



PENSION ANNUAL REVIEW

November 15, 2018

**City of Atlanta General Employees' Pension Fund
Employees of the Atlanta Board of Education**





I. July 1, 2017 Valuation Results

II. Navigating the Valuation Report

III. Pension Actuarial Services

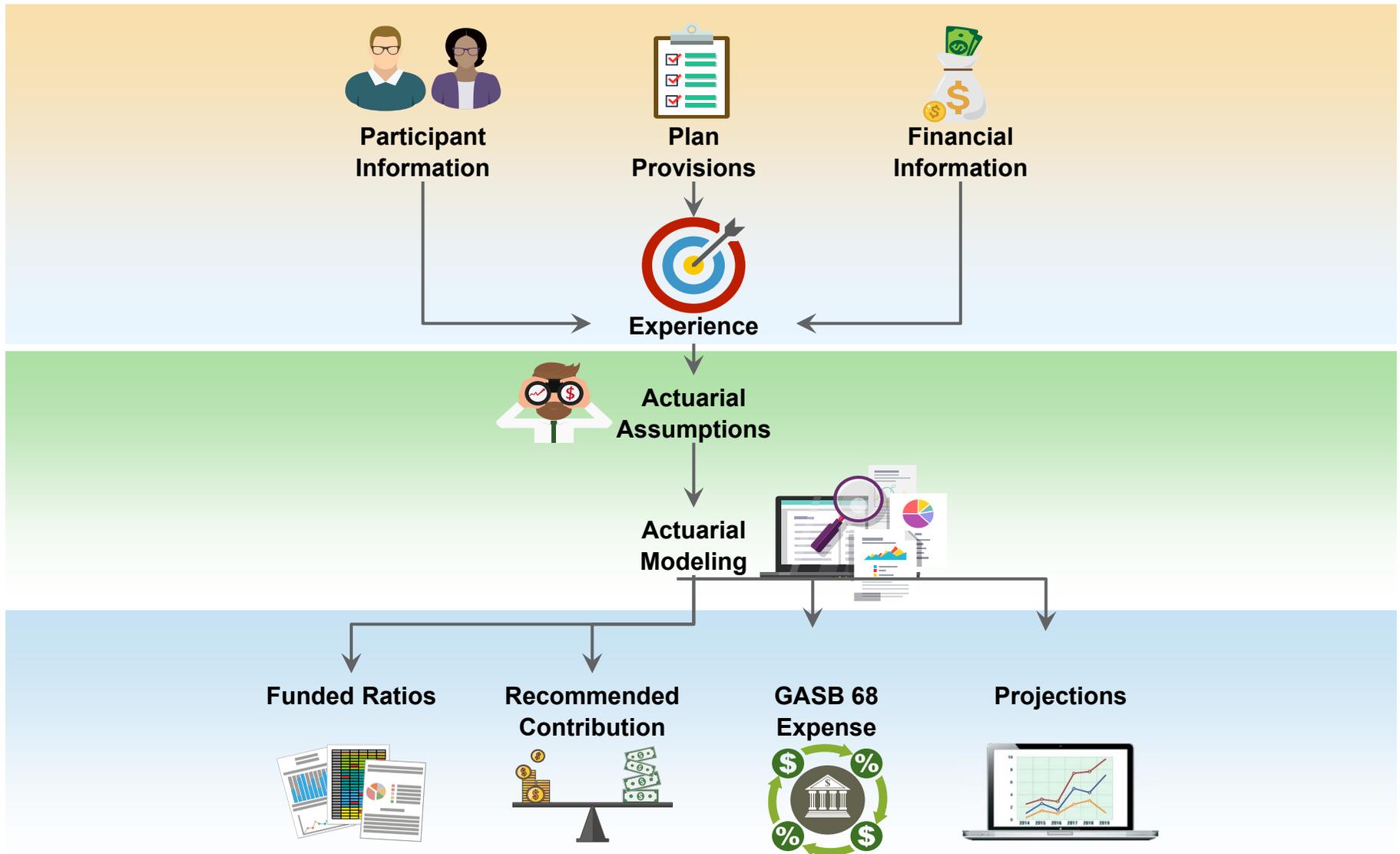


Introduction

- This presentation is intended for the use of the Atlanta Public Schools Board of Education Budget Commission, and provides a summary of results of the July 1, 2017 valuation for the City of Atlanta General Employees' Pension Fund Employees of the Atlanta Board of Education.
