

# COBB COUNTY EMPLOYEE RETIREMENT PLAN BOARD OF TRUSTEES REPORT

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COBB COUNTY BOARD OF COMMISSIONERS

WORK SESSION – AUGUST 26, 2019

# BOARD OF TRUSTEES & PROFESSIONAL ADVISORS

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## Pension Board of Trustees, 2019

- Tony Hagler, Human Resources Director
- Virgil Moon, Cobb-Douglas Health Department
- Roger Tutterow, Kennesaw State University (Chair)
- Bill Volckmann, Finance Director
- Neil Warren, Cobb County Sheriff (Vice-Chair)

## Investment Advisor

- UBS Financial Services, Inc.

## Master Trustee

- SunTrust Bank

## Actuary

- Cavanaugh Macdonald Consulting, LLC

## Legal Advisor

- Troutman Sanders LLP

# CHARGE TO THE BOARD

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“The Board of Trustees is charged with responsibility for the selection and retention of investment managers and as custodian for the assets of the Pension Plan and Retiree Health Care (OPEB Plan).”

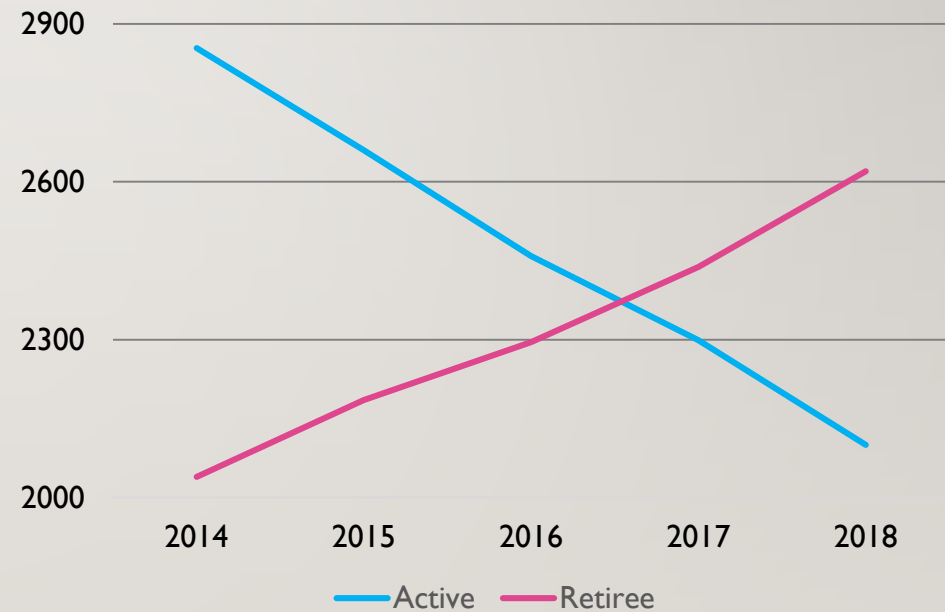
“Their purpose is to invest the assets of the Plan in a prudent manner such that the safety of the principal is preserved while providing reasonable returns, and in general avoiding speculative investments.”



# TRADITIONAL DEFINED BENEFIT PLAN

- Service factor 2.5% per year of service
- Employee contribution rate 7.75%
- Employee contribution rate will increase 0.25% per until it reaches 8.75% in 2023

