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**EMPLOYEES'**  
**RETIREMENT SYSTEM**  
OF GEORGIA

**GASB STATEMENT NO. 68 REPORT**  
**FOR THE**  
**GEORGIA LEGISLATIVE RETIREMENT SYSTEM**  
**PREPARED AS OF JUNE 30, 2016**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

February 17, 2017

Board of Trustees  
Georgia Legislative Retirement System  
Two Northside 75, Suite 300  
Atlanta, GA 30318-7701

Members of the Board:

Presented in this report is information to assist the Georgia Legislative Retirement System (LRS) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 68 and to identify the information to be provided by the actuary, Cavanaugh Macdonald Consulting (CMC). The information is presented for the period ending June 30, 2016 (The Measurement Date).

GASB Statement No. 68 established accounting and financial reporting requirements for governmental employers who provide pension benefits to their employees through a trust.

The annual actuarial valuation used as a basis for much of the information presented in this report, including the Net Pension Liability, was performed as of June 30, 2015. The valuation was based on data, provided by the Retirement System staff, for active, inactive and retired members along with pertinent financial information.

The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the System, and on actuarial assumptions that are, individually and in the aggregate, internally consistent and reasonably based on the actual experience of the System. In addition, the calculations were completed in compliance with the laws governing the System and, in our opinion, meet the requirements of GASB 68. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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Board of Trustees  
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These results are only for financial reporting and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB 67 and GASB 68 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in the report due to such factors as changes in plan experience or changes in economic or demographic assumptions.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald', written in a cursive style.

Edward A. Macdonald, ASA, FCA, MAAA  
President

A handwritten signature in blue ink, appearing to read 'Cathy Turcot', written in a cursive style.

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'Edward J. Koebel', written in a cursive style.

Edward J. Koebel, EA, FCA, MAAA  
Principal and Consulting Actuary



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**REPORT OF THE ANNUAL GASB STATEMENT NO. 68  
REQUIRED INFORMATION FOR THE  
GEORGIA LEGISLATIVE RETIREMENT SYSTEM**

**PREPARED AS OF JUNE 30, 2016**

**SECTION I – INTRODUCTION**

The Governmental Accounting Standards Board issued Statement No. 68 (GASB 68), *Accounting and Financial Reporting For Pensions* in June 2012. Georgia Legislative Retirement System is a single-employer defined benefit pension plan.

This report, prepared as of June 30, 2016 (the Measurement Date), presents information to assist the Georgia Legislative Retirement System (LRS) in meeting the requirements of GASB 68 for the fiscal year ending June 30, 2017 (Reporting Date). Much of the material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of LRS as of June 30, 2015. The results of that valuation were detailed in a report dated April 21, 2016.

The NPL shown in the GASB Statement No. 67 Report for the Georgia Legislative Retirement System Prepared as of June 30, 2016 and submitted August 30, 2016 is the NPL used for purposes of GASB 68. Please refer to that report for the derivation of the NPL.

Pension Expense includes amounts for service cost (the Normal Cost under the Entry Age Normal actuarial cost method for the year), interest on the Total Pension Liability (TPL), changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the Plan membership as of the Measurement Date, and investment gains/losses are amortized over five years. The development of the PE is shown in Section IV.

The unamortized portions of each year's experience, assumption changes and investment gains/losses are used to develop deferred inflows and outflows, which also must be included on the employer's balance sheet. The development of the collective deferred inflows and outflows is shown in Section III.

Section II of this report is a summary of the principal results of the amounts under GASB 68. Section III provides the results of all the necessary calculations, presented in the order laid out in GASB 68 for note disclosure and Required Supplementary Information (RSI).