- Please refer to the full valuation report for descriptions of assumptions and plan provisions reflected in the results shown in this presentation. The report also includes more comprehensive information regarding the plan's membership, assets, and experience during the most recent plan year.
- The calculations included in the pension reports were completed under the supervision of Jeanette R. Cooper, FSA, FCA, MAAA, EA.

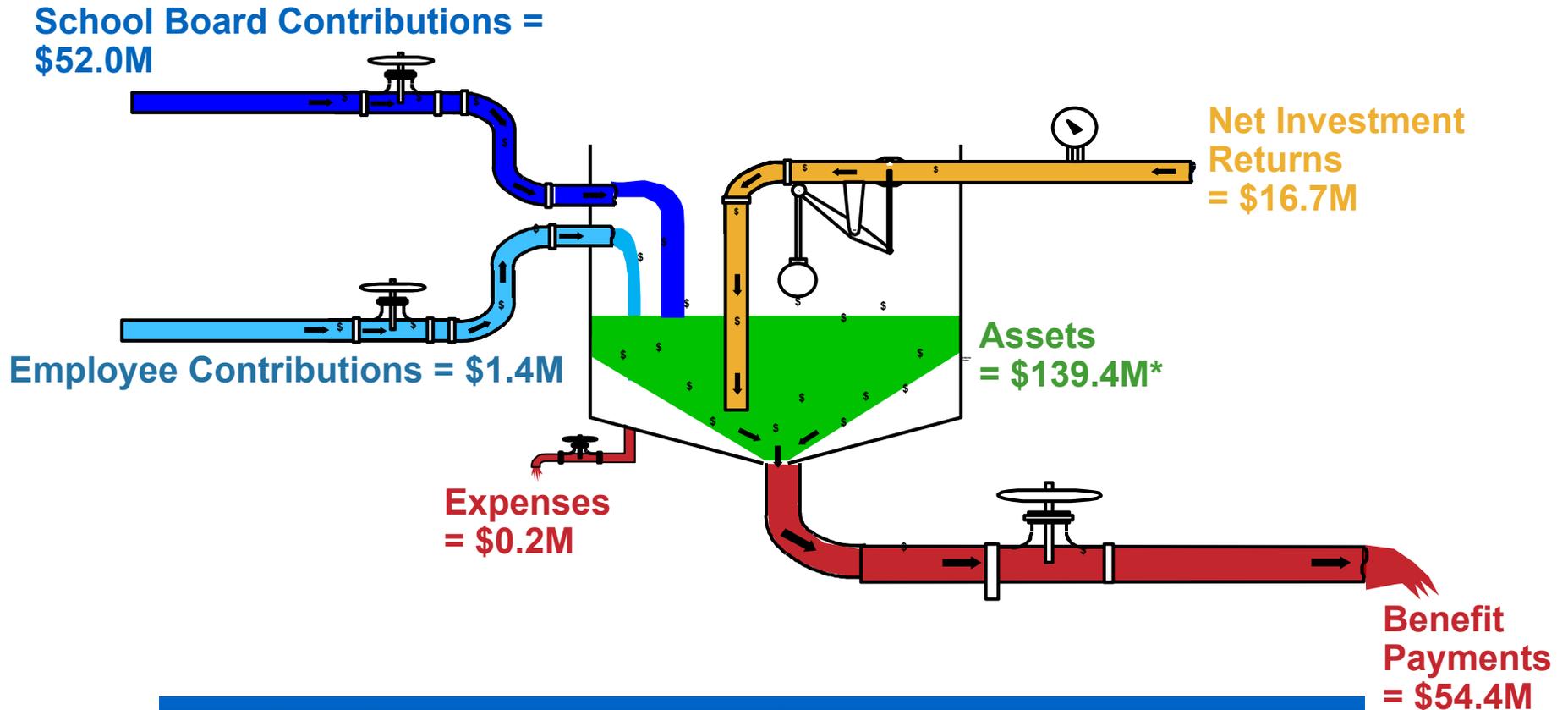


Actuarial Valuation Overview



2016-2017 Cash Flows

The chart below shows the cash flows of the plan for the period July 1, 2016 through June 30, 2017.