## TRADITIONAL PLAN PARTICIPANTS

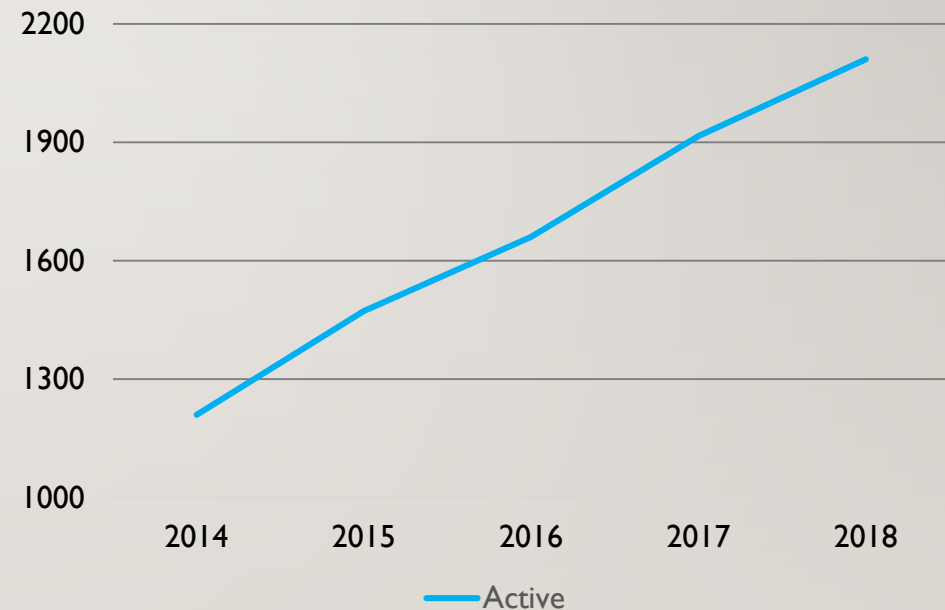




# HYBRID PLAN

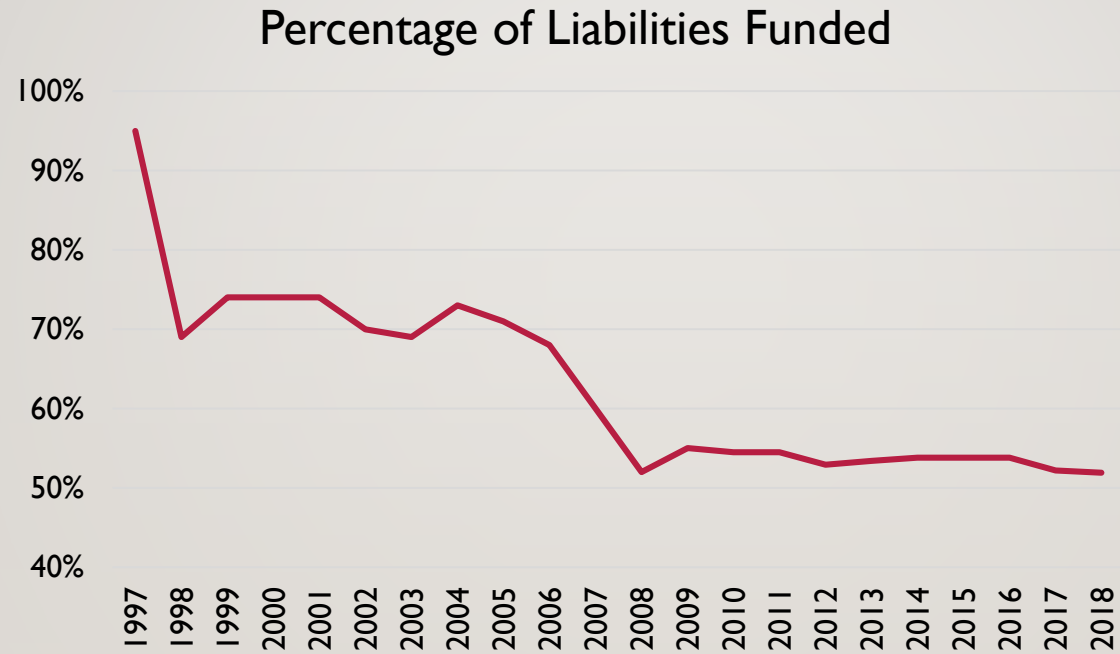
- Plan began January 1, 2010, and applies to all new employees hired thereafter
- Service factor 1.0% per year of service
- Employee contribution rate 3.0%
- Defined contribution component: Hybrid Plan allows eligible employees to make a voluntary contribution to a 457 plan.

