

COBB COUNTY GOVERNMENT EMPLOYEES' RETIREMENT PLANS

**TRADITIONAL PENSION
HYBRID PENSION
OPEB HEALTHCARE**

**October 22, 2013
BOC Work Session
James Pehrson, CPA
Chairman, Board of Trustees**

INTRODUCING...

- Board of Trustees
 - James Pehrson – Chair
 - Gary Bottoms - Vice Chair
 - Bill Hutson
 - Tony Hagler
 - Vacant

- Master Trustee
 - 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
 - Alisa Bennett, Consulting Actuary

- County Staff
 - John Bergey, Finance Treasurer
 - Bill Volckmann, Asst Comptroller
 - Buddy Tesar, Accounting Manager
 - Tressie Bloodworth, HR Coordinator

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 - 2012

○ Market Rate of Return for Total Fund

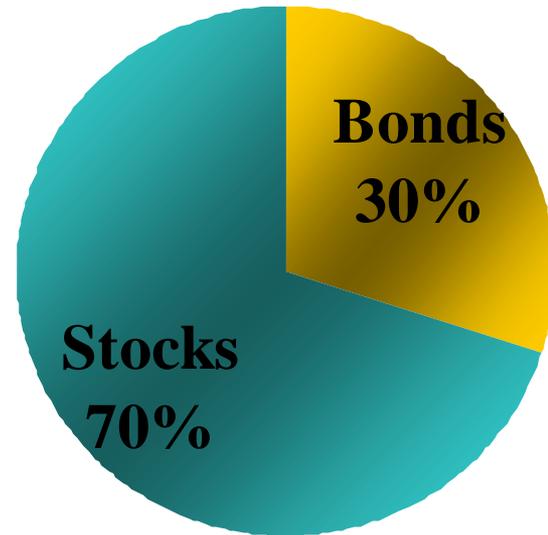
- Goal: (Long Term) 8.00%
- Actual achieved: 13.04%
- Five year period: 4.26%
- Ten year period: 6.83%
- Inception (June 1994) 7.96%

FOCUS ON THE PORTFOLIO: 12/31/12*

Diversified Investments:

Bonds: 6 Managers

Stocks: 14 Managers



*Cost Basis

Per Georgia Code

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

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 09-30-13

HYBRID PLAN (DEFINED BENEFIT/DEFINED CONTRIBUTION)

- Non-vested employees who chose this plan 97
- New employees enrolled since January 1, 2010 789
- Total 886

GROUP STATISTICS AS OF 09/30/13

HYBRID PLAN (DEFINED BENEFIT/DEFINED CONTRIBUTION)

- Of the 886 employees in this plan:
 - 100% are enrolled in the Defined Benefit Component (mandatory)
 - 48.5% are enrolled in the Defined Contribution Component (voluntary)