Net inflows for the period totaled about \$70.1 million due to contributions and investment return while net outflows totaled about \$54.6 million. As a result, the market value of assets increased from \$123.9 to \$139.4 million.

* Market Value of Assets; Actuarial Value of Assets as of July 1, 2017 is \$137.9 million.

Pension Plan Highlights

- The funding policy adopted on June 2, 2014 increases the FY'14 contribution 3% per year until the plan is fully funded.
 - Under this policy, the recommended (or actuarially determined) contribution for the period July 1, 2018 to June 30, 2019 (FY'19) is \$55.1 million.
 - The effective amortization period decreased about 3.0 years from 12.5 last year to 9.5 this year.
 - Thus, we expect assets to exceed liabilities in about 9.5 years during FY'28*.
 - If the School Board contributes \$55.1 million annually (instead of increasing 3% above the prior year's contribution), the effective amortization period would be about 11.2 years.
- The rate of return on the market value basis was 13.4% for the year ended June 30, 2017.
 - The investment rate of return on an actuarial ("smoothed") basis was 8.3% primarily as a result of recognizing a portion of the 2015 and 2016 market losses, partially offset by recognizing a portion of the 2014 and 2017 market gains.
 - Since the actuarial rate of return was greater than last year's assumed annual rate of return of 7.50%, there was an investment gain of about \$1.1 million.
 - The smoothed actuarial value of assets is 98.9% of the market value of assets as of the valuation date. Thus, the School Board has about \$1.5 million in deferred gains that will be recognized over the next 4 years.
- There was a liability gain of about \$17.4 million mainly due to mortality experience for participants in pay status and retiree COLAs smaller than expected.

* Assumes long-term actuarial rate of return (i.e., discount rate) used to determine liability remains 7.25%.

Pension Plan Highlights (*continued*)

- As a result of a 5-year experience study for the period July 1, 2011 to June 30, 2016, the following assumptions were updated:
 - Investment return lowered from 7.50% to 7.25%
 - Inflation assumption lowered from 2.75% to 2.25%
 - Payroll growth assumption lowered from 3.50% to 3.00%
 - Age-based salary scale modified to reflect General Employees' experience
 - COLA assumption lowered from 3.00% to 2.25%
 - A flat administrative expense assumption of \$0.2 million, projected to increase annually with inflation was introduced
 - Mortality for pre-retirement, healthy and disabled annuitants was updated to versions of the sex-distinct RP-2006 mortality tables, loaded by 25% for males and females and projected generationally with scale SSA2016-2D
 - Retirement rates for participants with less than 30 years of service were increased from ages 61 to 69 and for those with 30 or more years of service were decreased for ages 52 to 69
 - Ordinary disability rates for male participants were lowered to 60% of existing age-based rates
- The unfunded actuarial accrued liability (UAAL) decreased about \$70.2 million primarily due to the impact of the new assumptions as well as the liability gain and contributions greater than normal cost plus interest on last year's UAAL.
- Accordingly, the funded percentage on a market value basis increased from about 20.7% last year to about 26.0% this year.

