

**Retirement System for the City of Cincinnati
December 31, 2008 Actuarial Valuation**

**EXECUTIVE SUMMARY
COMBINED REPORTS**

EXECUTIVE SUMMARY

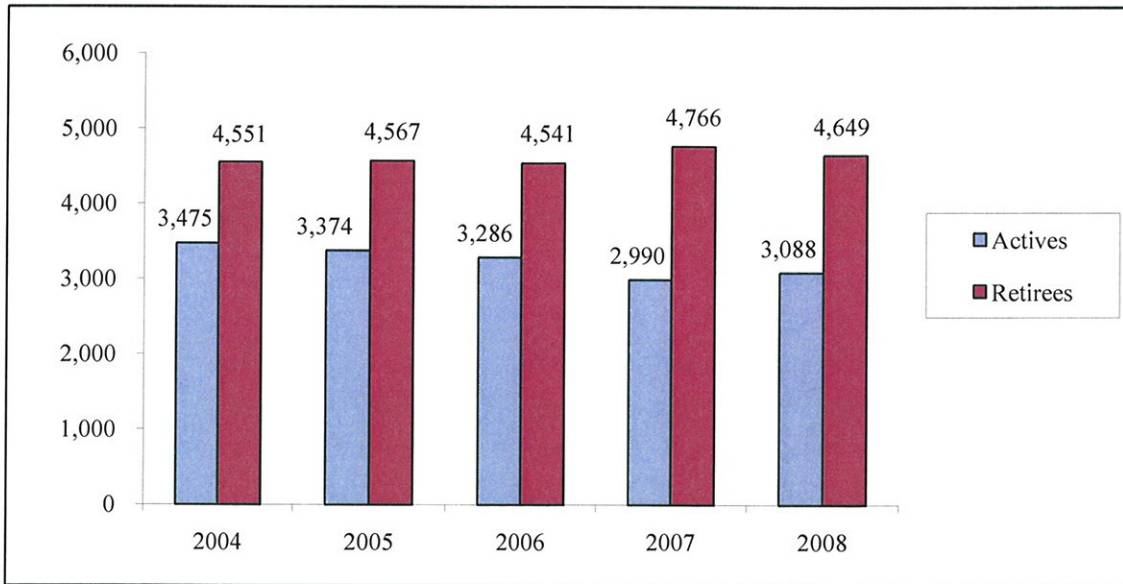
This summary outlines the main findings of the December 31, 2008 actuarial valuation of the Retirement System for the City of Cincinnati (CRS).

The overall experience for the year was extremely unfavorable, resulting in an increase in the total recommended employer contribution rate from 35.90% to 80.76% of payroll. There were no changes in the benefit provisions since the last valuation. However, there were some changes to the actuarial assumptions since the previous valuation. Per GASB, the valuation does not include a reduction for future payments estimated to be made by CMS under the Retiree Drug Subsidy Program (RDS). Additionally, changes were made to the starting per capita claims cost, their assumed rate of inflation, and the relationship of cost between ages.

Membership

The overall system membership has decreased over the last five years. While the retiree counts have seen a slight increase, the active headcounts have decreased about 10% since 2004.

