

February 14, 2018

Dear Cobb County Board of Commissioners,

Thank you for your service on the Board. I have attended BOC meetings, read lengthy agendas, and watched the Chairman's weekly update videos. It is evident your hard work is a significant factor in the ongoing success of Cobb County.

Since my last email, I have done more research into our pension and I wanted to share some insights with you. First, current pension disclosures are inadequate. The last annual pension report provided to employees was released in 2014.<sup>[1]</sup> For over a year, better disclosures have been requested including multiple calls and emails to Human Resources, Ms. Tressie Bloodworth, and Mr. Tony Hagler. Also, the Pension Board of Trustees has been addressed at two meetings. Some areas needing improvement: essential information is missing from the pension website ([cobbcounty.org/pension](http://cobbcounty.org/pension)), Trustee meeting agendas are not provided in advance, and Governmental Accounting Standards Board (GASB) disclosure standards<sup>[2]</sup> are not being met. We are asking the BOC to direct the Board of Trustees to provide better transparency and disclosures to the members of the pension.

If our pension was fully funded, then we wouldn't be as concerned. But this lack of transparency comes at a time when our funding ratio is below 50% and drastic changes have already been discussed that would increase employee contributions, extend retirement dates, and decrease retiree benefits for most employees.<sup>[3, 4]</sup> While there are many factors contributing to the situation we are in; the way our pension was implemented in 1998 appears to be the single biggest factor. Existing employees were allowed to opt-in to this plan and retire sooner and draw higher benefit payments.<sup>[5, 6]</sup> This decision dropped the funding ratio by 26% in a single year and our funding status has continued to decline.<sup>[7]</sup> Of the County's current contribution of 20.14% of payroll, only 4.64% represents the County's portion of benefits currently being accrued.<sup>[8]</sup> The remaining 15.50% is required to liquidate the County's unfunded accrued liability.<sup>[8]</sup> That means the majority of current County pension contributions are funding retirement benefits that were promised in the past, but not adequately funded.

The Board of Trustees is preparing a pension presentation for the February 26<sup>th</sup> work session. This presentation may contain proposals to reduce the County's future required contribution by shifting part of this burden onto employees. These proposals would require employees to work longer, contribute more, and draw less in retirement.<sup>[4]</sup> Implementing these changes would be the wrong decision. A mechanism is already in place to correct the funding situation. For the last several years, the County's contribution has increased in accordance with Georgia law in order to liquidate the unfunded accrued liability over the next 26 years. The County needs to stay the course by continuing to make their full annual required contribution. While much of the pension funding situation was set in place by previous administrations, we all have a duty to address it now responsibly and fairly.

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# Source #1

www.cobbcounty.org/pension, Accessed 2/11/2018



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## Reports to the Board of Commissioners

These are the most recent reports presented to the Board of Commissioners. (5/22/17)

[View 2014 Report](#)

[View 2013 Report](#)

[View 2012 Report](#)

[View 2011 Report](#)

[View 2010 Report](#)

[View 2009 Report](#)

[View 2008 Report](#)

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## 457 Deferred Compensation

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### Questions?

ICMA Retirement Corporation:

[www.icmarc.org](http://www.icmarc.org)

Client Services:

1-800-669-7400

## Source #2

### Governmental Accounting Standards Board, Statement #67

[www.gasb.org/jsp/GASB/Pronouncement\\_C/GASBSummaryPage&cid=1176160219444](http://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176160219444)

