

**ERSGA**

Employees' Retirement  
System of Georgia

*Serving those who serve Georgia*

**AGENDA**  
**BI-MONTHLY MEETING OF BOARD OF TRUSTEES**  
**EMPLOYEES' RETIREMENT SYSTEM**  
**February 18, 2021**  
**10:30 A.M.**

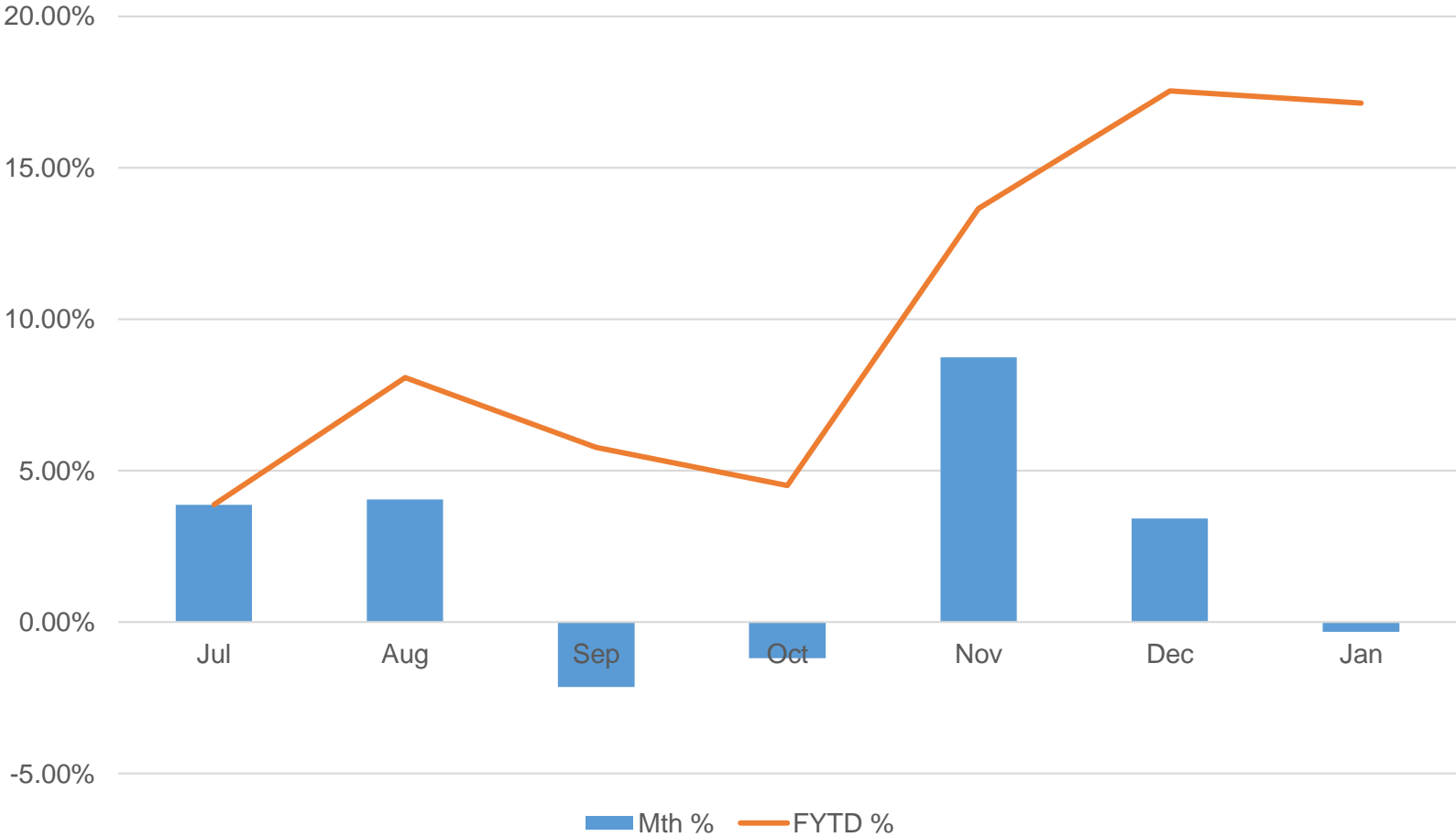
1. Call to order by Chair.
2. Approve Minutes of Bi-monthly Meeting of December 17, 2020.  
[Agenda Package "A"]
3. Ratify action of Investment Committee at Monthly Meetings of December 17, 2020  
and January 27, 2021. [Agenda Package "B"]
4. Review the Secretary's Report. [Agenda Package "C"]
5. Approve plan amendment for Peach State Reserves plans. [Agenda Package "D"]
6. Review updated ERS financial status in preparation for Annual Meeting.
7. Other Business.
8. Adjournment.

# Fund Market Values

	6/30/2020		11/30/2020		12/31/2020		1/31/2021	
<u>Plan</u>	<u>Market Value</u>		<u>Market Value</u>		<u>Market Value</u>		<u>Market Value</u>	
ERS	\$	13,456,292,924	\$	14,936,860,611	\$	15,375,237,358	\$	15,265,138,401
JRS		485,632,760		543,253,051		560,221,904		556,878,146
LRS		34,598,547		38,584,570		39,693,146		39,469,531
PSERS		958,718,374		1,076,068,384		1,109,753,695		1,103,298,977
GMPF		28,994,746		33,523,966		34,770,268		34,761,447
SEAD-Active		319,145,667		360,889,067		372,881,875		371,418,855
SEAD-OPEB		1,256,402,100		1,407,531,050		1,451,689,005		1,442,472,258
SBF		167,358,595		190,333,053		196,821,690		196,207,315
<b>Total</b>	<b>\$</b>	<b>16,707,143,713</b>	<b>\$</b>	<b>18,587,043,753</b>	<b>\$</b>	<b>19,141,068,942</b>	<b>\$</b>	<b>19,009,644,930</b>
PSR 401(k)	\$	1,269,759,799	\$	1,448,390,018	\$	1,503,364,328	\$	1,512,411,664
PSR 457		644,332,509		702,993,309		721,338,374		717,822,547
GDCP	\$	137,317,807	\$	138,283,626	\$	139,032,603	\$	139,064,697

# Investment Rates of Return

FY 2021 Rate of Return



# Contributions Accrued through 12/31/2020

<u>Plan</u>		<u>EE Contributions</u>		<u>ER Contributions</u>		<u>Total</u>
ERS	\$	17,596,940	\$	295,479,560	\$	313,076,500
JRS		2,499,146		2,587,213		5,086,359
LRS		146,040		0		146,040
PSERS		985,316		15,132,000		16,117,316
GDCP		7,684,423		0		7,684,423
GMPF		0		1,341,942		1,341,942
<b>Total</b>	<b>\$</b>	<b>28,911,865</b>	<b>\$</b>	<b>314,540,715</b>	<b>\$</b>	<b>343,452,580</b>

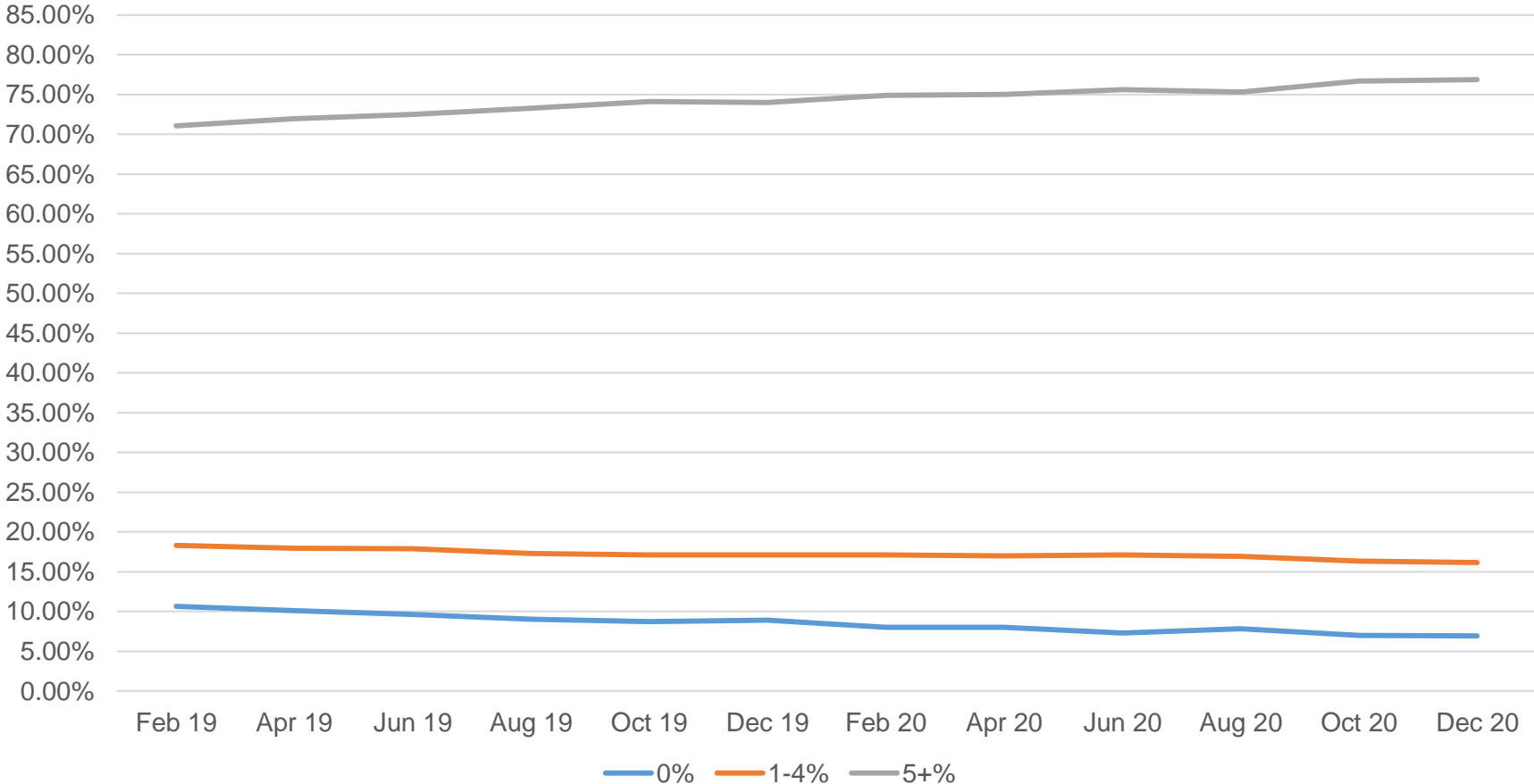
# Retiree Benefits Payments

ERS distributes monthly benefits to **75,231** retirees and beneficiaries. Below represents the monthly retiree payroll for all plans as of **January 29, 2021**. (Includes PLOPs, month of death checks, and retro payments.)

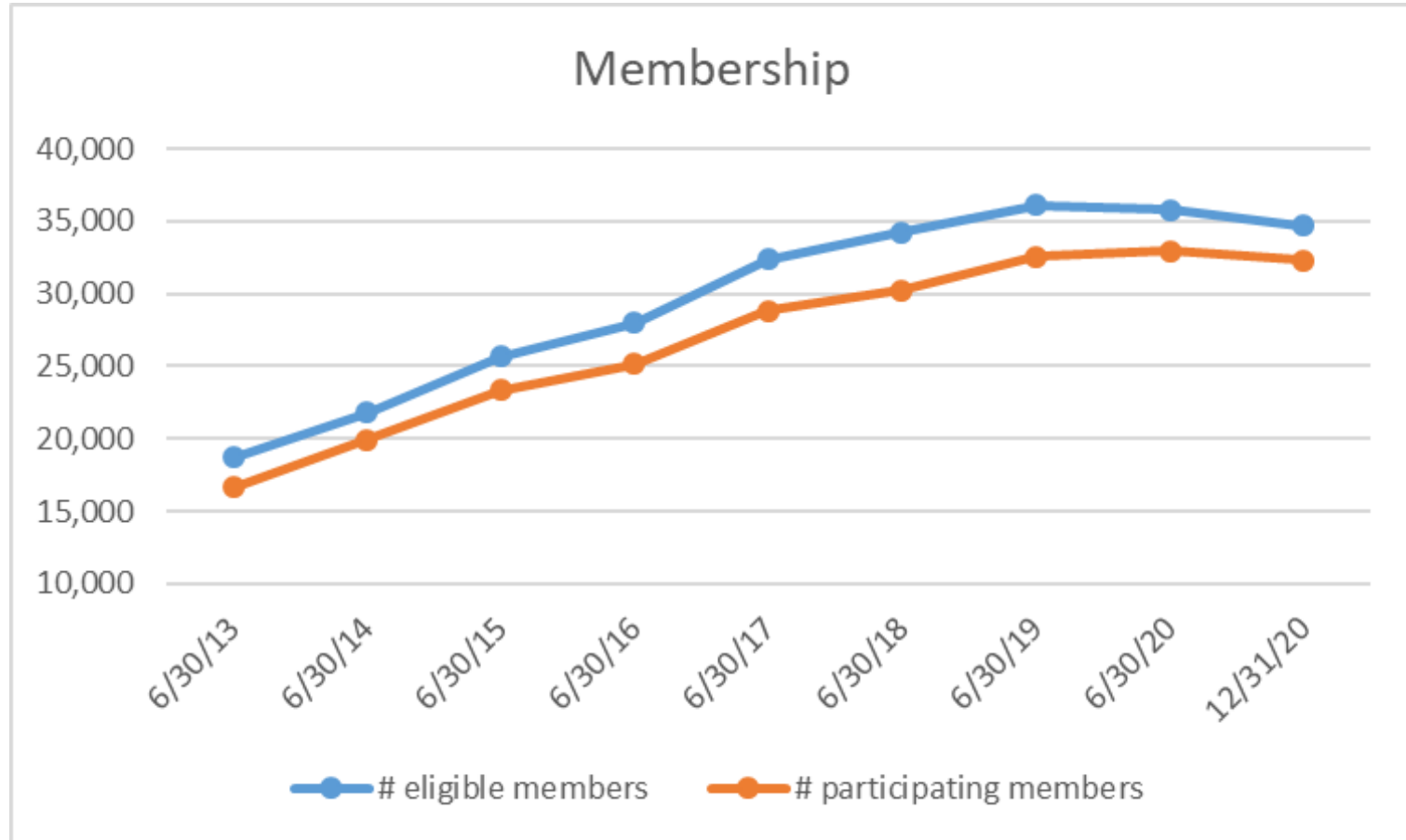
Plan	FY2020	FYTD2021	Retirees	Retirees	Total Retirees
			Dec 2020	Jan 2021	Jan 29, 2021
ERS	\$1,424,929,418	\$836,736,364	141	309	53,804
LRS	1,720,133	981,873	2	3	272
PSERS	61,309,654	34,042,842	64	123	19,390
JRS	28,638,295	17,444,252	0	25	446
GMPF	1,297,120	816,250	12	19	1,311
SCJRF	340,230	176,213	0	0	5
DARF	34,300	20,008	0	0	3
Total	\$1,518,269,150	\$890,217,803	219	479	75,231

