



Fulton County Employees Retirement System

2021 Actuarial Valuation Review

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| Agenda

Summary of 2021 Valuation

Key Results

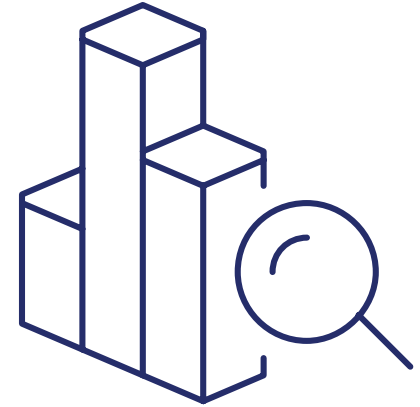
GASB 67 and 68 Accounting Disclosures

Historical Results

Projected Future Results

Summary of 2021 Valuation

- Recommended County contribution for 2021 = \$62.4 million, down from \$66.2 million last year.
 - ✓ \$6.32 million decrease due to an investment gain; the asset return was 14.6% on a market basis and 11.8% on a smoothed actuarial basis
 - ✓ \$2.43 million increase due to lowering the net investment return from 7.15% to 7.00%
 - ✓ Net impact of all other changes, including demographic gains and losses = \$0.01 million
- County contributed 103.5% of the actuarially determined contribution for 2020, and is in compliance with Georgia minimum funding standards
- Funded ratios increased over last year
 - ✓ Actuarial value (AVA) basis, ratio increased from 70.7% to 74.0%
 - ✓ Market value (MVA) basis, ratio increased from 76.3% to 82.3%
 - ✓ AVA = 89.9% of MVA, \$156.4 million in deferred gains



Valuation based on data and assets as of December 31, 2020

Summary of 2021 Valuation

- Number of active participants declined by 22%
 - ✓ System closed to new entrants in 1999
 - ✓ 158 covered employees on valuation date
 - ✓ Average age = 56.1
 - ✓ Average service = 26.1
- Number of annuitants remained roughly level
 - ✓ 3,185 in pay status
 - ✓ Down 1.4% since last year
 - ✓ Average age = 70.2
 - ✓ Average monthly benefit of \$3,777
 - ✓ \$144.9 million in benefit payments paid in 2020



Summary of Key Results

Fiscal Year	2021	2020
Contributions for year beginning January 1:		
Employer normal cost (net of employee contributions)	\$2,101,450	\$2,469,984
Amortization of unfunded liability	<u>58,193,883</u>	<u>61,527,324</u>
Recommended County contribution, adjusted for timing	\$62,358,165	\$66,232,644
Actual County contribution	- -	\$68,578,000
Funding elements as of January 1:		
	2021	2020
Total normal cost, including administrative expenses	\$2,645,141	\$3,183,802
Expected employee contributions	543,691	713,818
Market value of assets	1,548,336,000	1,423,017,000
Actuarial value of assets	1,391,978,693	1,317,765,335
Actuarial accrued liability	1,881,914,157	1,865,253,623
Unfunded actuarial accrued liability	489,935,464	547,488,288
Funded Ratios:		
	2021	2020
Funded ratio on market value	82.3%	76.3%
Funded ratio on actuarial value	74.0%	70.7%

GASB 67/68 Accounting Disclosures

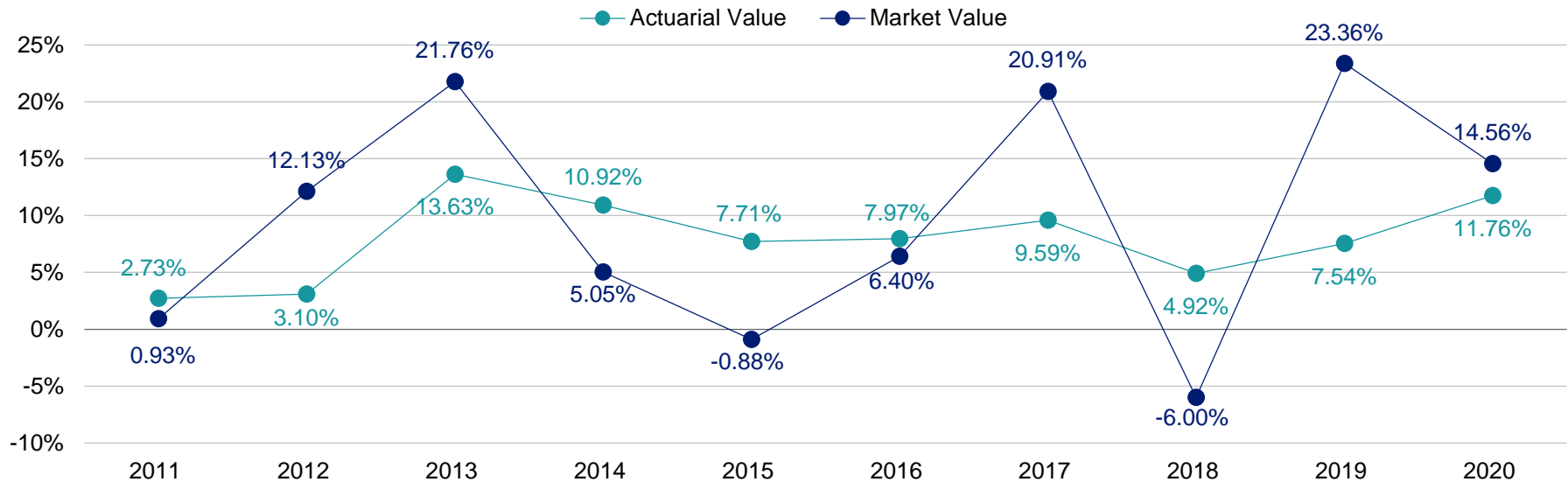
- The Pension System is required to provide disclosures under GASB Statements 67 and 68. The components of the net pension liability and pension expense are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Total Pension Liability	\$1.88 billion	\$1.87 billion
Plan Fiduciary Net Position	\$1.55 billion	\$1.42 billion
System's Net Pension Liability	\$0.33 billion	\$0.44 billion
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.3%	76.3%
Pension Expense	\$11.0 million	\$59.3 million