Summary of Key Pension Plan Results

	July 1, 2017	July 1, 2016
A. Headcount		
1. Retirees, Beneficiaries, Disabled and Vested Terminations	2,102	2,162
2. Active Participants	<u>734</u>	<u>738</u>
3. Total	2,836	2,900
B. Unfunded Actuarial Accrued Liability (UAAL)		
4. Actuarial Accrued Liability (AAL)	\$536,500,000	\$597,100,000
5. Actuarial Value of Assets (AVA)	<u>137,900,000</u>	<u>128,300,000</u>
6. UAAL [(4) – (5)]	\$398,600,000	\$468,800,000
7a. Funded Ratio – Actuarial Basis [(5) ÷ (4)]	25.7%	21.5%
7b. Funded Ratio – Market Value Basis *	26.0%	20.7%
C. Recommended or Actuarially Determined Contribution (ARC)		
8. Net Normal Cost (<i>offset by Expected Employee Contributions</i>)	\$2,100,000	\$2,800,000
9. Payment to amortize UAAL	49,600,000	47,300,000
10. Total ADC [(8) + (9), adjusted for timing]	\$55,100,000	\$53,500,000
11. Effective amortization period	9.5 years	12.5 years

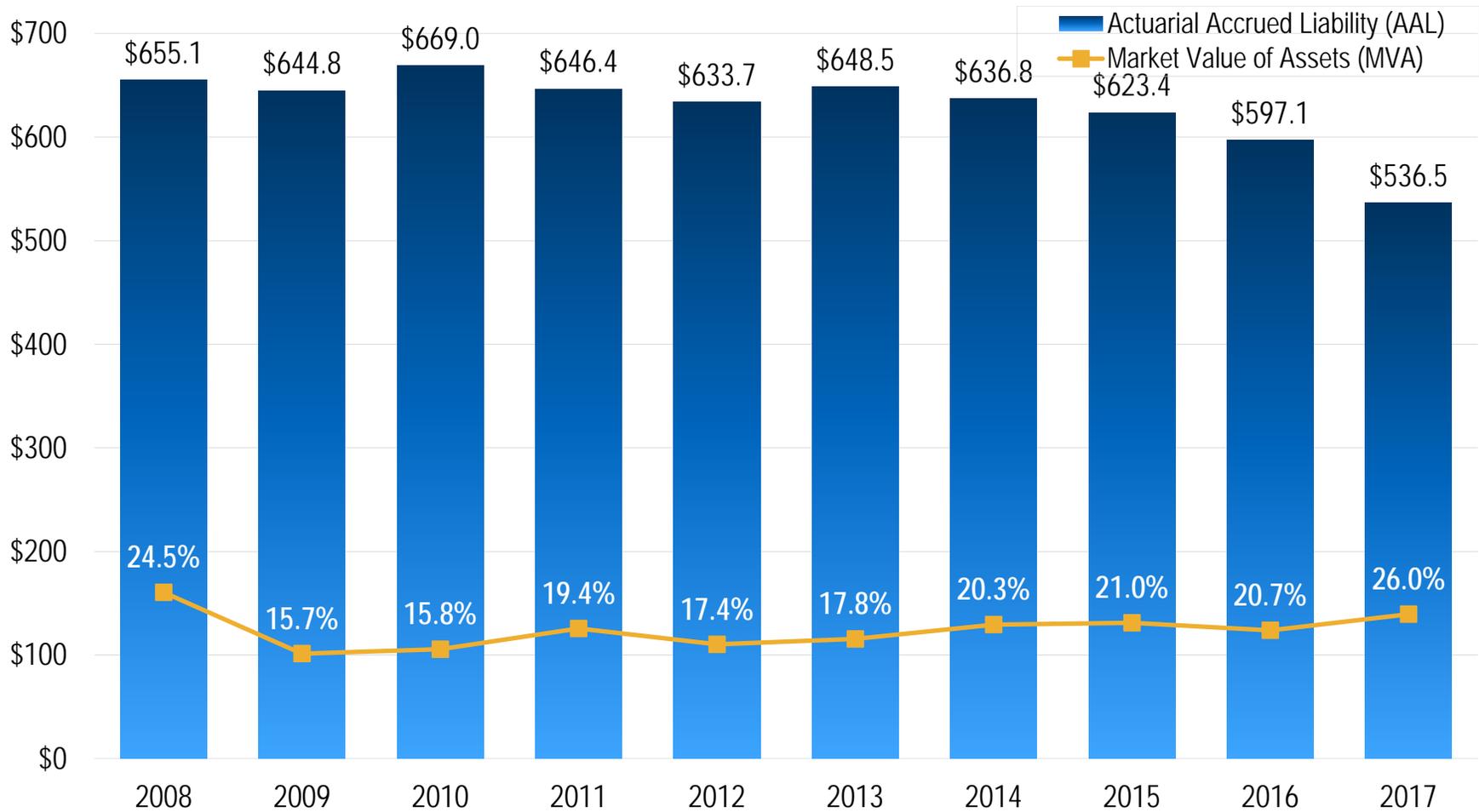
* Based on market value of assets of \$139,400,000 as of July 1, 2017 and \$123,900 as of July 1, 2016.