**SECTION II – SUMMARY OF PRINCIPAL RESULTS**  
**(\$ IN THOUSANDS)**

<b>Valuation Date (VD):</b>	June 30, 2015
<b>Measurement Date (MD):</b>	June 30, 2016
<b>Reporting Date (RD):</b>	June 30, 2017
<b>Single Equivalent Interest Rate (SEIR):</b>	
Long-Term Expected Rate of Return	7.50%
Municipal Bond Index Rate at Measurement Date	3.01%
Fiscal Year in which Plan's Fiduciary Net Position is projected to be depleted from future benefit payments for current members	N/A
Single Equivalent Interest Rate	7.50%
<b>Net Pension Liability:</b>	
Total Pension Liability (TPL)	\$26,142
Fiduciary Net Position (FNP)	<u>30,975</u>
Net Pension Liability (NPL = TPL – FNP)	\$(4,833)
FNP as a percentage of TPL	118.49%
<b>Pension Expense:</b>	\$(84)
<b>Deferred Outflows of Resources:</b>	\$1,759
<b>Deferred Inflows of Resources:</b>	\$334



**SECTION III – NOTES TO FINANCIAL STATEMENTS**

The material presented herein will follow the order presented in GASB 68. Paragraph numbers are provided for ease of reference.

**Paragraph 40 (c):** The data required regarding the membership of the Georgia Legislative Retirement System were furnished by the Retirement System. The following table summarizes the membership of the System as of June 30, 2016, the Measurement Date.

**Membership**

GROUP	TOTAL
Retired participants and beneficiaries currently receiving benefits	256
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	77
Terminated participants entitled to a refund of contributions	77
Active Participants	<u>224</u>
Total	634

**Paragraph 41:** This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The TPL as of June 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of June 30, 2015. The complete set of actuarial assumptions utilized in developing the TPL are outlined in Schedule C. The key actuarial assumptions are summarized below:

Inflation	2.75 percent
Salary increases	None
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward 2 years for both males and females) for the period after service retirement. The RP-2000 Employee Mortality Table projected to 2025 using projection scale BB was used for deaths in active service.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**Paragraph 42 (a)-(f):** The discount rate used to measure the TPL at June 30, 2016 was the long term rate of return, 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that Employer contributions will be



made equal to the actuarially determined employer contributions. Projected future benefit payments for all current plan members were projected through the year 2107.

Based on those assumptions, the System's FNP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL and a municipal bond rate was not used in determining the discount rate.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class based on the most recent experience study are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.0%	-0.5%
Domestic Stocks - Large Cap	37.2%	9.0%
Domestic Stocks - Mid Cap	3.4%	12.0%
Domestic Stocks - Small Cap	1.4%	13.5%
Int'l Stocks - Developed Mkt	17.8%	8.0%
Int'l Stocks - Emerging Mkt	5.2%	12.0%
Alternatives	5.0%	10.5%
Total	100.0%	

\*Net of inflation.

**Paragraph 42 (g):** This paragraph requires disclosure of the sensitivity of the NPL to changes in the discount rate. The following presents NPL of the System, calculated using the discount rate of 7.50 percent, as well as what the System's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

(\$ in Thousands)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$(2,380)	\$(4,833)	\$(6,902)





**Paragraph 44:** This paragraph requires a schedule of changes in the NPL. The needed information is provided in the table below.

**CHANGES IN THE NET PENSION LIABILITY**  
**(\$ in Thousands)**

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) – (b)
Balances at June 30, 2015	\$25,271	\$32,359	\$(7,088)
Changes for the year:			
Service cost	331		331
Interest	1,829		1,829
Difference between expected and actual experience	(465)		(465)
Changes of assumptions	938		938
Contributions - employer			
Contributions - employee		328	(328)
Net investment income		363	(363)
Benefit payments, including refunds of employee contributions	(1,762)	(1,762)	0
Administrative expense		(313)	313
Other changes	<u>          </u>	<u>          0</u>	<u>          0</u>
Net changes	<u>          871</u>	<u>      (1,384)</u>	<u>          2,255</u>
Balances at June 30, 2016	<u>      \$26,142</u>	<u>      \$30,975</u>	<u>      \$(4,833)</u>



**Paragraph 45 (a):** June 30, 2015 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2016 using standard roll forward techniques. The procedure used to determine the TPL as of June 30, 2016 is shown on page 6 of the GASB 67 report for LRS submitted on August 30, 2016.

**Paragraph 45 (c):** On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females.

**Paragraph 45 (d):** There was no change in the benefit terms that affected the measurement of the TPL since the prior measurement date.