Pension Census Data - June 30

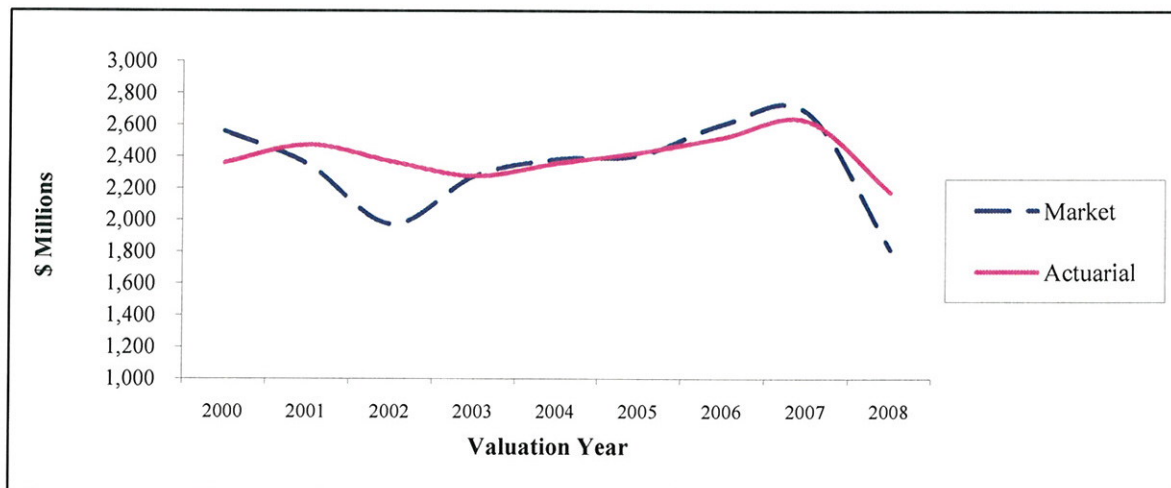


Current Assets

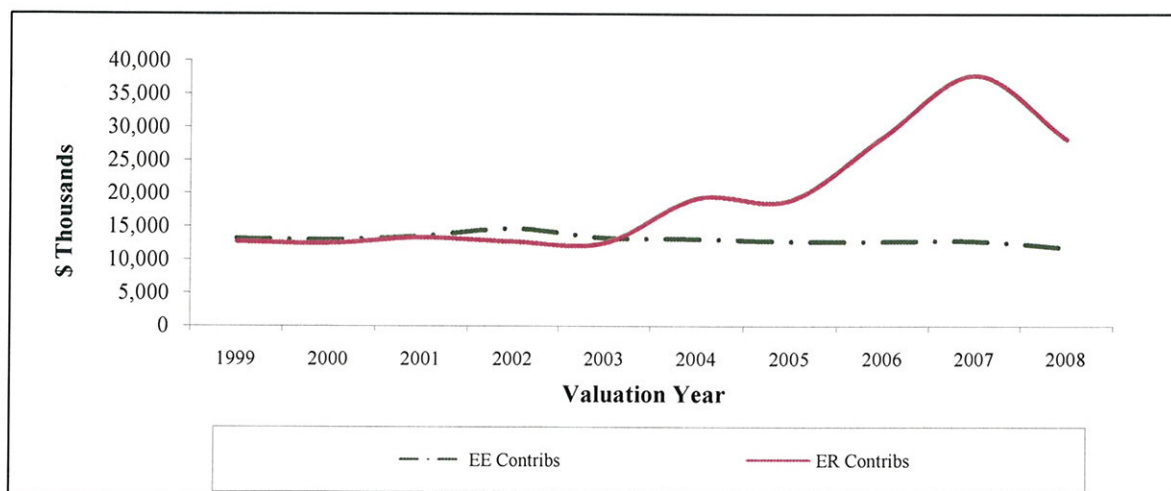
The assets of the Plan amounted to \$2,179.4 million as of December 31, 2008 on a market-related basis that recognizes 20% of the unrecognized and unanticipated gains and losses. This represented a decrease in value of \$450.5 from the previous year, with an actuarial value investment return of -11.86% (which may be compared to the assumed investment return of 8.00%). A majority of this decrease in the actuarial value of assets is due to the application of the 20% corridor outside of the market value of assets. The market value of assets was \$1,816.1 million. The actuarial value of assets cannot be less than 80% or more than 120% of the market value of assets as of the valuation date. Therefore, the actuarial value of assets was limited to \$2,179.4 million.

Below is a history of the market and actuarial value of assets and a history of contributions made by the Employer and Employee.

Asset Values



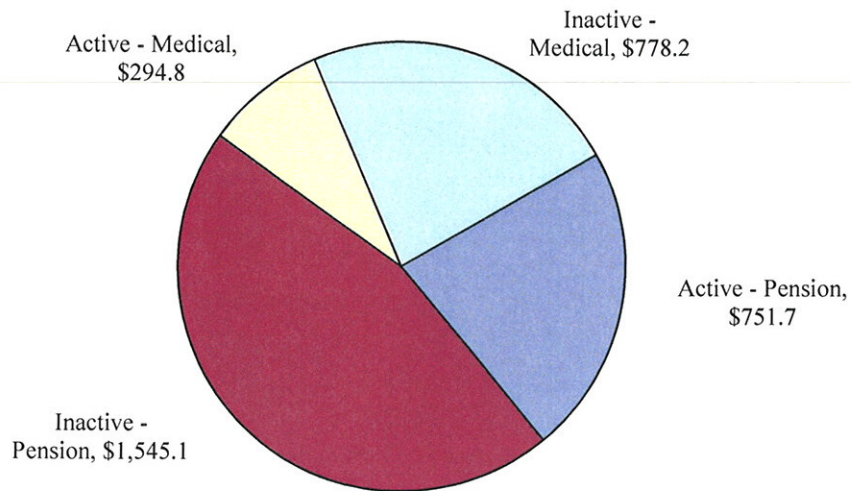
Contributions



Current Liability

The total liability of the System as of December 31, 2008 was \$3,369.8 million. This liability may be divided into the following categories:

Value of Future Benefits to be Provided



The liability of the Plan increased by \$117.3 million from last year or about 3.6%. The majority of the increase in liability was attributable to the Inactive - Medical liability. There were two major areas that caused the increase:

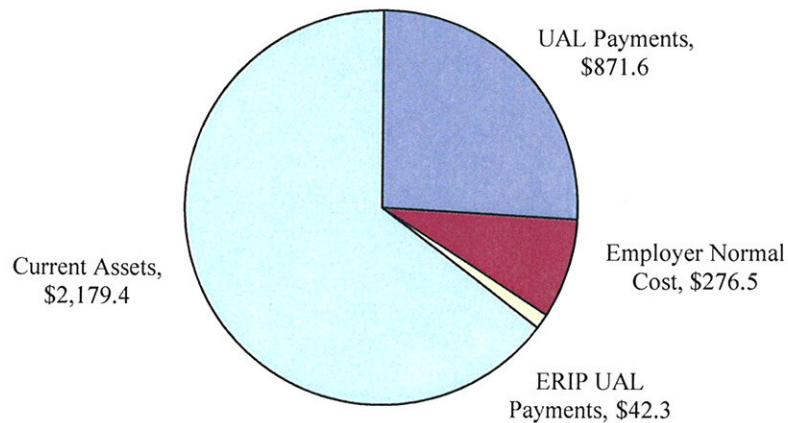
- Treatment of the RDS Subsidy - Under GASB 43 and 45, the subsidy is not recognized as a direct offset, as it is viewed to be a transfer of funds between government levels (estimated \$72.9 million).
- Increase in health care costs for those in the HMO, PPO and Traditional Plans (an increase in cost from 2007 to 2008 and an increase in trend rates used to project future costs).

CRS financing

The \$3,369.8 million liability of the system as of December 31, 2008 will be met by funds from various sources: current assets, future member contributions and future employer contributions. In addition to the normal Unfunded Accrued Liability (UAL) payments that the City is required to contribute, the City is making separate contributions to fund the Early Retirement Incentive Plan (ERIP) that was offered in 2007.

The breakdown is as follows:

Financing \$3,369.8 Million of Retirement Benefit Promises



The financing plan for CRS requires employer contributions of 80.76% of payroll, which will amortize the unfunded actuarial liability as of December 31, 2008 in 15 years from the valuation date. Any liability not covered by current assets and future member contributions is to be met by future contributions by employers. Recent contribution rate allocations have been as follows:

Allocation of Contribution Rate

Valuation Year	Member Rate	Employer Rate			Total	Total Rate
		Normal	UAL	ERIP		
2004	7.00%	14.40%	10.47%	0.00%	24.87%	31.87%
2005	7.00%	13.50%	8.27%	0.00%	21.77%	28.77%
2006	7.00%	14.23%	24.48%	0.00%	38.71%	45.71%
2007	7.00%	14.61%	19.71%	1.58%	35.90%	42.90%
2008	7.00%	13.33%	65.48%	1.95%	80.76%	87.76%

RETIREMENT SYSTEM FOR THE CITY OF CINCINNATI

**ACTUARIAL VALUATION
AS OF DECEMBER 31, 2008**

**SUMMARY OF PRINCIPAL RESULTS
(\$ in thousands)**

	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>Change</u>
1. PENSION PARTICIPANT DATA			
Number of:			
Active Members	3,088	2,990	3.28%
Retired Members and Beneficiaries	<u>4,649</u>	<u>4,766</u>	-2.45%
Total Participants	7,737	7,756	-0.24%
 Annual Salaries of Active Members	\$ 155,495	\$ 148,683	4.58%
 Annual Pension Benefits Paid to Retired Members and Beneficiaries	\$ 132,217	\$ 129,448	2.14%
2. MEDICAL PARTICIPANT DATA			
Number of:			
Active Members	3,088	2,990	3.28%
Retired Members	4,301	4,386	-1.94%
Spouses of Retired Members	<u>1,820</u>	<u>2,491</u>	-26.94%
Total Participants	9,209	9,867	-6.67%
 Annual Medical Benefits Paid to Retired Members and their Spouses	\$ 54,483	\$ 48,943	11.32%
3. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 3,369,790	\$ 3,252,516	3.61%
Assets for Valuation Purposes	2,179,367	2,629,892	-17.13%
Unfunded Accrued Liability	913,887	373,016	145.00%
Future Normal Contributions	276,536	249,608	10.79%
4. CONTRIBUTION RESULTS			
Normal Cost (includes ee contribution)	20.33%	21.61%	
Unfunded Liability Contributions	67.43%	21.29%	
Total Plan Contributions	87.76%	42.90%	
UAL Amortization Period (years)	15	15	