- In the event that a pension plan has a projected insolvency date, GASB requires that the unfunded benefits be discounted using a 20-year, tax-exempt general obligation bonds rate rather than the Plan's funding rate.
- Since current contribution levels are projected to keep the System solvent, the GASB liabilities are determined using the Plan's funding rate of 7.00% (7.15% for the 2019 calculation).

Historical Results:

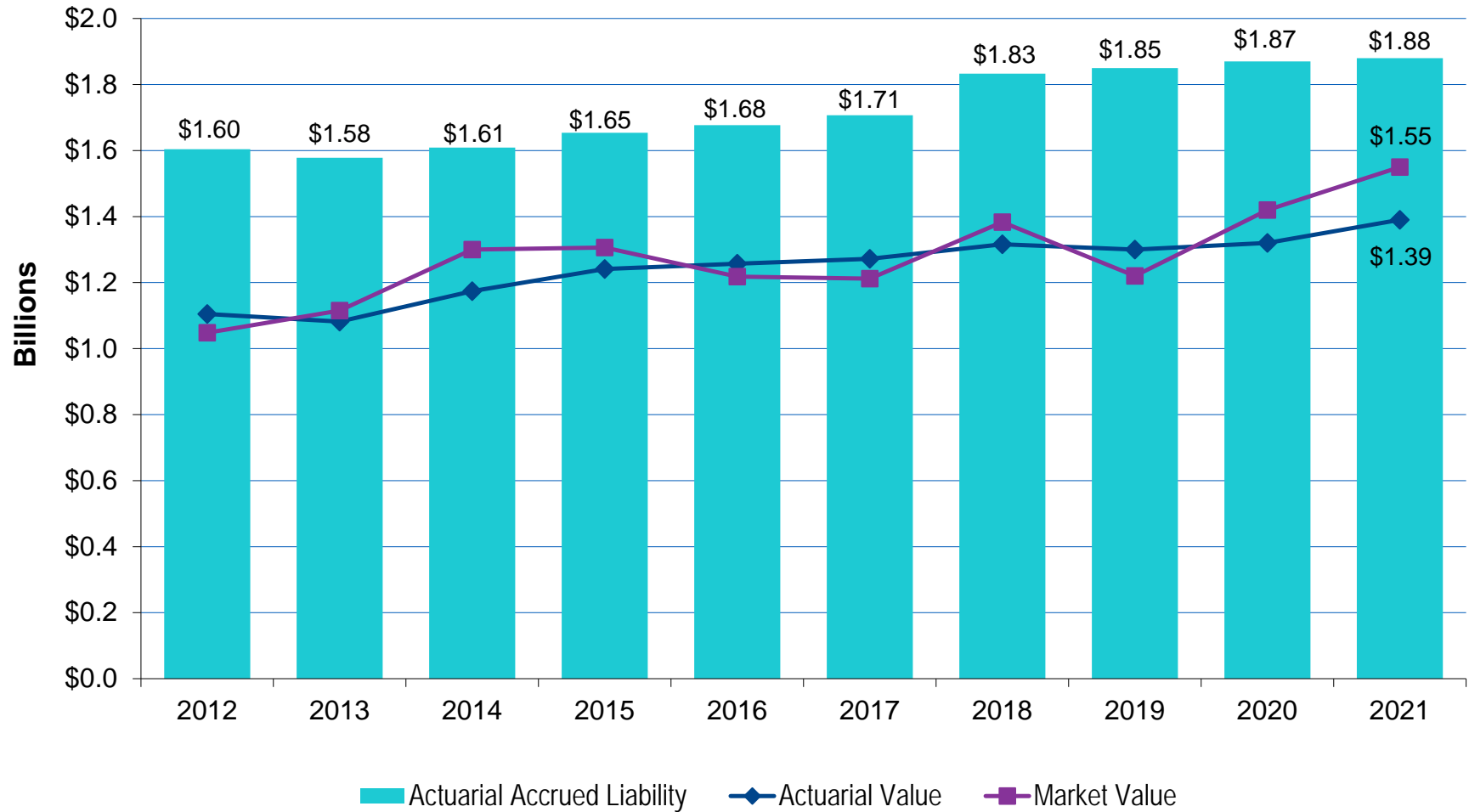
Actuarial Rate of Return vs. Market Rate of Return



The System's ten-year average return is 9.53% on a market value basis and 8.00% on an actuarial basis.

