

2008 Status Report
For Calendar Year 2007

Cobb County Government Employees' Pension Plan and Retiree Healthcare Plan

September 9, 2008
J. Virgil Moon, CPA

Introducing...

Board of Trustees

- Virgil Moon – Chair
- Bill Hutson - Vice Chair
- Gary Bottoms
- Brad Bowers
- Tony Hagler

Master Trustee

SunTrust Bank

- Arlene Whitley

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
- Tracy Minjauw, HR Benefits Manager
- Rhonda Richardson, HR Specialist

Group Statistics As of 12/31/07

Retirees & Beneficiaries Currently Receiving Benefits*:

*includes CIGNA Participants (126) **1,327**

Vested Former Employees: 707

**Active Employees Eligible
For Pension Plan: 4,137**

Fully Vested: 2,394

Non-vested: 1,743

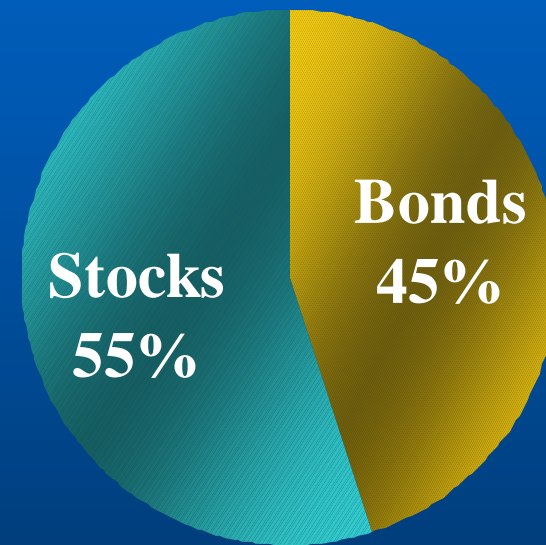
Established in 1971

Focus on the Portfolio: 12/31/07*

Diversified Investments:

Bonds: 5 Managers

Stocks: 10 Managers



*Cost Basis
Per Georgia Code

Fund Managers

➤ Equity (10)

- Westfield Capital Management
- Cadence Capital Management
- Vanguard Total International Stock Fund
- Vanguard S&P 500 Index Fund
- Vanguard MidCap 400 Index Fund
- LSV Asset Management
- Systematic Financial Mgmt
- Alliance Bernstein Investments
- Eagle Capital
- Dodge & Cox Funds

➤ Fixed Income (5)

- Vanguard International Bond Fund
- Pacific Mutual Bond Index Fund
- Richmond Capital Management
- Merganser Capital
- CIGNA