GROUP STATISTICS AS OF 12/31/12

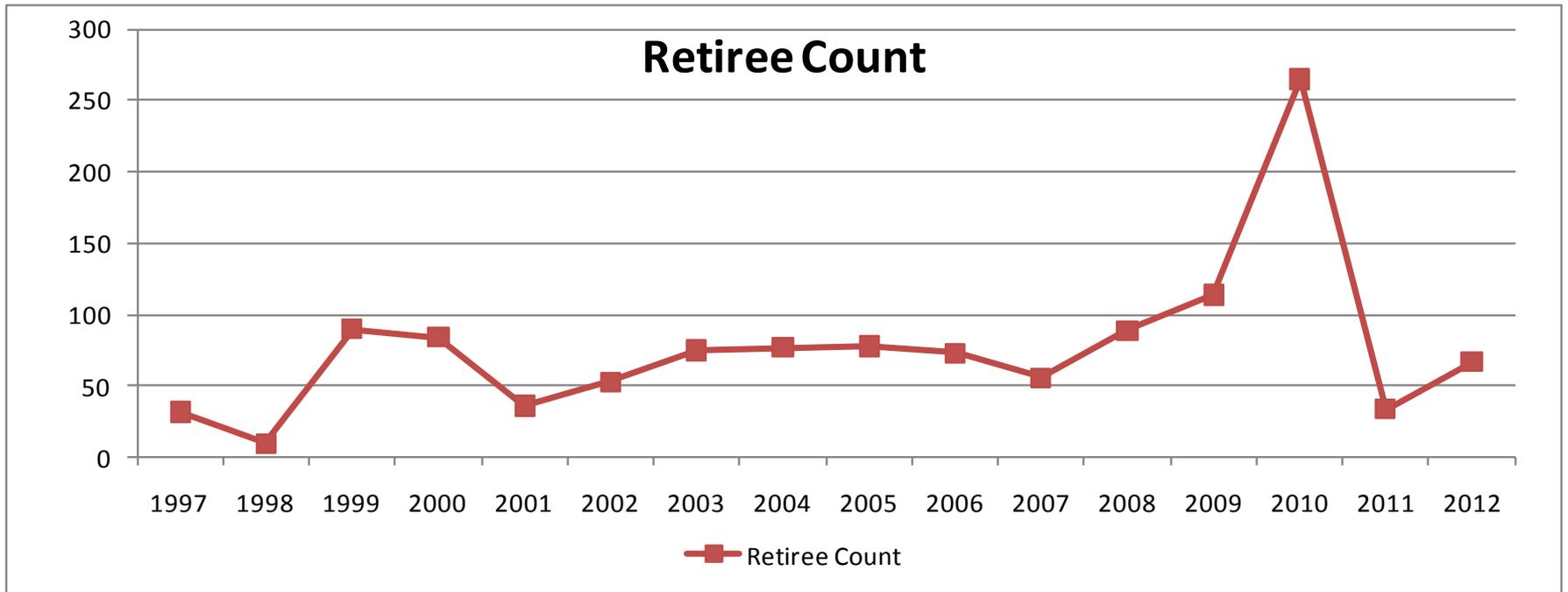
DEFINED BENEFIT

- Retirees & Beneficiaries
Currently Receiving
Benefits*:
 - *includes
CIGNA Participants (80) ➤ 1,844
 - Vested Former Employees: ➤ 819
 - Active Employees Eligible ➤ 4,039
 - For Pension Plan:
 - Fully Vested: ➤ 2,539
 - Non-vested: ➤ 1,500

DEFINED BENEFIT FUNDING TRADITIONAL AND HYBRID COMPONENT

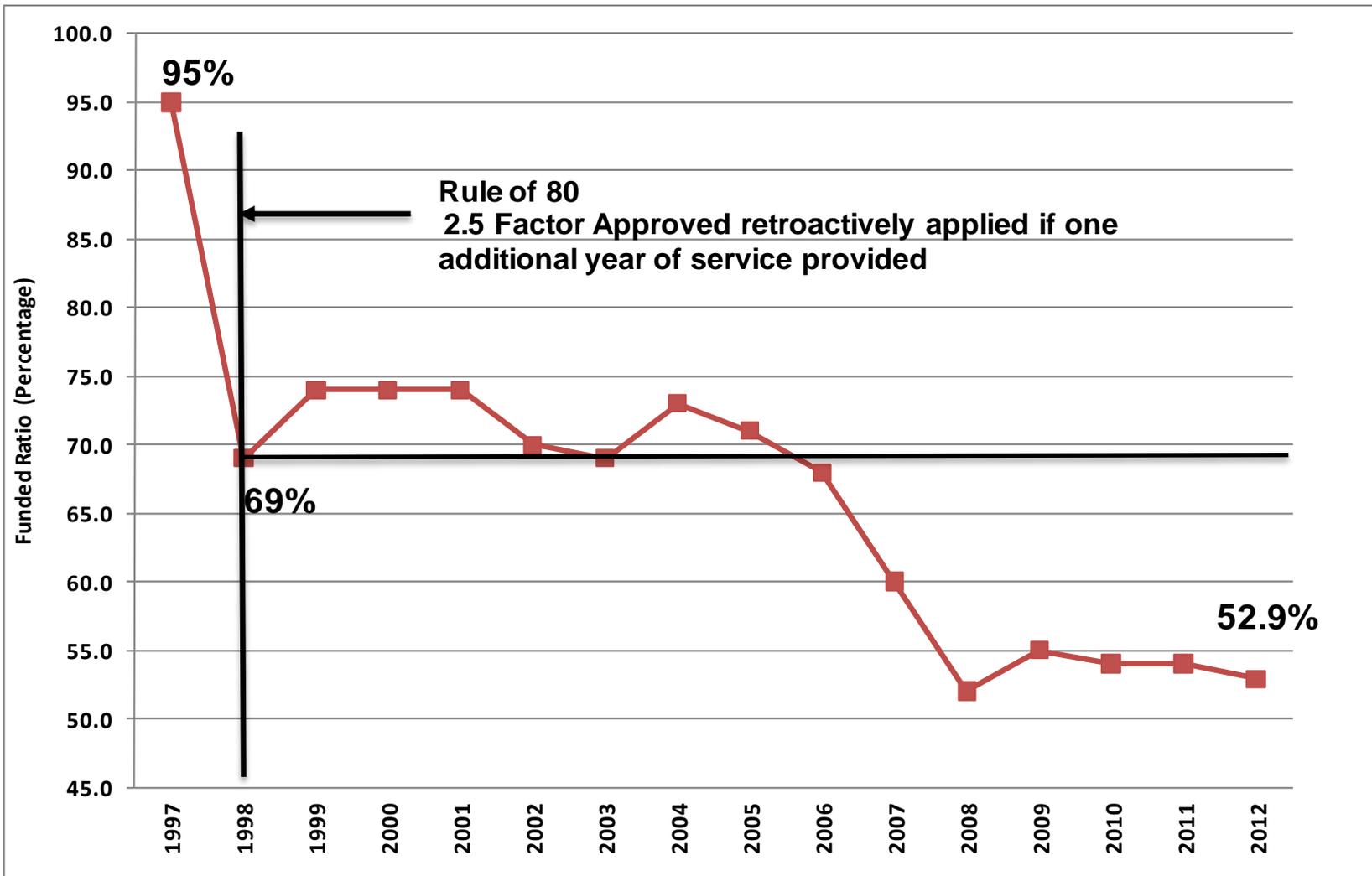
- Funds both the Traditional and Hybrid Pension Plans
- Economy is improving but slowly
- Long-term Plan is in Place
- Implemented pro-active changes
 - Implemented Hybrid Plan – Jan 1, 2010
 - Phase down discount rate from 8% to 7.5% over 5 years
 - Close 30-year amortization period
- Need to keep monitoring closely
 - updated 30 year projections of plan by actuary
 - prepared 5-year experience study

