

# Cobb County Government Employees' Retirement Plans

Traditional Pension  
Hybrid Pension  
OPEB Healthcare

October 25, 2011  
BOC Work Session  
J. Virgil Moon, CPA  
Chairman, Board of Trustees

# Introducing...

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- Allen Wright

## Actuary

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- Jose Fernandez, Consulting Actuary

## County Staff

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

# Cobb County Retirement Plans

- **Traditional**
  - **Defined Benefit**
  
- **Hybrid**
  - **Defined Benefit Component**
  - **Defined Contribution Component**
  - **Began January 1, 2010**
  
- **OPEB - Other Post Employment Benefits Funding (Healthcare)**

# Traditional (Defined Benefit)

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

# Group Statistics As of 12/31/10

## Traditional (Defined Benefit) Plan

<b>Retirees &amp; Beneficiaries Currently Receiving Benefits*:</b>	<b>1,733</b>
*includes CIGNA Participants (96)	
<b>Vested Former Employees:</b>	<b>795</b>
<b>Active Employees Eligible For Pension Plan:</b>	<b>3,734</b>
Fully Vested:	<b>2,366</b>
Non-vested:	<b>1,368</b>

# 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 12/31/2010

## Hybrid Plan (Defined Benefit/Defined Contribution)

➤ Non-vested employees who chose this plan	97
➤ New employees enrolled since January 1, 2010	<u>257</u>
➤ Total	354

*(Total as of September 2011: 454)*

# Group Statistics As of 12/31/2010

## Hybrid Plan (Defined Benefit/Defined Contribution)

- **Of the 354 employees in this plan:**
  - **100% are enrolled in the Defined Benefit Component (mandatory)**
  - **31% are enrolled in the Defined Contribution Component (voluntary)**
  - ***(As of September 2011: 30%)***

# Defined Benefit Funding Traditional and Hybrid Component

- **Funds both the Traditional and Hybrid Pension Plans**
- **Economy is improving but not quickly**
- **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 so far
- Funding Status: Went down slightly as projected due to IRI
- Cobb Funding status is at 54%
- Still projected per updated 30 year plan to be 96% funded in 2041

# Defined Benefit Funding Traditional and Hybrid Component

- **Annual Required Contribution/Net Pension Expense went down from \$30.2 million to \$27.8 million**
- **30 year projections by actuary shows as long as ARC/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
  
- ARC Calendar Year 2010
  - \$27,800,000
  - % of Total Operating Budgets 4%
  - % of Total General Fund Budget 6%

# Defined Benefit Funding Traditional and Hybrid Component

## Long term 30 Year Actuarial Projections of scheduled/ARC payments

### ➤ **CY2011-CY2041**

- \$28.9 Million increasing to \$41.8 Million

### ➤ **% of Total Operating Budgets**

- 4.0% decreasing to 3.3% (2% growth rate)
- 4.0% decreasing to 2.5% (3% growth rate)

### ➤ **% of General Fund Budget**

- 6.2% decreasing to 5.0% (2% growth rate)
- 6.2% decreasing to 3.8% (3% growth rate)

# Focus on the Portfolio: 12/31/10\*

## Diversified Investments:

**Bonds: 4 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
- LSV Asset Management
- Congress Asset Management
- Eagle Capital
- Dodge & Cox Funds
- Vaughn Nelson
- Thornburg International
- Eagle Asset
- Black Rock
- First Eagle
- Ivy Asset

# Fund Managers

- **Fixed Income (4)**
  - Vanguard International Bond Fund
  - Richmond Capital Management
  - Merganser Capital
  - CIGNA