Manager Performance

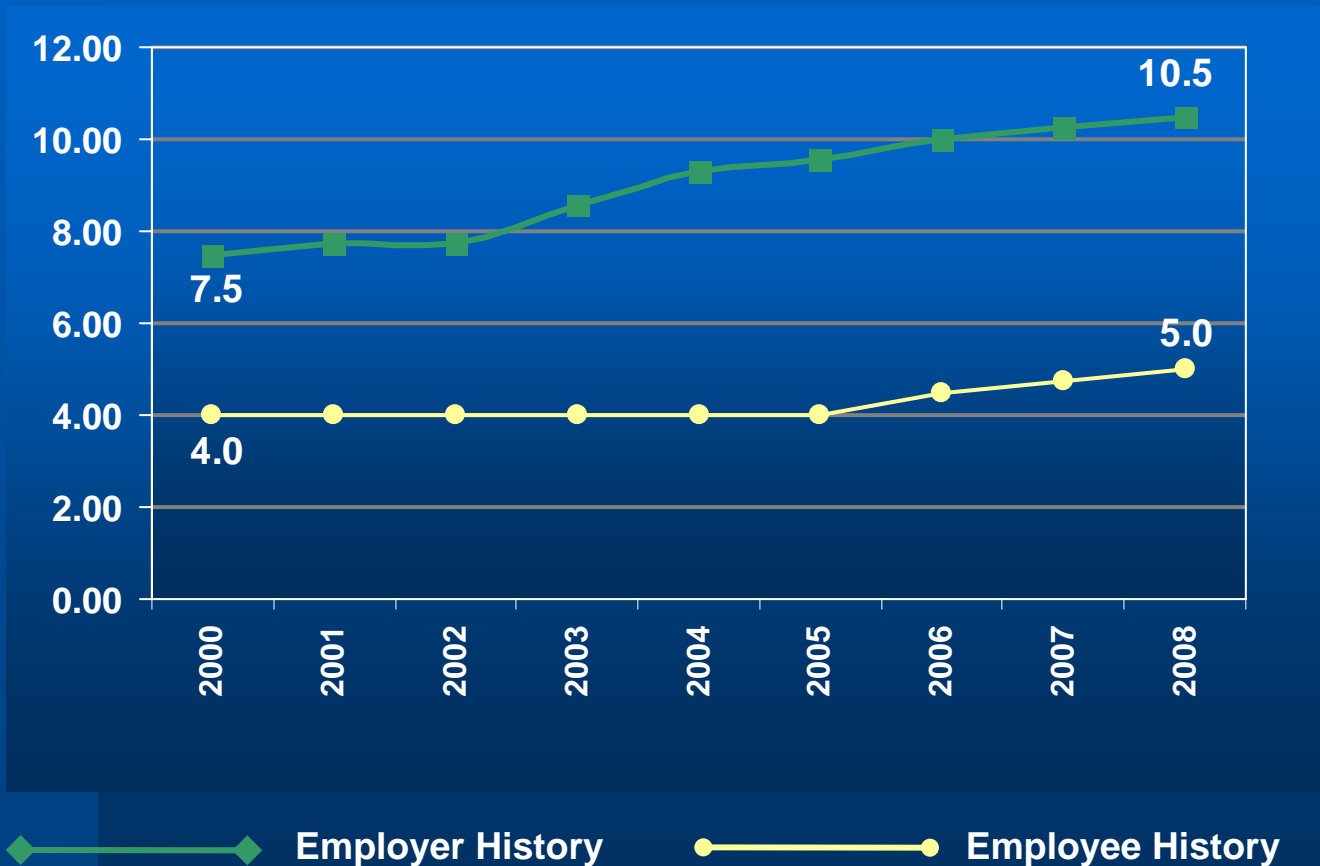
Market Rate of Return for Total Fund

- Goal: 8.00%
- Actual achieved: 8.90% in 2007
- Five year period: 9.50%
- Ten year period: 5.90%
- Inception June 1994 9.40%

Total Fund vs. Total Fund Universe

- Goal: (as of 9/2007) 35th Percentile (5-7 years)
- Actual achieved: 33rd in 2007
- Five year period: 50th
- Ten year period: 55th

Employer/Employee Contribution History Percent of Payroll (Fiscal Year End)