# GSEPS

## Employee 401(k) Contribution Rates

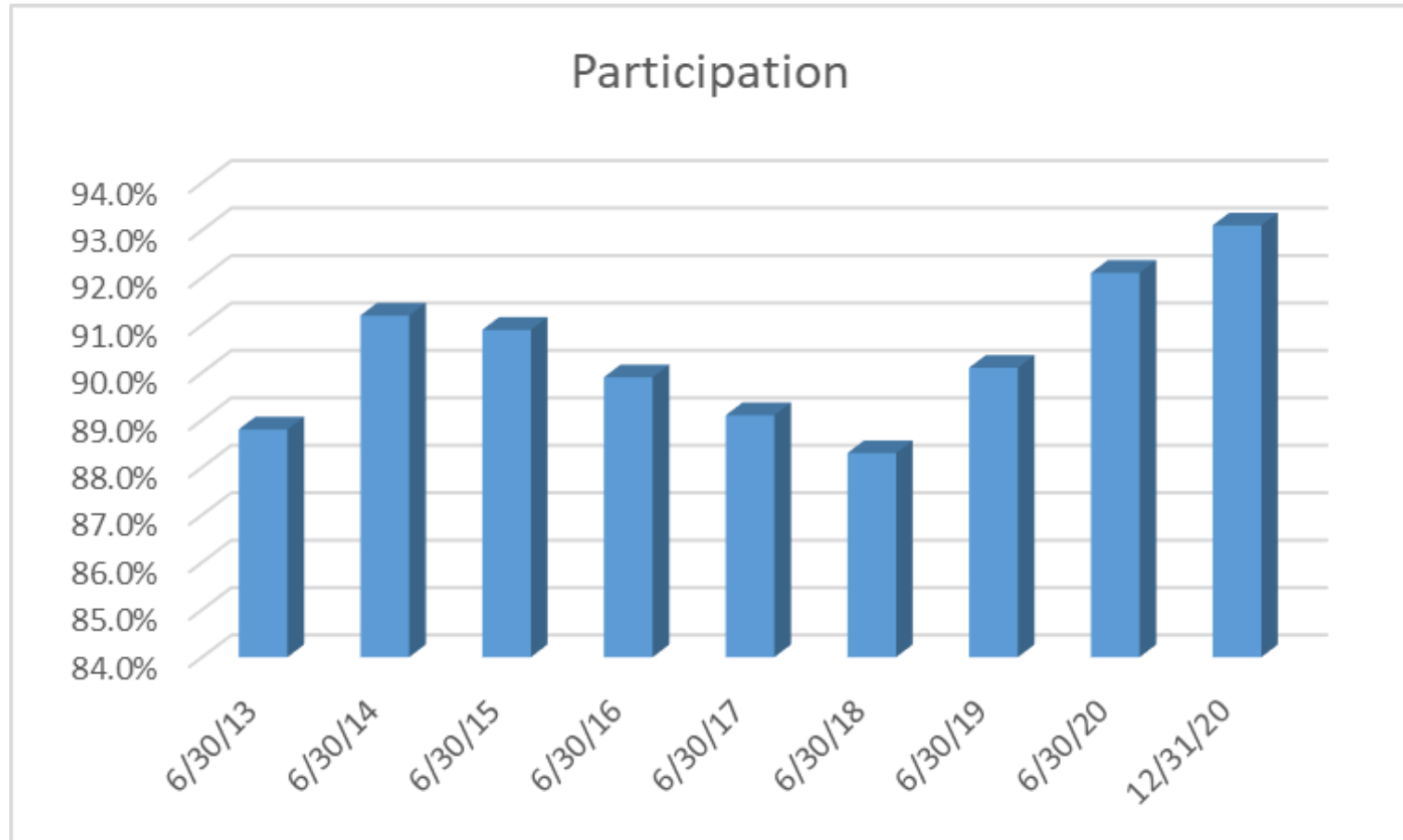


# GSEPS 401(k) Trend Data

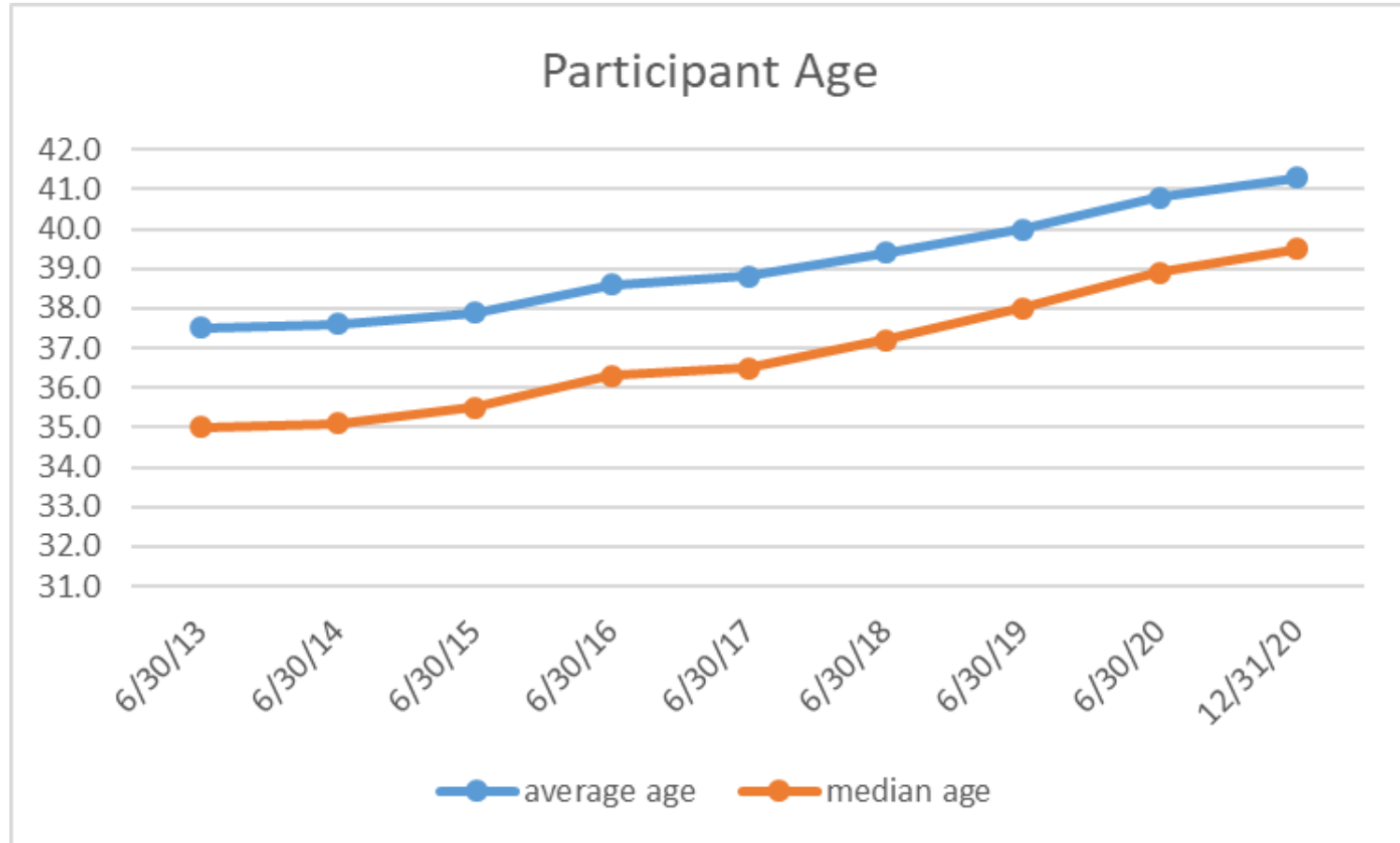




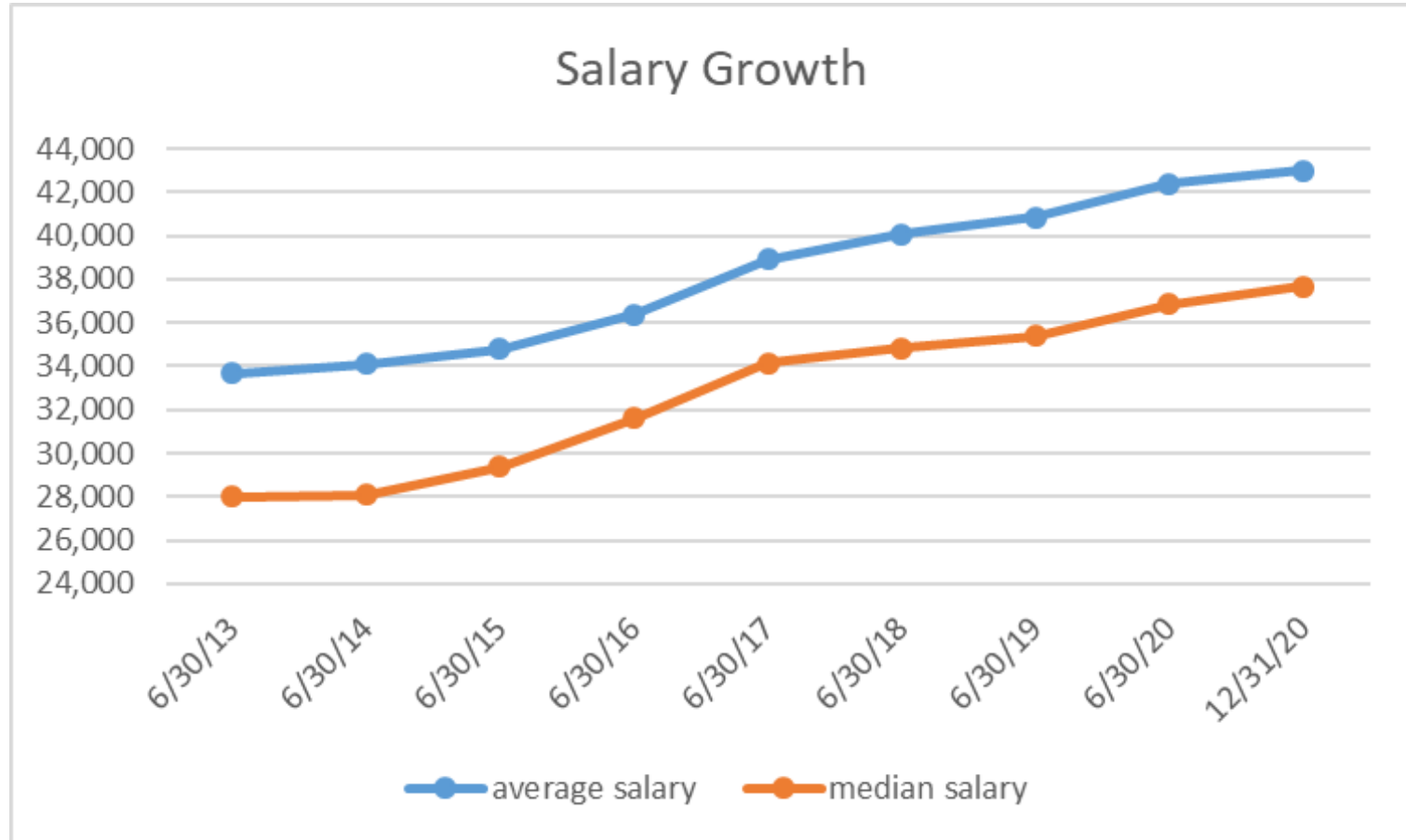
# GSEPS 401(k) Trend Data



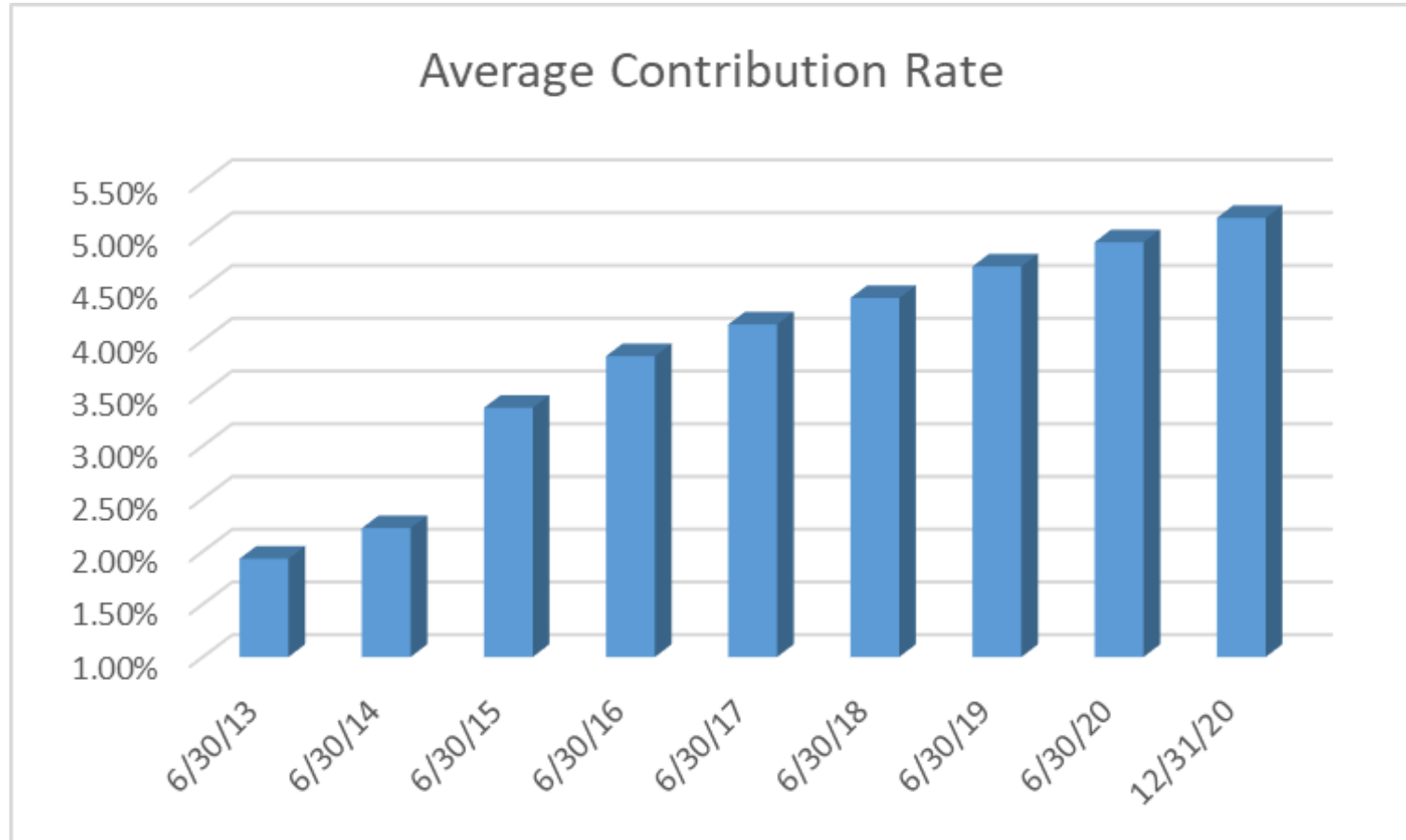
# GSEPS 401(k) Trend Data



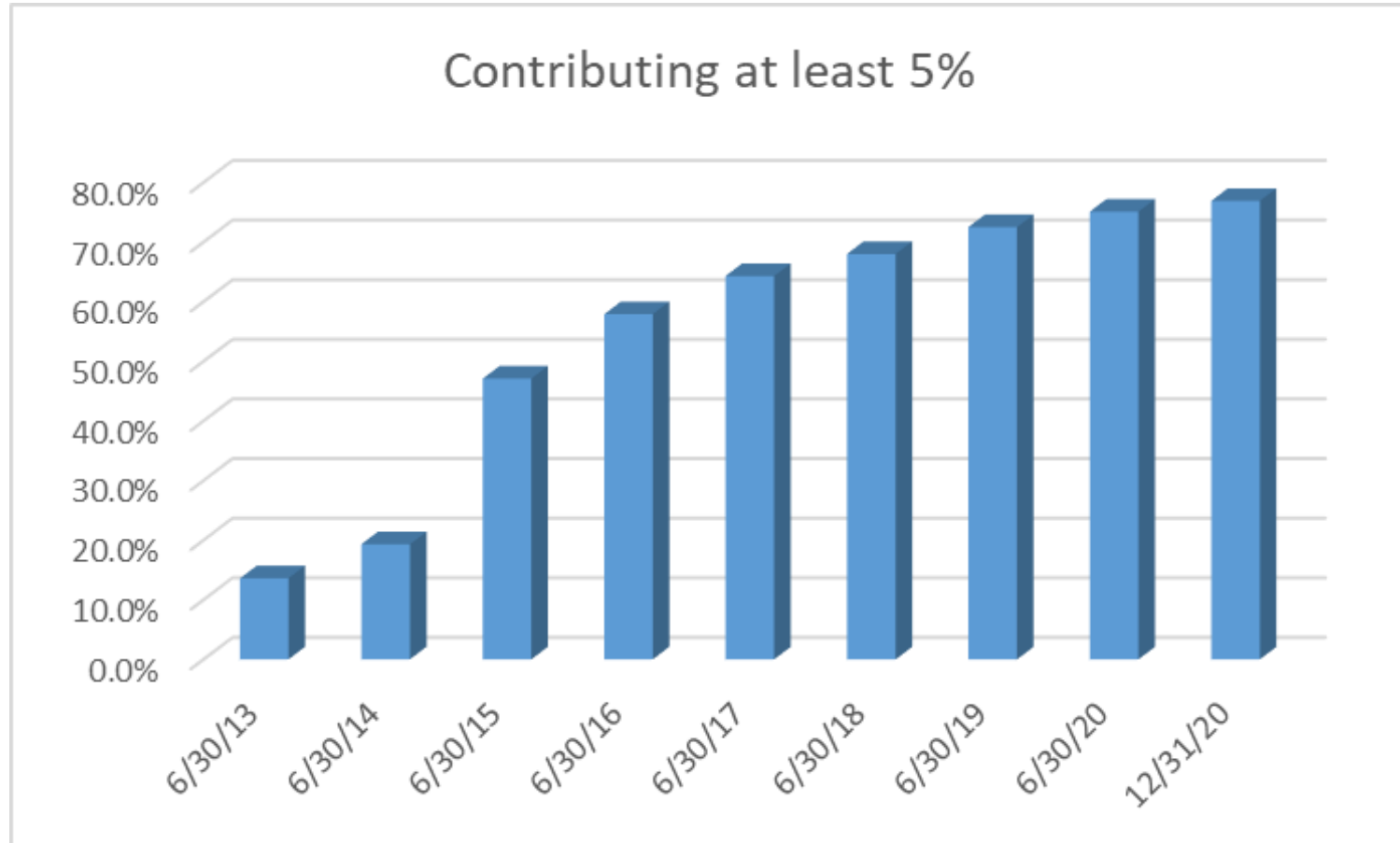
# GSEPS 401(k) Trend Data



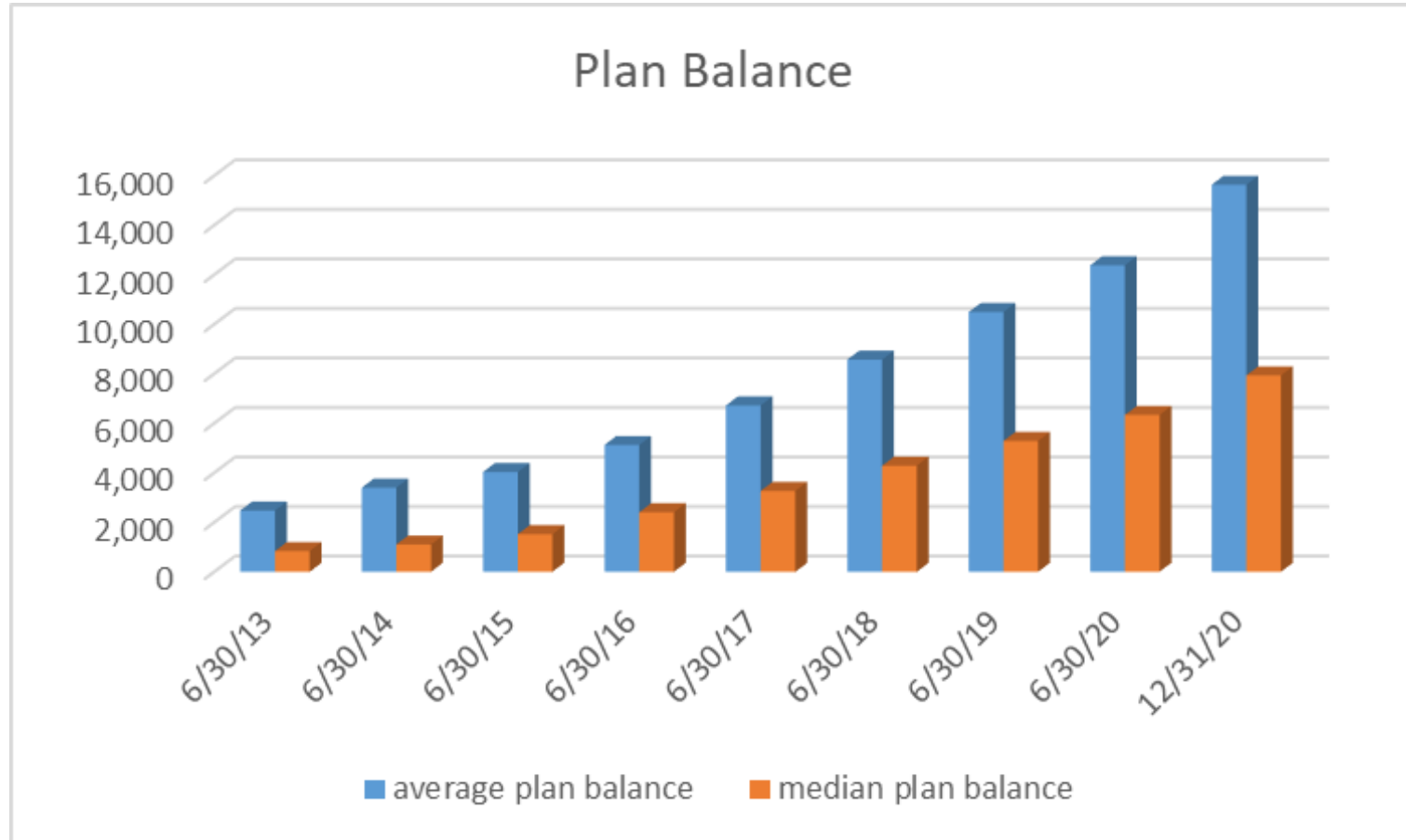
# GSEPS 401(k) Trend Data



# GSEPS 401(k) Trend Data



# GSEPS 401(k) Trend Data



# ***Financial Status***

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# Current State

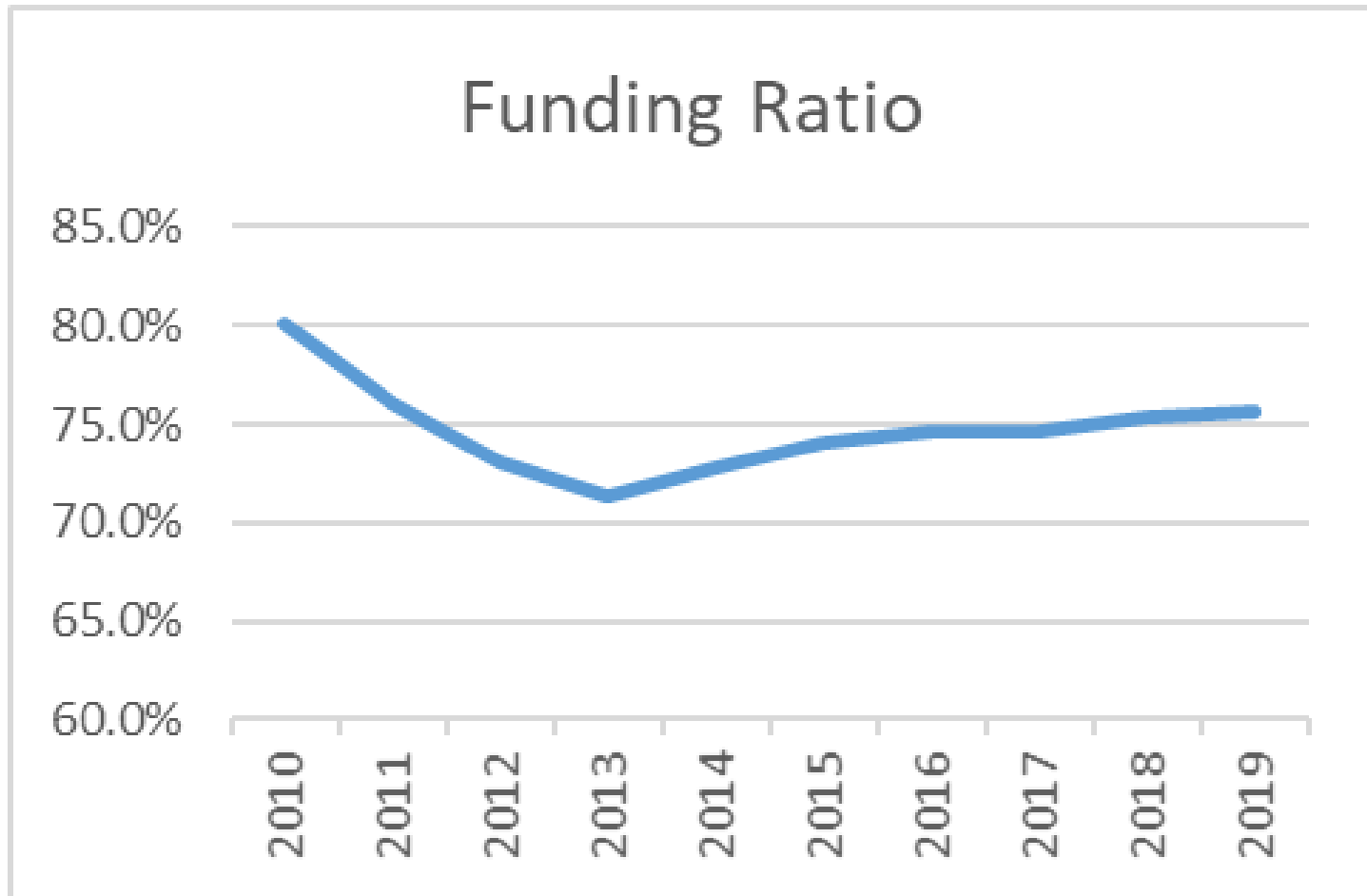
- Most recent valuation date: 6/30/2019
- Funding ratio: 75.6%
- Unfunded Accrued Liability: \$4.35 billion
- Employer Contribution Rates (for FY22):