**Paragraph 45 (g):** See Section IV for the annual Pension Expense.

**Paragraph 45 (h):** Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce Pension Expense they are labeled deferred inflows. If they will increase Pension Expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

The table below provides a summary of the deferred inflows and outflows as of June 30, 2016.

(\$ in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$334
Changes of assumptions	563	0
Net difference between projected and actual earnings on Plan investments	1,196	0
Employer contributions subsequent to the measurement date	<u>      *</u>	<u>      0</u>
Total	<u>\$1,759</u>	<u>\$ 334</u>

\* The deferred outflow of resources reported by an employer should include contributions made by the employer during its fiscal year that will be reflected in the net pension liability in the next measurement period.

The following tables show the components of the deferred outflows of resources and the deferred inflows of resources by year.



**Deferred Outflows and Inflows for Differences between Expected and Actual Experience**

Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance Deferred Outflows (a)	Beginning Balance Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)	Amounts Recognized in Pension Expense / Deferred Outflow (e)	Amounts Recognized in Pension Expense / Deferred Inflow (f)	Ending Balance Deferred Outflows (a) + (c) - (e)	Ending Balance Deferred Inflows (b) + (d) - (f)
2016	\$0	\$465	2.5	\$0	\$0	\$0	\$465	\$0	\$186	\$0	\$279
2015	0	325	2.4	0	190	0	0	0	135	0	55
2014	0	0	2.5	0	0	0	0	0	0	0	0
<b>Total</b>				<u>\$0</u>	<u>\$190</u>	<u>\$0</u>	<u>\$465</u>			<u>\$0</u>	<u>\$334</u>



**Deferred Outflows and Inflows for Differences from Assumption Changes**

Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance Deferred Outflows (a)	Beginning Balance Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)	Amounts Recognized in Pension Expense / Deferred Outflow (e)	Amounts Recognized in Pension Expense / Deferred Inflow (f)	Ending Balance Deferred Outflows (a) + (c) - (e)	Ending Balance Deferred Inflows (b) + (d) - (f)
2016	\$938	\$0	2.5	\$0	\$0	\$938	\$0	\$375	\$0	\$563	\$0
2015	\$0	\$0	2.4	0	0	0	0	\$0	\$0	\$0	\$0
2014	\$0	\$0	2.5	0	0	0	0	\$0	\$0	\$0	\$0
<b>Total</b>				<u>\$0</u>	<u>\$0</u>	<u>\$938</u>	<u>\$0</u>			<u>\$563</u>	<u>\$0</u>



**Deferred Outflows and Inflows for Differences in Investment Experience**

Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance Deferred Outflows (a)	Beginning Balance Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)	Amounts Recognized in Pension Expense / Deferred Outflow (e)	Amounts Recognized in Pension Expense / Deferred Inflow (f)	Ending Balance Deferred Outflows (a) + (c) - (e)	Ending Balance Deferred Inflows (b) + (d) - (f)
2016	\$1,998	\$0	5.0	\$0	\$0	\$1,998	\$0	\$400	\$0	\$1,598	\$0
2015	1,210	0	5.0	968	0	\$0	0	242	0	726	0
2014	0	2,820	5.0	0	1,692	\$0	0	0	564	0	1,128
<b>Total</b>				<u>\$968</u>	<u>\$1,692</u>	<u>\$1,998</u>	<u>\$0</u>			<u>\$2,324</u>	<u>\$1,128</u>
<b>Net difference between projected and actual earnings on investments</b>										\$1,196	