## HYBRID PLAN PARTICIPANTS



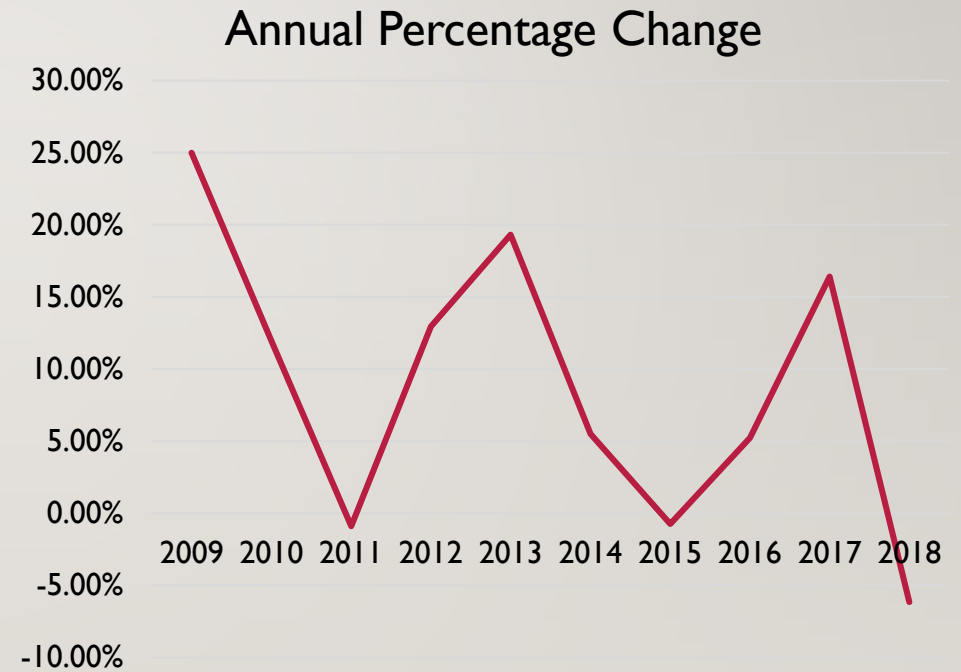
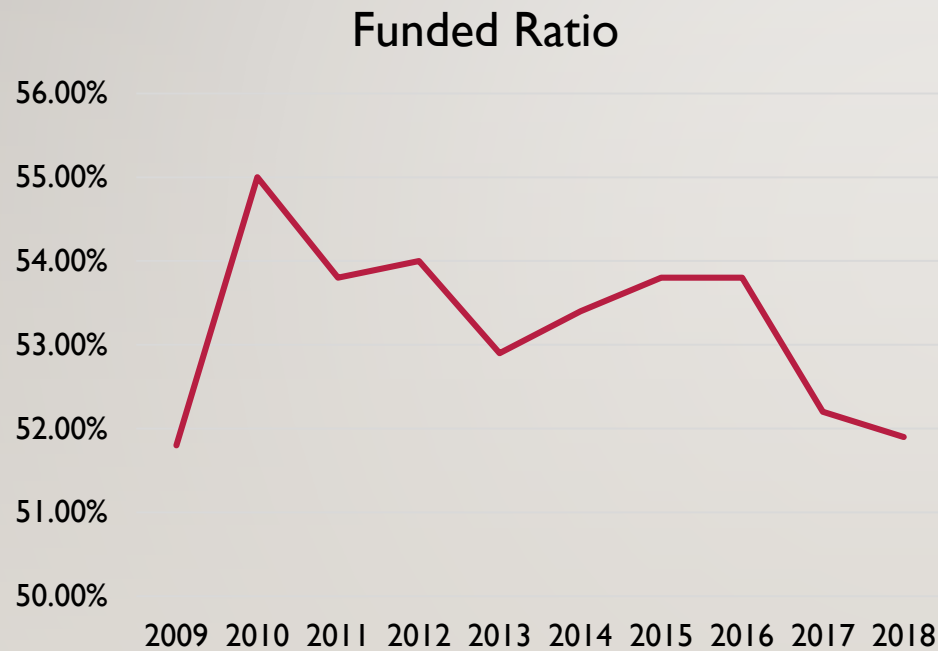
# LONG-TERM TREND IN TRADITIONAL FUNDING

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# TRADITIONAL & HYBRID PLANS' PERFORMANCE

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# 2017 EXPERIENCE STUDY'S IMPACT

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- **\$60,000,000 Negative Impact** from Assumption and Method Changes
- As a result of the Experience Study for the 5 year period ending December 31, 2016, the following assumptions were changed:
  - 1) Pre-Retirement Mortality Table was updated to RP-2000 Employee projected to 2025 using scale BB with No Set back / Set forward
  - 2) Post-retirement Mortality Table was updated to RP-2000 Combined projected to 2025 using scale BB; Set forward 2 years for both Male & Female lives
  - 3) Retirement rates were updated for Public Safety and General Employees
  - 4) Withdrawal rates were modified for both Public Safety and General Employees
  - 5) Salary merit scale was updated for all members