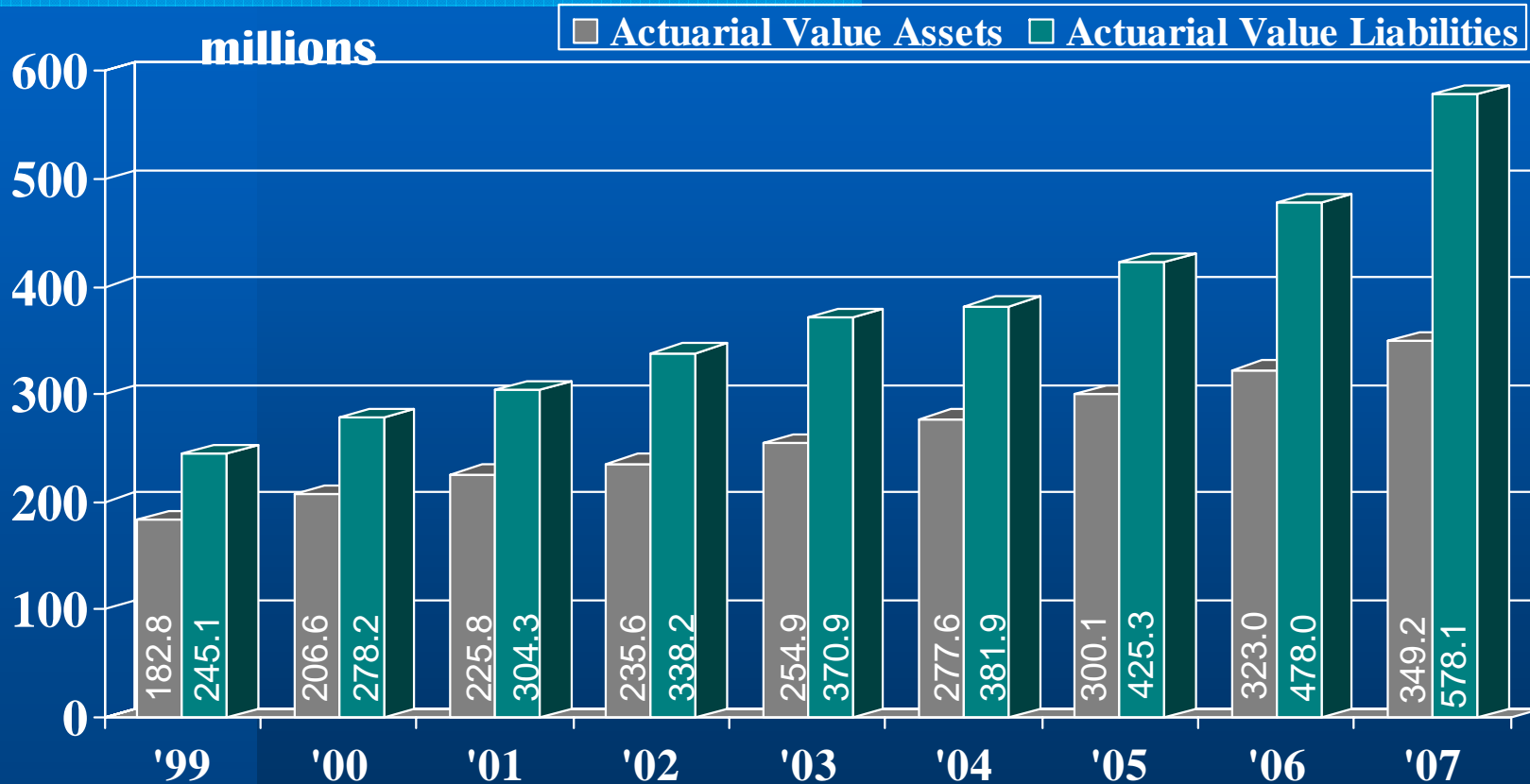


Contributions – Plan Year Ended 12/31/07

Employer: 10.50%*	\$21,902,661
Employee: 5.00%	<u>9,760,205</u>
Contribution Income:	\$31,662,866