Summary of Deferred Outflows and Inflows					
Year	Amortization Period	Beginning Balance	Additions	Deductions	Ending Balance
<b>Deferred Outflows of Resources:</b>					
Difference between expected and actual experience					
2016	2.5	\$0	\$0	\$0	\$0
2015	2.4	0	0	0	0
2014	2.5	0	0	0	0
Difference between expected and actual assumptions					
2016	2.5	\$0	\$938	\$375	\$563
2015	2.4	0	0	0	0
2014	2.5	0	0	0	0
Difference between projected and actual earnings					
2016	5.0	\$0	\$1,998	\$400	\$1,598
2015	5.0	0	968	242	726
2014	5.0	0	(1,692)	(564)	(1,128)
Subtotal					1,196
<b>Total Deferred Outflows of Resources</b>		<u>\$0</u>	<u>\$2,212</u>	<u>\$453</u>	<u>\$1,759</u>
Year	Amortization Period	Beginning Balance	Additions	Deductions	Ending Balance
<b>Deferred Inflows of Resources:</b>					
Difference between expected and actual experience					
2016	2.5	\$0	\$465	\$186	\$279
2015	2.4	190	0	135	55
2014	2.5	0	0	0	0
Difference between expected and actual assumptions					
2016	2.5	\$0	\$0	\$0	\$0
2015	2.4	0	0	0	0
2014	2.5	0	0	0	0
Difference between projected and actual earnings					
2016	5.0	\$0	\$0	\$0	\$0
2015	5.0	(968)	968	0	0
2014	5.0	1,692	0	1,692	0
Subtotal					0
<b>Total Deferred Inflows of Resources</b>		<u>\$914</u>	<u>\$1,433</u>	<u>\$2,013</u>	<u>\$334</u>



**Paragraph 45 (i):** Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in Pension Expense as follows:

**Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date**

Year:	
1	\$212
2	173
3	642
4	398
5	0
Thereafter	0



## **SECTION IV – PENSION EXPENSE**

As noted earlier, the Pension Expense (PE) consists of a number of different items. GASB 68 refers to the first as Service Cost which is the Normal Cost using the Entry Age Normal (EAN) actuarial funding method. The second item is interest on the beginning of year TPL and the cash flows during the year at the 7.50% rate of return in effect as of the previous measurement date.

The next three items refer to any changes that occurred in the TPL due to:

- benefit changes,
- actual versus expected experience or
- changes in actuarial assumptions.

Benefit changes, which are reflected immediately in PE, can be positive, if there is a benefit improvement for existing Plan members, or negative if there is a benefit reduction. For the year ended June 30, 2015 there were no benefit changes to be recognized.

The next item to be recognized is the portion of current year changes in TPL due to actual versus expected experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership. The remaining service life of active members is the average number of years the active members are expected to remain active. For the year ended June 30, 2016 this number is 7.3. The remaining service life of the inactive members is zero. Therefore, the figure to use for the amortization is the weighted average of these two amounts, or 2.5.

The last item under changes in TPL are changes in actuarial assumptions. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership, or 2.5.

Member contributions for the year and projected earnings on the FNP, again at the rate used to calculate the liabilities, are subtracted from the amount determined thus far. One-fifth of current period differences between actual and projected earnings on the FNP are recognized in the pension expense.

The current year portions of previously determined experience, assumption, and earnings amounts, recognized as deferred inflows and outflows (see Section III) are included next. Deferred inflows are subtracted from the PE while deferred outflows are added to the PE. Finally, administrative expenses and other miscellaneous items are included.

The calculation of the Pension Expense is shown in the following table.





**Pension Expense**  
**Determined as of the Measurement Date**  
**(\$ thousands)**

Service Cost	\$331
Interest	1,829
Current-period benefit changes	0
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(186)
Expensed portion of current-period changes of assumptions	375
Member contributions	(328)
Projected earnings on plan investments	(2,361)
Expensed portion of current-period differences between actual and projected earnings on plan investments	400
Administrative expense	313
Other	0
Recognition of beginning deferred outflows of resources as pension expense	0
Recognition of beginning deferred inflows of resources as pension expense	<u>(457)</u>
<b>Pension Expense</b>	<b><u>\$(84)</u></b>



## **SECTION V – REQUIRED SUPPLEMENTARY INFORMATION**

There are several tables of Required Supplementary Information (RSI) that need to be included in the System's financial statements.

**Paragraph 46:** The required tables are provided in Schedule A.

**Paragraph 47:** In addition the following should be noted regarding the RSI:

**Changes of benefit terms:** None.

**Changes of assumptions:** In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal and mortality were adjusted to more closely reflect actual experience.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females.

