 - Modified PPO for those current retirees who retired prior to 1/1/2008
 - Increase in employee contribution percentages
 - New tier pension changes
 - Reduced Benefit Formula
 - Increased Retirement Eligibility

Cincinnati Retirement System 30-Year Projection of Funded Ratio Assumes Employer Contribution Rate Remains at 17%



Cincinnati Retirement System 30-Year Projection of Ratio of Benefit Payments to Salary





Plan Options

➤ Pension

- Lower the multiplier for existing actives to a 2.20% level for all service after effective date (same as new tier set up by first Task Force)
- Change Final Average Salary definition from 3 years to 5 years for all future and current actives who are not yet eligible to retire as of the effective date

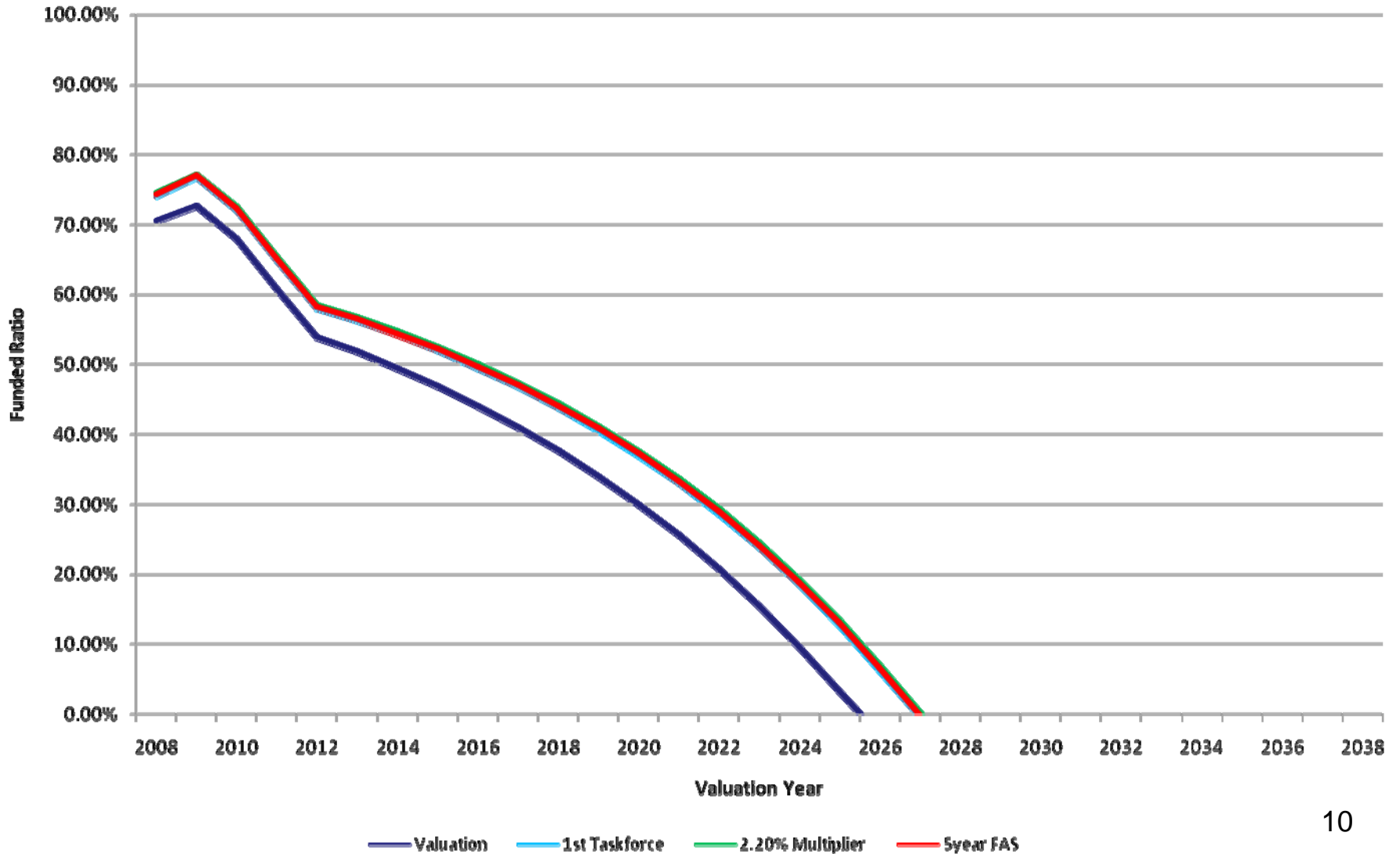


Plan Options

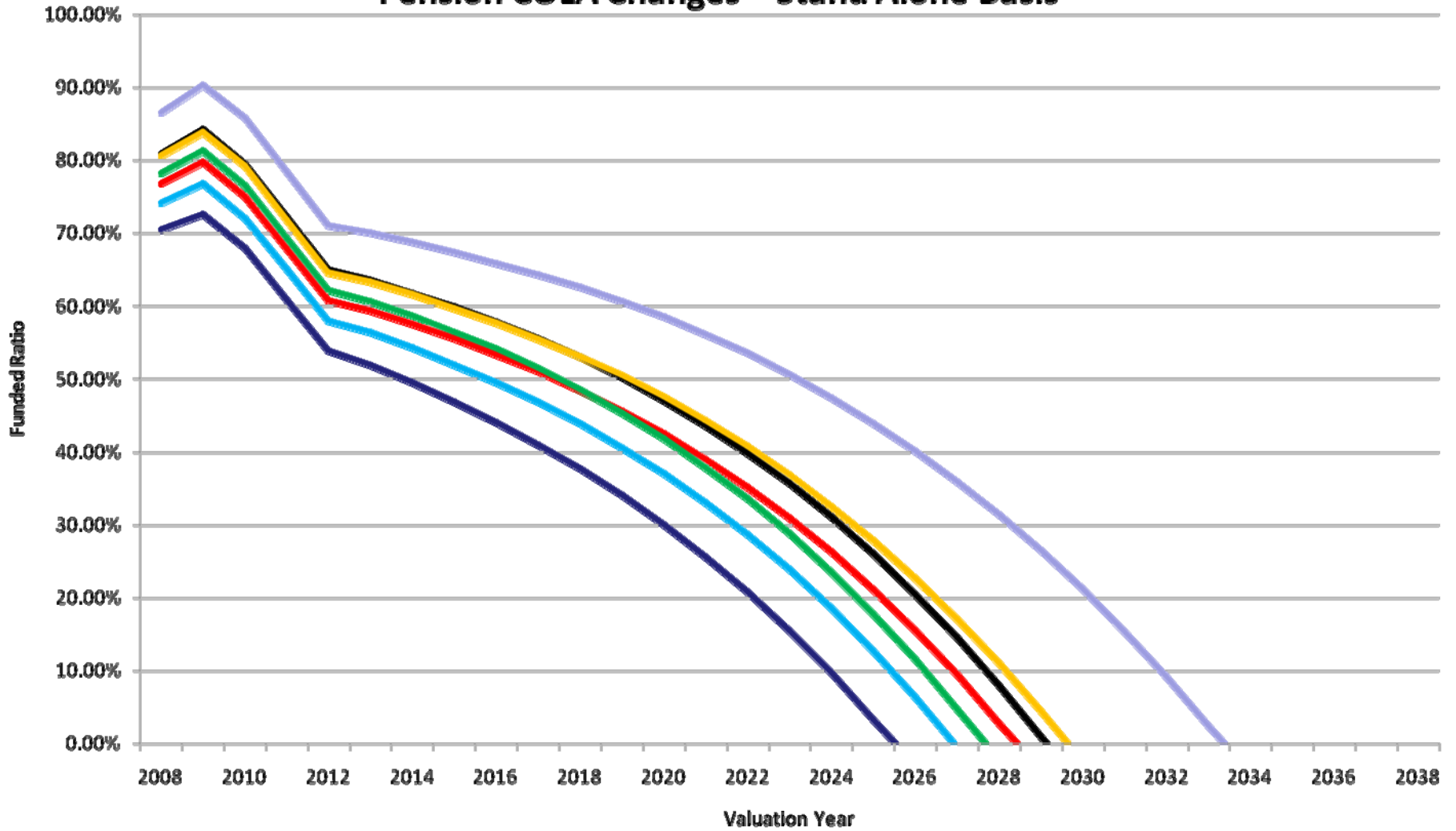
➤ Pension

- Change Cost of Living Adjustments
 - COLA Holiday for 2 years
 - 2% COLA starting at age 65 for future retirees, 2% for current retirees
 - 2% COLA with a 30% Cap and minimum benefit of \$1,000 per month
 - 2% COLA with a 20% Cap and minimum benefit of \$1,000 per month
 - Eliminate COLA going forward for all

**Cincinnati Retirement System
 30-Year Projection of Funded Ratio
 Assumes Employer Contribution Rate Remains at 17%
 Pension Benefit Changes – Stand Alone Basis**