# 2018 ANNUAL PERCENTAGE CHANGE IMPACT

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- Actuarial Assumed Annual Percentage Change 7.5%
- Actual Annual Percentage Change -6.15%
- Difference was a **\$15.6 Million Negative Impact**
- Plan Performance as of June 30, 2019
  - **3 Year 10.39%**
  - **5 Year 6.85%**
  - **7 Year 9.47%**
  - **Inception 8.26% (Since 1994)**

# ASSET PERFORMANCE

## PUBLIC PENSIONS, ASSETS < \$1B

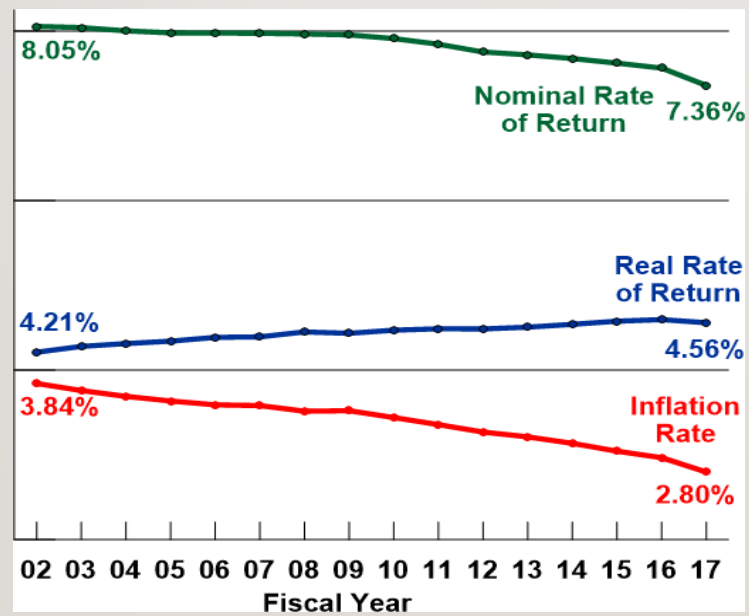
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	1 Year	2 Years	3 Years	5 Years	10 Years
Portfolio Return	7.16%	8.39%	10.39%	6.85%	10.07%
Policy Index	6.40%	7.28%	9.06%	5.87%	9.09%
Mean Peer	6.28%	6.88%	8.26%	5.62%	8.75%
Rank	24	3	31	6	8

# WHY LOWER INFLATION MATTERS

Average nominal and real rate of return, and average  
assumed inflation rate, FY 02 – FY 17