  - Old Plan / New Plan: 24.63%
  - GSEPS: 21.57%
- Active Members and Payroll:
  - 59,207 (current: ~56,000)
  - \$2.61 billion
- Retired Members / Beneficiaries and Payroll:
  - 52,085 (current: ~53,500)
  - \$1.39 billion



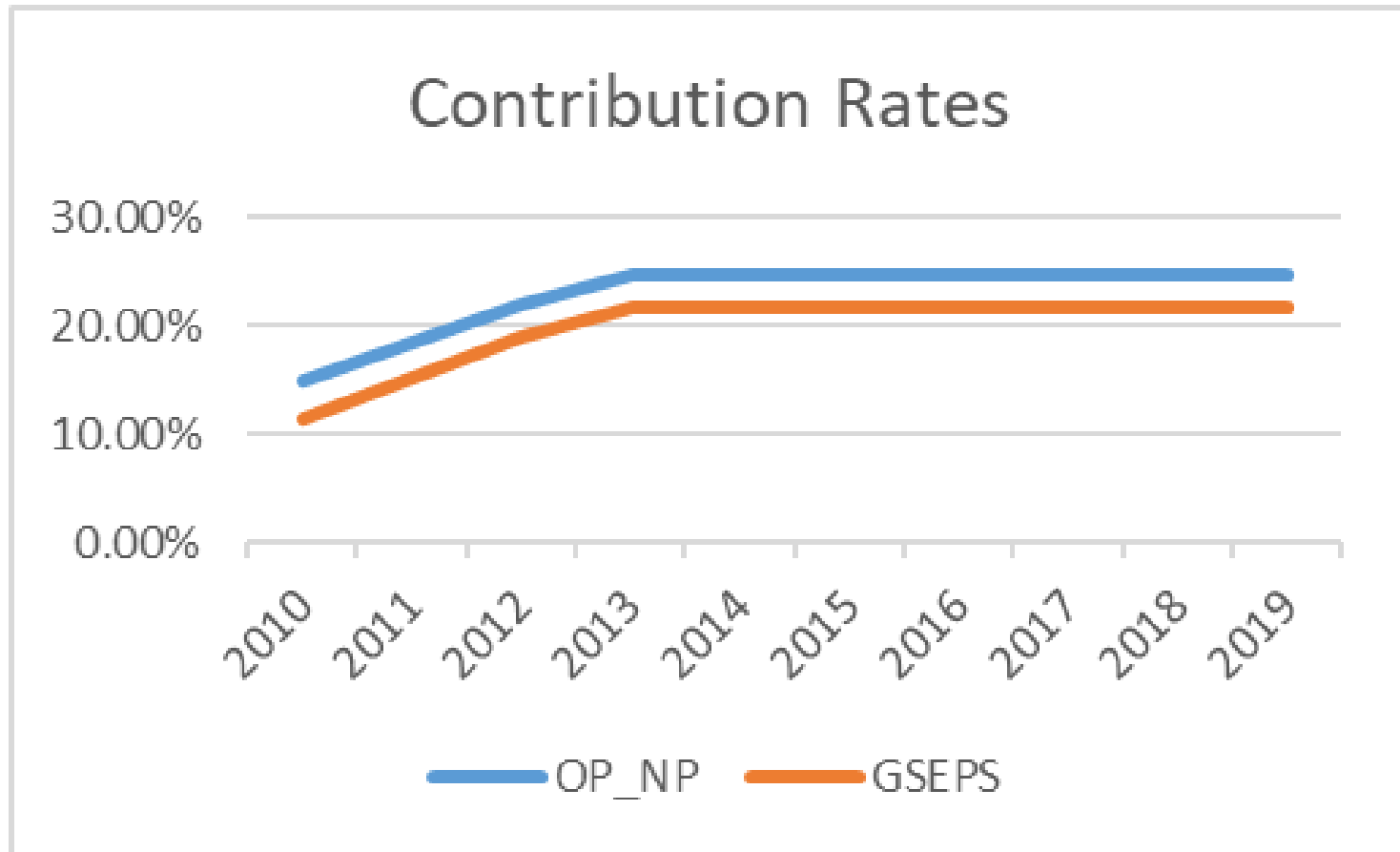
# Current State

- Key valuation assumptions:
  - Rate of Return / Discount Rate: 7.30%
    - Will be 7.3% for FY21 and 7.2% for future projections
    - Long-term target assumption 7.0%
  - Amortization Period: 25-year closed
  - Amortization Method: Level Dollar
  - Asset Smoothing: 5 years
- Investment return, FY20: 5.5%
- Investment return, FYTD21: ~ 22.5% @ 2/16/21
- Experience study approved by Board 12/2020
  - Added approximately \$450 million to UAAL
  - Most significant change was to mortality tables