**Cincinnati Retirement System
30-Year Projection of Funded Ratio
Assumes Employer Contribution Rate Remains at 17%
Pension COLA Changes – Stand Alone Basis**



■ Valuation
 ■ 1st Taskforce
 ■ COLA Holiday
 ■ COLA Cap 30%
 ■ COLA Cap 20%
 ■ COLA 2%-Delay to 65
 ■ Eliminate COLA



Plan Options

➤ Medical

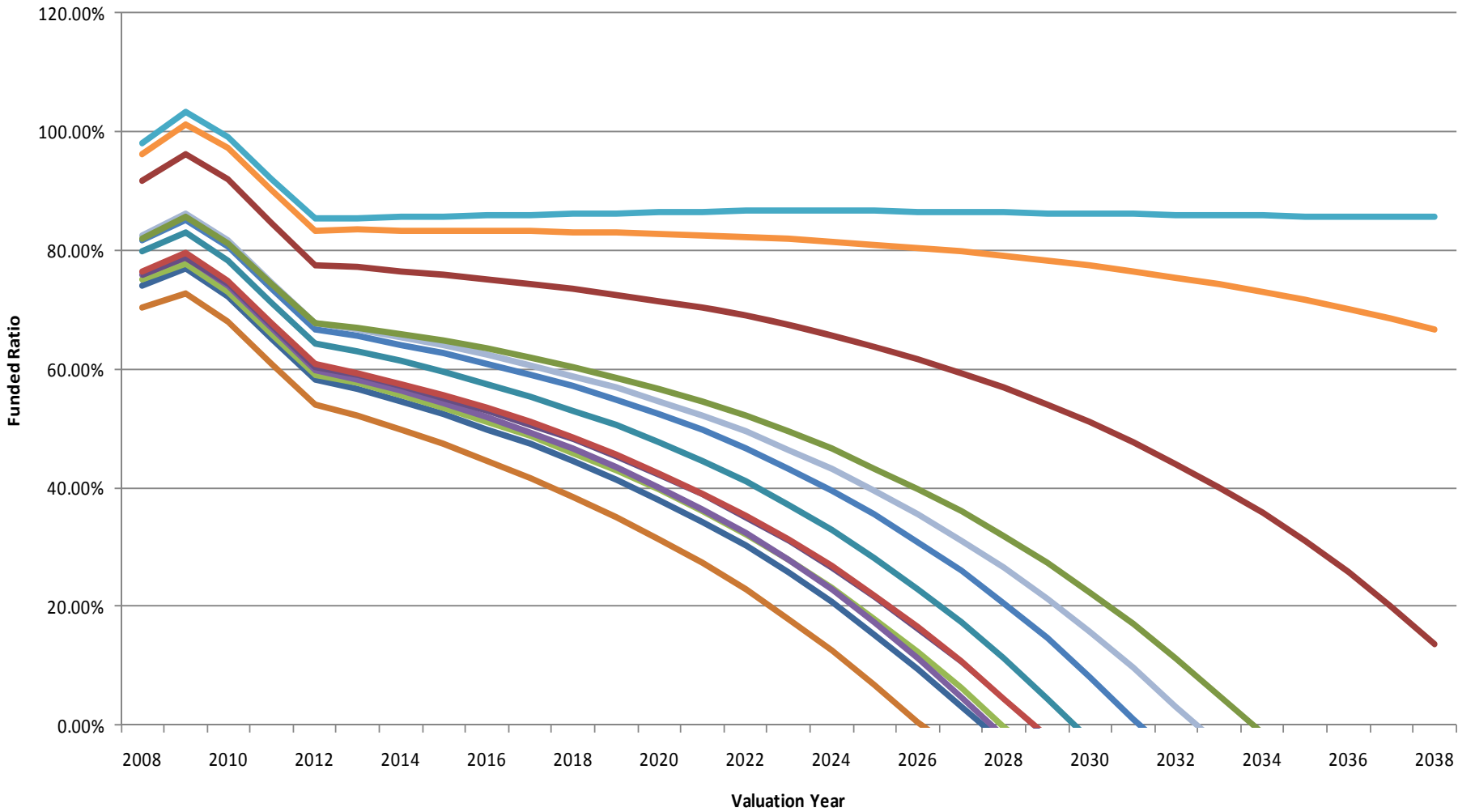
- Eliminate pre-65 coverage
- Eliminate post-65 coverage
- Eliminate all health care coverage
- Eliminate the prescription drug benefit for those under 65
- Eliminate the prescription drug benefit for those 65 and over
- Eliminate the prescription drug benefit altogether
- Estimated impact of implementing a PDP for those who are Medicare eligible



