

# COBB COUNTY GOVERNMENT EMPLOYEES' RETIREMENT PLANS

TRADITIONAL PENSION  
HYBRID PENSION  
OPEB HEALTHCARE

James Pehrson, CPA  
Chairman, Board of Trustees

# INTRODUCING...

---

- × Board of Trustees
  - + James Pehrson – Chair
  - + Bill Hutson - Vice Chair
  - + Jack Demarest
  - + Tony Hagler
  - + Dr. Roger Tutterow
- + 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
  - + Bill Volckmann, Asst Comptroller
  - + Buddy Tesar, Finance Div Mgr
  - + 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
- + Oppenheimer International Growth
- + Eagle Capital
- + Dodge & Cox Funds
- + Vaughn Nelson
- + Eagle Asset
- + Black Rock
- + First Eagle
- + Ivy Asset
- + TCW Asset Mgt

# FUND MANAGERS

---

## ✕ Fixed Income (5)

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

# MANAGER PERFORMANCE - 2014

## ✖ Market Rate of Return for Total Fund

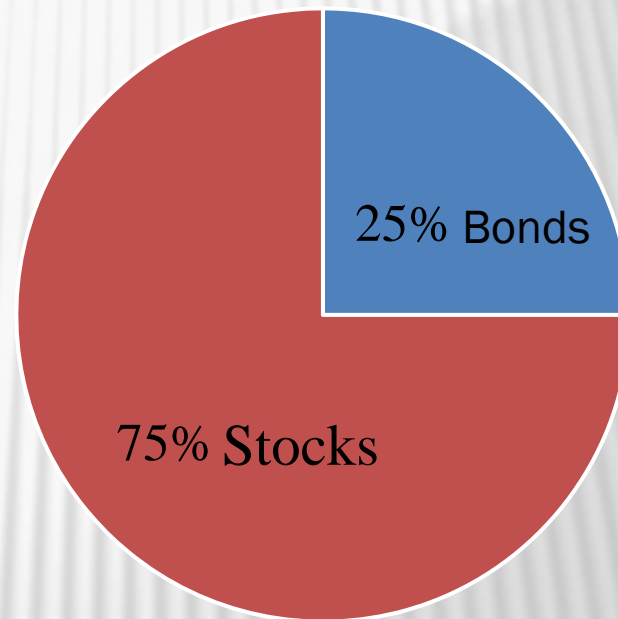
+ Goal: (Long Term)	7.90%
+ Actual achieved:	20.16%
+ Five year period:	13.40%
+ Ten year period:	7.16%
+ Inception (June 1994)	8.55%
+ Rate of Return on an Actuarial Value	12.07%

# FOCUS ON THE PORTFOLIO 12/31/13

**Diversified Investments:**

**Bonds: 6 Managers**

**Stocks: 14 Managers**



# 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%)
  - + Contribution decreased from 5% to 3% Jan 2014

## GROUP STATISTICS AS OF 01-01-14 HYBRID PLAN (DEFINED BENEFIT/ DEFINED CONTRIBUTION)

× Non-vested employees who chose this plan  
97

× New employees enrolled since January 1, 2010  
858

× Total      955

## GROUP STATISTICS AS OF 9-30-14 HYBRID PLAN (DEFINED BENEFIT/ DEFINED CONTRIBUTION)

- × Of the 1,150 employees in this plan:
  - + 100% are enrolled in the Defined Benefit Component (mandatory)
  - + 59.8% are enrolled in the Defined Contribution Component (voluntary)

# TRADITIONAL AND HYBRID PLANS OVERALL GOALS

---

- ✖ Develop STRONG participation in the Defined Contribution Plans (Voluntary)
  - + 457 ICMA Plan – 27.87% participation
    - ✖ Down from 29.9% last year
  - + Hybrid 457/401(a) Plan – 59.8% participation
  - + Implemented auto enrollment with opt out period
  - + Continue to look at more robust educational programs

