



Georgia Military Pension Fund

Report on an Actuarial Valuation

Prepared as of June 30, 2004



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- New fund
 - 2 yrs in effect
 - no EE contrib.

**REPORT ON AN ACTUARIAL VALUATION OF THE
 GEORGIA MILITARY PENSION FUND
 PREPARED AS OF JUNE 30, 2004**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. This report, prepared as of June 30, 2004, presents the results of an actuarial valuation of the Fund. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below.

TABLE I

SUMMARY OF PRINCIPAL RESULTS

Valuation Date	June 30, 2004	June 30, 2003
Number of active members included in valuation	8,573	9,986
Retired members		
Number	48	17
Annual pensions	\$ 49,740	\$ 18,120
Former members entitled to deferred vested pensions		
Number	385	203
Annual deferred pensions	\$ 371,160	\$ 189,660
Assets		
Actuarial value	\$ 1,250,000	\$ 609,000
Market value	1,280,000	626,000
Unfunded accrued liability	\$ 11,092,583	\$ 10,488,937
Amortization period	30 years	40 years
Fiscal Year Ending	June 30, 2007	June 30, 2005*
Employer contribution rate per active member		
Normal	\$ 7.68	\$ 8.11
Accrued liability	109.56	81.08
Total	\$ 117.24	\$ 89.19
Annual required employer contributions (ARC)		
Normal	\$ 65,841	\$ 80,986
Accrued liability	939,258	809,665
Total	\$ 1,005,099	\$ 890,651

*The ARC will also be payable for the fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

2. The major benefit and contribution provisions of the Fund as reflected in the valuation are summarized in Schedule F.

3. Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50% and the amortization period has been reduced from 40 to 30 years in accordance with GASB 25 and 27. Schedule D of this report outlines the full set of actuarial assumptions and methods used.
4. The entry age actuarial cost method was used to prepare the valuation. Schedule E contains a brief description of the actuarial cost method.
5. Comments on the valuation results are given in Section IV and the contributions payable by the State are given in Section V.

SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the Fund for use as a basis for the valuation were furnished by the Defense Department. The valuation included 8,573 active members as of June 30, 2004.
2. The following table shows the number of retired members and deferred vested members as of June 30, 2004 together with the amount of their annual retirement allowances payable under the Fund.

TABLE II

**THE NUMBER AND ANNUAL ALLOWANCES OF RETIRED
AND DEFERRED VESTED MEMBERS AS OF JUNE 30, 2004**

	NUMBER	ALLOWANCES
Retired Members, currently payable	48	\$ 49,740
Former Members, deferred allowances	385	\$ 371,160

Tables 1 and 2 of Schedule G of this report show a distribution of the number of active members by age and years of service. Table 3 shows a distribution of the number of deferred vested members by age and Table 4 shows a distribution of the number of retired members by age.

SECTION III - ASSETS OF THE FUND

1. As of June 30, 2004 the total market value of assets amounted to \$1,280,000 as reported by the independent auditor of the Fund. The actuarial value of assets used for the current valuation was \$1,250,000. Schedule B shows the development of the actuarial value of assets as of June 30, 2004.
2. Schedule C shows the receipts and disbursements of the Fund for the year preceding the valuation date and a reconciliation of the Fund balances at market value.

SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the Fund as of June 30, 2004. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule D and the actuarial cost method which is described in Schedule E.
2. The valuation balance sheet shows that the Fund has total prospective liabilities of \$12,655,144 of which \$2,711,353 is for the prospective benefits payable on account of present retired members and members entitled to deferred vested benefits, and \$9,943,791 is for the prospective benefits payable on account of present active members. Against these liabilities, the Fund has total present assets of \$1,250,000 as of June 30, 2004. The difference of \$11,405,144 between the total liabilities and the total present assets represents the present value of future contributions payable by the employer.
3. The employer contributions to the Fund consist of normal contributions and accrued liability contributions. The valuation indicates that annual employer normal contributions at the rate of \$7.68 per active member are required under the entry age method.
4. Prospective employer normal contributions at the rate of \$7.68 have a present value of \$312,561. When this amount is subtracted from \$11,405,144, which is the present value of total future employer contributions, there remains \$11,092,583 as the unfunded accrued liability.
5. The accrued liability contribution is the level annual amount which will liquidate the unfunded actuarial liability over a 30-year period. The annual accrued liability contribution determined on this basis is \$939,258, or \$109.56 per active member.