Historical Results:

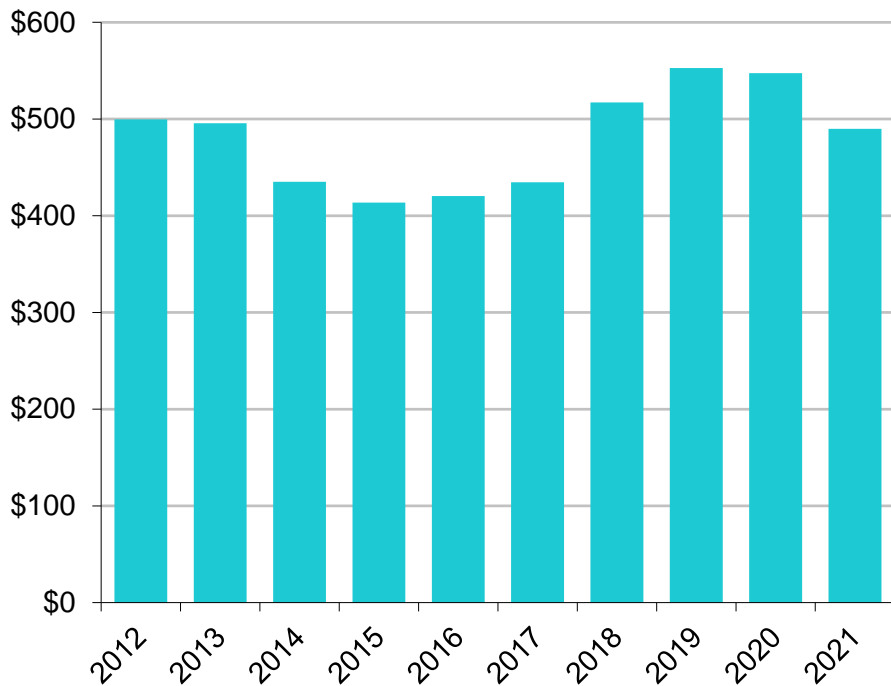
Actuarial Accrued Liability Compared to Assets



Historical Results:

