



# Cavanaugh Macdonald

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April 17, 2014

Mr. James A. Potvin  
Executive Director  
Employees' Retirement System of Georgia  
Two Northside 75, Suite 300  
Atlanta, GA 30318-7701

Dear Mr. Potvin:

Enclosed is the "Georgia Employees' Group Term Life Insurance Plan for Post-Retirement Benefits Report of the Actuary on the Valuation Prepared as of June 30, 2013".

The valuation indicates that no employer contribution is required for the fiscal year ending June 30, 2016 on account of life insurance benefits payable under the Plan for members who die after retirement.

Please let us know if there are any questions concerning the report.

Sincerely yours,

Edward A. Macdonald, ASA, FCA, MAAA  
President

Cathy Turcot  
Principal and Managing Director

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

Enclosure

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3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

[www.CavMacConsulting.com](http://www.CavMacConsulting.com)

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**EMPLOYEES'  
RETIREMENT SYSTEM  
OF GEORGIA**

**GEORGIA EMPLOYEES'  
GROUP TERM LIFE INSURANCE PLAN  
FOR POST-RETIREMENT BENEFITS**

**REPORT OF THE ACTUARY ON THE VALUATION  
PREPARED AS OF JUNE 30, 2013**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

April 17, 2014

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

Attention: Mr. James A. Potvin, Executive Director

Members of the Board:

Chapters 47-2 and 47-19 of the Code of Georgia which govern the operation of the Georgia Employees' Group Term Life Insurance Plan provide that the actuary shall make periodic valuations of the contingent assets and liabilities of the Insurance Plan on the basis of regular interest and the tables last adopted by the Board of Trustees. In this report, we have determined liabilities for life insurance benefits payable upon death after retirement (Post-Retirement). Since the previous valuation, the Board has adopted a funding policy, which is shown in Schedule D of the report.

In accordance with GASB 43 and 45, we have determined the liabilities for life insurance benefits payable upon death after retirement. We have submitted the report giving the results of the valuation of the Plan prepared as of June 30, 2013. The report indicates, for post-retirement benefits, there is no employer annual required contribution for the fiscal year ending June 30, 2016.

The funding method used for this valuation is the unit credit actuarial cost method with projected benefits. Gains and losses are reflected in the unfunded accrued liability. The actuarial assumptions used are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan. In our opinion, the Plan is operating on an actuarially sound basis and the sufficiency of the funds to provide the benefits called for by the Plan may be safely anticipated assuming future annual required contributions (ARC) are contributed when due.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

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Board of Trustees  
April 17, 2014  
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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

A handwritten signature in blue ink that reads "Edward Macdonald".

Edward A. Macdonald, ASA, FCA, MAAA  
President

A handwritten signature in blue ink that reads "Cathy Turcot".

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink that reads "Edward J. Koebel".

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



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**GEORGIA EMPLOYEES' GROUP TERM LIFE INSURANCE PLAN  
FOR POST-RETIREMENT BENEFITS  
REPORT OF THE ACTUARY  
ON THE VALUATION  
PREPARED AS OF JUNE 30, 2013**

**SECTION I - SUMMARY OF PRINCIPAL RESULTS**

1. For convenience of reference, the principal results of the valuation are summarized below:

	June 30, 2013	June 30, 2012
Active members:		
Number	43,512	49,261
Annual compensation	\$ 1,767,052,357	\$ 1,962,799,952
Retired members:		
Number	38,052	35,165
Insurance amount	\$ 1,661,009,074	\$ 1,483,406,435
Terminated Vested members	877	929
Actuarial Accrued Liability	\$ 754,786,088	\$ 704,617,256
Market Value of Assets	\$ 907,831,000	\$ 818,284,000
Unfunded Actuarial Accrued Liability	\$ (153,044,912)	\$ (113,666,744)
Funding Period	N/A	N/A
Funded Ratio	120.3%	116.1%
<b>For Fiscal Year Ending</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Annual Required Contribution rates:		
Total Normal Rate	0.64%*	0.56%
Employee Rates:		
Old Plan Members	0.45%**	0.45%**
New Plan, LRS and JRS Members	0.23%	0.23%
Employer Normal Rate	0.41%	0.33%
Accrued Liability Rate	<u>(0.41)%</u>	<u>(0.33)%</u>
Total Employer Rate	0.00%	0.00%

\* Estimated budgeted administrative expenses are included in the normal contribution rate.

\*\* 0.22% paid by employer.