# Manager Performance

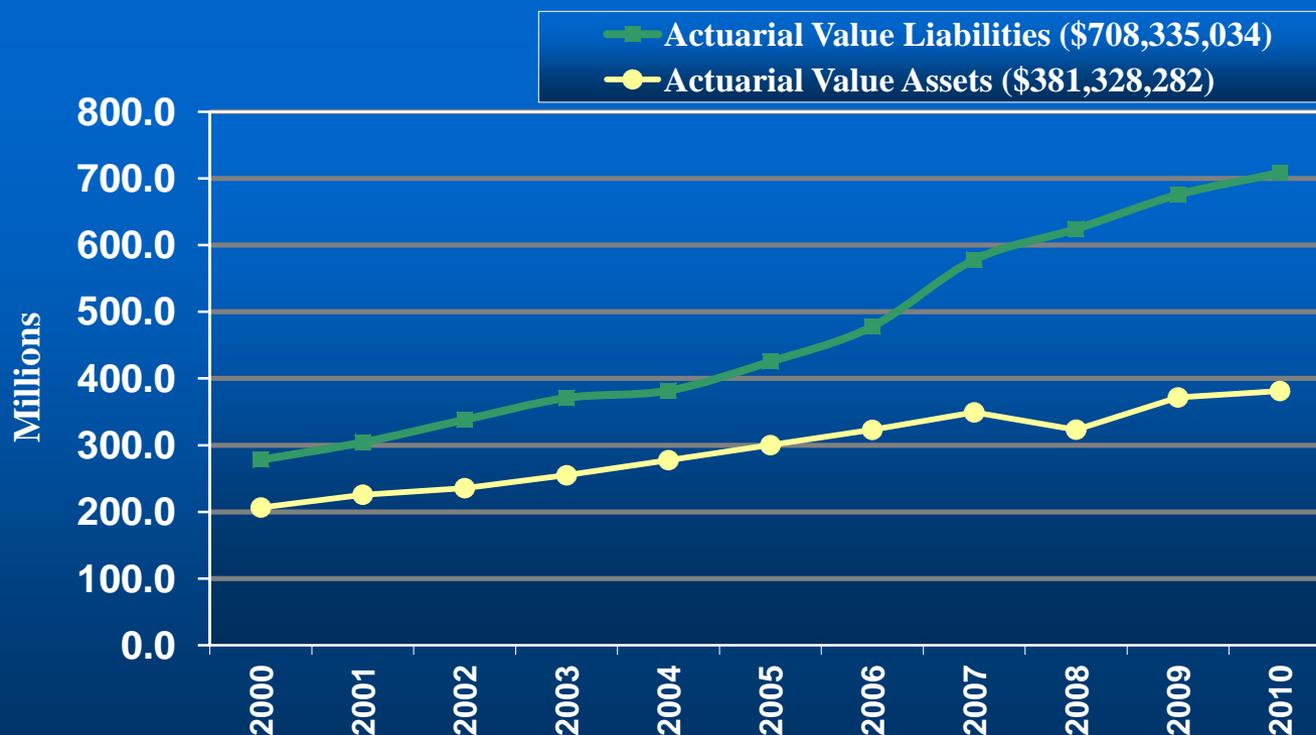
## Market Rate of Return for Total Fund

- Goal: (Long Term) 8.00%
- Actual achieved: 13.60% (2010)
- Five year period: 5.30%
- Ten year period: 4.30%
- Inception (June 1994) 8.20%

## Total Fund vs. Total Fund Universe

- Goal: 35<sup>th</sup> Percentile (5 years)
- Actual achieved: 50<sup>th</sup>
- Five year period: 22<sup>nd</sup>
- Ten year period: 37<sup>th</sup>

