

**CMERA LETTER TO CITY COUNCIL  
AMERICAN RESCUE PLAN ACT**

April 2, 2021

**RE: USE OF FEDERAL FUNDS TO FIX THE CINCINNATI RETIREMENT SYSTEM PENSION TRUST**

Honorable Mayor and Members of City Council:

I'm writing to urge you to fund the pension trust now, per the provisions of the Collaborative Settlement Agreement (CSA). I am a citizen of Cincinnati, retired member of the Cincinnati Retirement System (CRS), President of Cincinnati Municipal Employees Retirement Association (CMERA), and elected member of the CRS Board of Trustees. I write to you strictly on behalf of myself and CMERA members. I do not speak for the CRS Board of Trustees, nor should any part of this letter be construed as my representing or elaborating on any view or position taken by the CRS Board.

**The American Rescue Plan Act of 2021.** The federal money coming to the city is an amazing opportunity to address the longstanding, difficult problem of CRS underfunding. Even if these funds cannot be used directly for the retirement plan, they could be dedicated to other expenses to allow already budgeted monies to be used for the pension.

**The retirement plan funding problem will only get worse if not addressed.** Failing to address the pension deficit now will lead to greater costs later, and the magnitude of the problem will continue to escalate to unmanageability. Conversely, addressing it in the near future will allow the pension fund to grow naturally through investment gains on the principal, which will keep future required payments lower than they will be if not attended to now.

**The city's credit rating is at risk.** Both 2020 bond rating reports call out inadequate funding of the retirement plan as a threat to the city's future creditworthiness. A downgrade in credit rating will have widespread adverse effects and will represent a danger to the city's very stability. The Ohio Auditor has also repeatedly cited the city for not funding the pension fund according to the CSA. Please be reminded of the fact that the CSA is an official Federal Court Decree (thus requirements to be met) concerning the funding and provisions of the CRS going forward for 30 years, and not just a "wouldn't this be nice" series of informally agreed to provisions.

**Attempting to re-open the CSA is not a valid plan to address the pension problem.** Retirees and active employees negotiated with the city in good faith. The CSA resulted in significant reductions to retirement benefits for all. Yet in each year since the agreement was effective, the city has contributed significantly less than the Actuarial Defined Contribution to the plan. The CSA provides that the City as the employer is responsible for ensuring that the plan is fully funded in order to cover all promised benefits. Now is not the time to re-open the agreement.

**Funding would not need to be complete.** But good headway can be made, and a plan can be developed for future full funding for the Trust. That would go a long way toward satisfying the CSA, the Federal Court, the credit rating agencies, the Auditor, and the retired and active members of the CRS.

**Other facts of importance:**

- The CRS pension plan now covers more than 4100 retirees and beneficiaries, more than 2800 current city workers, plus another 235 workers enrolled in DROP. We are mostly local residents.

- We are now relying on, or in the future will rely on the stability of the retirement system for living expenses as we age. Nearly all of us are or will be ineligible for Social Security benefits.

You, our elected leaders, are surely besieged by requests to fund an array of programs and projects right now. But as you decide priorities, it is imperative that you find a way to use this prodigious opportunity to assure stabilization of the pension plan – and the city’s future -- through adequate funding of the trust. Thank you for your consideration.

Sincerely,



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