# GROUP STATISTICS AS OF 01/01/2014

## DEFINED BENEFIT

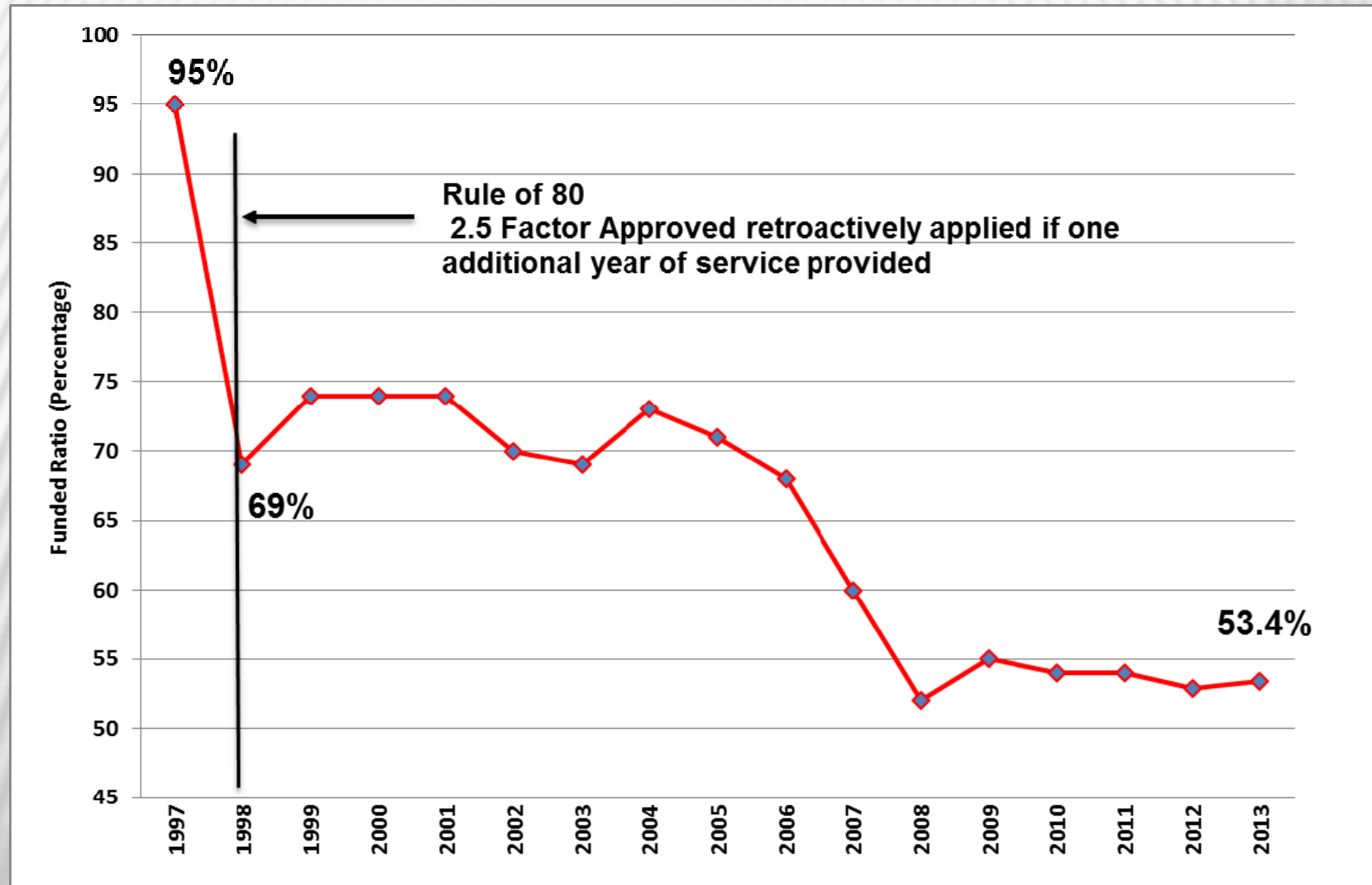
---

✖ Retirees & Beneficiaries Currently Receiving Benefits:	•1,892
✖ Vested Former Employees:	•876
✖ Active Employees Eligible	•4,041
✖ For Pension Plan:	
Fully Vested:	•2,560
Non-vested:	•1,481