Plan Options

- Medical
 - Eliminate dependent coverage
 - Eliminate Medicare Part B premium subsidy
 - Switch the benefit to a flat dollar contribution per month. Two sub-scenarios:
 - “hard capped” (not indexed)
 - “soft capped” (indexed at CPI – 3.00%)
 - Eliminate dental and vision benefits

Cincinnati Retirement System 30-Year Projection of Funded Ratio OPEB Changes – Stand Alone Basis



- Valuation
- 1st Taskforce
- Elim Dent Vis
- PDP
- Elim <65 Rx
- Elim Pt B
- Elim 65+ Rx
- No Rx
- Elim Dep Cov
- Elim <65 Cov
- Elim 65+ Cov
- \$ SC
- \$ HC



Three Hypothetical Plans

- The following hypothetical plan designs were designed to meet the Task Force's goal of having a Plan Design for CRS that could be at or near 100% funded in a 30 year period using an Employer Contribution Rate going forward of 17%.
- CavMac does not endorse any of these changes but developed these plans in accordance with the Task Force's guidance.
- The ultimate decision of a new Plan Design for CRS will be up to the Cincinnati City Council, the Task Force and the CRS Board.



Three Hypothetical Plans

➤ Plan #1

- Multiplier for current actives reduced to 2.20% level for all future service
- Final Average Salary based on 5 years of highest average salary
- COLA reduced to 2% beginning at age 65 for future retirees
- COLA Holiday for 2 years, 2% thereafter for current retirees
- Eliminate dental and vision coverage for health care
- Eliminate dependent coverage for health care
- Eliminate Medicare Part B subsidy
- Implement PDP for Medicare eligible Rx benefit



Three Hypothetical Plans

➤ Plan #2

- Multiplier for current actives remains at 2.50% level
- Final Average Salary based on 5 years of highest average salary
- COLA reduced to 2% with 30% cap for current and future retirees
- COLA Holiday for 2 years
- Eliminate medical coverage for retirees age 65 and over