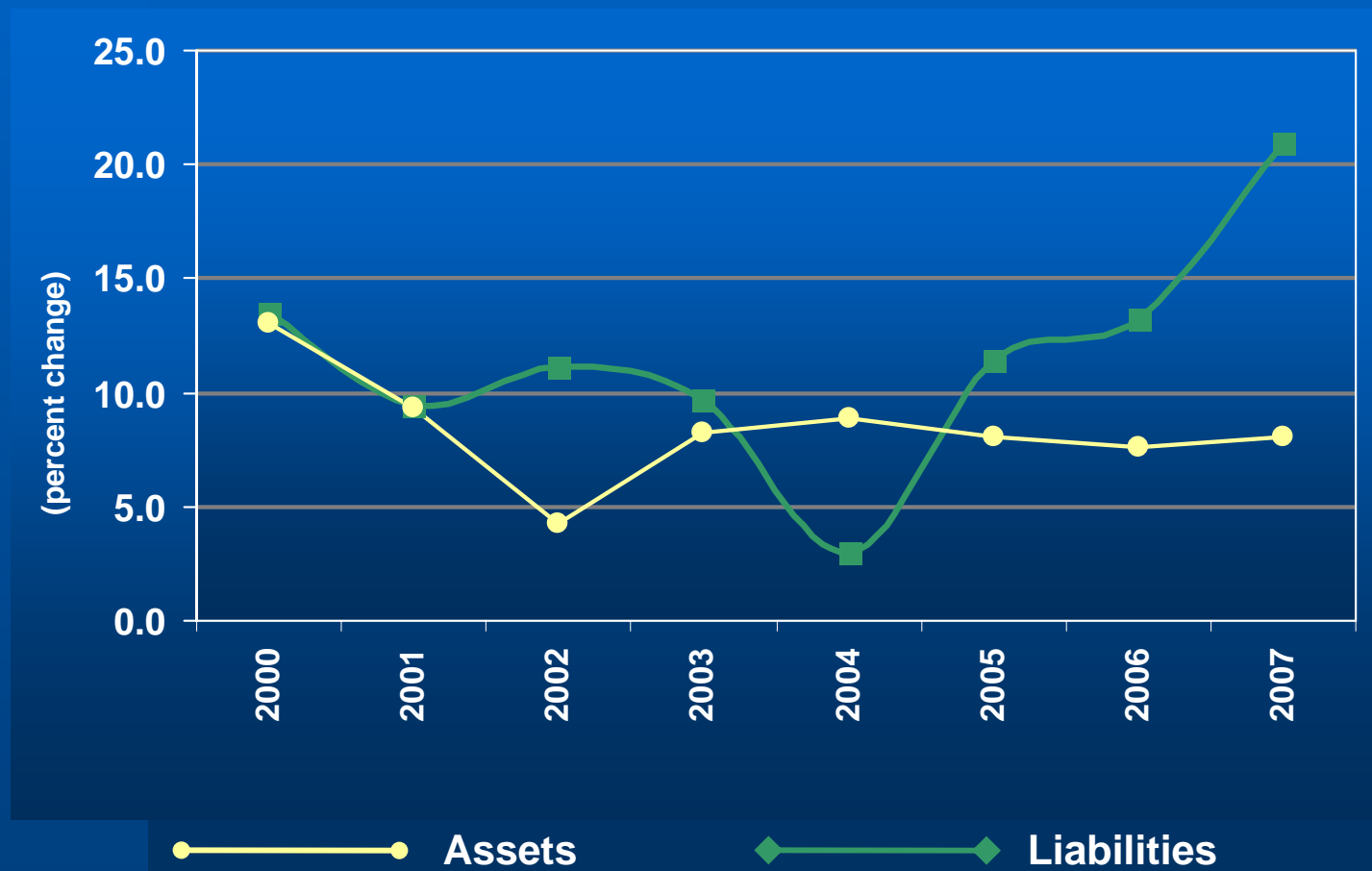
***Budgeted at 11% FY09**

Assets vs. Liabilities (Actuarial Value as of 12/31/Calendar Year)