# DEFINED BENEFIT FUNDING TRADITIONAL AND HYBRID COMPONENT

- × Funds both the Traditional and Hybrid Pension Plans
- × Economy is improving
- × 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
  - + Reduced Defined Benefit Contribution rate for Hybrid employees from 5% to 3%
- × Need to keep monitoring closely
  - + updated 30 year projections of plan by actuary
  - + prepared 5-year experience study

# PENSION FUNDING STATUS BY YEAR AS OF 12/31/13



# DEFINED BENEFIT FUNDING TRADITIONAL AND HYBRID COMPONENT

Net Pension Obligation/(Asset) as of		09/30/2013	09/30/2014
1	Employer Annual Required Contribution	31,910,712	33,960,537
2	Interest on Net Pension Obligation	(309,514)	(850,750)
3	Adjustment to Annual Required Contribution	286,750	748,272
4	Annual Pension Cost for Fiscal Year	31,887,948	33,858,059
5	Employer contributions made for Fiscal Year	38,530,086	35,997,237
6	Increase (Decrease) in net pension obligation	6,642,138	2,139,178
7	Net Pension Asset as of Beginning of Year	4,126,853	10,768,991
8	Net Pension Asset as of End of Year	10,768,991	12,908,169



# 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

	2013	2014
Investment Income		
Market Total	47,561,332	81,379,263
Assumed Rate	8.0%	7.9%
Amount for Immediate Recognition	30,816,788	34,396,183
Amount for Phased-In Recognition	16,744,544	46,983,080
Phased-In Recognition of Investment Income		
Current Year	3,348,909	9,396,616
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)	16,666,772
CIGNA	2,964,130	2,644,766
Preliminary Actuarial Value End of Year	415,560,738	466,937,665
Actuarial Value Corridor		
80% of Market Value End of Year	336,021,266	401,631,346
120% of Market Value End of Year	504,031,900	602,447,018
Final Actuarial Value End of Year	415,560,738	466,937,665
Difference Between Market & Actuarial Values	4,465,845	35,101,517
Rate of Return on Actuarial Value	4.50%	12.07%
Actuarial Accrued Liability	785,084,489	873,883,393
Funding Percentage	52.93%	53.43%

