

Cobb County Government Employees' Retirement Plans

Traditional Pension
Hybrid Pension
OPEB Healthcare

September 25, 2012
J. Virgil Moon, CPA
Chairman, Board of Trustees

Introducing...

Board of Trustees

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- Bill Hutson - Vice Chair
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- Jim Pehrson
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- Allen Wright

Actuary

Cavanaugh Macdonald Consulting, LLC

- Jose Fernandez, Consulting Actuary

County Staff

- John Bergey, Finance Treasurer
- Betty Banks, HR Specialist
- Lisa Cord, Senior HR Specialist

Cobb County Retirement Plans

➤ Traditional Plan

- Defined Benefit

➤ Hybrid Plan

- Defined Benefit Component
- Defined Contribution Component
- Began January 1, 2010

➤ OPEB - (Other Post Employment Benefits Funding - Healthcare) Plan

Traditional Plan (Defined Benefit)

- **Traditional Plan**
 - **Defined Benefit**
 - **Mandatory contribution**
 - **2.5 factor**
 - **35 years of service maximum**

Group Statistics As of 12/31/11

Traditional Plan (Defined Benefit)

**Retirees & Beneficiaries Currently
Receiving Benefits*:**

***includes CIGNA Participants (88)** **1,767**

Vested Former Employees:

800

**Active Employees Eligible
For Pension Plan:**

4,049

Fully Vested:

2,473

Non-vested:

1,576

Hybrid Plan (Defined Benefit/Defined Contribution)

- **Defined Benefit Component**
 - **Mandatory contribution**
 - **1% Factor**
 - **35 years of service maximum**

- **Defined Contribution Component**
 - **Voluntary contribution**
 - **County matches 50/50 up to 2%
(i.e.: Employee 4%/County 2%)**

Group Statistics As of 12/31/2011

Hybrid Plan (Defined Benefit/Defined Contribution) Non-vested employees

who chose this plan 97

➤ New employees enrolled
since January 1, 2010 408

➤ Total 505

(Total as of September 7, 2012: 629)

Group Statistics As of 12/31/2011

Hybrid Plan (Defined Benefit/Defined Contribution)

- Of the 505 employees in this plan:
 - 100% are enrolled in the Defined Benefit Component (mandatory)
 - 30% are enrolled in the Defined Contribution Component (voluntary)
 - *(As of September 7, 2012: 33%)*

Defined Benefit Funding Traditional and Hybrid Component

- Funds both the Traditional and Hybrid Pension Plans
- Economy is improving but very slowly
- Need to keep closely monitoring/Board of Trustees to monitor annually per updated 30 year plan by actuary

Defined Benefit Funding Traditional and Hybrid Component

- Our long term plan is working as designed
- Funding Status: Went up slightly as projected
- Cobb Funding status is at 54%
- Still projected per updated 30 year closed plan to be 103% funded in 2042

Defined Benefit Funding Traditional and Hybrid Component

- **Annual Pension Cost (APC) went down from \$27.8 million to \$20.5 million (9 months)**
- **Decrease is due to changing the FY from FY 12/31 to FY 9/30 to match the Fiscal Year End Financials per GASB. All future years will be 12 months.**

Defined Benefit Funding Traditional and Hybrid Component

- 30 year projections by actuary shows as long as APC/scheduled rate is paid, full funding of plan is projected within allowable funding period

Defined Benefit Funding Traditional and Hybrid Component

- Pension Fund Cost is sustainable and manageable – Short Term/Long Term “even” with more conservative assumption changes:
 - Rate of Return: from 8% to 7.5% over 5 years
 - Unfunded Actuarial Liability amortized: 30 years to 0 years over 30 years
 - Budget Growth Rate: Now 3 % vs past growth rates

	General Fund	Total Operating Funds
• 1980s:	13.4%	16.0%
• 1990s:	5.1%	5.7%
• 2000s:	6.5%	7.0%

Defined Benefit Funding Traditional and Hybrid Component

➤ Short Term: APC Fiscal Year 2011

- **\$20.5 Million (9 month)**
- **\$27.8 Million (12 month)**
- **% of FY 12 Total Operating Budgets 4.8%**
- **% of FY 12 Total General Fund Budget 6.7%**

