

April 28, 2021

202101579

TO: Mayor and Members of City Council

FROM: Paula Boggs Muething, City Manager

SUBJECT: Report – Issue 3 Impact on the Cincinnati Retirement System (CRS)

REFERENCE DOCUMENT #202101491

City Council adopted at its session on April 21, 2021 the following Motion:

MOTION, dated 04/15/2021, submitted by Councilmember Sundermann, WE MOVE the Administration provide a report on the potential impact that passage of ISSUE 3, the charter amendment that would mandate at least \$50 million each year be allocated solely for affordable housing, could have on the financial health of the Cincinnati Retirement System given the predictions of mass layoffs in the event of its passage.

On March 2, 2021, a presentation was made by the City Administration to the Economic Growth and Zoning Committee to outline the “Impact of an Additional \$50 Million General Fund Reduction.” The presentation outlined the specific reductions that the Administration would recommend if the City were faced with a \$50 million unfunded mandate in the General Fund. Reductions included the elimination of leveraged support, the elimination of multiple departments, reducing the sworn complement of Police and Fire positions which would reduce police patrols and necessitate the brownouts of three Fire engine companies, reducing trash collection to every other week, eliminating the recycling program, as well as service reductions in Parks and Recreation.

These various reductions would impact City staffing levels with an estimated elimination of 237 full-time positions as well as all part-time staff in the Department of Recreation and all part-time maintenance positions in the Cincinnati Parks Department. While the elimination of these positions would dramatically impact service delivery, it would also result in fewer employees paying into retirement systems.

Public safety reductions would result in the elimination of 120 FTEs (75 in Police and 45 in Fire). These employees are in the Ohio Police & Fire Pension Fund (OP&F) for their retirement benefits. The remaining 117 FTEs to be eliminated would be in the Cincinnati Retirement System (CRS) for their retirement benefits.

The elimination of positions would directly impact the health of the CRS as fewer employees would be contributing into the system. The impact on the CRS is based the reduction of covered payroll related to the eliminated positions. Covered payroll is expected to decline by approximately \$14.4 million with these position eliminations. CRS would no longer receive the 16.25% employer contribution or the 9.0% employee contribution on that covered payroll amount. That amounts to an annual reduction of contributions to CRS of approximately \$3.6 million.

The CRS would experience long-term consequences based on this annual reduction. Based on an analysis by the actuarial consulting firm that works with CRS, the funded ratio in 2047 would be reduced up to 14%, dependent on the employees impacted from the layoff. Further analysis would need to be completed if the layoffs occur to fully understand the scope of the negative consequences to the CRS.

cc: Christopher A. Bigham, Assistant City Manager