SECTION V - CONTRIBUTIONS PAYABLE BY THE STATE

The following table summarizes the employer contributions which were determined by the June 30, 2004 valuation and are recommended for use.

TABLE III

**ANNUAL REQUIRED EMPLOYER CONTRIBUTION RATES (ARC)
FOR THE FISCAL YEAR ENDING JUNE 30, 2007**

CONTRIBUTION	PER ACTIVE MEMBER	ANNUAL AMOUNT
Normal	\$ 7.68	\$ 65,841
Accrued Liability	<u>109.56</u>	<u>939,258</u>
Total	\$ 117.24	\$ 1,005,099

SECTION VI - ACCOUNTING INFORMATION

1. Statements Nos. 25 and 27 of the Governmental Accounting Standards Board (GASB) set forth certain items of required supplementary information to be disclosed in the financial statements of the Fund and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND RETIRED MEMBERS
AS OF JUNE 30, 2004**

GROUP	NUMBER
Retirees and beneficiaries currently receiving benefits	48
Terminated employees entitled to benefits but not yet receiving benefits	385
Active plan members	<u>8,573</u>
Total	9,006

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/02	\$ 0	\$ 8,321,965	\$ 8,321,965	0.00%	N/A	N/A
6/30/03	609,000	11,097,937	10,488,937	5.49%	N/A	N/A
6/30/04	1,250,000	12,342,583	11,092,583	10.13%	N/A	N/A

3. The following shows the schedule of employer contributions.

Year Ending	Annual Required Contribution	Percent Contributed
6/30/03	\$591,000	100%
6/30/04	617,000	100%

4. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/04
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of Return*	7.50%
Projected salary Increases	N/A
Cost-of-living adjustments	None
*Includes inflation at	4.00%

TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
June 30, 2003	\$591,000	100%	\$0
June 30, 2004	\$617,000	100%	\$0

SCHEDULE A
VALUATION BALANCE SHEET

ACTUARIAL LIABILITIES		
(1)	Present value of prospective benefits payable on account of present retired members	\$ 486,030
(2)	Present value of prospective benefits payable on account of former members entitled to deferred benefits	2,225,323
(3)	Present value of prospective benefits payable on account of present active members	<u>9,943,791</u>
(4)	Total actuarial liabilities	\$ 12,655,144
PRESENT AND PROSPECTIVE ASSETS		
(5)	Actuarial Value of assets	\$ 1,250,000
(6)	Present value of future employer contributions = (4) - (5)	\$ 11,405,144
(7)	Employer normal contribution rate	\$ 7.68
(8)	Present value of future membership service	40,698
(9)	Present value of future normal contributions (7) x (8)	312,561
(10)	Present value of unfunded accrued liability contributions = (6) - (9)	<u>11,092,583</u>
(11)	Total present and Prospective Assets	\$ 12,655,144

SCHEDULE B**DEVELOPMENT OF JUNE 30, 2004 ACTUARIAL VALUE OF ASSETS**

(1)	Actuarial Value of Assets on June 30, 2003	\$	609,000
(2)	2003/2004 Net Cash Flow		
	a. Contributions		617,000
	b. Disbursements		<u>49,000</u>
	c. Net Cash Flow		
	(2)a - (2)b		568,000
(3)	Expected Investment Return [(1) x .0725] + [(2)c x .03625]		65,000
(4)	Expected Actuarial Value of Assets on June 30, 2004 (1) + (2)c + (3)		1,242,000
(5)	Market Value of Assets on June 30, 2004		1,280,000
(6)	Excess of Market Value over Expected Actuarial Value (5) - (4)		38,000
(7)	20% Adjustment towards Market .20 x (6)		8,000
(8)	Actuarial Value of Assets on June 30, 2004 (4) + (7)	\$	1,250,000

SCHEDULE C**SUMMARY OF RECEIPTS AND DISBURSEMENTS
(MARKET VALUE)**

	Year Ending
	<u>June 30, 2004</u>
<u>Receipts for the Year</u>	
Contributions:	
Members	\$ 0
Employers	<u> 617,000</u>
Total	\$ 617,000
Investment earnings	<u> 86,000</u>
TOTAL	\$ 703,000
<u>Disbursements for the Year</u>	
Retirement allowances	\$ 49,000
Refunds to members	<u> 0</u>
TOTAL	\$ 49,000
<u>Excess of Receipts over Disbursements</u>	\$ 654,000
<u>Reconciliation of Asset Balances - Market Value</u>	
Asset Balance as of the Beginning of Year	\$ 626,000
Excess of Receipts over Disbursements	<u> 654,000</u>
Asset Balance as of the End of Year	<u><u>\$ 1,280,000</u></u>

SCHEDULE D**OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

INTEREST RATE: 7.50% per annum, compounded annually.