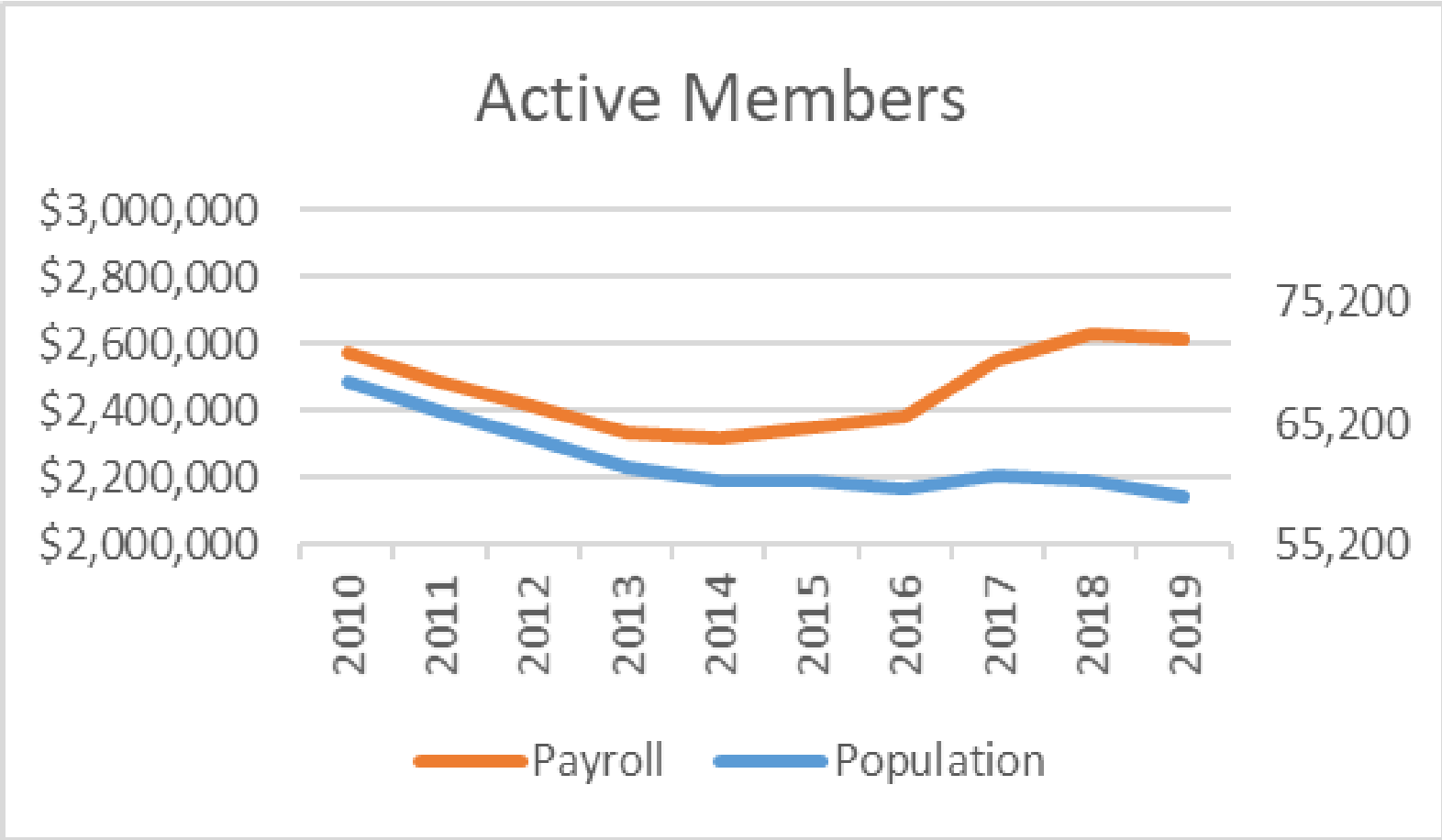
## Recent History



## Recent History



# Recent History



# ERS 2011 – 2019 Comparative Data

## Select Data

	6/30/2011	6/30/2019
Active Members	66,081	59,207
OP / NP / GSEPS	1,861 / 53,127 / 11,093	39 / 23,179 / 35,989
Active Payroll	\$2.49 billion	\$2.61 billion
Retirees / Ben'y's in Pay	40,209	52,085
Retiree Payroll	\$1.15 billion	\$1.39 billion
Fair Value of Assets	\$12.23 billion	\$13.62 billion
Actuarial Value of Assets	\$12.67 billion	\$13.48 billion

# ERS 2011 – 2019 Comparative Data

## Investment Results

FY 2012	2.2%
FY 2013	13.3%
FY 2014	17.3%
FY 2015	3.7%
FY 2016	1.4%
FY 2017	12.4%
FY 2018	9.2%
FY 2019	6.9%
FY 2020	5.5%

Simple Average (FY 2012 – 2020): 8.0%

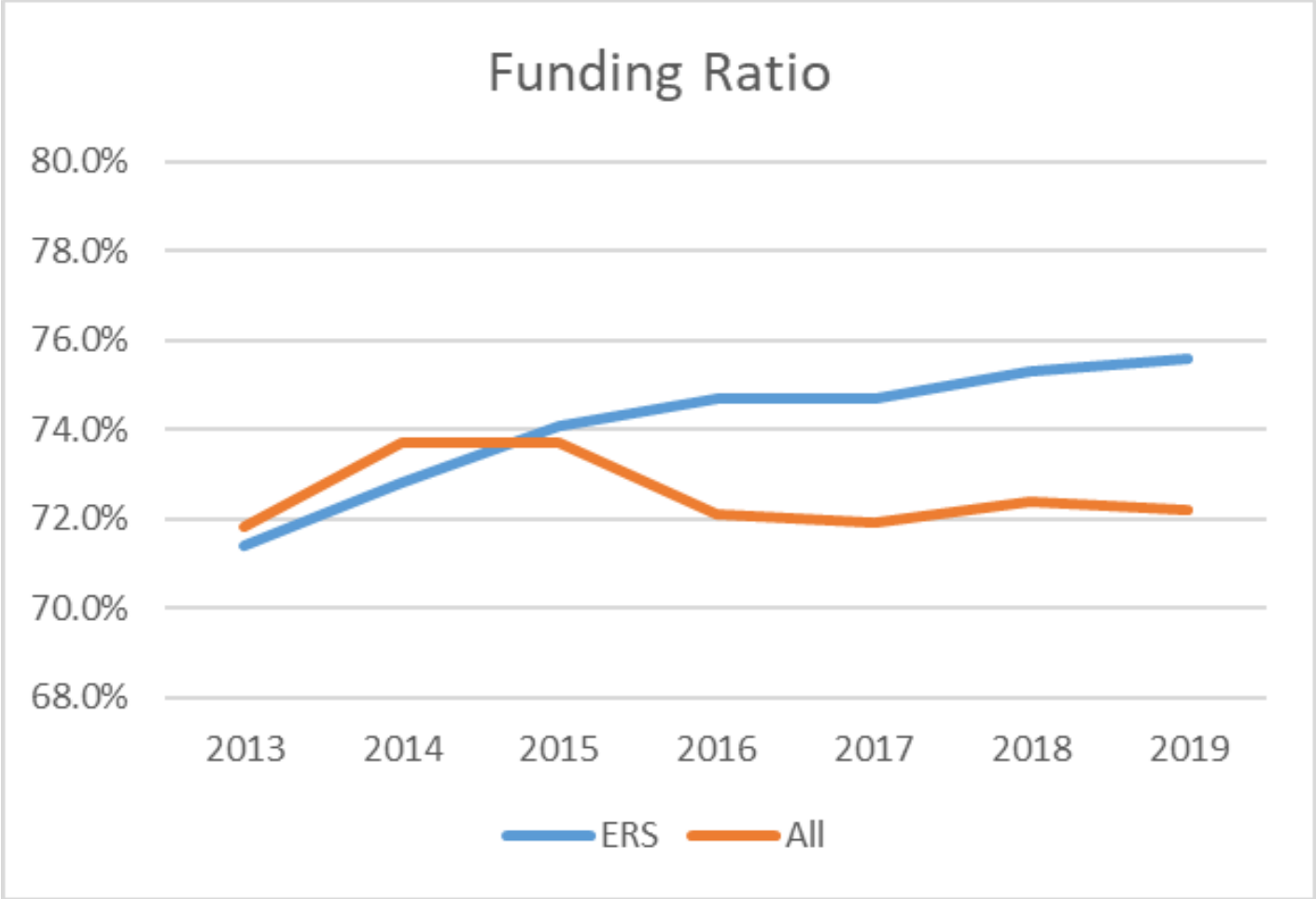
# ERS 2011 – 2019 Comparative Data

## Key Decisions – Changing Assumptions

	6/30/2011	6/30/2019
Assumed Rate of Return	7.50%	7.30%
Amortization Method	Level dollar	Level dollar
Amortization Period	30 years	25 years
Open / Closed Period	Open	Closed
Blended Rem. Amort.	30 years	15.3 years
Asset Smoothing	7 years	5 years
Exp. Study / Mortality	2010	2015, 2020

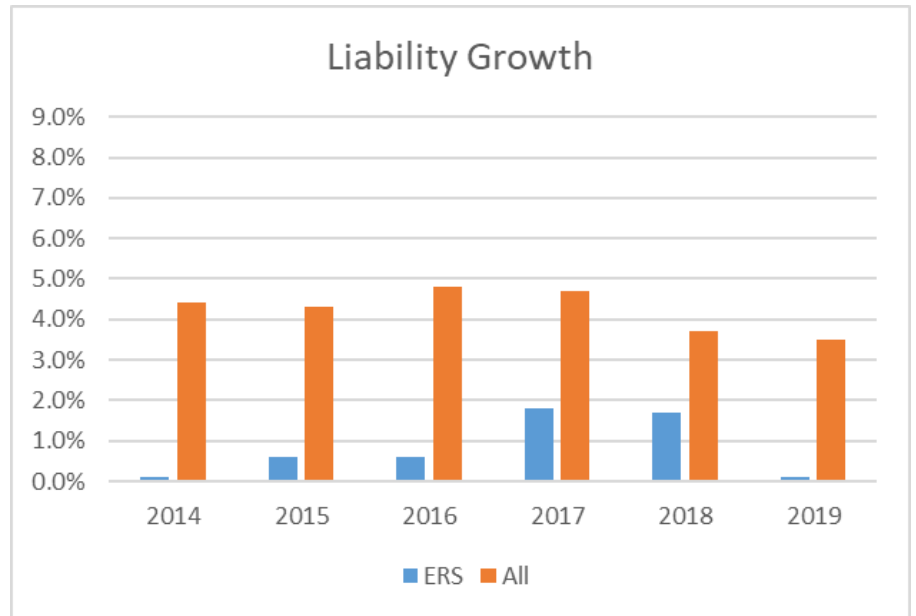
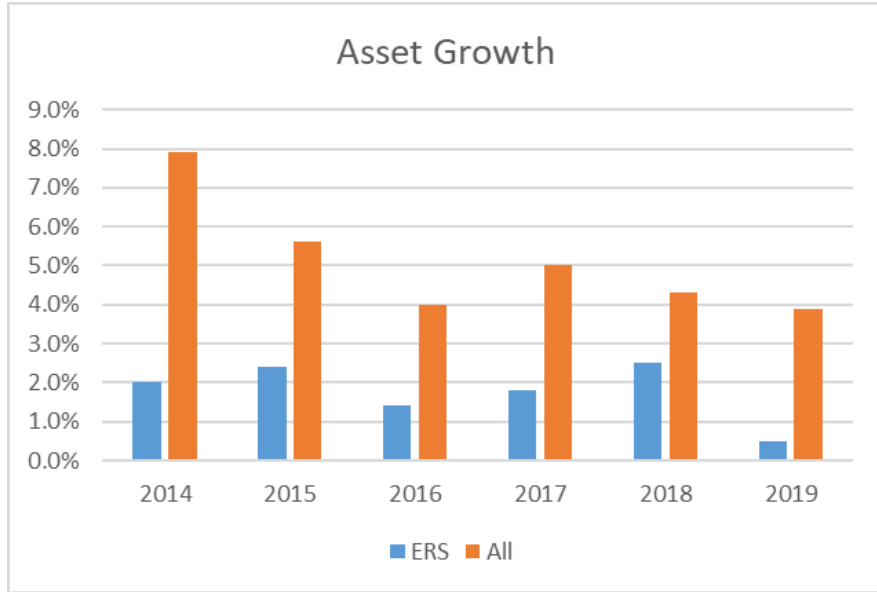
- Funding policy originally established in 2013, most recently amended in 2020