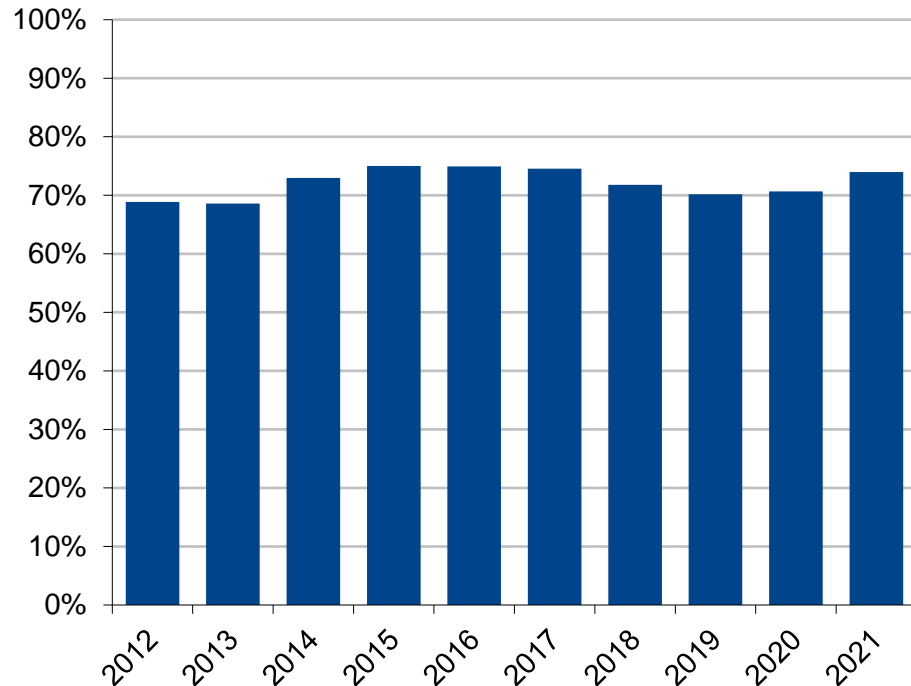
Unfunded Liability and Funded Ratio

**UNFUNDED ACTUARIAL ACCRUED LIABILITY
(BASED ON AVA)**



Current Unfunded Actuarial Liability = \$489.9 million