RETIREE COUNT BY CALENDAR YEAR



PENSION FUNDING STATUS BY YEAR

AS OF 12/31/2012



DEFINED BENEFIT FUNDING TRADITIONAL AND HYBRID COMPONENT

Net Pension Obligation/(Asset) as of September 30, 2013		
1	Employer Annual Required Contribution	31,910,712
2	Interest on Net Pension Obligation	(309,514)
3	Adjustment to Annual Required Contribution	286,750
4	Annual Pension Cost for Fiscal Year 2013	31,887,948
5	Employer contributions made for Fiscal Year ending 2013	37,293,491
6	Increase (Decrease) in net pension obligation	5,405,543
7	Net Pension Asset as of September 30, 2012	4,126,853
8	Net Pension Asset as of September 30, 2013	9,532,396

FUNDING STATUS

SMOOTHING GAINS AND LOSSES

- Actuarial Value of Assets / Actuarial Determined Liabilities
 - 5 year smoothing (eliminates spikes – makes funding more predictable)

5 – YEAR SMOOTHING IMPACT (2014 FOR COMPARATIVE PURPOSES ONLY)

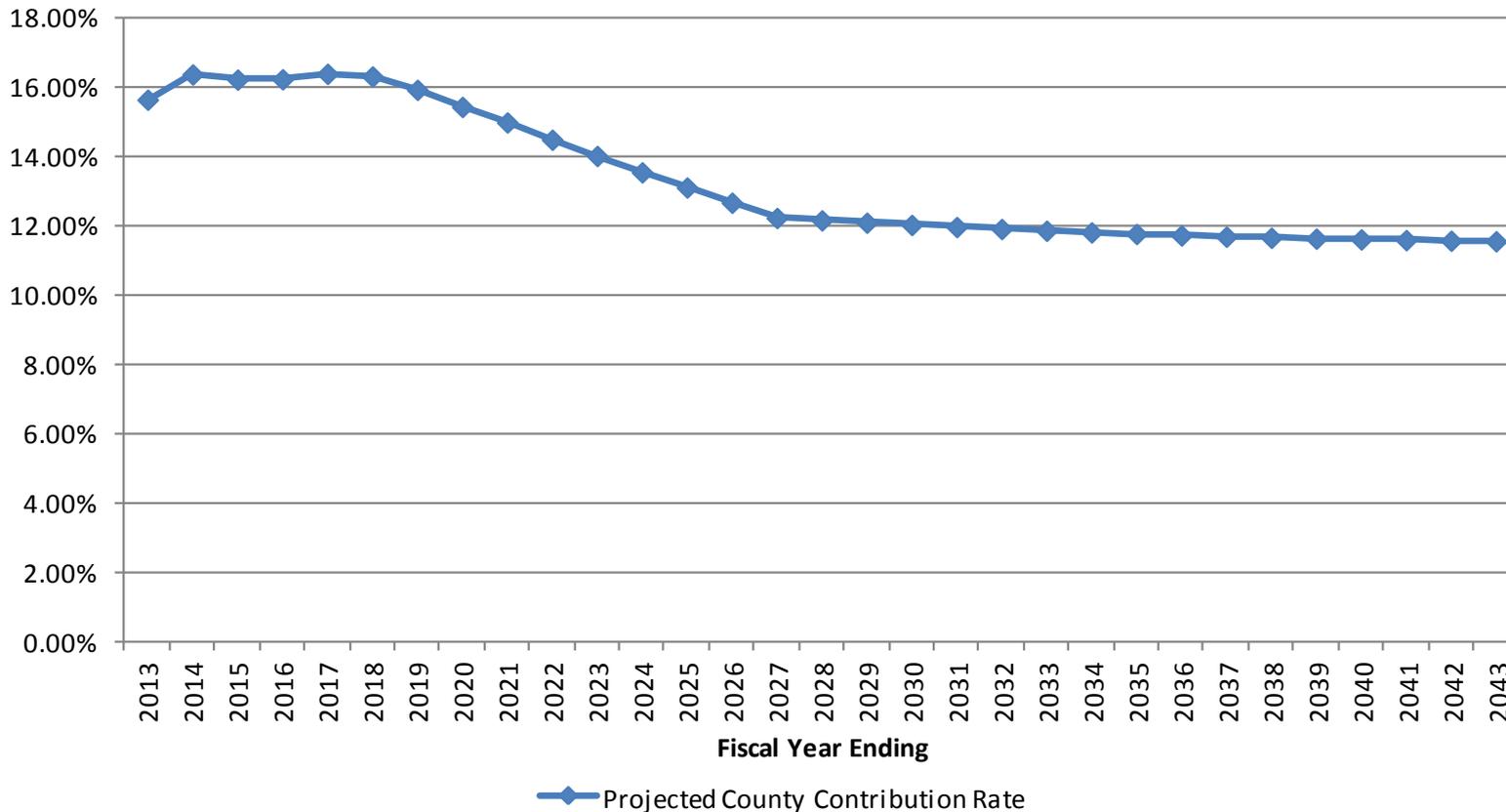
Investment Income	2013	2014
Market Total	47,561,332	30,816,788
Assumed Rate	8.0%	8.0%
Amount for Immediate Recognition	30,816,788	30,816,788
Amount for Phased-In Recognition	16,744,544	-
Phased-In Recognition of Investment Income	x .20	
Current Year	3,348,909	-
First Prior Year	(6,629,648)	3,348,909
Second Prior Year	3,372,395	(6,629,648)
Third Prior Year	7,178,500	3,372,395
Fourth Prior Year	(19,399,130)	7,178,500
	(12,128,974)	7,270,156
Final Actuarial Value End of Year	412,596,608	451,936,435
Difference Between Market & Actuarial Values	7,429,975	10,672,197
Rate of Return on Actuarial Value	4.50%	8.98%
Actuarial Accrued Liability	782,120,359	782,120,359
Funding Percentage	52.75%	57.78%
Change in Funding Percentage		5.03%

DEFINED BENEFIT FUNDING TRADITIONAL AND HYBRID COMPONENT

- Long term 30 Year Actuarial Projections of scheduled APC payments
- Sustainable and Manageable