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 employer contributions were determined in the June 30, 2013 valuation). The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	3.00 percent
Salary increase	N/A
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation
Cost-of-living adjustments	3.00% annually



**SCHEDULE A**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
(\$ in Thousands)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total pension liability</b>										
Service Cost	\$ 344	\$ 338	\$ 331							
Interest	1,799	1,824	1,829							
Benefit changes	0	0	0							
Difference between expected and actual experience	0	(325)	(465)							
Changes of assumptions	0	0	938							
Benefit payments	(1,801)	(1,756)	(1,724)							
Refunds of contributions	(30)	(26)	(38)							
<b>Net change in total pension liability</b>	<b>312</b>	<b>55</b>	<b>871</b>							
<b>Total pension liability - beginning</b>	<b>24,904</b>	<b>25,216</b>	<b>25,271</b>							
<b>Total pension liability - ending (a)</b>	<b>\$ 25,216</b>	<b>\$ 25,271</b>	<b>\$ 26,142</b>							
<b>Plan net position</b>										
Contributions - employer	\$ 45	\$ -	\$ -							
Contributions - member	282	327	328							
Net investment income	4,969	1,189	363							
Benefit payments	(1,801)	(1,756)	(1,724)							
Administrative expense	(152)	(169)	(313)							
Refunds of contributions	(30)	(26)	(38)							
Other	0	0	0							
<b>Net change in plan net position</b>	<b>3,313</b>	<b>(435)</b>	<b>(1,384)</b>							
<b>Plan net position - beginning</b>	<b>29,481</b>	<b>32,794</b>	<b>32,359</b>							
<b>Plan net position - ending (b)</b>	<b>\$ 32,794</b>	<b>\$ 32,359</b>	<b>\$ 30,975</b>							
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ (7,578)</b>	<b>\$ (7,088)</b>	<b>\$ (4,833)</b>							



**SCHEDULE OF THE NET PENSION LIABILITY**  
**(\$ in Thousands)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability	\$ 25,216	\$ 25,271	\$ 26,142							
Plan net position	32,794	32,359	30,975							
Net pension liability	\$ (7,578)	\$ (7,088)	\$ (4,833)							
Ratio of plan net position to total pension liability	130.05%	128.05%	118.49%							
Covered-employee payroll	N/A	N/A	N/A							
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A							

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**(\$ in Thousands)**



	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	\$ -	-	-	-	-	-	-	-	-	-
Actual employer contributions	<u>0</u>	<u>0</u>	<u>45</u>	<u>128</u>	<u>76</u>	<u>75</u>	<u>75</u>	<u>71</u>	<u>73</u>	<u>62</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>(45)</u>	<u>(128)</u>	<u>(76)</u>	<u>(75)</u>	<u>(75)</u>	<u>(71)</u>	<u>(73)</u>	<u>(62)</u>
Covered-employee payroll*	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual contributions as a percentage of covered-employee payroll	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\*Estimated based on actual contributions and actual percentage of payroll contributed



## **SCHEDULE B**

### **SUMMARY OF BENEFIT PROVISIONS EVALUATED**

The Georgia Legislative Retirement System (LRS) is a cost-sharing multiple employer defined benefit pension plan established by the Georgia General Assembly in 1979 for the purpose of providing retirement allowances and other benefits for all members of the Georgia General Assembly.

#### Normal Retirement Benefit

Eligibility	Age 65 and 8 years of creditable service or age 62 and 8 years of membership service (for eligible purposes, 4 legislative terms are equivalent to 8 years of membership service).
Benefit	Monthly benefit is \$36 multiplied by years of creditable service. For members with retirement dates prior to July 1, 2014, a one-time 1.75% increase is made at time of retirement.

#### Early Retirement Benefit

Eligibility	Age 60 and 8 years of membership service.
Benefit	Accrued benefit reduced by 5% for each year member is under age 62.

#### Disability Retirement Benefit

No special benefit. Benefit is same as early or normal retirement.