Defined Benefit Funding Traditional and Hybrid

Component

Long term 30 Year Actuarial Projections of
scheduled/APC payments

Sustainable and Manageable

Defined Benefit Funding Traditional and Hybrid

Component

➤ CY2012-CY2041

- \$30.7 Million increasing to \$48.3 Million

➤ % of Total Operating Budgets

- 4.8% decreasing to 3.3% (3% growth rate)

➤ % of General Fund Budget

- 6.7% decreasing to 4.5% (3% growth rate)

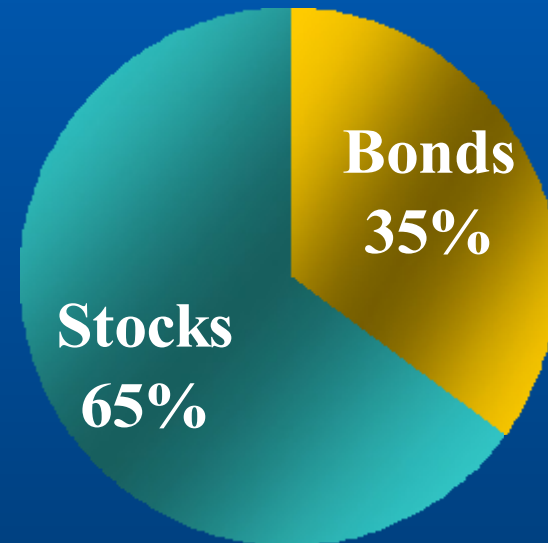
Focus on the Portfolio:

12/31/11 *

Diversified Investments:

Bonds: 6 Managers

Stocks: 14 Managers



***Cost Basis**
Per Georgia Code

Fund Managers

➤ Equity (14)

- Westfield Capital Management
- Vanguard Total International Stock Fund
- Vanguard S&P 500 Index Fund
- Vanguard MidCap 400 Index Fund
- Equity Investment Company
- Congress Asset Management
- Eagle Capital
- Dodge & Cox Funds
- Vaughn Nelson
- Thornburg International
- Eagle Asset
- Black Rock
- First Eagle
- Ivy Asset

Fund Managers

➤ Fixed Income (6)

- Vanguard International Bond Fund
- Richmond Capital Management
- Merganser Capital
- CIGNA
- Delaware Diversified
- Blackrock Strategic