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of separation from active service are as follows:

Annual Rates of				
Age	Withdrawal		Retirement	
	Less than 7 years of service	7 or more years of service	Age 60 with 20 years of service*	Death
25	25%	10%		.07%
30	25	10		.07
35	25	10		.09
40	25	10		.18
45	25	10		.29
50	25	5		.40
55	25	5		.60
60	25	5	100%	.85

*15 years of service must be with Georgia National Guard.

DEATHS AFTER RETIREMENT: The 1983 Group Annuity Mortality Table for males and females.

ASSETS: Actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value.

VALUATION METHOD: Entry age actuarial cost method. See Schedule E for a brief description of this method.

SCHEDULE E**ACTUARIAL COST METHOD**

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 7.50%), of each member's expected benefits at retirement or death is determined, based on age, service and sex. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from the Fund on account of the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the Fund are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the entry age actuarial cost method. Under this method, a calculation is made to determine the level amount which, if applied for the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability is determined by subtracting the present value of prospective employer normal contributions, together with the current actuarial value of assets held, from the present value of expected benefits to be paid from the Fund.

SCHEDULE F

SUMMARY OF PROVISIONS

MEMBERSHIP

All persons who are members of the Georgia National Guard on July 1, 2002 are Members of the Fund.

BENEFITS

Retirement Allowance

Condition for Allowance

A member who has attained age 60 and has completed 20 or more years of creditable service, including at least 15 years, 10 of which immediately precede discharge, of Georgia National Guard duty, and who has received an honorable discharge, is entitled to a monthly allowance.

Amount of Allowance

The amount of the allowance is equal to \$50 per month for 20 years' creditable service with an additional \$5 per month for each additional year of creditable service, provided that the total allowance shall not exceed \$100 per month. The allowance is payable for the life of the member.

Deferred Retirement Allowance

Condition for Allowance

A member whose service is terminated after he has 20 years of creditable service, including at least 15 years, 10 of which immediately precede discharge, of Georgia National Guard duty, and who has received an honorable discharge, is eligible to receive a deferred retirement allowance commencing at age 60.

Amount of Allowance

The amount is the same as that for a service retirement.

CONTRIBUTIONS

The State makes annual contributions sufficient to meet the cost of the benefits under the Fund.

SCHEDULE G

TABLE 1

**THE NUMBER OF ACTIVE MEMBERS
DISTRIBUTED BY AGE
AS OF JUNE 30, 2004**

Age	Number
17	35
18	150
19	264
20	283
21	295
22	250
23	262
24	278
25	226
26	216
27	230
28	186
29	185
30	216
31	225
32	223
33	277
34	326
35	356
36	317
37	307
38	318
39	327
40	322
41	273
42	283
43	256
44	238
45	202
46	162
47	178
48	140
49	98
50	80
51	94
52	70
53	76
54	73
55	74
56	61
57	50
58	57
59	28
60	3
61	2
62	1
Total	8,573

TABLE 2

THE NUMBER OF ACTIVE MEMBERS
DISTRIBUTED BY YEARS OF CREDITED SERVICE
AS OF JUNE 30, 2004

Years Of Service	Number
0	980
1	439
2	383
3	388
4	274
5	283
6	316
7	299
8	335
9	325
10	270
11	260
12	259
13	325
14	297
15	283
16	303
17	272
18	305
19	283
20	275
21	243
22	207
23	185
24	152
25	96
26	98
27	80
28	56
29	39
30	34
31	51
32	47
33	41
34	37
35	28
36	3
37	11
38	6
39	3
41	2
Total	8,573

TABLE 3

**THE NUMBER OF FORMER MEMBERS ENTITLED
TO DEFERRED VESTED PENSIONS DISTRIBUTED
BY AGE AS OF JUNE 30, 2004**

Age	Number
39	2
40	3
41	15
42	10
43	19
44	22
45	16
46	18
47	9
48	19
49	20
50	10
51	15
52	22
53	25
54	15
55	19
56	26
57	25
58	18
59	22
60	15
61	15
62	4
65	1
Total	385

TABLE 4

THE NUMBER OF RETIRED MEMBERS
DISTRIBUTED BY AGE
AS OF JUNE 30, 2004

Age	Number
60	11
61	23
62	14
Total	48