#### Involuntary Retirement Benefit

N/A

#### Deferred Vested Retirement Benefit

Eligibility	8 years of creditable service. Member contributions not withdrawn.
Benefit	Accrued benefit deferred to age 65 or reduced benefit payable at age 60.

#### Death Benefit

Eligibility	If less than 15 years of creditable service, a refund of accumulated contributions. If at least 15 years of creditable service or eligible for retirement, the benefit below.
Benefit	Benefit equal to retirement benefit immediately prior to death under 100% joint and survivorship option.

#### Termination Benefit

Eligibility	Termination with less than 8 years of creditable service.
Benefit	Return of the member's accumulated contributions.



Payment Options

- (1) Life annuity. Guaranteed payment of accumulated member contributions.
- (2) 100% joint and survivorship annuity.
- (3) 50% joint and survivorship annuity.

Post-Retirement Adjustments

The Board may from time to time grant a Cost of Living Adjustment.

Contributions

By Members

Members contribute 8 ½ % of salary.

By Employers

Employer contributions are actuarially determined and approved and certified by the Board to the legislative fiscal officer.



**SCHEDULE C**

**STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

Adopted by the Board December 17, 2015.

**VALUATION INTEREST RATE:** 7.50% per annum, compounded annually, net of investment expenses, composed of a 2.75% inflation assumption and a 4.75% real rate of investment return assumption.

**SALARY INCREASES:** None.

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rates of		
	Withdrawal	Death	
		Men	Women
20	8.0%	.032%	.018%
25	8.0	.035	.019
30	8.0	.041	.025
35	8.0	.072	.044
40	8.0	.100	.066
45	8.5	.140	.104
50	8.5	.198	.156
55	9.0	.281	.223
60	9.0	.409	.306
65	9.0	.560	.430

**SERVICE RETIREMENT:** The assumed annual rates of retirement are shown below:

Age	Annual Rate	Age	Annual Rate
60	10%	66	12%
61	10%	67	15%
62	15%	68	12%
63	10%	69	12%
64	10%	70-74	20%
65	12%	75	100%

**DEATHS AFTER RETIREMENT:** Since the System has minimal post-retirement mortality experience, the System uses the same mortality tables used for the Employees' Retirement System of Georgia. The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females is used for the period after service retirement and for dependent beneficiaries. Since there are no disability retirements in the System, there are no disability mortality rates utilized at this time. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for healthy retirees.





Representative values of the assumed annual rates of mortality after service retirement are as follows:

Age	Men	Women	Age	Men	Women
40	.113%	.079%	65	1.130%	.899%
45	.161	.123	70	1.870	1.528
50	.247	.187	75	3.215	2.522
55	.425	.292	80	5.516	4.163
60	.699	.492	85	9.563	7.124

**ADMINISTRATIVE EXPENSES:** Budgeted administrative expenses for the fiscal year are added to the normal cost.

**AMORTIZATION METHOD:** Level dollar amortization.

**ASSET METHOD:** Market value.

**COST-OF-LIVING ALLOWANCE (COLA):** 1.5% semi-annually.

**PERCENT MARRIED:** 90% of active members are assumed to be married with the male three years older than his spouse.

**VALUATION METHOD:** Entry age actuarial cost method.



## SCHEDULE D

### FUNDING POLICY OF THE LRS BOARD OF TRUSTEES

The purpose of this Funding Policy is to state the overall objectives for the Georgia Legislative Retirement System (System), the benchmarks that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks. It is the intent of the LRS Board of Trustees that the Funding Policy outlined herein will remain unchanged until the objectives below are met.

#### I. Funding Objectives

The goal in requiring employer and member contributions to the System is to accumulate sufficient assets during a member's employment to fully finance the benefits the member is expected to receive throughout retirement. In meeting this objective, the System will strive to meet the following funding objectives:

- To develop a pattern of contributions expressed as both a total dollar amount and as a dollar amount per active member and measured by valuations prepared in accordance with applicable State laws and the principles of practice prescribed by the Actuarial Standards Board.
- To maintain a stable funded ratio (ratio of actuarial value of assets to actuarial accrued liabilities) that reflects a trend of strong actuarial condition. The long-term objective is to maintain a 100% funded ratio; in the event that the funded ratio falls below 100%, the objective will be to obtain a 100% funded ratio over a reasonable period of future years.
- To maintain adequate asset levels to finance the benefits promised to members and monitor the future demand for liquidity.
- To promote intergenerational equity for taxpayers with respect to contributions required for the benefits provided by the System.