# Public Fund Survey



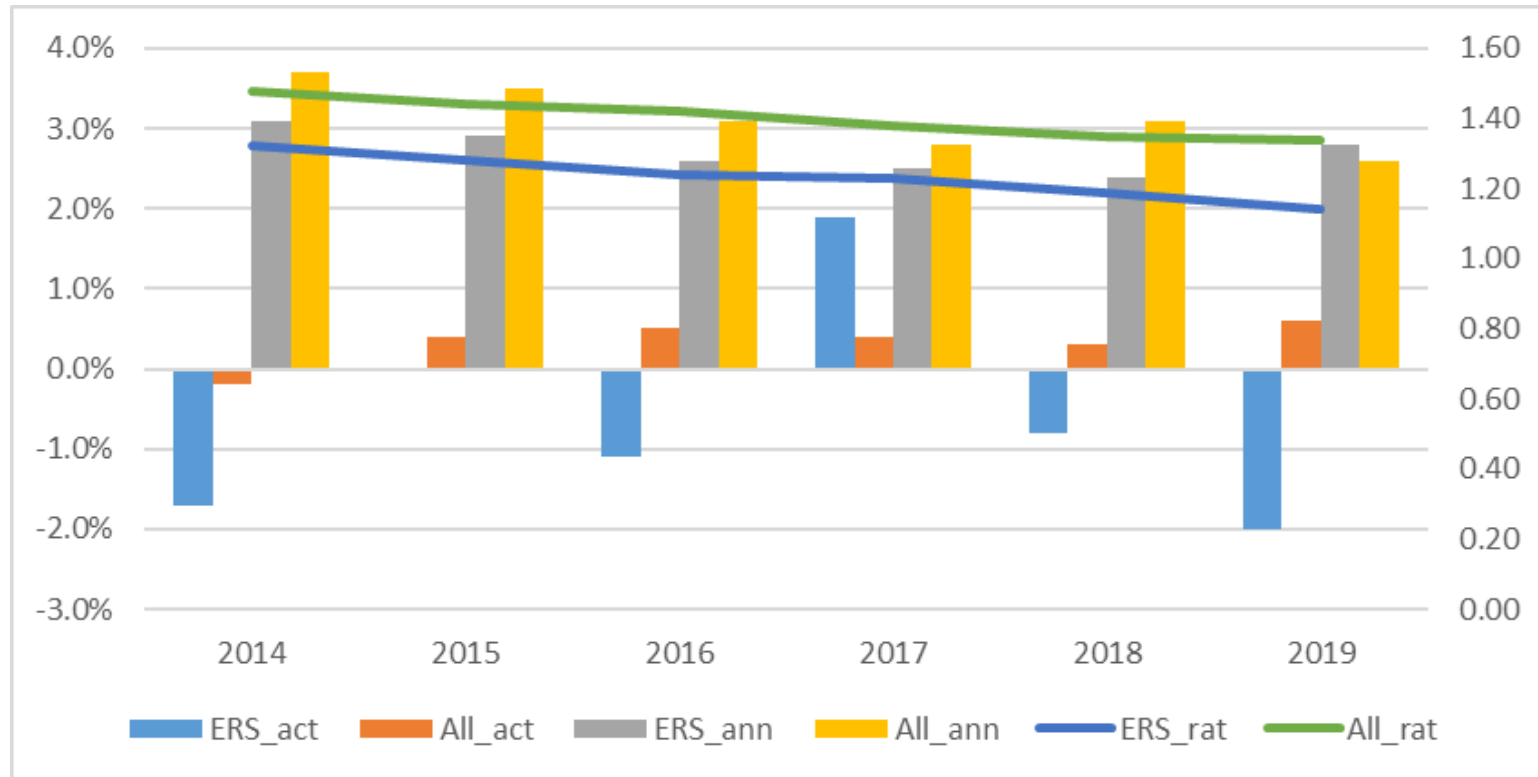


# Public Fund Survey

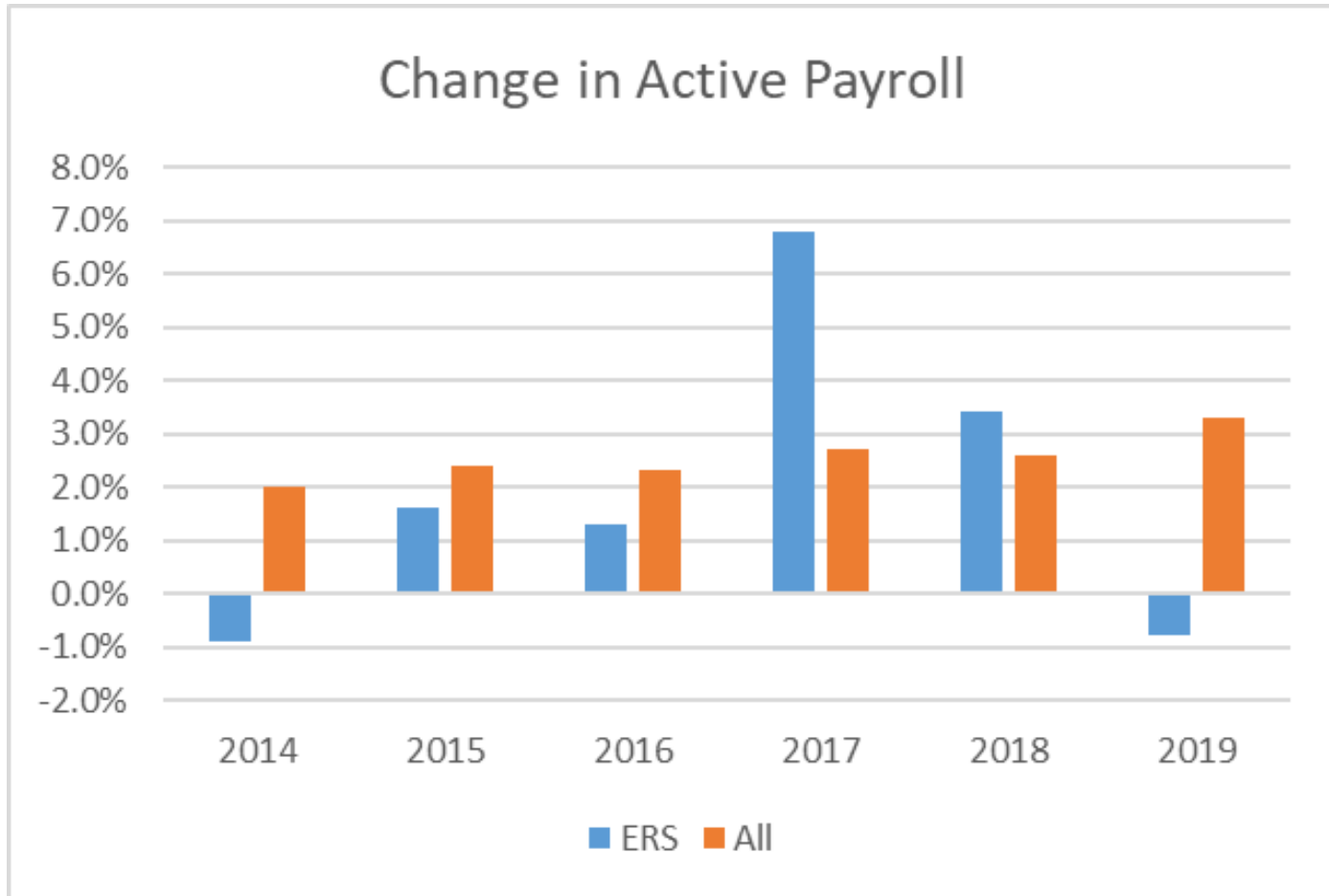


# Public Fund Survey

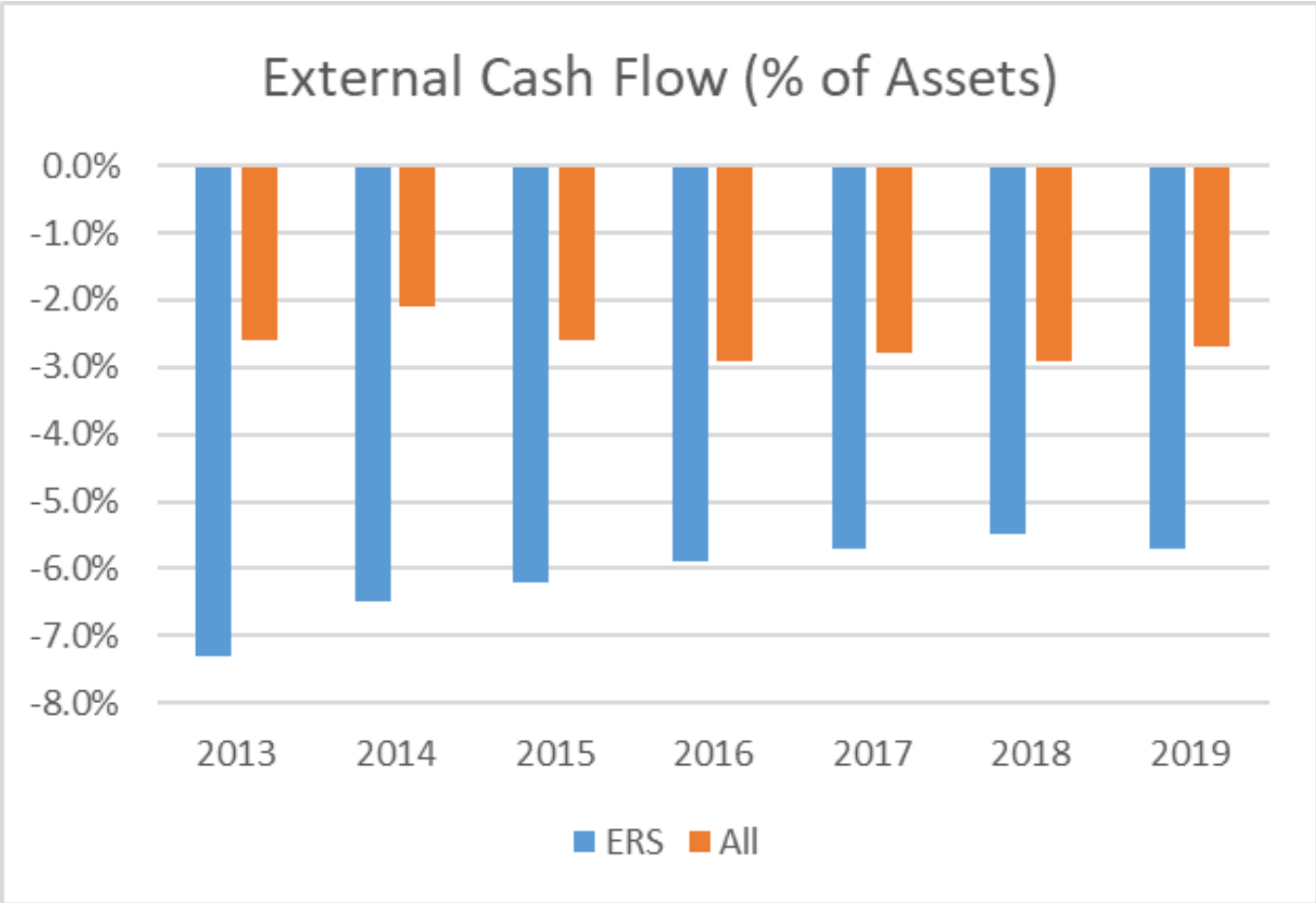
## Actives and Annuitants



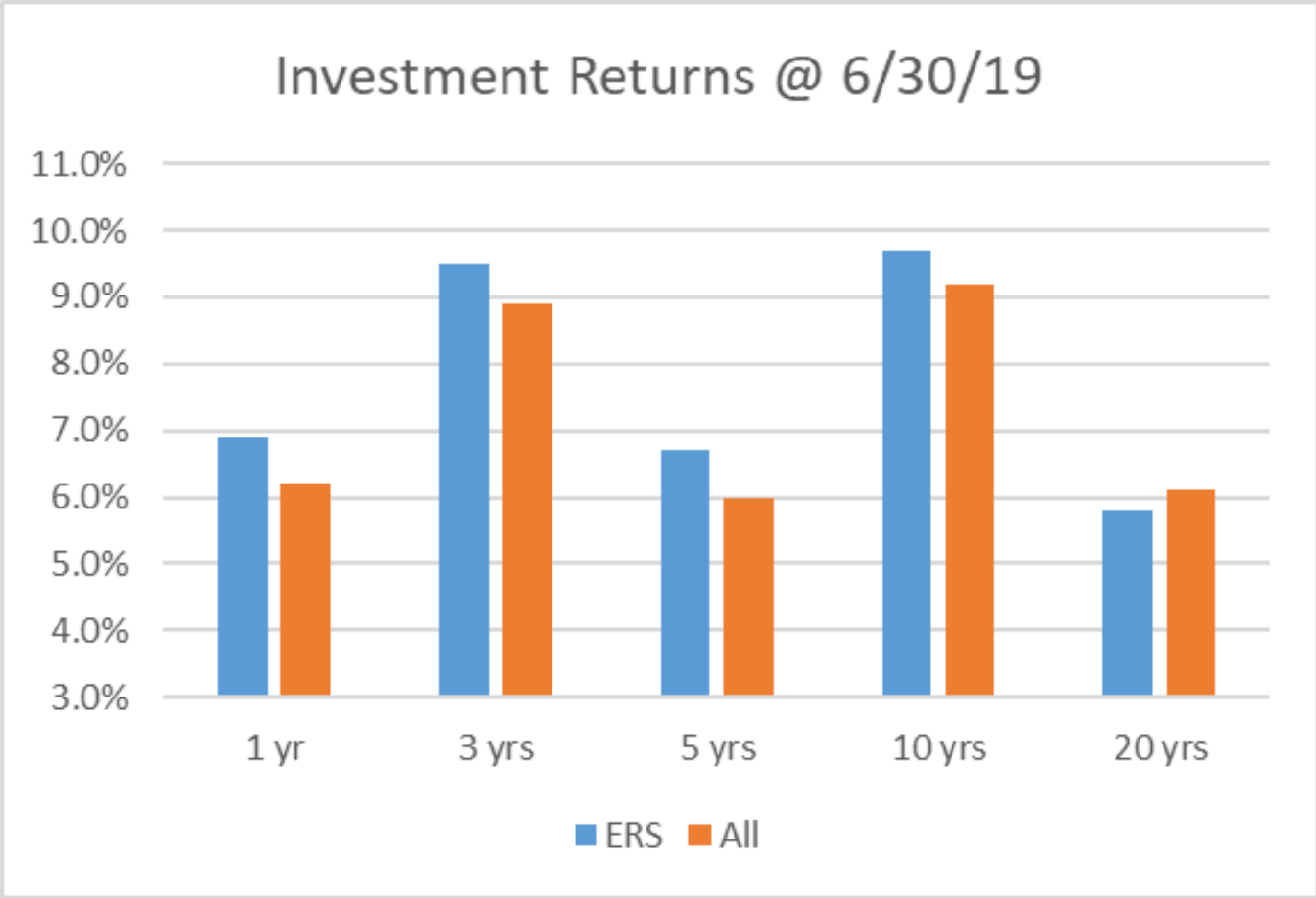
# Public Fund Survey



# Public Fund Survey



# Public Fund Survey



# *Alternate History of PRBAs*

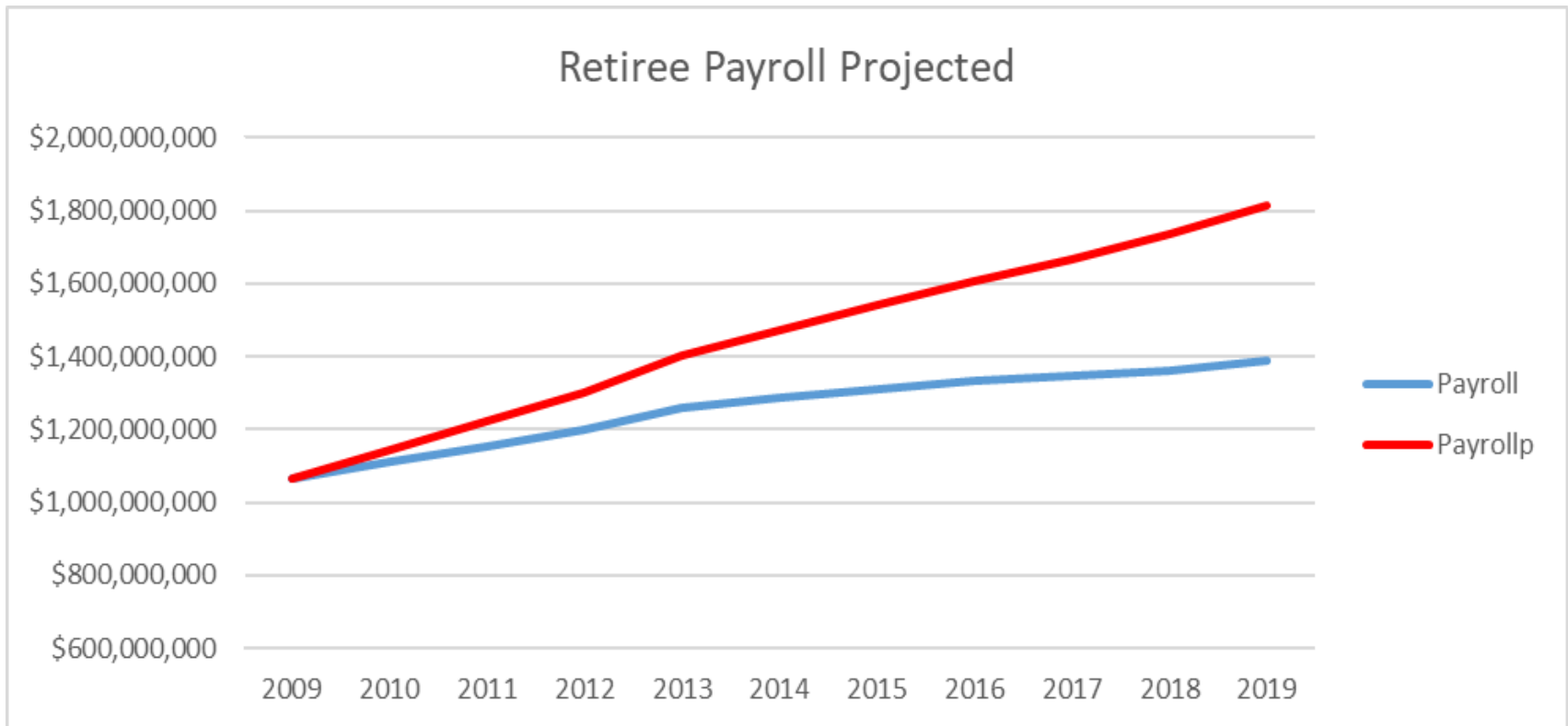
## Post-Retirement Benefit Adjustments (PRBAs)

- The Board has not granted a COLA since FY 2009
- The Board has granted either one or two non-compounding payments in each of FY 2010, 2017, 2018, 2019, and 2020

The impact of this series of decisions is illustrated on the following slides, updated from presentation first given February 2020.