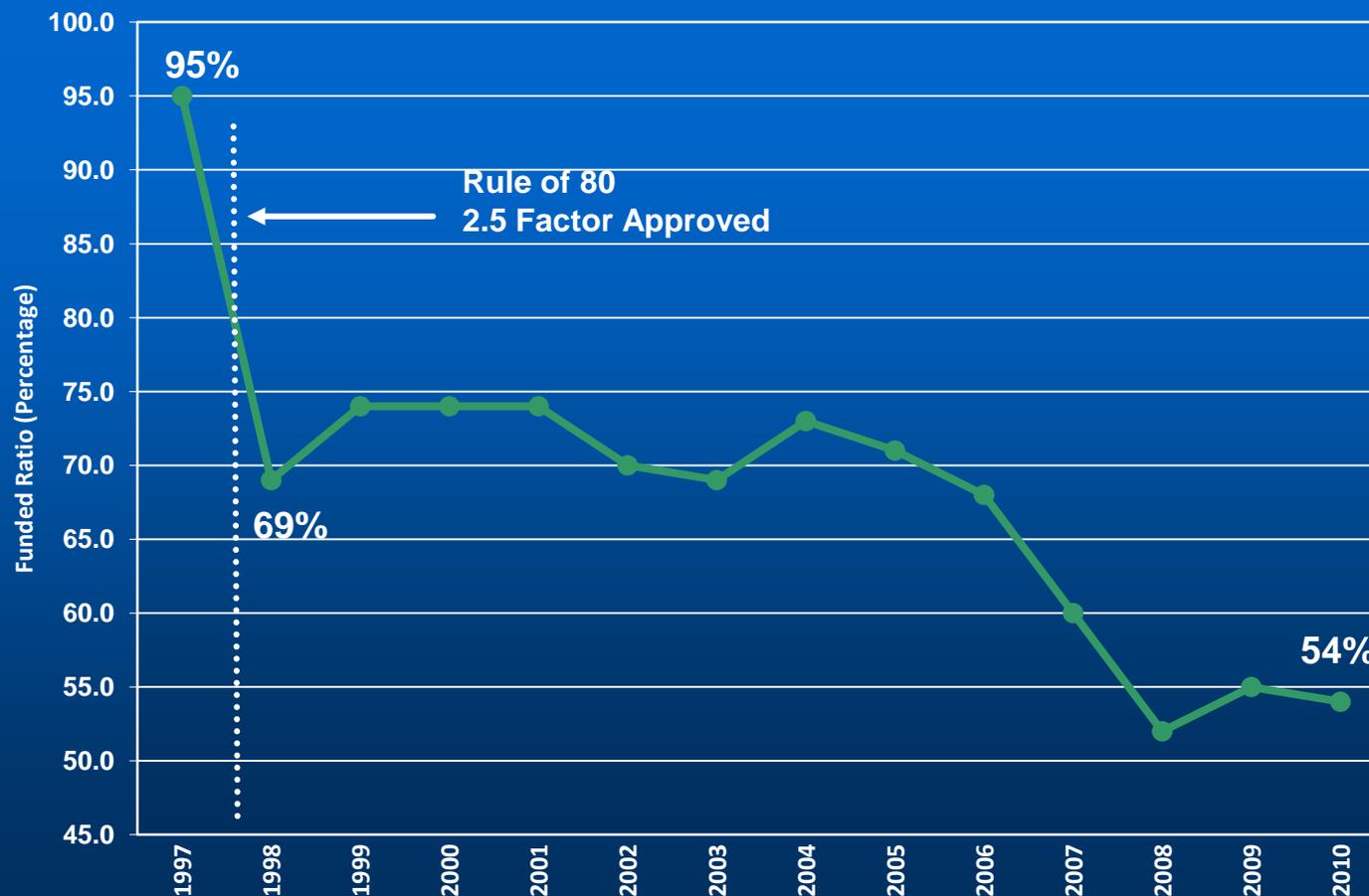
# Assets vs. Liabilities (Actuarial Value as of 12/31/2010)