#### Required Supplementary Information

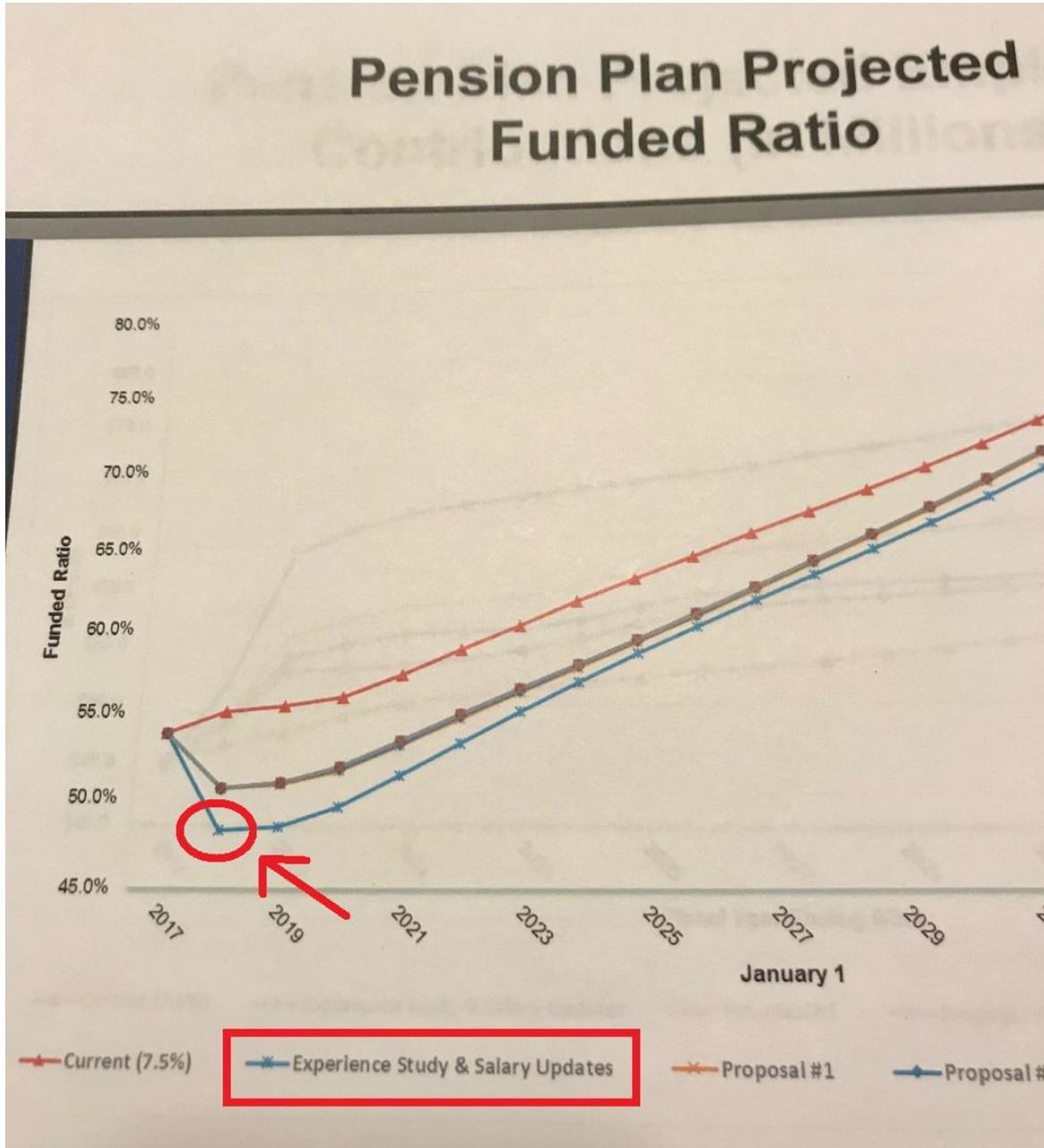
This Statement requires single-employer and cost-sharing pension plans to present in required supplementary information the following information for each of the 10 most recent fiscal years about employer and nonemployer contributing entity obligations for pensions provided through the pension plan:

- Sources of changes in the net pension liability
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.

If the contributions of employers or nonemployer contributing entities to a single-employer or cost-sharing pension plan are actuarially determined, the pension plan should present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the pension plan, and related ratios. Significant methods and assumptions used in calculating the actuarially determined contributions should be presented as notes to the schedules.

All defined benefit pension plans, including agent pension plans, should present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on pension plan investments for each year. In addition, all pension plans should explain factors that significantly affect trends in the amounts reported in the schedules of required supplementary information, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

Cobb County Government Employees Pension Plan  
Experience Study, Projections, Plan Design and Funding Alternatives  
Prepared by Cavanaugh Macdonald Consulting, LLC  
Presented to the Board of Trustees November 7, 2017



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## Pension Plan Design and Funding Proposal Projections



- Each Proposal includes the Experience Study Assumption Updates and Updated Salary information provided by County as a result of Compensation Study