Reconciliation of Unfunded Actuarial Accrued Liability

UAAL as of July 1, 2016	\$468,800,000
1. Gross Normal Cost	
<ul style="list-style-type: none"> • Cost of benefits accruing during the year for active employees 	4,400,000
2. Interest on prior year UAAL and Normal Cost	
<ul style="list-style-type: none"> • Based on prior year's assumption of 7.50% 	35,500,000
3. School Board and Employee contributions, adjusted for interest	
<ul style="list-style-type: none"> • School Board contributions of \$52.0 million and employee contributions of \$1.4 million • Interest of \$2.0 million 	(55,400,000)
4. Investment and liability gains	
<ul style="list-style-type: none"> • Actuarial value of assets (i.e. smoothed value) earned 9.8% compared to 7.50% assumption • Liability gain mostly due to COLAs and mortality experience 	(18,500,000)
5. Assumption changes	
<ul style="list-style-type: none"> • Described on Slide 7 	(36,200,000)
UAAL as of July 1, 2017	\$398,600,000

Based on total Plan contributions exceeding the Normal Cost and Interest on the UAAL, the UAAL was expected to decrease \$15.5 million (Items #1, #2 and #3). In addition, the Plan experienced a net experience gain (Item #4) and updated assumptions (Item #5), thus decreasing the UAAL by \$54.7 million, for a net decrease of \$70.2 million.

Actuarial Accrued Liability vs. Market Value of Assets



The funded percentages (MVA/AAL) are shown above while the market value is shown in yellow.



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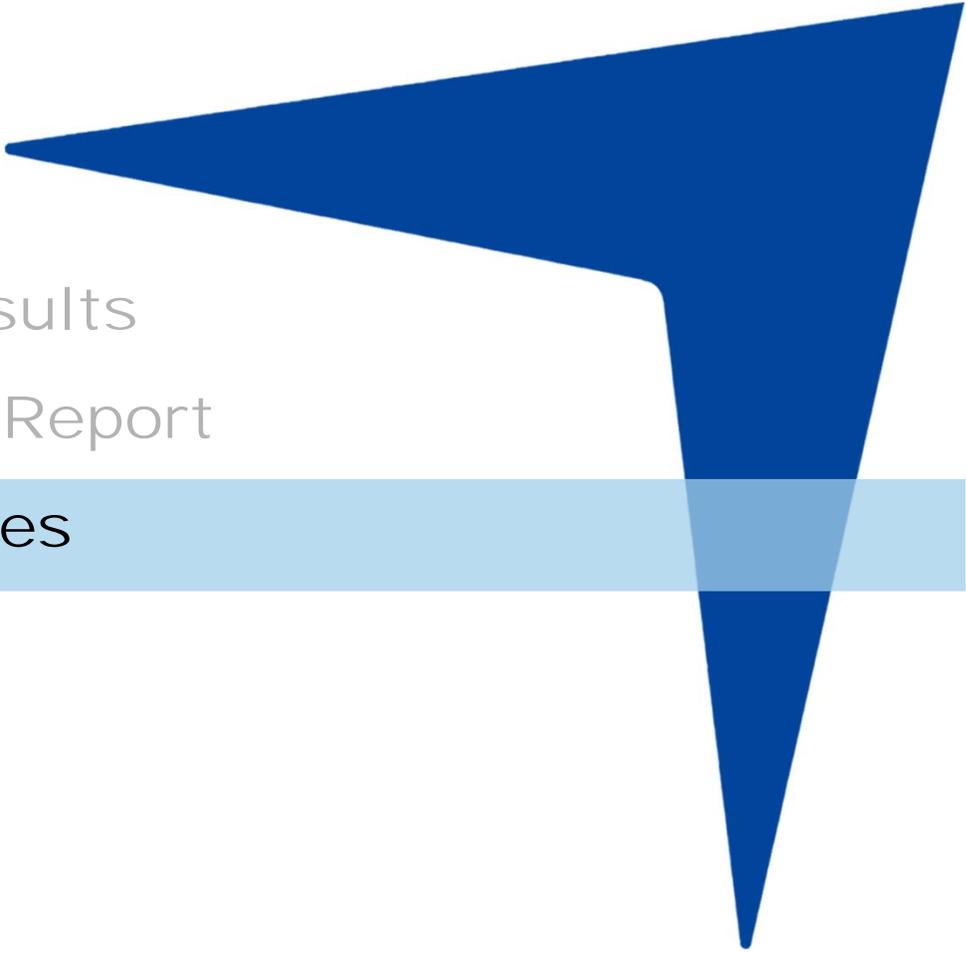