2. In accordance with GASB 43 and 45, we have determined liabilities separately for life insurance benefits payable upon death in active service (pre-retirement) and those payable upon death after retirement (post-retirement). Separate trusts for pre-retirement life insurance benefits and post-retirement life insurance benefits were established and assets were split during 2007.
3. The major benefit and contribution provisions of the Plan as reflected in the valuation are summarized in Schedule E. There have been no changes since the previous valuation.
4. Schedule C of this report outlines the full set of actuarial assumptions and methods used in the valuation. Since the previous valuation, the Board has adopted a funding policy, which is shown in Schedule D.
5. Comments on the valuation results as of June 30, 2013 are given in Section IV and further discussion of the contribution levels is set out in Section V.
6. We have prepared the Solvency Test for the Plan's Comprehensive Annual Financial Report. This table is shown in Schedule F.

## **SECTION II – MEMBERSHIP DATA**

1. Data regarding the membership of the System for use as a basis for the valuation were furnished by the Retirement System office. The following table shows the number of active members and their annual compensation as of June 30, 2013 on the basis of which the valuation was prepared.

### **THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE MEMBERS AS OF JUNE 30, 2013**

<b>GROUP</b>	<b>NUMBER</b>	<b>ANNUAL COMPENSATION</b>
ERS Old Plan	679	\$ 37,438,252
ERS New Plan	42,335	1,689,574,139
Legislative Retirement System	130	2,254,418
Judicial Retirement System	<u>368</u>	<u>37,785,548</u>
Total	43,512	\$ 1,767,052,357



2. The following table shows the number of covered retired members on the roll as of June 30, 2013 together with the amount of their insurance in force under the Plan as of that date.

**THE NUMBER AND INSURANCE IN FORCE  
OF COVERED RETIRED MEMBERS  
ON THE ROLL AS OF JUNE 30, 2013**

<b>GROUP</b>	<b>NUMBER*</b>	<b>INSURANCE IN FORCE</b>
Service Retirements	32,942	\$ 1,468,428,326
Disability Retirements	<u>5,110</u>	<u>192,580,748</u>
Total	38,052	\$ 1,661,009,074

\* In addition the valuation includes 877 terminated vested members eligible for benefits

**SECTION III - ASSETS**

1. GASB 43 and 45 define plan assets as resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan. In 2007, separate trusts were established for pre-retirement life insurance benefits and for post-retirement life insurance benefits and assets were split based on actuarial accrued liabilities. Assets in excess of what were actuarially required were transferred to ERS Survivor Benefit Fund. Since the previous valuation, \$5,009,000 of ERS Survivor Benefit Fund Assets were transferred to the SEAD-OPEB account in lieu of a required employer contribution.
2. As of June 30, 2013, the total market value of assets for post-retirement benefits amounted to \$907,831,000 as reported by the independent auditor of the Plan. The market value of assets is used for the June 30, 2013 valuation.
3. Schedule B shows receipts and disbursements of the System for the two years preceding the valuation date and a reconciliation of the fund balances at market value.





#### **SECTION IV – COMMENTS ON VALUATION**

1. Schedule A outlines the results of the actuarial valuation for post-retirement life insurance benefits. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule C.
2. The valuation shows that the Plan has an actuarial accrued liability of \$586,228,227 for benefits expected to be paid to current retired and terminated vested members, and \$168,557,861 for benefits expected to be paid on account of present active members for death after retirement based on service to the valuation date. The total actuarial accrued liability of the Plan for post-retirement benefits is, \$754,786,088. Against these liabilities, the Plan has assets for valuation purposes of \$907,831,000. Therefore, the unfunded actuarial accrued liability is equal to (\$153,044,912).
3. The funding policy adopted by the Board, as shown in Schedule D, provides that the unfunded actuarial accrued liability as of June 20, 2013 (Transitional UAAL) will be amortized as a level dollar amount over a closed 20-year period. In each subsequent valuation all benefit changes, assumption and method changes and experience gains and/or losses that have occurred since the previous valuation will determine a New Incremental UAAL. Each New Incremental UAAL will be amortized as a level dollar amount over a closed 20-year period from the date it is established.