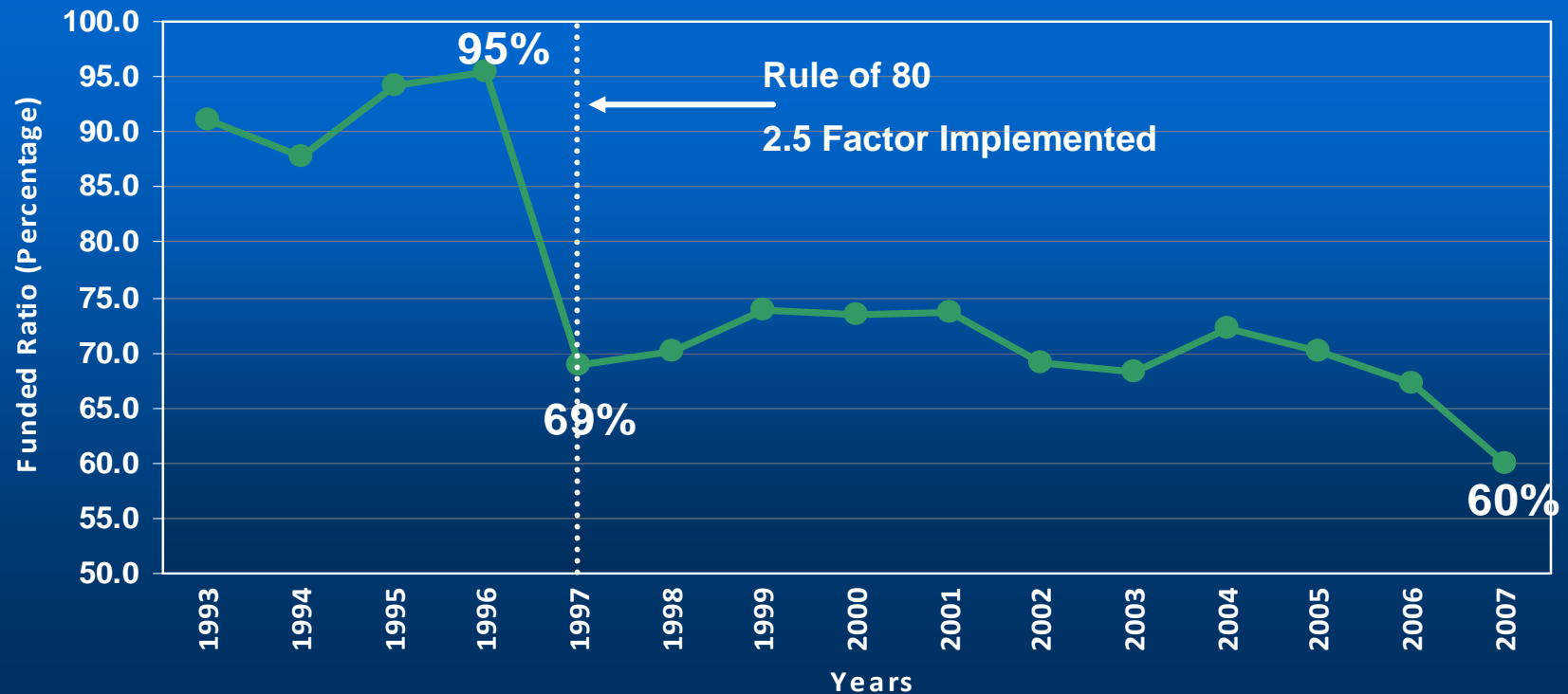
Market value of assets as of 12/31/2007 = \$334,604,260
Includes CIGNA Assets - \$4,836,289 (126 Participants)

Assets vs. Liabilities Percent Growth As of 12/31/Calendar Year



Pension Funding Status By Year

As of 12/31/Calendar Year



Reports and Studies

- **Actuarial Experience Study Completed 2007**
 - Based on Calendar Year 2006 Actuarial Report
 - Assumptions were changed to reflect actual experience data

- **Actuarial Report for 2007**
 - Received April 2008
 - Used changed assumptions from Experience Study
 - Reflected liabilities growing much faster than assets

Reports and Studies Continued

- **Actuarial 20 Year Projection Report (2027)**
 - **Started April 2008**
 - **Completed August 2008**

Process

(April 2008 – September 2008)

- Worked with actuarial, investment and legal advisors to run many scenarios and options
- Researched other governmental entities
- Discussed issues with Department Managers and Elected Officials