Manager Performance

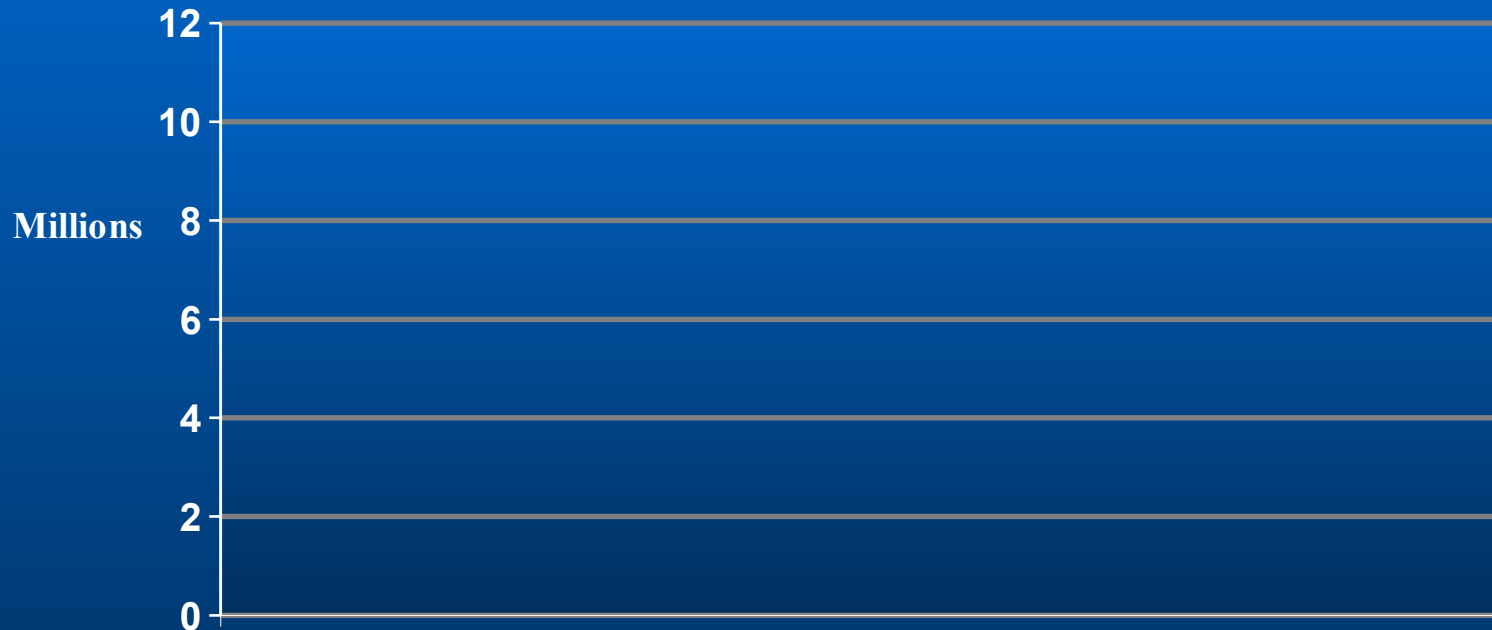
Market Rate of Return for Total Fund

- Goal: (Long Term) 8.00%
- Actual achieved: (.8%) in 2011
- Five year period: 3.50%
- Ten year period: 4.50%
- Inception (June 1994) 7.70%

Total Fund vs. Total Fund Universe

- Goal: 35th Percentile (5 years)
- Actual achieved: 46th
- Five year period: 16th
- Ten year period: 42nd

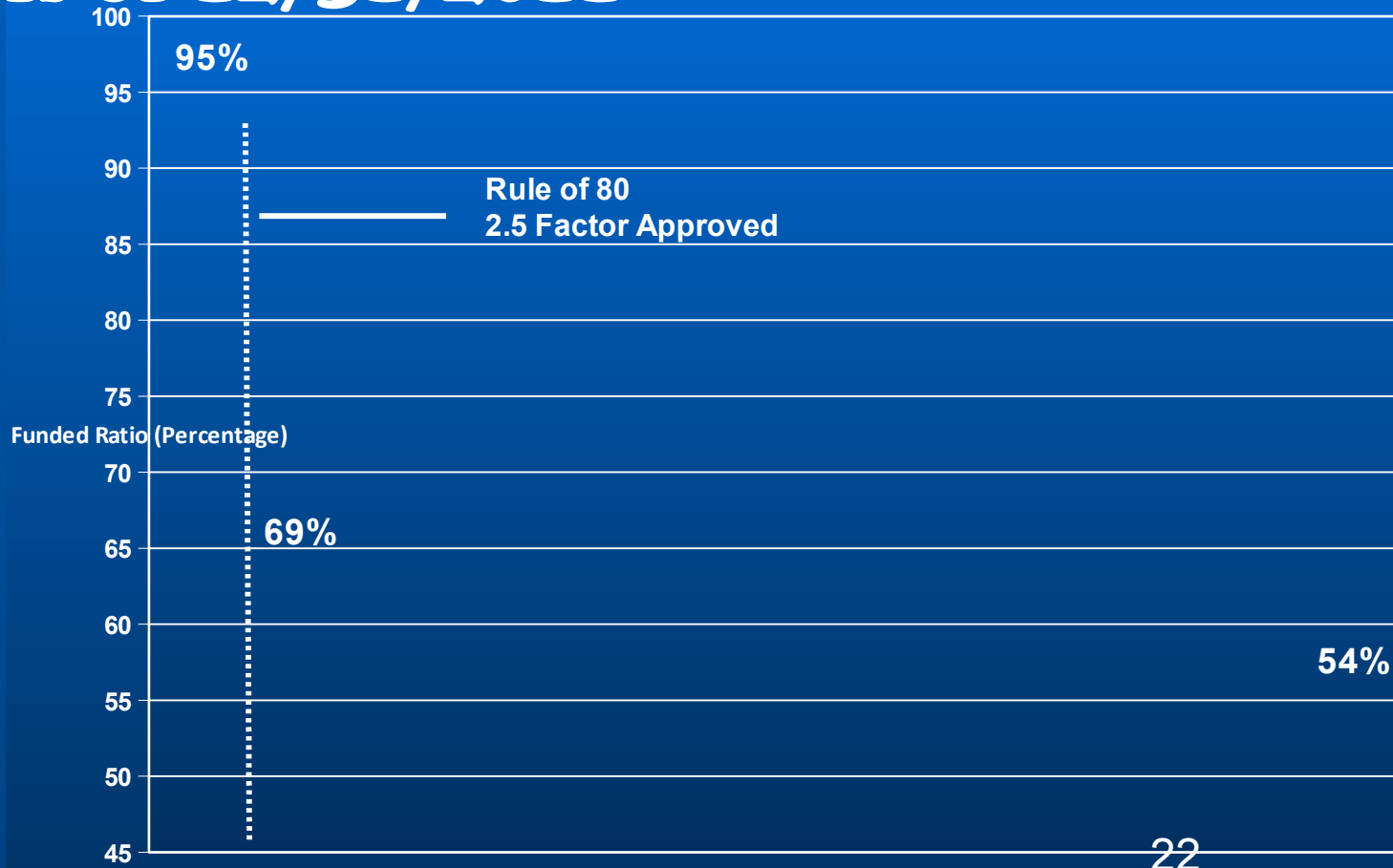
Assets vs. Liabilities (Actuarial Value as of 12/31/2011)