#### II. Measures of Funding Progress

To track progress in achieving the System's funding objectives, the following measures will be determined annually as of the actuarial valuation date (with due recognition that a single year's results may not be indicative of long-term trends):

- **Funded Ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial methods, and/or actuarial adjustments. The target funded ratio will be 100 percent. In the event that the funded ratio falls below 100%, the targeted funded ratio will be 100% within 20 years of the date the funded ratio first falls below 100%.
- **Unfunded Actuarial Accrued Liability (UAAL)**
  - **Transitional UAAL** – The UAAL established as of the initial valuation date for which this funding policy is adopted shall be known as the Transitional UAAL.
  - **New Incremental UAAL** – Each subsequent valuation will produce a New Incremental UAAL consisting of all benefit changes, assumption and method changes and experience gains and/or losses that have occurred since the previous valuations.
- **UAAL Amortization Period**
  - The transitional UAAL will be amortized over a closed 20 year period beginning on the initial valuation date for which this funding policy is adopted.
  - Each New Incremental UAAL shall be amortized over a closed 20 year period beginning with the year it is incurred.
- **Employer Contributions**
  - **Employer Normal Contributions** – the contribution determined as of the valuation date each year to fund the employer portion of the annual normal cost of the System based on the assumptions and methods adopted by the Board.
  - In each valuation subsequent to the adoption of this funding policy the required employer contributions will be determined as the summation of the employer Normal Contribution, a



- contribution for administrative expenses, the amortization cost for the Transitional UAAL and the individual amortization cost for each of the New Incremental UAAL bases.
- Employer Contributions will be expressed as both a total dollar amount and as a dollar amount per active member. In no event shall the employer contributions be less than \$0.
  - The valuation methodology, including the amortization of the Unfunded Actuarial Accrued Liability (UAAL), would be expected to maintain reasonably stable contributions as a dollar per active member.
  - In no event will the employer contribution as determined above be less than \$0.

### **III. Methods and Assumptions**

The annual actuarial valuations providing the measures to assess funding progress will utilize the actuarial methods and assumptions last adopted by the Board based upon the advice and recommendations of the actuary. These include the following primary methods and assumptions:

- The actuarial cost method used to develop the benchmarks will be the Entry Age Normal (EAN) actuarial cost method.
- The long-term annual investment rate of return assumption will be 7.50% net of investment expenses.
- The actuarial value of assets will be determined by recognizing the annual differences between actual and expected market value of assets over a five-year period, beginning with the June 30, 2014 actuarial valuation.
  - Prior to the June 30, 2014 valuation, the differences between actual and expected market value of assets were recognized over a seven-year period. For the June 30, 2014 valuation, all then-current deferred gains and losses will be recognized immediately, and the initial new five-year period will begin immediately thereafter.

The employer contribution rates determined in an annual actuarial valuation will be at least sufficient to satisfy the annual normal cost of the System and amortize the UAAL as a level dollar amount over a period not to exceed 20 years (for the UAAL as of the June 30, 2014 valuation date, and for each successive year of gains and losses incurred in years following the June 30, 2014 valuation date). However in no event shall the employer contributions be less than \$0.

The actuary shall conduct an investigation into the System's experience at least every five years and utilize the results of the investigation to form the basis for recommended assumptions and methods. Any changes to the recommended assumptions and methods that are approved by the Board will be reflected in this Policy.

### **IV. Funding Policy Progress**

The Board will periodically have actuarial projections of the valuation results performed to assess the current and expected future progress towards the overall funding goals of the System. These periodic projections will provide the expected valuation results over at least a 30-year period. The projected measures of funding progress and the recent historical trend provided in valuations will provide important information for the Board's assessment of the System's funding progress.