## **SECTION V – CONTRIBUTIONS**

1. The contribution rate of employers consist of a normal contribution rate and an accrued liability contribution rate.
2. The normal contribution rate is equal to the actuarial present value of benefits accruing during the current year as a percent of active member payroll. The normal contribution rate is determined to be 0.59% of payroll for post-retirement benefits.
3. An additional contribution of \$848,700 or 0.05% of payroll is required for administrative expenses for the fiscal year ending June 30, 2016.
4. The total normal contribution rate including administrative expenses is therefore, 0.64% of payroll.
5. The member contribution rate made by or on behalf of ERS Old Plan members is 0.45% of payroll and the member contribution rate made by ERS New Plan members, LRS members and JRS members is 0.23% of payroll. The employer normal contribution rate is determined to be 0.41% of payroll for post-retirement benefits.
6. If the unfunded accrued liability is amortized in accordance with the funding policy the total employer contribution rate would be less than 0%. Since the funding policy also states that the total employer contribution rate cannot be less than 0%, the accrued liability contribution rate for post-retirement benefits is set equal to (0.41%) of active members' payroll and there is no required contribution for the post-retirement benefits.



**SECTION VI – ACCOUNTING INFORMATION**

1. Governmental Accounting Standards Board Statements 43 and 45 set forth certain items of required supplementary information to be disclosed in the financial statements of the Plan and the employer.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2008	\$ 737,114,000	\$ 699,884,034	\$ (37,229,996)	105.3%	\$ 2,850,849,928	(1.3)%
6/30/2009	628,199,000	733,670,705	105,471,705	85.6	2,653,527,165	4.0
6/30/2010	680,449,000	691,001,456	10,552,456	98.5	2,401,973,957	0.4
6/30/2011	807,893,000	678,420,518	(129,472,482)	119.1	2,166,982,265	(6.0)
6/30/2012	818,284,000	704,617,256	(113,666,744)	116.1	1,962,799,952	(5.8)
6/30/2013	907,831,000	754,786,088	(153,044,912)	120.3	1,767,052,357	(8.7)

2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2013. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	N/A
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases	
ERS*	5.45 – 9.25%
JRS*	6.00%
LRS	0.00%
* Includes inflation at	3.00%



**SCHEDULE A**

**VALUATION RESULTS**

**PREPARED AS OF JUNE 30, 2013  
OF THE GEORGIA EMPLOYEES' GROUP TERM LIFE INSURANCE PLAN  
FOR POST-RETIREMENT BENEFITS**

<b>(1) ACTUARIAL ACCRUED LIABILITY:</b>	
Present value of benefits payable on account of present retired members and terminated vested members	\$ 586,228,227
Present value of benefits payable on account of present active members	<u>168,557,861</u>
<b>TOTAL ACTUARIAL ACCRUED LIABILITY</b>	<b><u>\$ 754,786,088</u></b>
<b>(2) PRESENT ASSETS FOR VALUATION PURPOSES:</b>	<b>\$ 907,831,000</b>
<b>(3) UNFUNDED ACTUARIAL ACCRUED LIABILITY: (1)-(2)</b>	<b>\$ (153,044,912)</b>
<b>(4) EMPLOYER NORMAL CONTRIBUTION RATE:</b>	<b>0.41%</b>
<b>(5) ACCRUED LIABILITY CONTRIBUTION RATE:</b>	<b><u>(0.41)</u></b>
<b>(6) TOTAL EMPLOYER CONTRIBUTION RATE: (4)+(5)</b>	<b>0.00%</b>



**SCHEDULE B**

**SUMMARY OF RECEIPTS AND DISBURSEMENTS  
(Market Value)**

	<b>YEAR ENDING</b>	
	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2012</u></b>
<u>Receipts for the Year</u>		
Insurance Premiums	\$ 5,075,000	\$ 5,532,000
Transfer from Survivor Benefit Fund	5,009,000	12,724,000
Investment Earnings	<u>108,148,000</u>	<u>17,193,000</u>
TOTAL	\$ 118,232,000	\$ 35,449,000
<u>Disbursements for the Year</u>		
Death Benefits	\$ 28,482,000	\$ 24,855,000
Administration Expense	<u>203,000</u>	<u>203,000</u>
TOTAL	\$ 28,685,000	\$ 25,058,000
<u>Excess of Receipts over Disbursements</u>	\$ 89,547,000	\$ 10,391,000
<u>Reconciliation of Asset Balances</u>		
Asset Balance as of the Beginning of Year	\$ 818,284,000	\$ 807,893,000
Excess of Receipts over Disbursements	<u>89,547,000</u>	<u>10,391,000</u>
Asset Balance as of the End of Year	<u>\$ 907,831,000</u>	<u>\$ 818,284,000</u>
Rate of Return	13.4%	2.1%



**SCHEDULE C**

**OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

Adopted by the Board December 16, 2010.