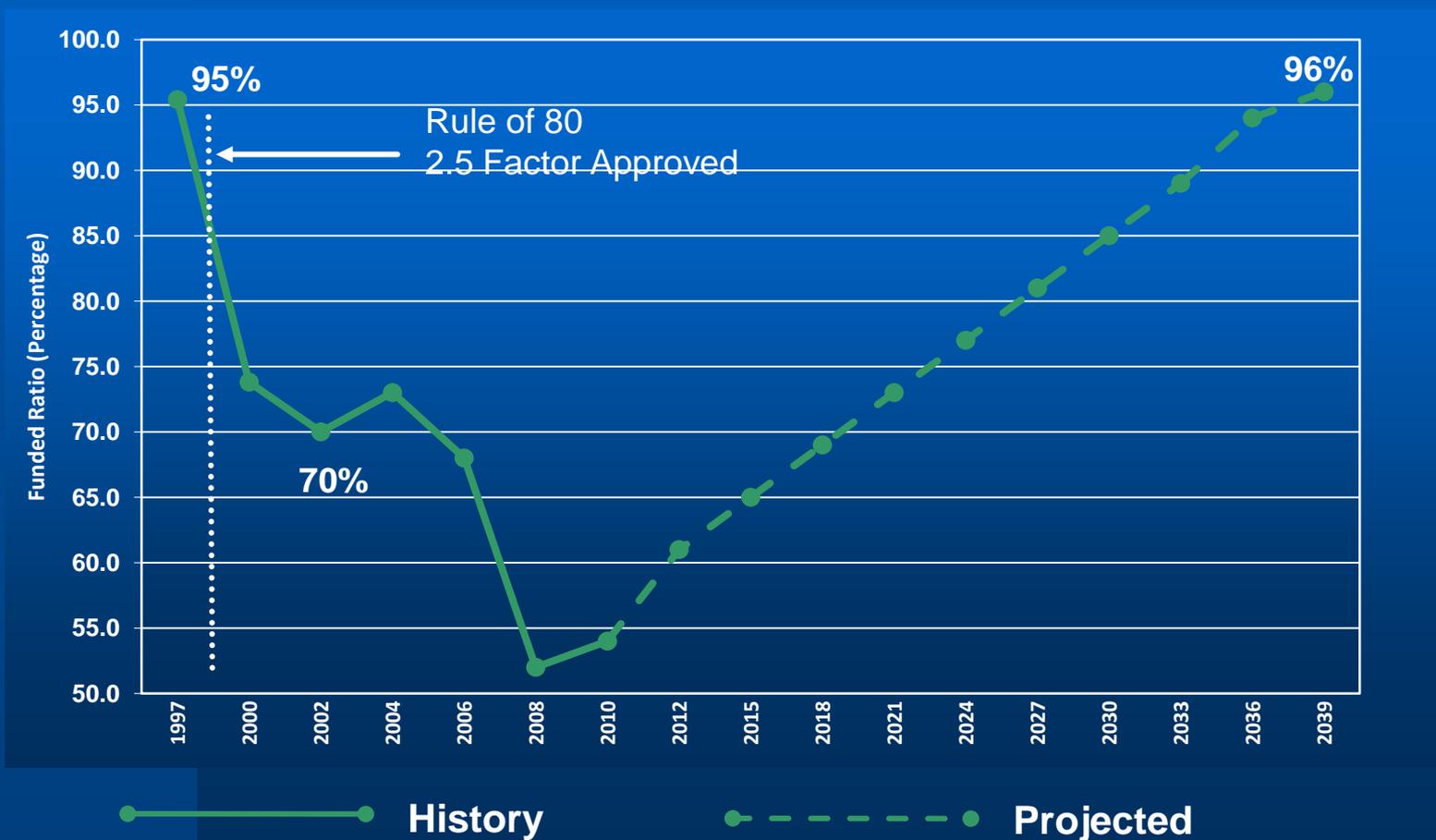
Market value of assets as of 12/31/2010 = \$377,915,425

# Pension Funding Status By Year

## As of 12/31/2010



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



# 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 90% funded in 30 years (96% is projected)**

# Traditional and Hybrid Plans

## Overall Goals

- **Develop strong participation in the Defined Contribution Plans (Voluntary)**
  - 457 ICMA Plan - 36% participation
  - Hybrid 401a Plan - 31 % participation
  - Looking at incentive programs
  - Looking at auto enrollment (with 30-90 day opt out)
  - Looking at more robust educational program

# OPEB Healthcare/Funding

## ➤ Funding Status

■ 01/01/08	0.0%
■ 01/01/09	4.0%
■ 01/01/10	10.4%
■ 01/01/11	16.6%

➤ **ARC** (Annual Required Contribution) **\$18.4 Million**

➤ **Long term liability decreased over \$10 million from \$215 million to \$205 million**

# Going Forward

- **Board Governance Policy adopted**
- **Fee Reduction Project Completed**
- **2006-2007-2008-2009 Policy Changes Working per updated 30 year actuarial projections**

# Going Forward—Continued

- **Innovative Education**
  - **Human Resources**
  - **Pension and Retiree Web Pages**
  - **ICMA Retirement Corporation**
    - **457 Webpage**
    - **401a 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**
  
- **Employer/Employee Contribution Partnership Continues**

# In Closing

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**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

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