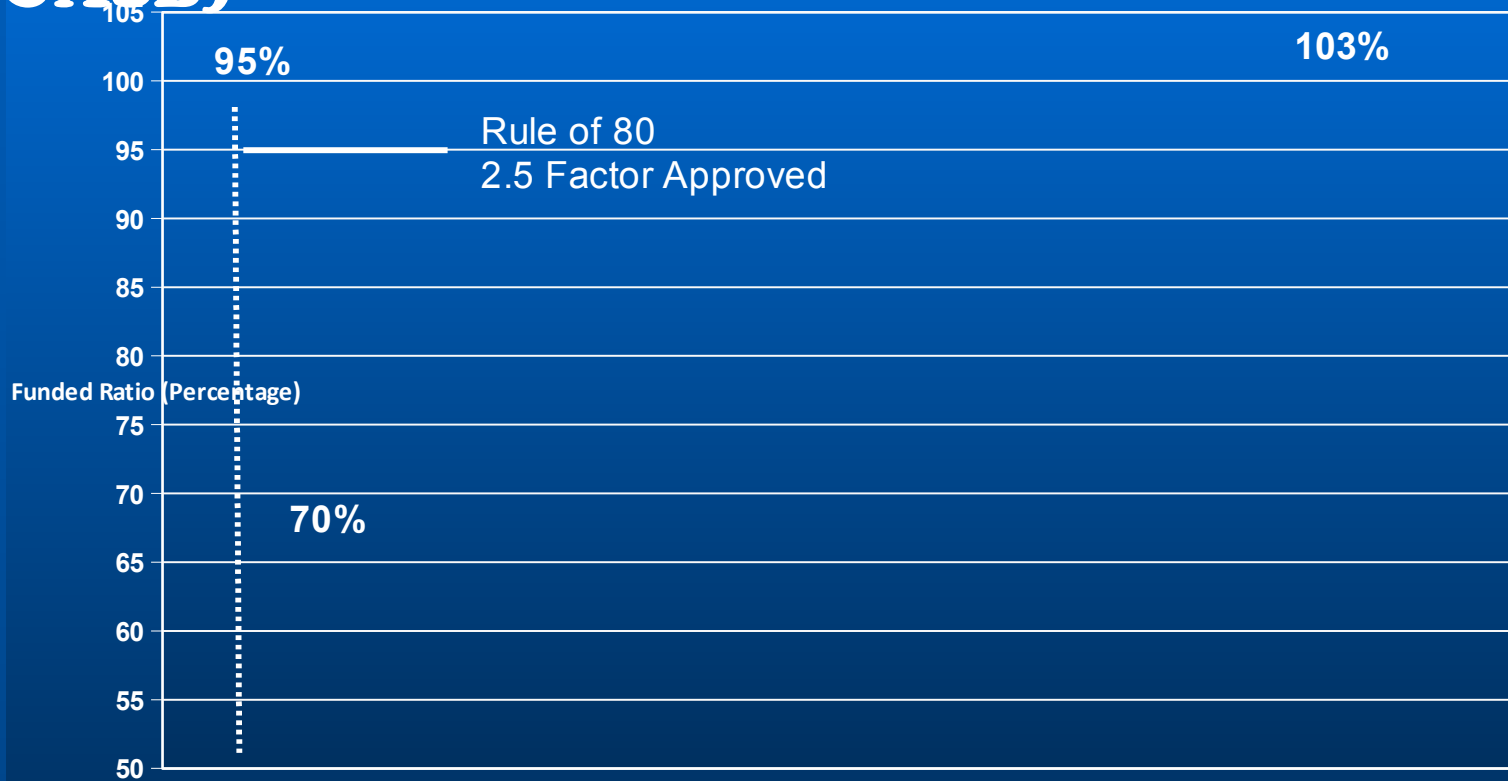
Market value of assets as of 12/31/2011 = \$376,176,498

