Introducing...

**Board of Trustees**
- Virgil Moon – Chair
- Bill Hutson - Vice Chair
- Gary Bottoms
- Jim Pehrson
- Tony Hagler

**Master Custodian**
SunTrust Bank
- Ken Fillman

**Legal Advisor**
Troutman Sanders LLP
- Evelyn S. Traub

**Investment Advisor**
UBS Financial Services, Inc.
- W. Earle Dodd, III
- Vandyke Price
- 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)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees &amp; Beneficiaries Currently Receiving Benefits*</td>
<td>1,767</td>
</tr>
<tr>
<td>*includes CIGNA Participants (88)</td>
<td></td>
</tr>
<tr>
<td>Vested Former Employees</td>
<td>800</td>
</tr>
<tr>
<td>Active Employees Eligible For Pension Plan:</td>
<td>4,049</td>
</tr>
<tr>
<td>Fully Vested</td>
<td>2,473</td>
</tr>
<tr>
<td>Non-vested</td>
<td>1,576</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Total Operating Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980s: 13.4%</td>
<td>16.0%</td>
</tr>
<tr>
<td>1990s: 5.1%</td>
<td>5.7%</td>
</tr>
<tr>
<td>2000s: 6.5%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>
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

Funded Ratio (Percentage)

95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
45%

Rule of 80
2.5 Factor Approved

95%
69%
54%
Funding Status
Long Term Projections (30 Year Plan per GASB)

- 95% Funded Ratio (Percentage)
- 100% Funded Ratio (Percentage)
- Rule of 80
- 2.5 Factor Approved
- 70% Funded Ratio (Percentage)

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 $201.26 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
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.