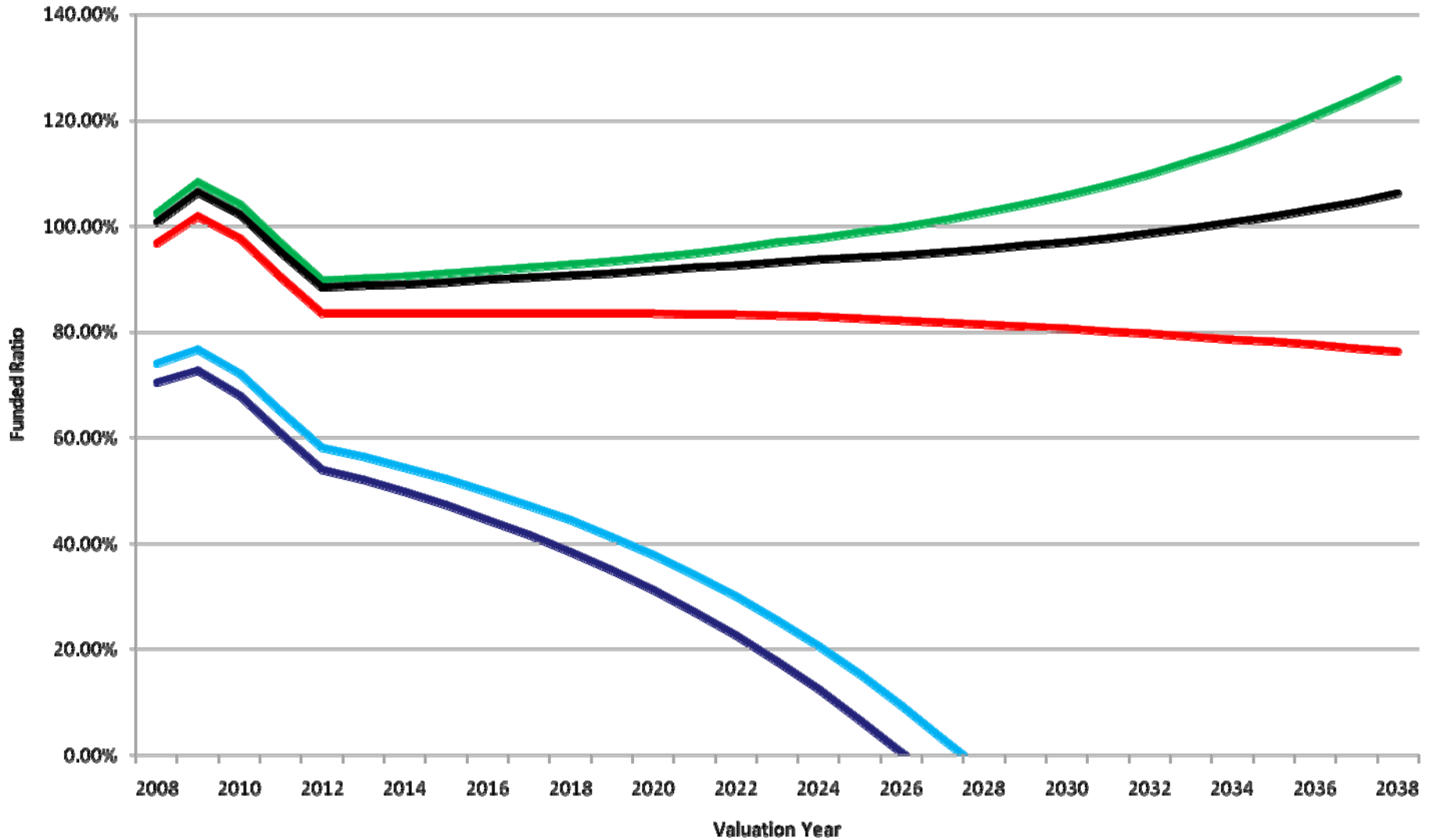


Three Hypothetical Plans

➤ Plan #3

- Multiplier for current actives remains at 2.50% level
- Final Average Salary remains at 3 years of highest average salary
- COLA remains at 3% for all current and future retirees
- COLA Holiday for 2 years
- Switch the health care benefit to a \$10 per year of service flat dollar payment per month indexed at CPI (3.00%)

**Cincinnati Retirement System
30-Year Projection of Funded Ratio
Assumes Employer Contribution Rate Remains at 17%**



Valuation 1st Taskforce Scenario 1 Scenario 2 Scenario 3