PROJECTED EMPLOYER CONTRIBUTION RATES AS A % OF PAYROLL

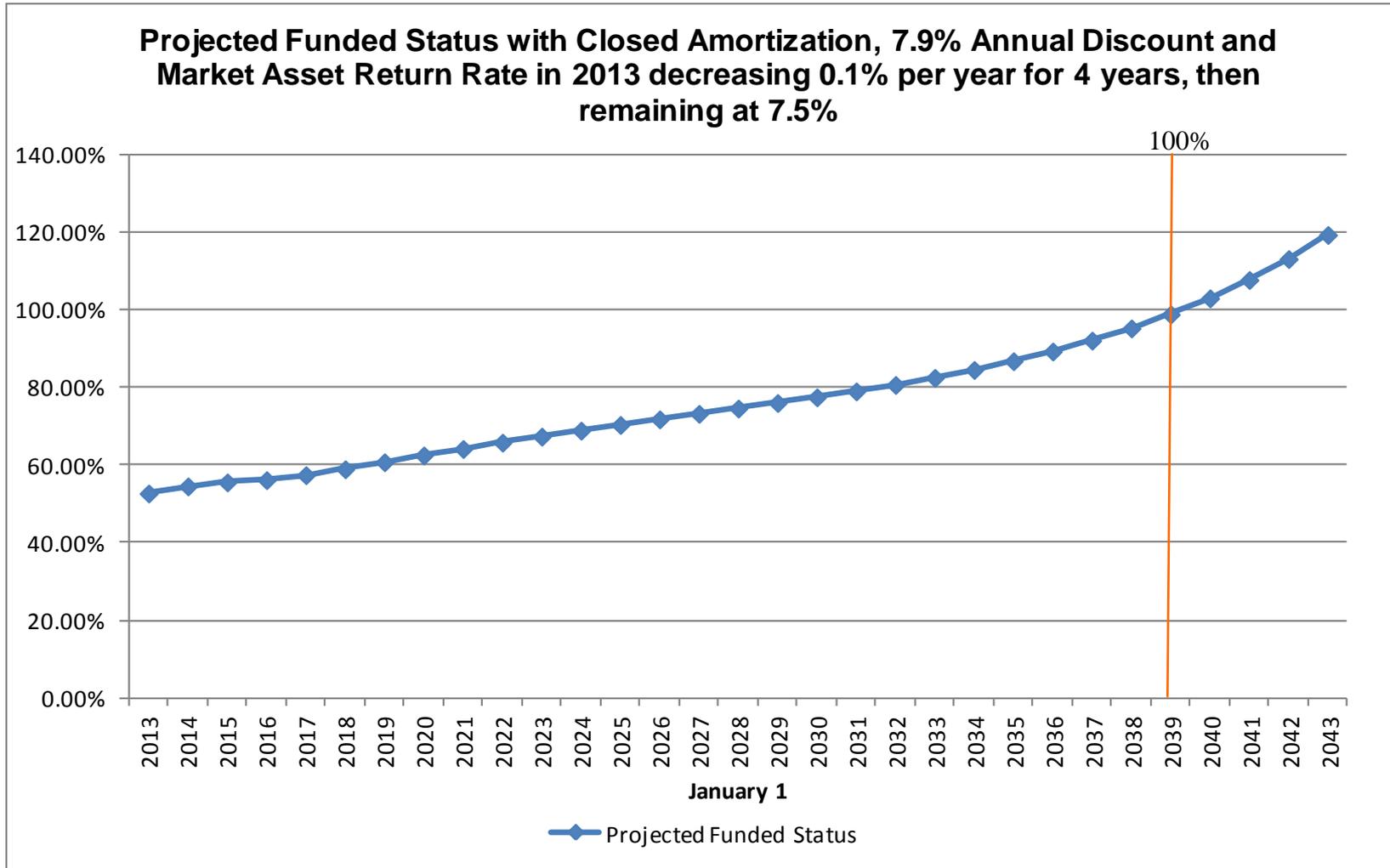
Projected County Contribution Rate with Closed Amortization, 7.9% Annual Discount and Market Asset Return Rate in 2013 decreasing 0.1% per year for 4 years, then remaining at 7.5%



30-YEAR PROJECTIONS RESULTS

- Funding status of Pension Plan 53% as of January 1, 2013
- 30-year projected funded status with county funding ARC with closed amortization and market asset return rate decreasing by .1% per year to 7.5% brings plan to 100% funded in 2039

PROJECTED FUNDED STATUS



TRADITIONAL AND HYBRID PLANS

OVERALL GOALS

- Maintain fiscally sound plan – focus on the long term
 - Defined Benefit plans look at the long term (30 years)
 - To be over 100% funded in 30 years

TRADITIONAL AND HYBRID PLANS

OVERALL GOALS

- Develop strong participation in the Defined Contribution Plans (Voluntary)
 - 457 ICMA Plan – 29.9% participation
 - Hybrid 401a Plan – 48.5% participation
 - Implemented auto enrollment with opt out period
 - Continue to look at more robust educational programs

GOING FORWARD – HYBRID EMPLOYEES

- Change funding contribution from 5% to 3%

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%
• 01/01/13	31.6%

○ ARC (Annual Required Contribution) \$12.8 Million – Prior year ARC was \$18.5 million

○ Long term liability decreased over \$73 million from \$201 million to \$127.8 million

GOING FORWARD—CONTINUED

○ Innovative Education

- Human Resources/Finance
- Pension Update Newsletters
- Pension and Retiree Web Pages
- ICMA Retirement Corporation

GOING FORWARD—CONTINUED

- Active Asset/Liability Management
 - Asset Diversification (75% - 25% mix)
 - Manage Performance Standards
 - Pension Plan and Retiree Healthcare Plan Liability Impact Statements on Future Budget Items
- GASB 68 - Pensions
- 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