Navigating the Valuation Reports

- The reports are presented in four sections with Section 1 providing summary information, and Sections 2, 3 and 4 providing details related to the summary as well as supplementary information. The following outline will guide you through the report.
- **Section 1** provides a summary of the key results from this year's valuation and describes any major changes from the prior year. The Summary of Key Valuation Results on page 7 shows a side-by-side comparison of the current and prior year's numbers. Included in the comparison is the recommended contribution, effective amortization period, funded status results, and demographic data.
- **Section 2** includes valuation details such as the components of the recommended contribution, a reconciliation of the unfunded actuarial accrued liability, the development of the smoothed actuarial value of assets used in the valuation, and the present value of accumulated plan benefits. This Section also details the actuarial experience for the year.
- Some helpful charts in this section can be found on the following pages:
 - Page 15 shows the development of the smoothed actuarial value of assets.
 - Page 18 shows the investment experience over the past year 2 years.
 - Page 19 shows a 10-year history of asset returns on an actuarial and a market basis.
 - Page 21 shows the demographic experience over the past year.
 - Page 24 shows the reconciliation of the unfunded actuarial liability from last year to this year.
 - Page 25 shows the components of the recommended contribution for the current and prior years.
 - Page 26 shows a 10-year history of employer contributions.
 - Page 31 shows the present value of accumulated plan benefits.

Navigating the Valuation Reports (*continued*)

- **Section 3** includes supplemental information including demographic statistics and a glossary of terms. Exhibit G, starting on page 40, defines the pension terms used throughout the report.
- **Section 4** includes a summary of the actuarial assumptions and methods and the plan provisions upon which the valuation is based.
 - Exhibit I, starting on page 44, presents a summary of the assumptions and methods used to value the Plan.
 - Exhibit II, starting on page 49, provides a summary of the plan of benefits used for the valuation.



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Pension Actuarial Services

➤ Annual Recurring Projects

- Valuation report (April to June)
- Two-page summary of annual valuation results (after report is final)
- GASB 68 Accounting Information (March to May)
- GASB 67 Disclosure Information (September to October)
- Review of annual COLA calculations prepared by Southern Actuarial Services (December)

➤ Recurring Projects

- Experience study
 - Typically done every five years
 - Last set of studies presented in June 2017 for the 5-year period ending June 30, 2016

➤ Special Projects

- Can be requested by APS or by the Pension Board.
- In past, if requested by APS, typically paid by APS and not from the pension fund
- Recent study in 2017 - death benefit study to extend benefits to later ages for dependent children (requested by the Pension Board)

Thank you!

 Segal Consulting

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