Pension Funding Status By Year

As of 12/31/2011



Funding Status Long Term Projections (30 Year Plan per GASB)



History

Projected

Traditional and Hybrid Plans

Overall Goals

- **Maintain fiscally sound plans long term**
 - **Defined Benefit plans look at the long term (30 years)**
 - **To be over 100% funded in 30 years (103% is projected)**

Traditional and Hybrid Plans

Overall Goals

- **Develop strong participation in the Defined Contribution Plans (Voluntary)**
 - 457 ICMA Plan – 34% participation
 - Hybrid 401a Plan - 30 % participation
 - Looking at incentive programs
 - Looking at auto enrollment (with 30-90 day opt out)
 - Looking at more robust educational program

OPEB Plan (Healthcare) Funding

➤ Funding Status

- 01/01/08 0.0%
- 01/01/09 4.0%
- 01/01/10 10.4%
- 01/01/11 16.6%
- 01/01/12 18.8%

➤ ARC (Annual Required Contribution) \$18.5 Million

➤ Long term liability decreased over \$4 million from \$205 million to \$201²⁶ million

Going Forward

- **Pension Plan Funding Policy and Guidelines adopted by Pension Board of Trustees in May 2012**

Going Forward

➤ Funding Policy

- States the overall funding goals for these trust funds
- Assessed annually by actuary
- Commits to amounts contributed each year by the employer and the active participants that provide for the secure funding

Going Forward

➤ Funding Policy—continued

- Commits to not consider any benefit changes that increase the unfunded liability to Cobb County (employer) until funding ratio of 100% or greater is achieved

Going Forward—Continued

- **Innovative Education**
 - **Human Resources**
 - **Pension and Retiree Web Pages**
 - **ICMA Retirement Corporation**
 - **457 Deferred Comp Plan Webpage**
 - **401a Hybrid Plan Webpage**

Going Forward—Continued

- **Active Asset/Liability Management**
 - Asset Diversification
 - Manage Performance Standards
 - Pension Plan and Retiree Healthcare Plan Liability Impact Statements on Future Budget Items
- **Hybrid Plan Automatic Enrollment begins January 2013**
- **Employer/Employee Contribution Partnership Continues**

In Closing

The Board of Trustees remains committed to evaluating on a regular basis the status of all Cobb County Government Retirement Plans. We want to make certain that our Plans remain fiscally sound and budgetarily sustainable so that employees will have access to these benefits when they retire.

Questions/Answers