Major Issues

- **Funding status decreasing to 60%**
- **Increased growth of current liabilities attributable to**
 - **More Cobb County employees retiring sooner**
 - **Extended life expectancy**
 - **Pay and Class Study Implementation**
 - **Therefore overall retirement liabilities are greater**

Major Issues—Continued

- **Projected future liabilities (2027)**
 - **1.6 billion**

Overall Goals

- **Maintain our Defined Benefit plan**
- **Maintain a fiscally sound plan (80% Funded)**
 - **“As a general rule, if a pension fund has 80% or more of the money needed to cover costs, it is considered healthy. Most state and local funds are nearly 90% funded.” *Beth Almeida, Executive Director of the Washington DC based National Institute on Retirement Security***

Overall Goals—Continued

- Least impact on the most employees
- Affordable for both County and employees

Recommendations: Pension Plan

- 1. All new employees hired after 1/1/09 must work for 10 years rather than 7 years before becoming vested**

Recommendations: Pension Plan Continued

- 2. Current employees that reach age 65 must have 7 years of service rather than 5 years in order to receive a pension benefit effective 1/1/09. *Note: Employees currently eligible to retire without a reduced benefit (age 65 and vested or Rule of 80) and those becoming eligible to retire by 1/1/09 are exempt***

*****When preparing pension calculations, Human Resources will calculate the accrued benefit prior to these changes and the benefit after the effective date of these changes. The retiree will receive the higher pension payment.***

Recommendations: Pension Plan

Continued

3. **Effective 1/1/09, the highest 5 of last 10 years average salary will be used rather than the highest 3 of last 10 years average to calculate the pension benefit. *Note: Employees currently eligible to retire without a reduced benefit (age 65 and vested or Rule of 80) and those becoming eligible to retire by 1/1/09 are exempt.***

*****When preparing pension calculations, Human Resources will calculate the accrued benefit prior to these changes and the benefit after the effective date of these changes. The retiree will receive the higher pension payment.***