# Alternate History of PRBAs

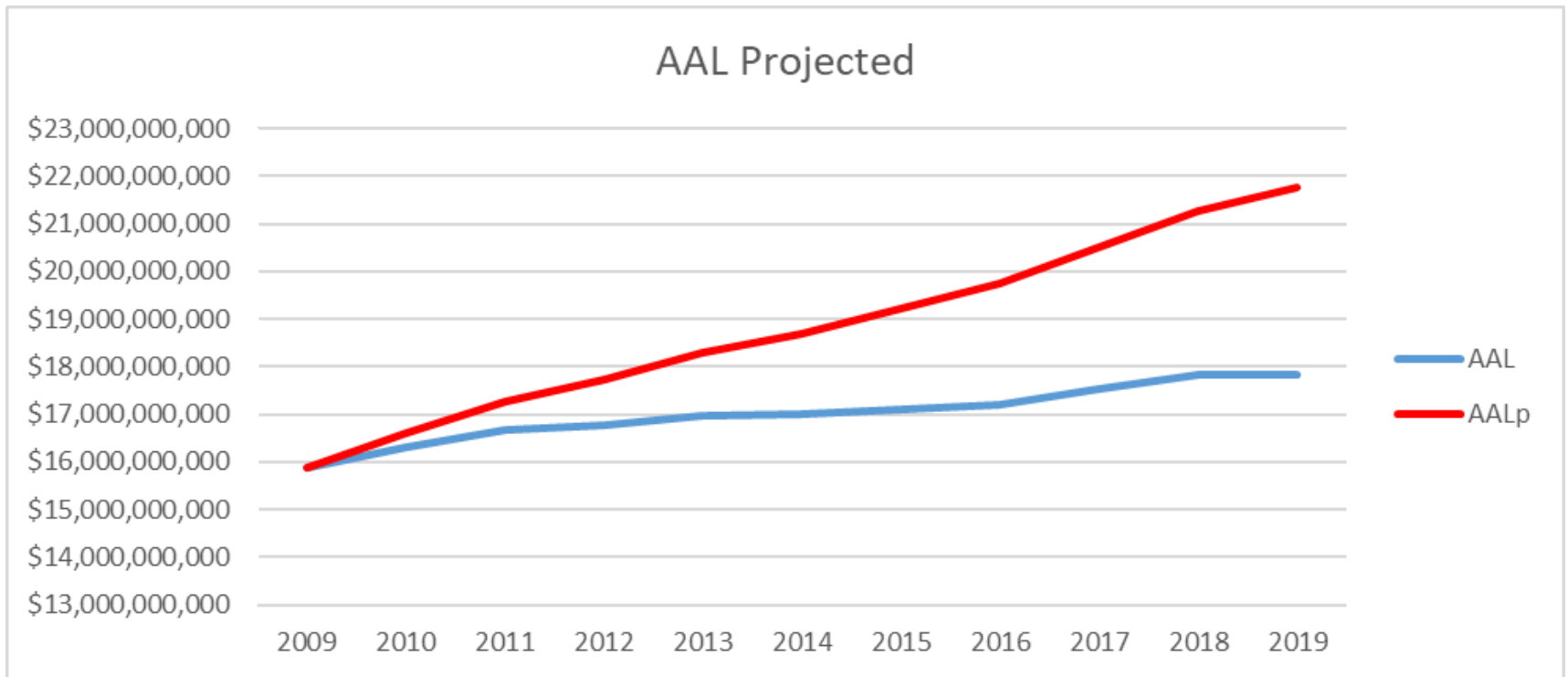
If a 3% COLA had been granted each year from FY2010 – FY 2019:



Difference: \$424.5 million higher, up from \$372.5 million higher last year

# Alternate History of PRBAs

If a 3% COLA had been granted each year from FY2010 – FY 2019:

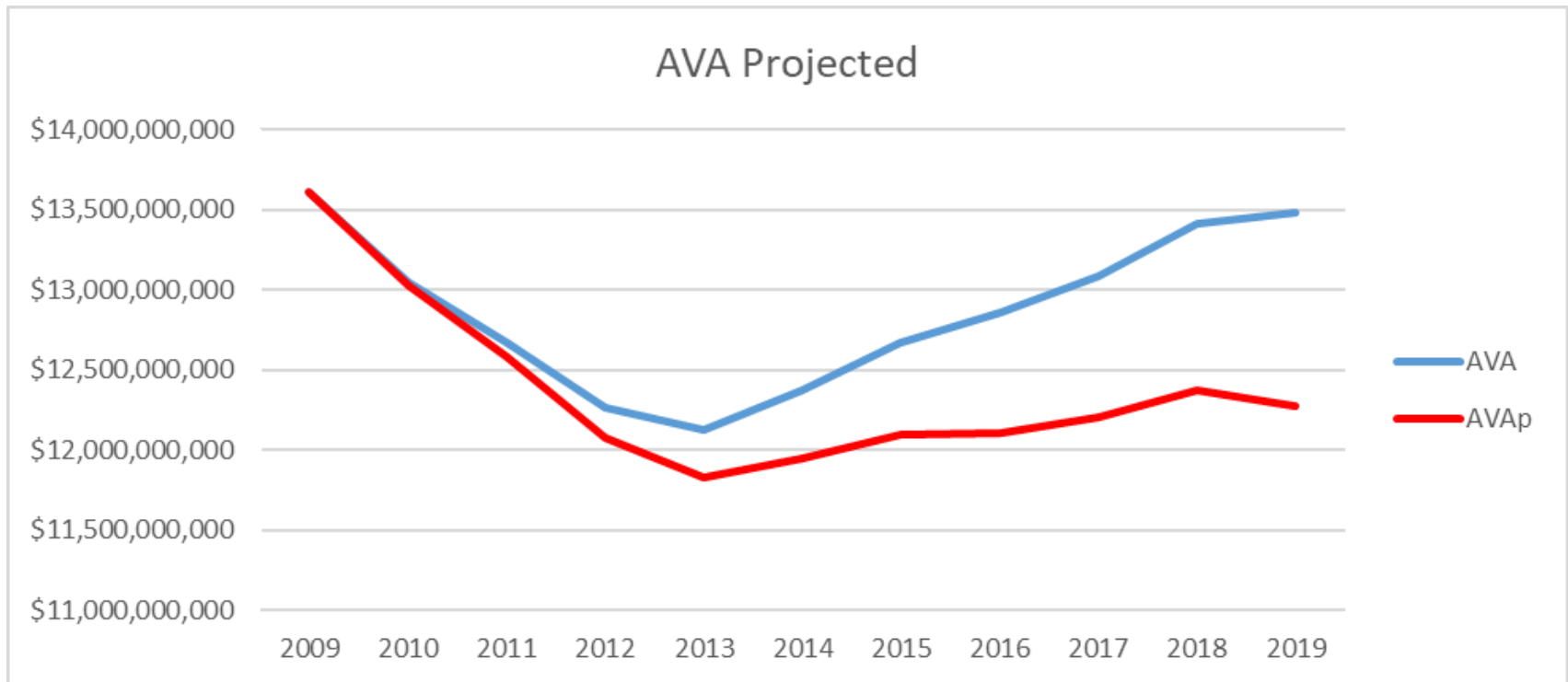


Difference: \$3.93 billion higher, up from \$3.45 billion higher last year



# Alternate History of PRBAs

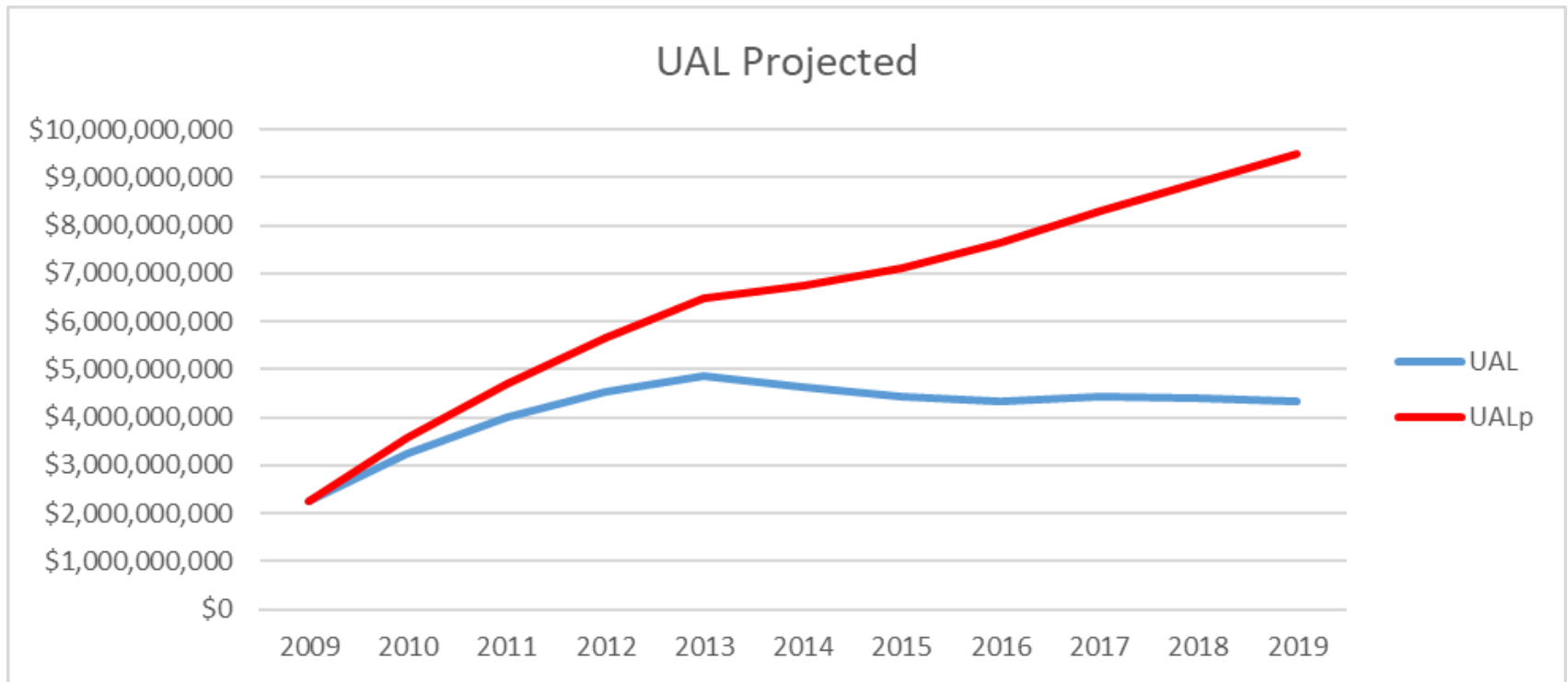
If a 3% COLA had been granted each year from FY2010 – FY 2019:



Difference: \$1.21 billion lower, up from \$1.04 billion lower last year

# Alternate History of PRBAs

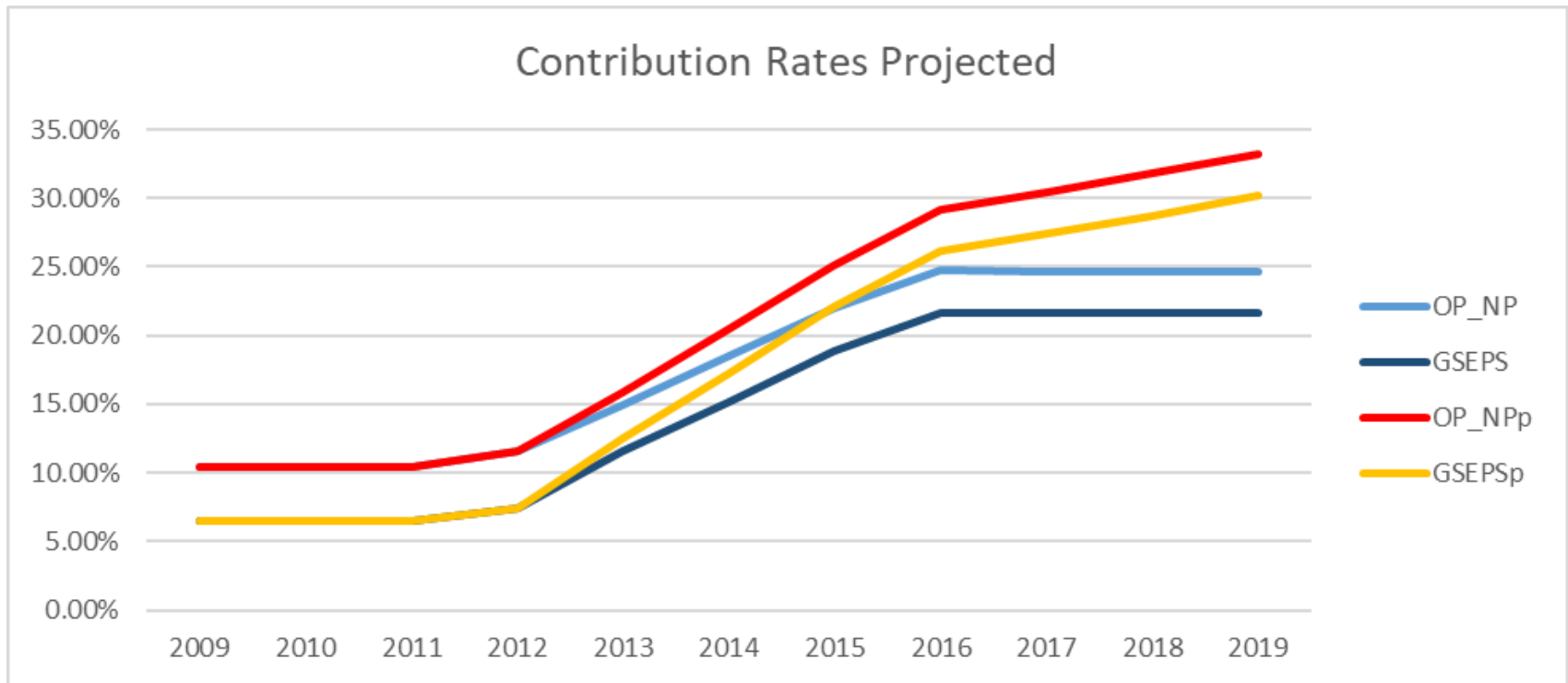
If a 3% COLA had been granted each year from FY2010 – FY 2019:



Difference: \$5.14 billion higher, up from \$4.49 billion higher last year

# Alternate History of PRBAs

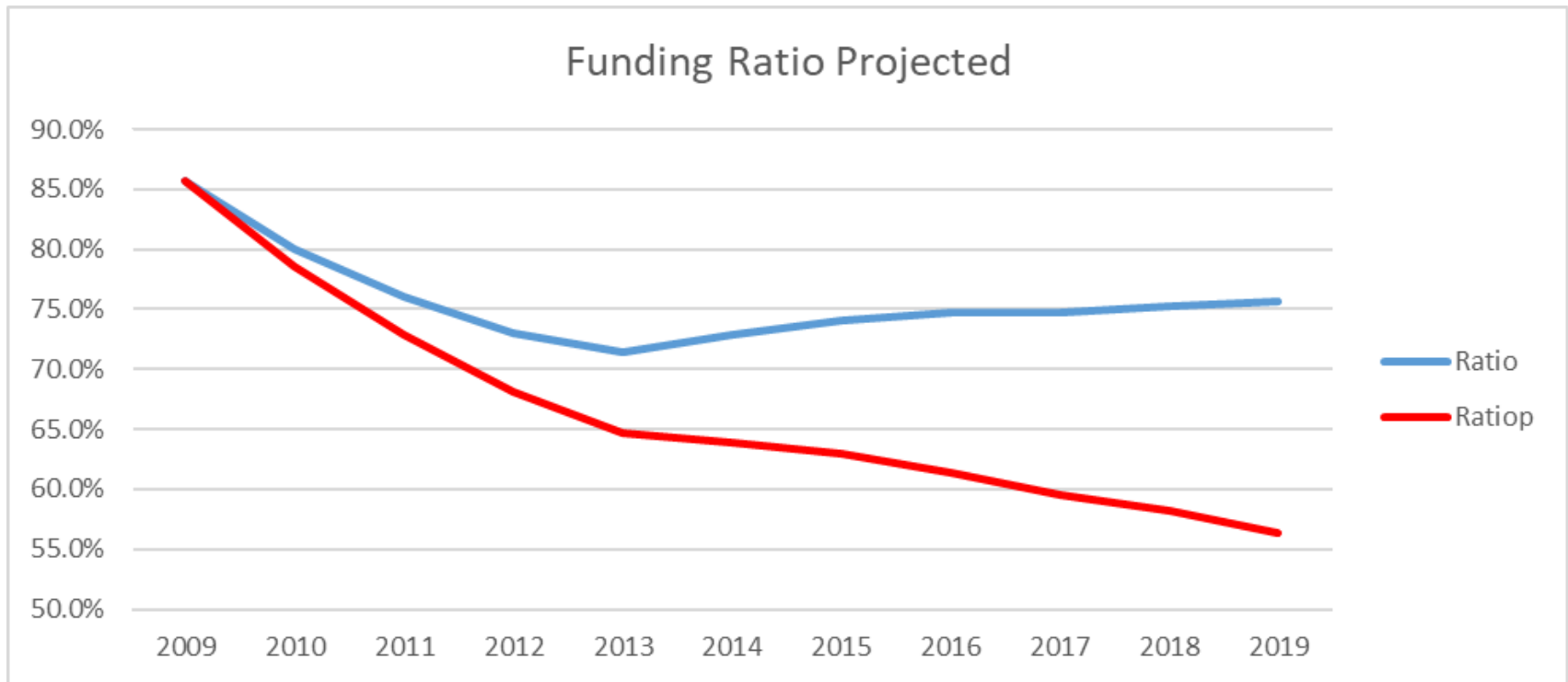
If a 3% COLA had been granted each year from FY2010 – FY 2019:



Difference: 8.53% (\$213.3 million) higher, up from 7.09% (\$177.3 million) higher last year

# Alternate History of PRBAs

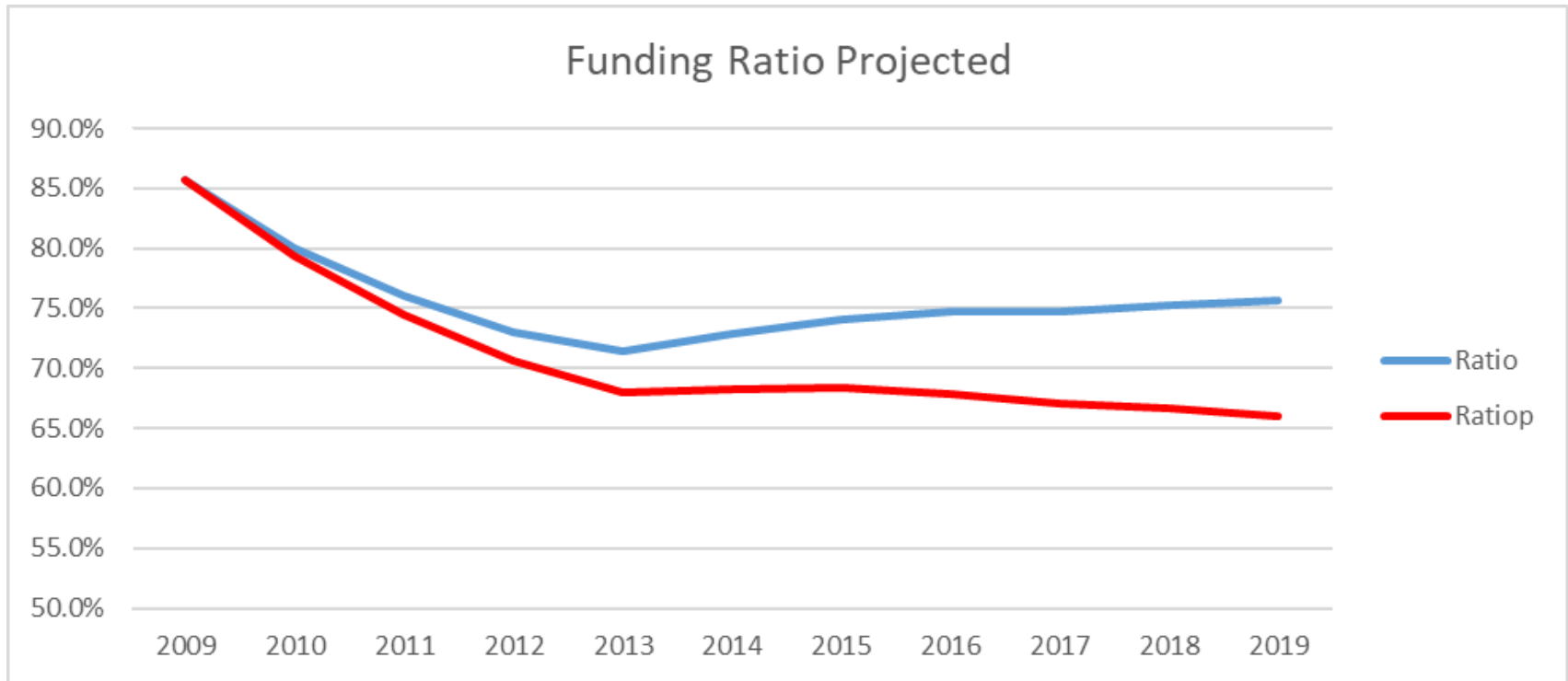
If a 3% COLA had been granted each year from FY2010 – FY 2019:



Difference: 19.2% lower, up from 17.1% lower last year

# Alternate History of PRBAs

If a ~~3%~~ 1.5% COLA had been granted each year from FY10 – FY19:



Difference: 9.6% lower, up from 8.6% lower last year

# ERS 2011 – 2019 Comparative Data

## Valuation Results

		6/30/2011	6/30/2019
Funded Ratio		76.0%	75.3%
UAAL at 6/30/2019 Proj.		\$5.0 billion	\$4.35 billion (act.)
Funded Ratio Projected	2019	70.9%	75.6% (act.)
	2020	71.3%	74.0%
	2021	71.6%	75.3%
	2022	71.9%	76.1%
	2023	72.2%	76.6%
	2024	72.4%	77.3%
Projected 100% Funded Ratio		Never (max 73.1%)	6/30/2036

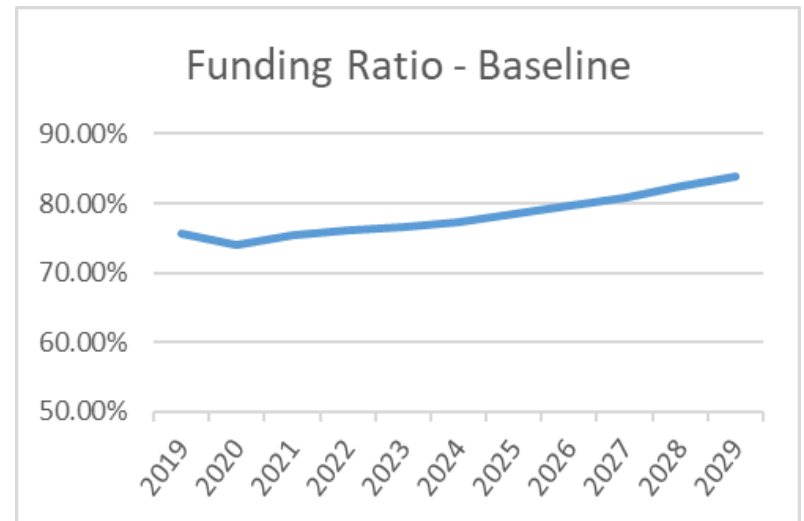
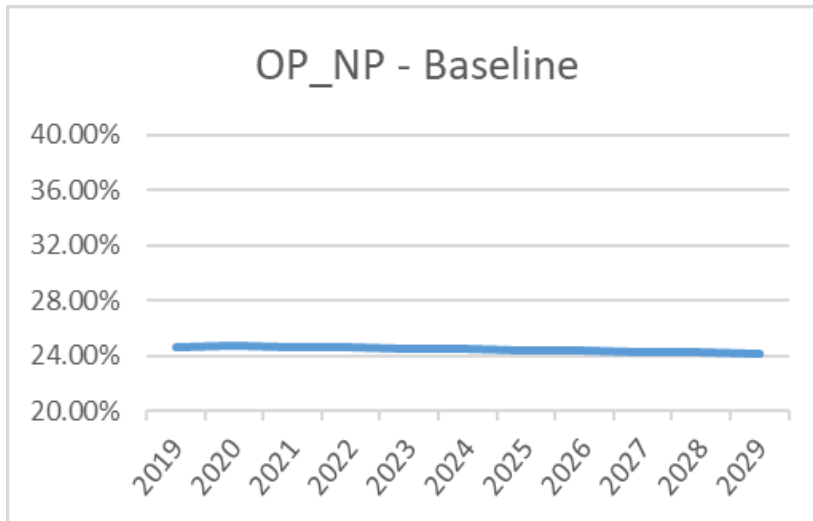
...even with tighter actuarial assumptions:

- Assumed rate of return decreased
- Amortization period decreased and closed
- Life expectancies increased (twice)

# Projections – Baseline

7.30% discount rate in all years

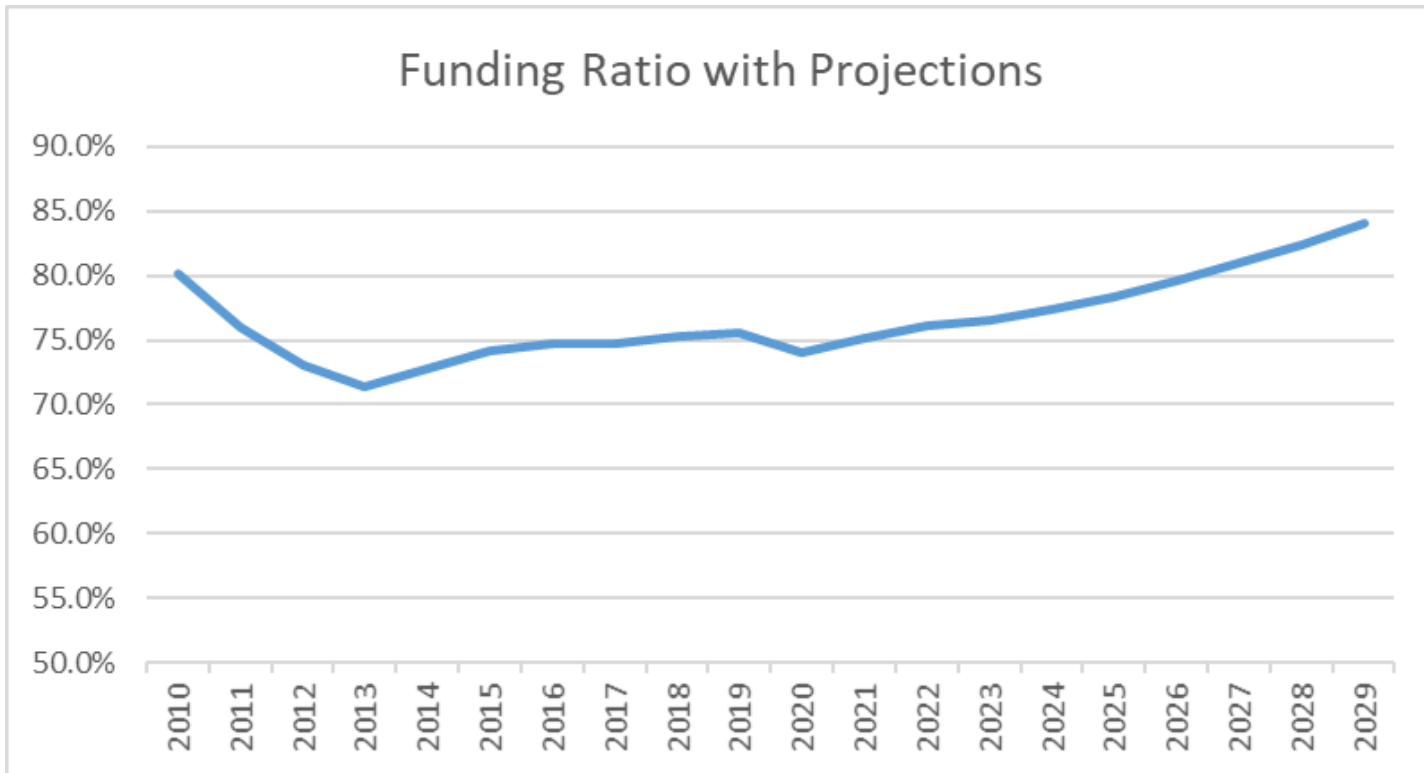
7.30% return on investments in all years



100% funded ratio projected as of 6/30/2036 valuation

# Twenty Years

7.3% discount rate and assumed RoR, all years  
Includes 5.5% RoR for FY20



100% funded ratio projected as of 6/30/2036 valuation



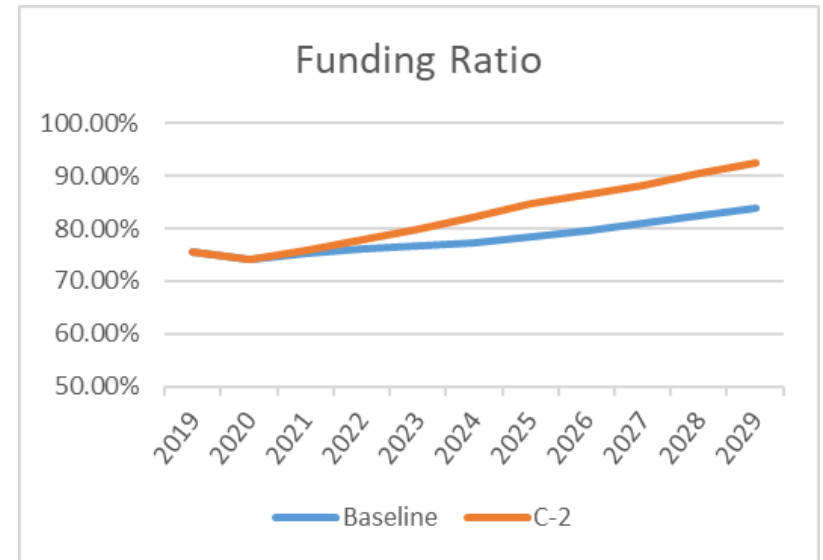
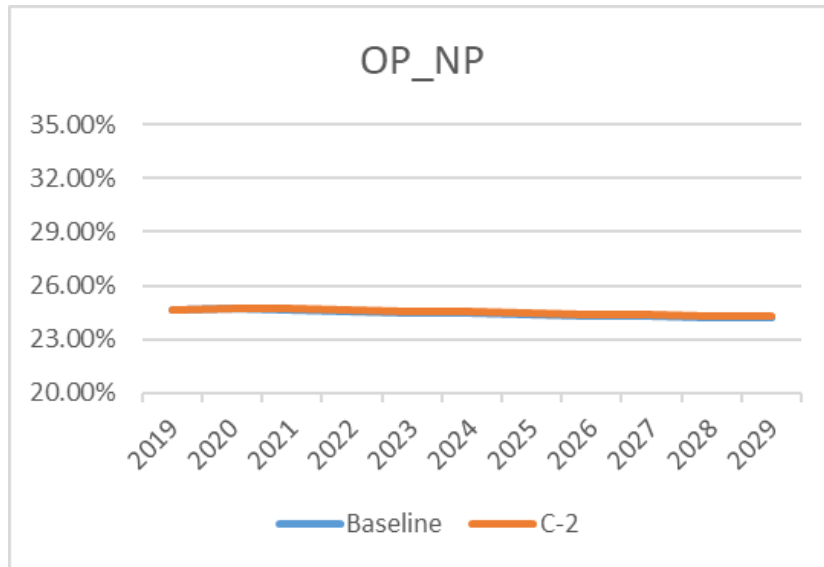
# Scenario "P-1"

Changes from Baseline:

7.3% discount rate, FY20; 7.2% FY21 and later

15.00% return on investments in FY 2021

7.20% return on investments in all future years



100% funded ratio projected as of 6/30/2032 valuation (P-1)