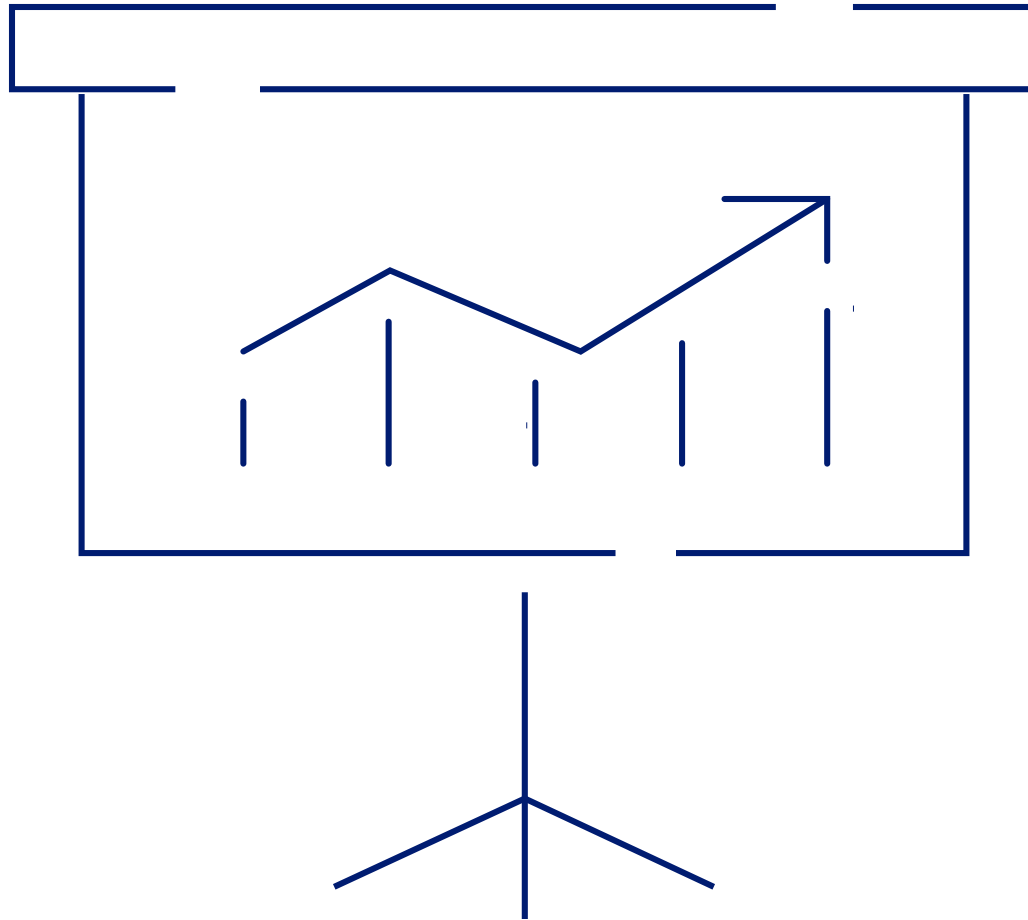
**FUNDED RATIO
(BASED ON AVA)**



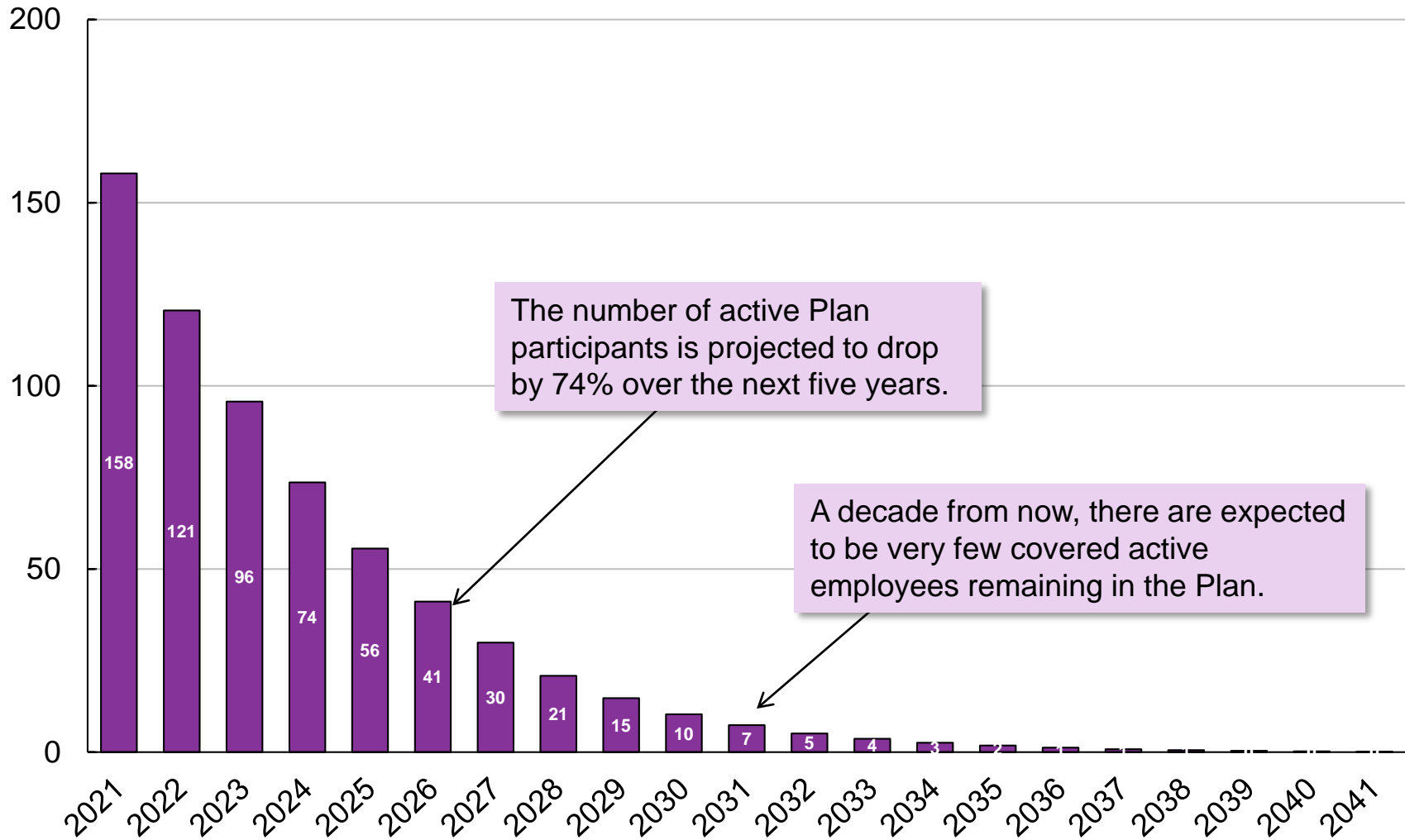
Current Funded Ratio = 74.0%