Recommendations: Pension Plan Continued

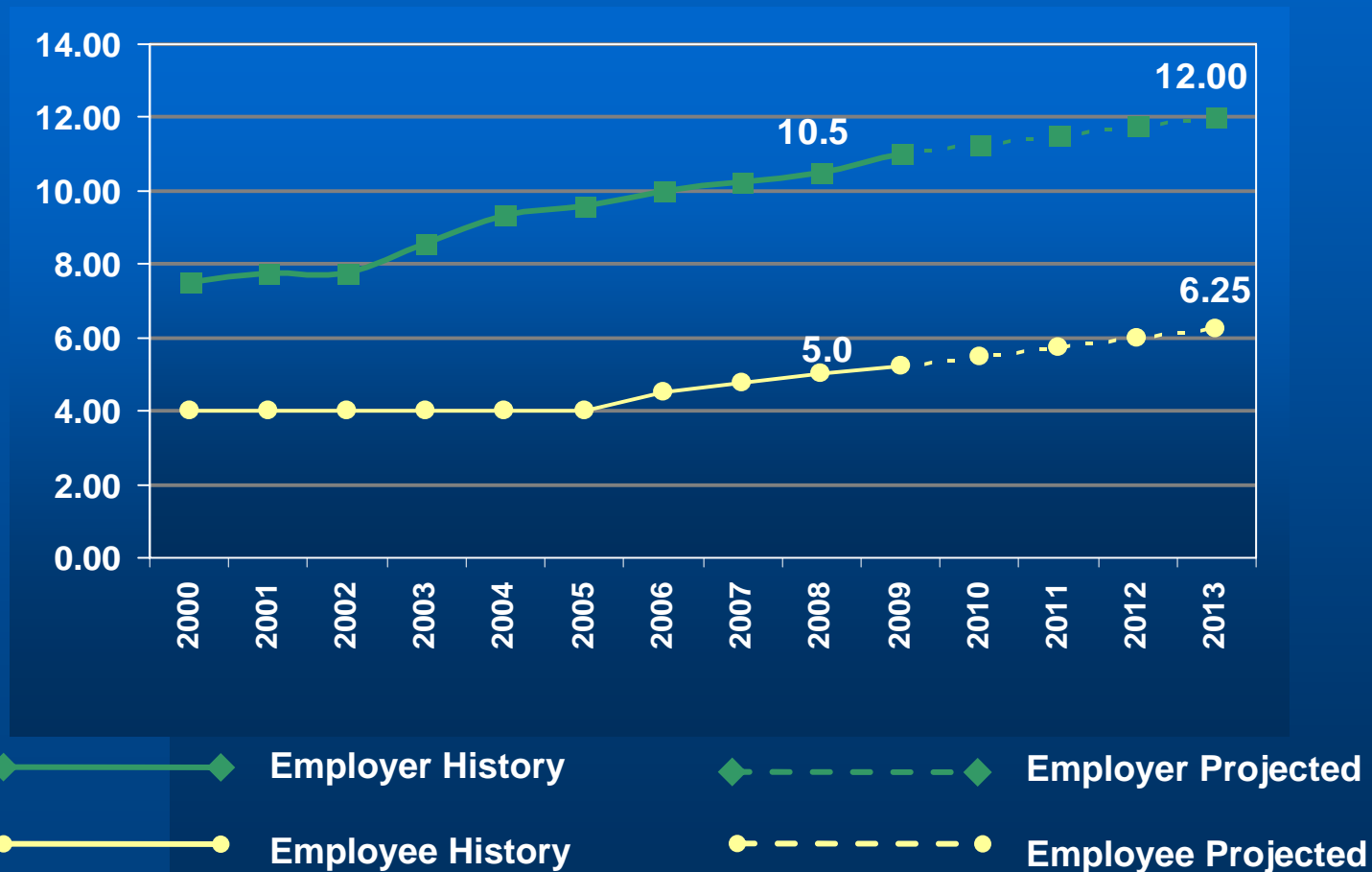
- 4. Cobb County's retirement contributions increase $\frac{1}{2}$ percent for FY09 and $\frac{1}{4}$ percent for next 4 years from 10.5 percent to 12.00 percent beginning 10/1/08**