Projection Scenario	Description
Experience Study & Salary Updates	1/1/2017 Pension Valuation results including Experience Study Assumption Updates and Salary Updates from Compensation Study
Proposal #1	For those who do not attain rule of 80 or reach normal retirement age by 1/1/2023: <ul style="list-style-type: none"> <li>• Retirement eligibility changes from Rule of 80 to Rule of 85 (Age 55 or 35 years of service minimum still applies for those hired after 1/1/2007)</li> <li>• Normal retirement age is defined as Social Security Normal Retirement Age (65, 66 or 67)</li> <li>• Maximum years of Creditable Service changes from 35 to 30 years</li> </ul> Pensionable earnings is defined as base pay for all traditional plan members, not including overtime and other pay, effective 1/1/2018. Currently, pensionable pay for hybrid members is already base pay.
Proposal #2	Proposal #1 changes, plus increase Hybrid Plan employee contribution rate from 3% to 5% effective 1/1/2018.
Proposal #3	Proposal #1 & #2 changes, plus increase Traditional Plan employee contrib. rate to 8% eff. 1/1/2018, 9% eff. 1/1/2019, 10% effective 1/1/2020 and after
Proposal #4	Proposal #1 - #3 changes, plus freezing amortization period of unfunded accrued liability calculation once reaching 80% funded ratio.

## Source #5

Working Copy of:

### Cobb County Government Employees' Pension Plan

#### Page 18, Section 5.1

(a) For purposes hereof, the Applicable Benefit Formula" means:

(i) For Traditional Participants whose Severance from Service Date is on or after April 1, 1984 but prior to March 31, 1998, or whose Severance from Service Date is after March 31, 1998 but prior to making Employee Contributions as an active Employee for a period of at least twelve (12) months, the Participant's Normal Retirement Pension shall be equal to the sum of the following:

(A) 1.5% of the Participant's Final Average Compensation multiplied by the Participant's years of Benefit Accrual Service through December 31, 1988, plus

(B) 1.9% of the Participant's Final Average Compensation multiplied by the Participant's years of Benefit Accrual Service after December 31, 1988.

(ii) For Traditional Participants who first became Participants in the Plan on or after April 1, 1998 or who were Participants prior to April 1, 1998 and who either made Employee Contributions to the Plan as an active Employee for a period of at least twelve (12) months or made Employee Contributions to the Plan as an active Employee but died prior to making Employee Contributions for such twelve (12) month period, the Participant's Normal Retirement Pension shall equal 2.5% of the Participant's Final Average Compensation multiplied by the Participant's total years of Benefit Accrual Service.

(iii) In no event will a Traditional Participant's Normal Retirement Pension determined pursuant to this Section 5.1 be less than \$76.00 multiplied by the Participant's total years of Benefit Accrual Service.

(iv) For Electing Hybrid Participants, the Normal Retirement Pension shall equal the greater of:

## Source #6

Working Copy of:

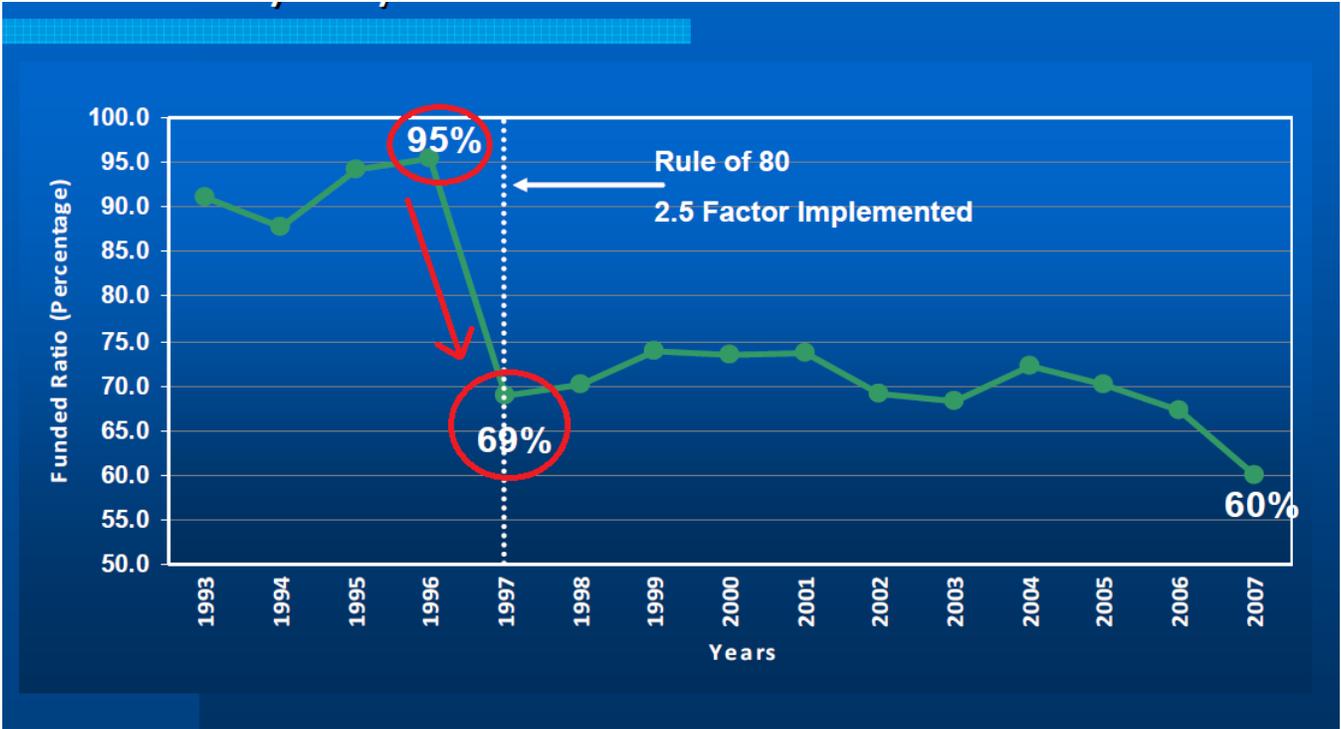
### Cobb County Government Employees' Pension Plan