# 30- YEAR PROJECTIONS RESULTS

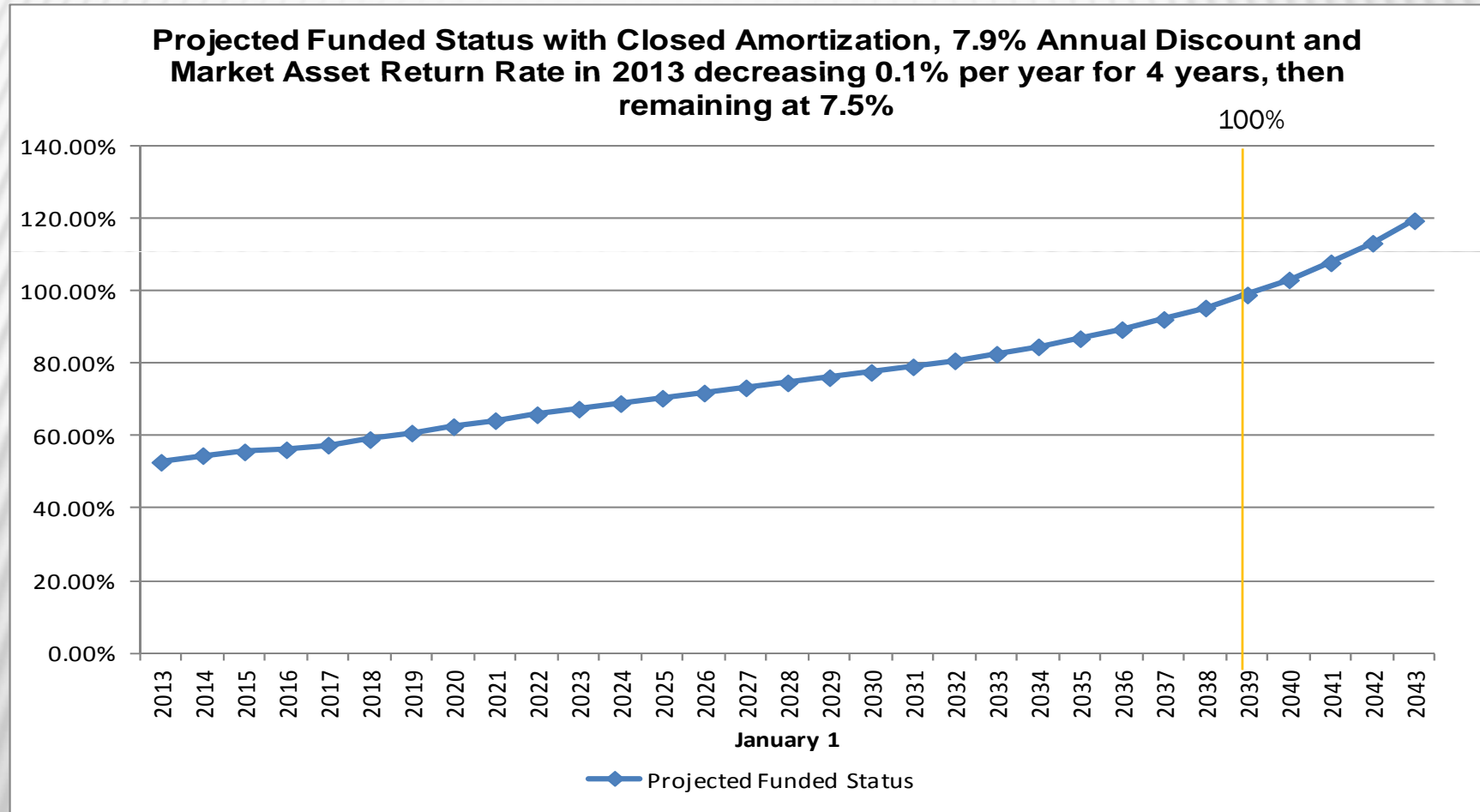
- ✖ Funding status of Pension Plan 53.4% as of January 1, 2014
- ✖ 30-year projected funded status with county funding Annual Required Contribution (ARC) with closed amortization and market asset return rate decreasing by .1% per year to 7.5% brings plan to 100% funded in 2039

# 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

# PROJECTED FUNDED STATUS



# 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%
+ 01/01/14	42.3%

OPEB Load History	
2008 - 2011	30%
2012	26%
2013	15%
2014	9%
2015	8%

## × Results of Extend Health

- + ARC (Annual Required Contribution) \$12.4 Million – 2012 ARC was \$18.5 million
- + Long term liability decreased over \$73 million from \$201 million to \$127.8 million

## × Current Long-term Liability - \$115.4 million

# OPEB FUNDING

Net OPEB Obligation/(Asset) as of		09/30/2013	09/30/2014
1	Employer Annual Required Contribution	18,531,372	12,762,508
2	Interest on Net OPEB Obligation	(259,757)	(414,759)
3	Adjustment to Annual Required Contribution	208,899	337,776
4	Annual OPEB Cost for Fiscal Year	18,480,514	12,685,525
5	Employer contributions made for Fiscal Year	20,483,670	15,300,662
6	Increase (Decrease) in net OPEB obligation	2,003,156	2,615,137
7	Net OPEB Asset as of Beginning of Year	3,246,961	5,250,117
8	Net OPEB Asset as of End of Year	5,250,117	7,865,254



# GOING FORWARD- CONTINUED

- ✦ Innovative Education
  - + Human Resources/Finance
  - + Pension Update Newsletters
  - + Pension and Retiree Web Pages
  - + ICMA Retirement Corporation
  
- ✦ New Pension Accounting Standards - GASB 67 & GASB 68



# 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 sustainable so that employees will have access to these benefits when they retire.

# QUESTIONS/ ANSWERS