Recommendations: Pension Plan

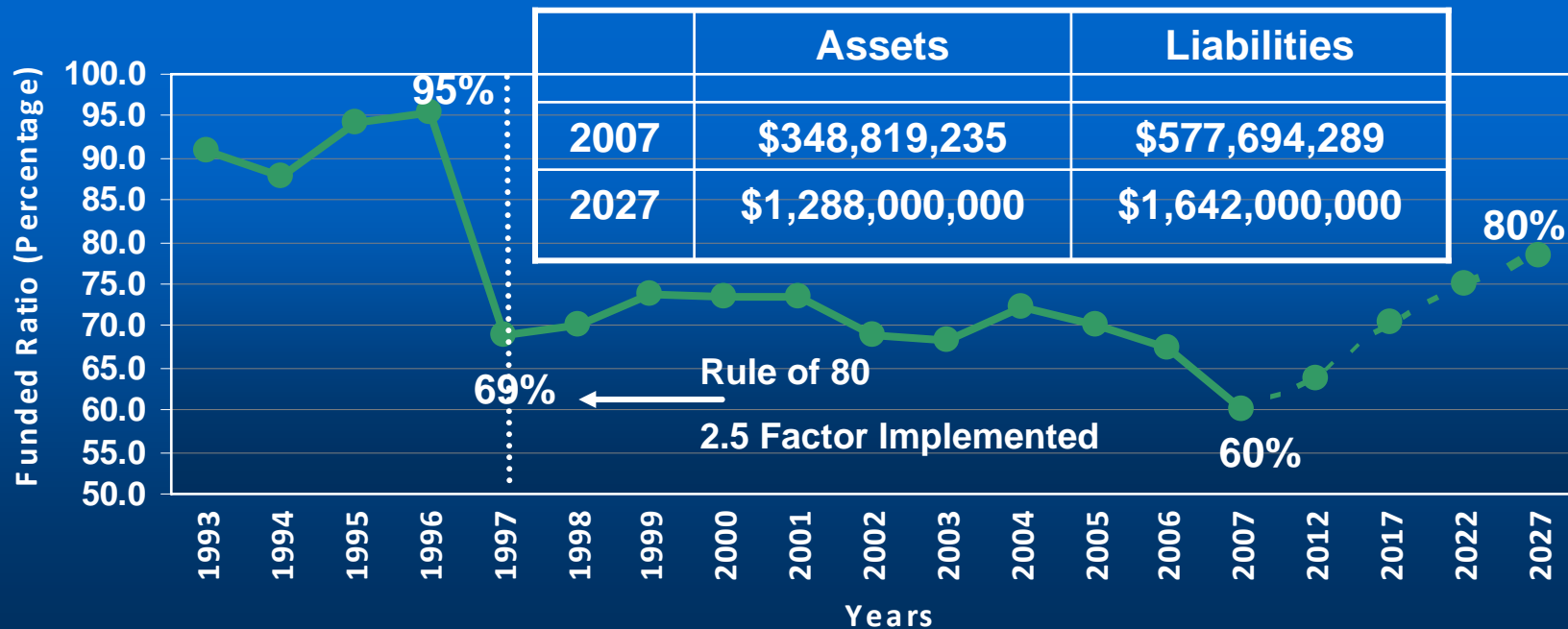
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- 5. Employee contributions increase over next 5 years; $\frac{1}{4}$ percent per year from 5 to 6.25 percent beginning 3/1/09**

Employer/Employee Contribution History/Projection Percent of Payroll (Fiscal Year End)



Pension Funding Status - History/Projection as of 12/31 Calendar Year



Retiree Healthcare Plan

- Due to new governmental accounting regulations, Cobb County has now created a trust for the Retiree Healthcare Plan
- As with the Pension plan, the Board of Trustees has worked with actuarial, investment and legal advisors over the last 5 months and reviewed various recommendations to make certain our new plan will remain fiscally sound and affordable

Recommendations: Healthcare Plan

- **Effective 1/1/2009 all new hires must work 30 years to receive retiree healthcare benefits**

Recommendations: Healthcare Plan

Continued

- Effective 1/1/2010, Cobb County will contribute 2.5 percent of the health premium cost for each year of service up to a maximum of 30 years of service (75 percent).
 - For example: If a current employee worked for the County for 20 years, Cobb would pay 50% (20 years x 2.5%) of their health premium when they retire.

It is important to note that employees currently retired and employees eligible to retire with a minimum of 10 years of service effective 1/1/2010 are not impacted by the changes above.

Going Forward

- **Approve Recommendations**

- **Continue**
 - **Innovative Education**
 - **Human Resources**
 - **Pension Fund and Retiree Healthcare Web Page**
 - **ICMA Retirement Corporation**

Going Forward

➤ Continue

- **Active Asset/Liability Management**
 - **Asset Diversification**
 - **Manager Performance Standards**
 - **Pension Fund and Retiree Health Plan Liability Impact Statements on All Major Salary/Health Benefit Changes (\$2,000,000 Biennial cost or more)**

Going Forward

➤ Continue

- **Active Asset/Liability Management**
 - Experience study every 3 years
 - Independent audit of actuarial validation every 5 years

➤ Continue

- **Employer/Employee Contribution Partnership**

In Closing

We realize that our most important asset is our hard working and dedicated employees.

Thus, we are recommending changes that are projected to make our Defined Benefit plan and Retiree Healthcare plan fiscally sound and ensure that our employees will have access to these benefits when they retire.