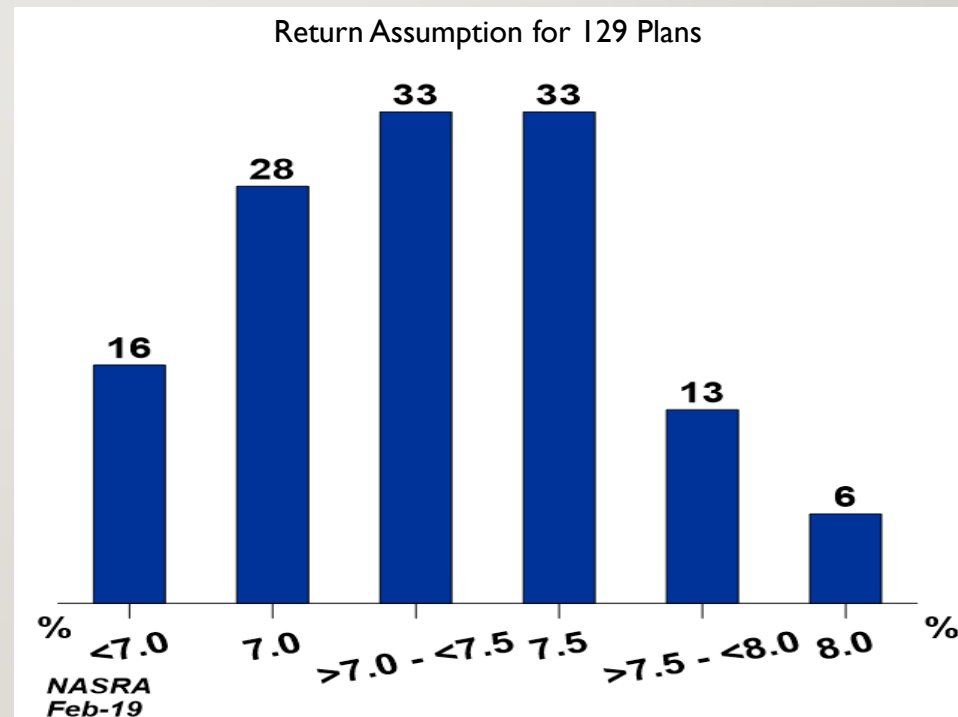
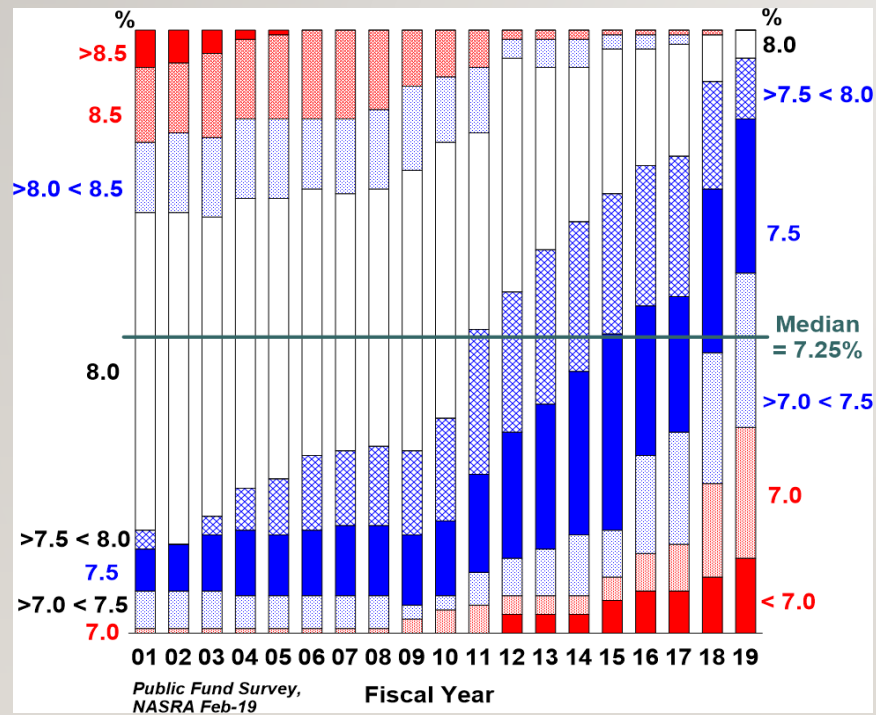
(Source: NASRA Issue Brief: Public Pension Plan Investment Return Assumptions)



# TRENDS IN RETURNS ASSUMPTIONS

## Distribution of Assumed Returns

(Source: NASRA Issue Brief: Public Pension Plan Investment Return Assumptions)





# RECOMMENDATION

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- Reduce the assumed rate of return from 7.5% to 7.25%
  - As of February 2019 the median assumed rate of return for public pension plans is 7.25%
  - This will increase the County's actuarial determined contribution for FY20 by approximately \$2.0 million.

<b>Year</b>	<b>7.5% Return Employer Contributions (Millions)</b>	<b>7.5% Return Funded Ratio</b>	<b>7.25% Return Employer Contribution (Millions)</b>	<b>7.25% Return Funded Ratio</b>
2020	\$59.5	51.1%	\$59.5	49.8%
2021	\$61.7	52.1%	\$64.3	50.7%
2022	\$63.2	53.2%	\$66.0	51.8%
2023	\$64.5	53.6%	\$67.3	52.3%
2024	\$66.6	55.2%	\$69.4	53.9%
2025	\$67.2	56.8%	\$70.0	55.6%
2030	\$70.5	64.2%	\$73.4	63.3%
2035	\$74.5	73.0%	\$77.5	72.4%
2040	\$79.0	87.3%	\$82.5	87.0%
2043	\$74.8	100.5%	\$78.5	100.5%