AVA = Actuarial Value of Assets

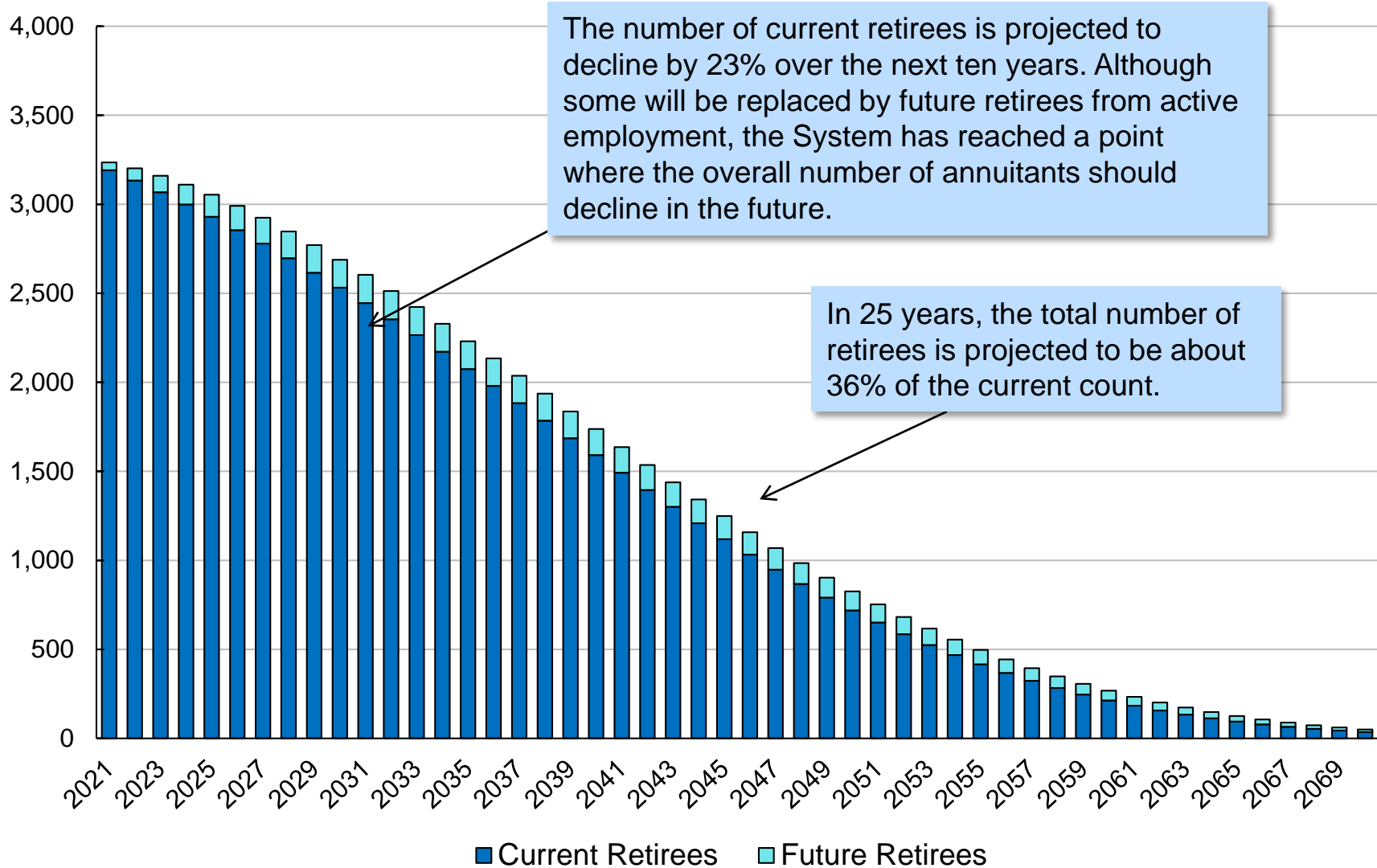
Projected Future Results



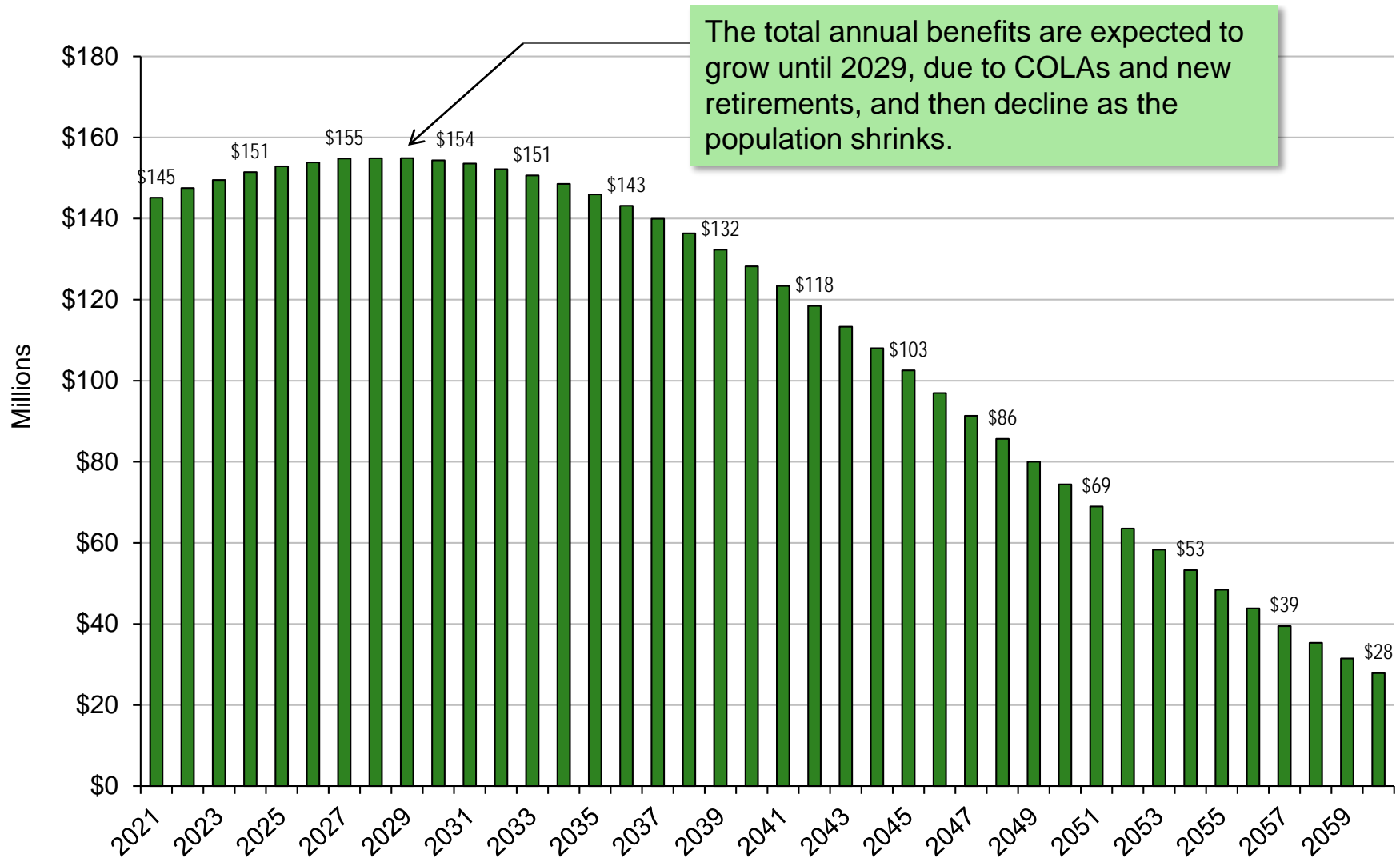
Projected Head Counts - Active Participants