**VALUATION INTEREST RATE:** 7.50% per annum, compounded annually, net of expenses.

**SALARY INCREASES:** The assumed annual rates of salary increase are as follows:

<b>Members of Employees' Retirement System (ERS)</b>	
<b>Age</b>	<b>Rate</b>
20	9.25%
25	8.25
30	6.25
35	5.75
40	5.45
45	5.45
50	5.45
55	5.45
60	5.45
65	5.45

Members of Judicial Retirement System (JRS): 6.00%

No salary increases are assumed for members of the Legislative Retirement System (LRS).



**SEPARATIONS BEFORE RETIREMENT:** Representative values of the assumed annual rates of separation other than retirement for non-law enforcement officers are as follows. Special rates of separation apply to law enforcement officers.

<u>Age</u>	<u>Annual Rates of</u>					
	<u>Death</u>		<u>Disability</u>			
			<u>ERS Members</u>		<u>LRS</u>	<u>JRS</u>
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Members</u>	<u>Members</u>
20	.035%	.019%	.05%	.02%	.1%	.05%
25	.038	.021	.05	.02	.1	.05
30	.044	.026	.05	.02	.2	.10
35	.077	.048	.05	.02	.3	.15
40	.108	.071	.25	.10	.4	.20
45	.151	.112	.50	.25	.7	.35
50	.214	.168	.75	.50	1.0	.50
55	.362	.272	1.10	.82	1.8	.90
60	.675	.506			2.9	1.45
65	1.274	.971				2.35
69	1.980	1.486				



Annual Rates of Withdrawal			
Age	Years of Service		
	<u>0-4</u>	<u>5-9</u>	<u>10 &amp; Over</u>
<u>ERS Members - Males</u>			
20	31.00%		
25	26.00	17.00%	
30	22.50	12.00	7.50%
35	21.00	10.00	7.00
40	19.00	9.50	5.00
45	18.00	9.00	3.75
50	15.50	7.00	3.75
55	13.00	6.50	4.00
60	15.00	7.00	0.00
65	15.00	9.50	0.00
<u>ERS Members - Females</u>			
20	31.00%		
25	24.00	19.00%	
30	21.00	13.00	7.75%
35	19.50	10.50	6.75
40	17.50	9.00	4.50
45	15.50	8.00	3.50
50	15.00	7.00	3.50
55	12.50	6.50	4.00
60	12.50	6.50	0.00
65	17.00	10.00	0.00

Annual Rates of Withdrawal		
Age	<u>LRS Members</u>	<u>JRS Members</u>
20	6.00%	8.00%
25	6.00	8.00
30	6.00	8.00
35	6.00	8.00
40	6.00	8.00
45	7.50	4.00
50	8.50	3.00
55	10.00	3.00
60	10.00	3.00
65	10.00	3.00





**RETIREMENT:** Representative values of the assumed annual rates of service retirement for non-law enforcement officers are as follows. Special retirement rates apply to law enforcement officers.

**ERS**

Old Plan								
Age	Early Retirement		Age 60 or 30 years		34 years		More than 34 years	
	Male	Female	Male	Female	Male	Female	Male	Female
55	3.0%	4.0%	11.5%	9.0%	100.0%	100.0%	90.0%	90.0%
56	3.5	6.0	12.0	11.0	100.0	100.0	70.0	70.0
57	4.0	6.0	12.0	13.0	100.0	100.0	70.0	70.0
58	5.0	6.0	13.0	15.0	95.0	95.0	70.0	70.0
59	6.0	6.0	16.0	16.0	95.0	95.0	70.0	70.0
60			17.0	20.0	95.0	95.0	50.0	60.0
62			37.0	40.0	90.0	90.0	50.0	60.0
64			20.0	30.0	90.0	90.0	15.0	60.0
66			30.0	35.0	30.0	35.0	30.0	35.0
68			20.0	25.0	20.0	25.0	20.0	25.0
70			45.0	35.0	45.0	35.0	45.0	35.0

New Plan and GSEPS				
Age	Early Retirement		Normal Retirement*	
	Male	Female	Male	Female
55	10.0%	8.0%	50.0%	40.0%
56	10.0	8.0	50.0	40.0
57	10.0	9.0	50.0	40.0
58	10.0	10.0	30.0	40.0
59	10.0	15.0	30.0	40.0
60			17.0	20.0
62			38.0	36.0
64			25.0	28.0
66			35.0	35.0
68			20.0	25.0
70			20.0	25.0