No change in Contribution Rates

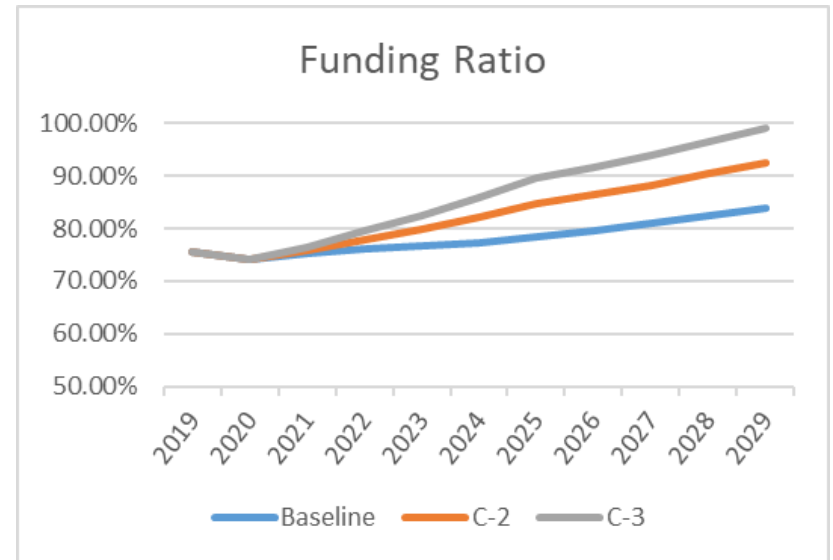
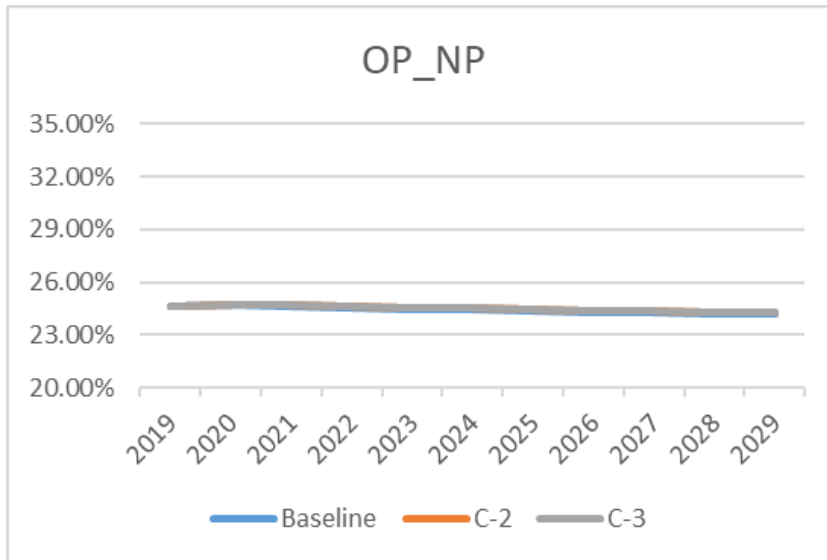
# Scenario "P-2"

Changes from Baseline:

7.3% discount rate, FY20; 7.2% FY21 and later

20.00% return on investments in FY 2021

7.20% return on investments in all future years



100% funded ratio projected as of 6/30/2030 valuation (P-2)

No change in Contribution Rates

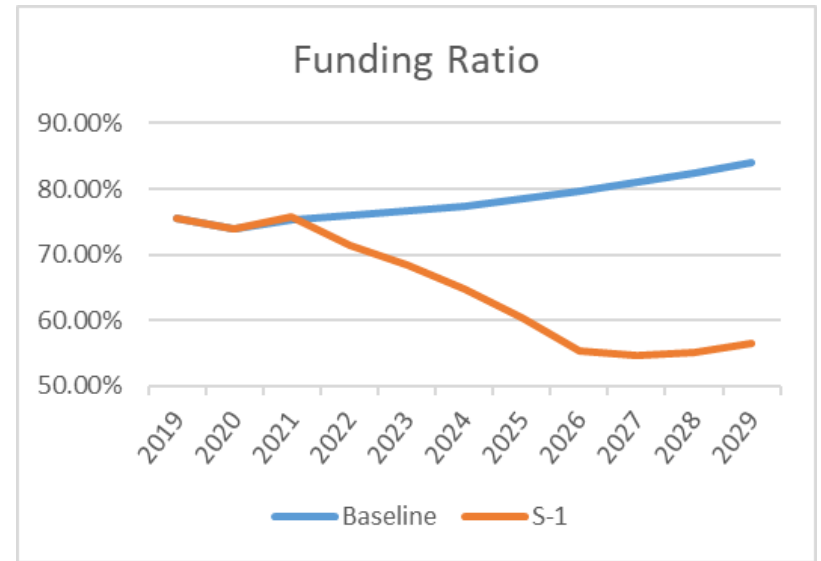
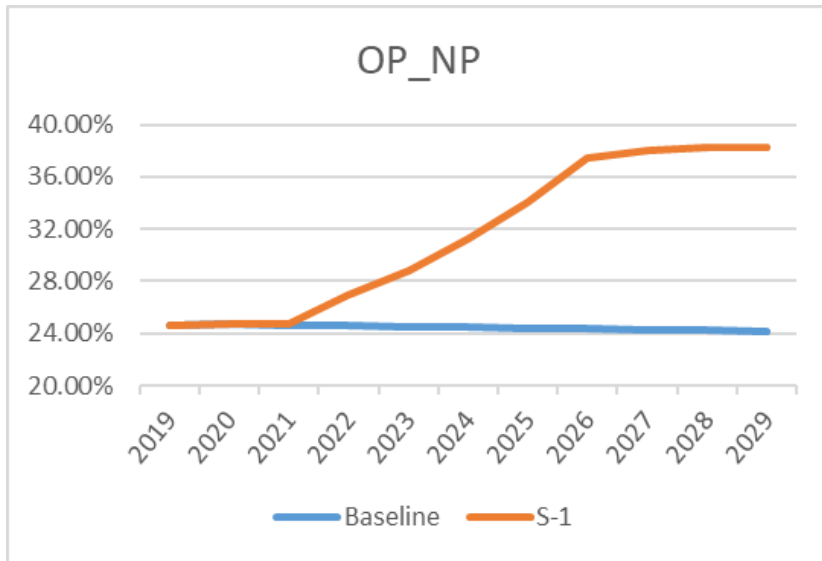
# Scenario "S-1"

Changes from Baseline:

7.2% discount rate, FY21 and later

15.00% RoR, FY21; (-20.00%) FY22; 3.50% FY23 and FY24

7.20% RoR in all future years



100% funded ratio projected as of 6/30/2042 valuation (S-1)

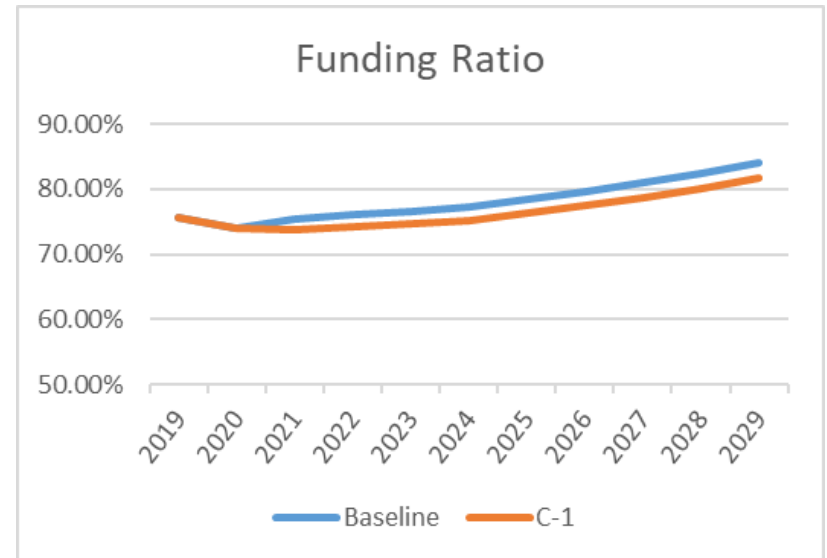
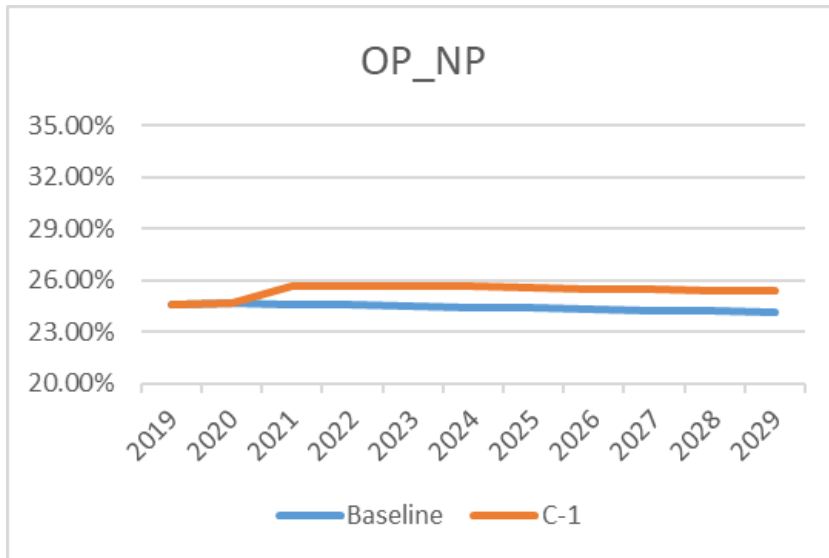
Max Contribution Rate increase: 14% (~ \$364,000,000)

# Scenario “C-1”

Changes from Baseline:

3% COLA FY22, 0% thereafter

7.30% return on investments in all years



Funded ratio decline: ~ 2.3%

100% funded ratio projected as of 6/30/2038 valuation (C-1)

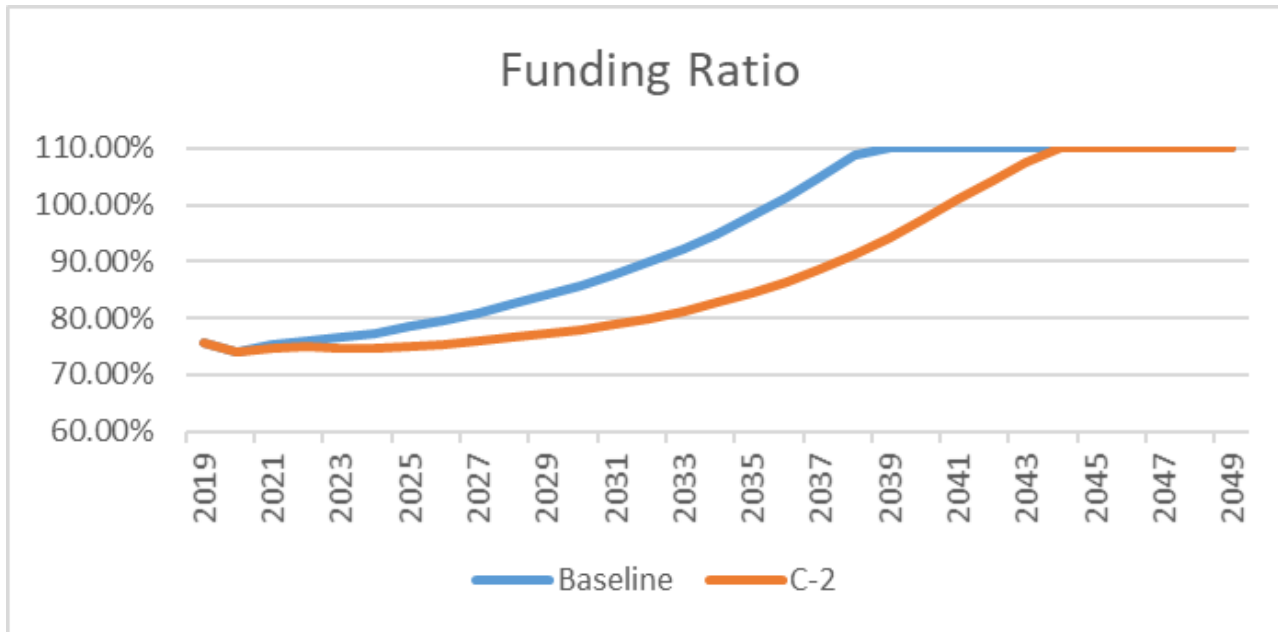
Contribution Rate increase: 1.19% (~ \$31,059,000)

# Scenario "C-2"

Changes from Baseline:

1% ad hoc COLA in FY22 and all years thereafter

7.30% return on investments in all years



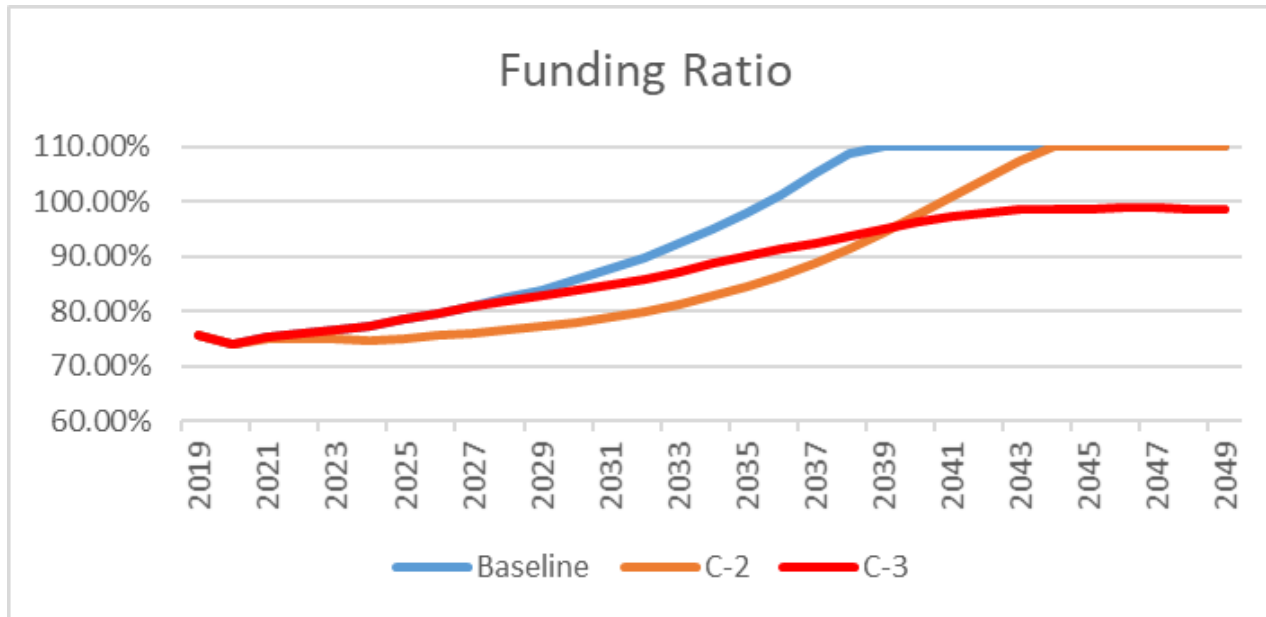
100% funded ratio – 6/30/2041

# Scenario “C-3”

Changes from Baseline:

“COLA Guidelines” strictly followed

7.30% return on investments in all years



100% funded ratio – never (max. 98.9%)

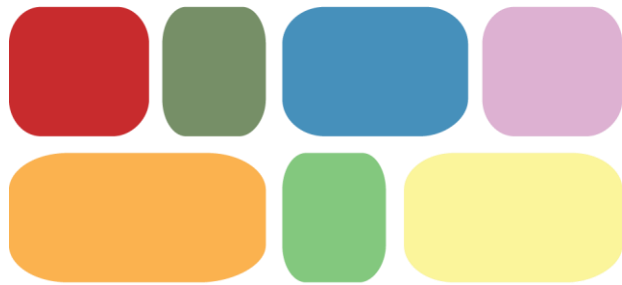
## Post-Retirement Adjustments – Costs

COLA Type	Assumptions (\$2.61 billion payroll)	Unfunded Liability (UAL) Change	Amount Amortized over 15 Years	Increase in Employer Contribution Rate
3%	No retirement income cap	+\$390 million	\$43.6 million per year	+1.67%
1%	No retirement income cap	+\$130 million	\$14.5 million per year	+0.56%
3%, one-time ("13 <sup>th</sup> check")	No retirement income cap	+\$42.4 million	\$4.7 million per year	+0.16%

## *Next Steps*

- Currently working on draft actuarial valuation reports and GASB 68 / 75 reports
- Annual Board meetings (all systems): April 15, 2021
  - Review and approve valuation reports
  - Consider payment of post-retirement adjustments
  - Set FY 22 interest rate for SGLI conversions
- SB 167: prefund and pay a semiannual 1.5% COLA for all ERS retirees, including post-2009 new hires
  - Assigned to the Senate Retirement Committee
- I'm available, as always, to answer questions





**ERSGA**

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