Projected Head Counts - Inactive Participants

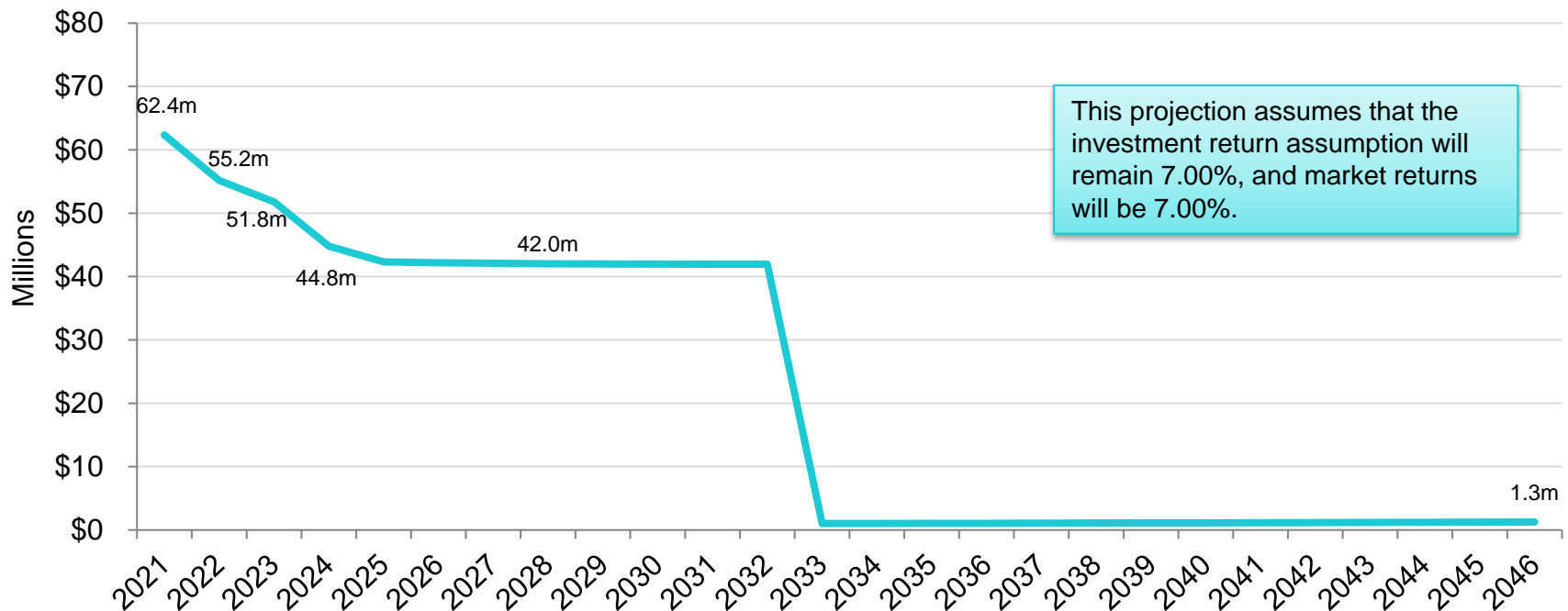


Projected Benefit Payments



Projected Recommended Contribution

- If all assumptions are met in the future, in the aggregate, and 100% of actuarially determined contributions are made:
 - ✓ County's contribution projected to decrease as \$156.4M deferred investment gains are recognized under asset smoothing method
 - ✓ Level dollar amount of ~\$42.0M expected 2025 through 2032
 - ✓ 100% funding in 2033

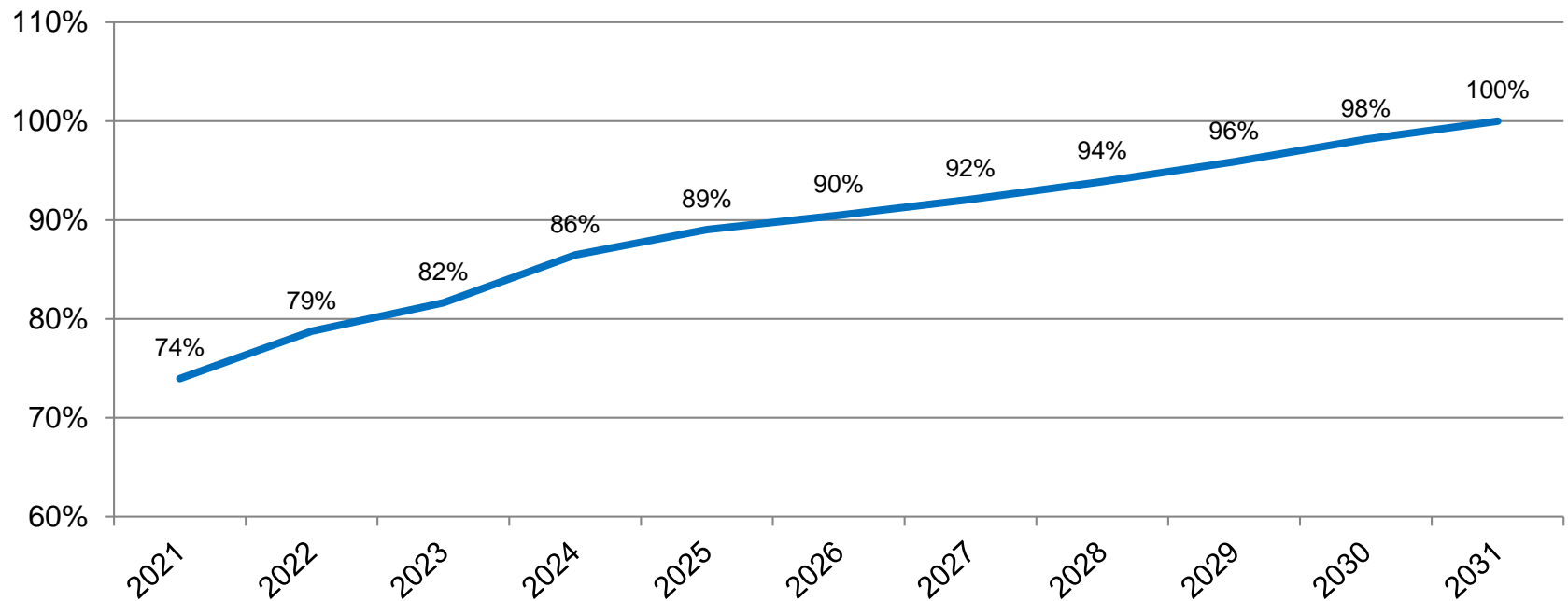


**This projection assumes that all economic and demographic assumptions are met in the future, in the aggregate.*

Projected Funded Ratio (Actuarial Basis)

The System is projected to progress steadily towards full funding over the next decade.