#### Page 21, Section 5.2

(iii) Rule of 80 Retirement. A Participant the sum of whose age and years of Service for vesting purposes equals or exceeds 80 and who has made Employee Contributions to the Plan as an active Employee for a period of at least twelve (12) months or who made Employee Contributions to the Plan as an active Employee but died prior to making Employee Contributions for such twelve (12) month period, shall be entitled to an Early Retirement Pension equal to his Accrued Benefit determined in accordance with Section 5.1 above based on his Final Average Compensation and total years of Benefit Accrual Service as of the Participant's Severance from Service Date, without reduction for early commencement of benefits. Notwithstanding the foregoing, those Employees hired on or after January 1, 2007 will only qualify for Special Early Retirement Provision for the Rule of 80 set forth in this Section 5.2(b)(iii) if they either reach a minimum of age 55 or have at least 35 years of Benefit Accrual Service in addition to satisfying the other requirements set forth in this Section 5.2(b)(iii).

(iv) 2010 Immediate Retirement Incentive Program. A Participant who will reach age 65 by December 31, 2011 or a Participant the sum of whose age and years of Service for vesting purposes will equal or exceed 80 as of December 31, 2011 and who retires under the 2010 Immediate Retirement Incentive Program shall be entitled to an Early Retirement Pension equal to his Accrued Benefit determined in accordance with Section 5.1 above based on his Final Average Compensation and total years of Benefit Accrual Service as of the Participant's Severance from Service Date, without reduction for early commencement of benefits.

2008 Pension Report to the Board of Commissioners



## Source #8

# Report of the Actuary on the Annual Valuation of Cobb County Government Employees' Pension Plan

Prepared as of January 1, 2017 by Cavanaugh Macdonald Consulting, LLC

Page 4, Section 1

### Contributions Payable

- A. The Cobb County Government Employees' Pension Plan states that each participant shall contribute an amount equal to the Compensation multiplied by a specified percentage. Effective March 2017 the employee contribution rate will be set at 7.25% of compensation for employees participating in the Traditional Plan. For employees in the Hybrid Plan, the employee contribution rate is 3.00% of pay.
- B. The County contribution consists of two components. The first component is the normal cost. Under the projected unit credit cost method, the normal cost represents benefits that accrue over a one year period. Thus, for this year's valuation, this number represents the value of benefits accruing during the 2017 plan year. The normal cost is 10.46% of covered payroll. Of the 10.46% the employees are expected to pay 5.82% which leaves 4.64% as the employer normal rate.
- C. The second component of the County contribution is the amortization of the unfunded liability. According to the current Official Code of Georgia 47-20-10 the minimum funding standards are deemed to have been met if level percentage amortization is used and the employer contribution is equal to or greater than the annual required contribution as determined in accordance with the provisions of GASB No. 25 and No. 27 as in effect on June 15, 2013. On this basis, the amortization cost for the year beginning October 1, 2017 is 15.50% of covered payroll based on a 26 year amortization.
- D. The total required contribution to the Plan for the year beginning October 1, 2017 is 25.96% of covered payroll. The employee portion of this required contribution is 5.82% of covered payroll, while the County's portion of this required contribution is 20.14% of covered payroll.