If the Board continues to lower the assumed discount rate annually, and/or if there are experience losses in the next few years, that could delay the date that 100% is reached. But so long as the County contributes the recommended contributions as determined by the actuary, improvement is anticipated.

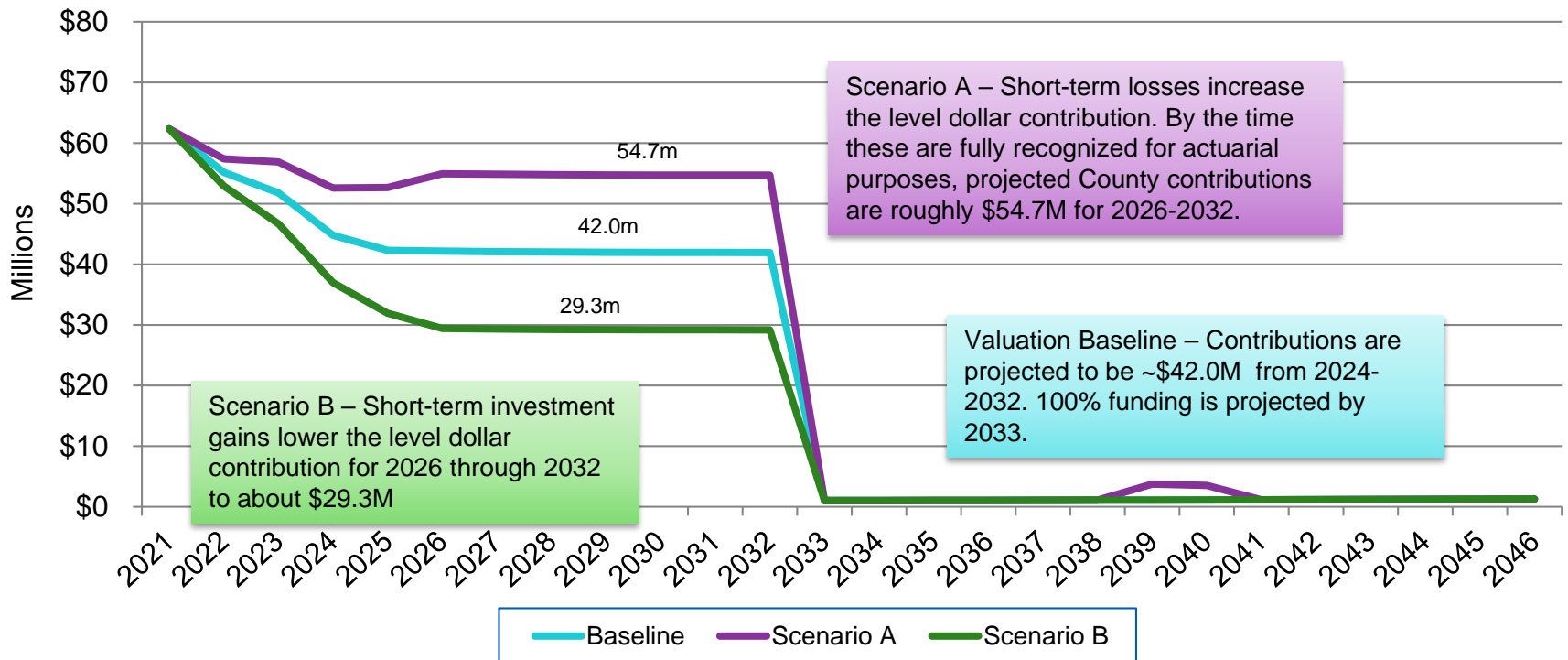


**This projection assumes that all economic and demographic assumptions are met in the future, in the aggregate.*

Projected Recommended Contribution “What-if” Scenarios

The chart below demonstrates the impact of either 0% or double the assumed rate of return in the coming year.

- Scenario A projection assumes 0% asset return in 2021
- Scenario B projection assumes 14% asset return in 2021



*This projection assumes that all economic and demographic assumptions are met in the future, in the aggregate, except as noted.

The Fine Print

- This presentation is intended for the use of the Board of Trustees for the Fulton County Employees Retirement System, and is a supplement to Segal Consulting's full valuation report for the Fund as of January 1, 2021.
- Please refer to the full valuation report for a description of assumptions and plan provisions reflected in the results shown in this presentation. The report also includes more comprehensive information regarding the System's membership, assets, and experience during the most recent plan year.
- Projections, by their nature, are not a guarantee of future results. They are intended to serve as estimates of future financial outcomes that are based on assumptions about future experience and the information available to us at the time the modeling is undertaken and completed. The projected future results included in this presentation show how the System would be affected if specific investment return, salary, mortality, turnover, disability and retirement assumptions are met. Actual results may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.
- The calculations included in this presentation were completed under the supervision of Deborah K. Brigham, FCA, ASA, MAAA, EA.

Questions and Discussion

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