\* An additional 10% of active New Plan and GSEPS members less than age 65 are expected to retire in the year in which they attain 30 years of service

**LRS**

Age	Annual Rate	Age	Annual Rate
60-69	10%	73	25%
70	35%	74	40%
71	15%	75	100%
72	15%		



**JRS**

Age	Annual Rates of Retirement
60 – 64	12%
65 – 66	15
67 – 69	20
70 – 74	30
75	100

**DEATHS AFTER RETIREMENT:** The RP-2000 Combined Mortality Table is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set back eleven years for males is used for the period after disability retirement. There is a margin for future mortality improvement in the tables used by the Plan. Based on the results of the most recent experience study for ERS, adopted by the Board on December 16, 2010, the numbers of expected future deaths are 7-9% less than the actual number of deaths that occurred during the study period for healthy retirees and 8-12% less than expected under the selected table for disabled retirees. Representative values of the assumed annual rates of mortality are as follows:

Age	Males	Females	Age	Males	Females
40	.108%	.071%	65	1.274%	.971%
45	.151	.112	70	2.221	1.674
50	.214	.168	75	3.783	2.811
55	.362	.272	80	6.437	4.588
60	.675	.506	85	11.076	7.745

**ASSETS:** Market value

**ACTUARIAL METHOD:** Costs were determined using the Projected Unit Credit Actuarial Cost Method. The annual service cost is the present value of the portion of the projected benefit attributable to participation service during the upcoming year, and the actuarial accrued liability (AAL) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected retirement date was used in allocating costs.



## SCHEDULE D

### **FUNDING POLICY #2 OF THE SEAD BOARD OF DIRECTORS**

The purpose of this Funding Policy is to state the overall objectives for the Georgia Employees' Group Term Life Insurance Plan for Post-Retirement Benefits (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 State Employees' Assurance Department Board of Directors 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's beneficiary is expected to receive in the event of the death of the member during the member's retirement. In meeting this objective, the System will strive to meet the following funding objectives:

- To develop a pattern of contribution rates expressed as a percentage of employer payroll 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 at least 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 remain stable 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 Contribution Rate**

- **Employer Normal Contribution Rate** – the contribution rate 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 contribution rate will be determined as the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, the amortization rate for the Transitional UAAL and the individual amortization rate for each of the New Incremental UAAL bases.
- In no event shall the employer contribution rate be less than 0%.
- The valuation methodology, including the amortization of the Unfunded Actuarial Accrued Liability (UAAL), would be expected to maintain reasonably stable contribution rates as a dollar per active member.

### **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 Projected Unit Credit (PUC) 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 equal to the market value of assets as of the valuation date.

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. However in no event shall the employer contribution rate 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 10-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.



## **SCHEDULE E**

### **SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES**

#### Eligibility for Coverage

Membership in the Employees' Retirement System of Georgia (ERS), the Georgia Legislative Retirement System (LRS) or the Judicial Retirement System (JRS). ERS new entrants on and after January 1, 2009 and JRS and LRS new entrants on and after July 1, 2009 are excluded from membership.

#### Premiums

##### Before Retirement

ERS Old Plan Members (Hired before July 1, 1982)

Member pays 0.45% of monthly salary. State picks up 0.22% of the member premium.

ERS New Plan Members (Hired on or after July 1, 1982 and before January 1, 2009),

LRS Members and JRS Members Member pays 0.23% of monthly salary.

All ERS and LRS members pay the above premiums. If the member is not covered under the Group Term Life Insurance (GTLI) Plan, employee contributions with interest are refunded upon termination of State employment. Otherwise, no premiums are refundable. Participation is voluntary for JRS Members.

##### After Retirement

If employed prior to April 1, 1964 or reemployed after April 1, 1964 with creditable service established for the period prior to April 1, 1964, the member pays  $\frac{1}{2}$  of 1% of the monthly salary payable the last month preceding retirement. If employed after April 1, 1964 with no creditable service established for the period prior to April 1, 1964, the member pays no premium.

#### Coverage

The amount of insurance is 18 times monthly earnable compensation (frozen at age 60). For a member with no creditable service prior to April 1, 1964, the amount decreases from age 60 by  $\frac{1}{2}$  of 1% per month until age 65, at which point the member will be covered for 70% of the age 60 coverage.



The insurance amount for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement.

The insurance amount for a service retiree who retires before July 1, 1998 with no creditable service prior to April 1, 1964 is 40% of the amount of insurance at age 60 or at termination, if earlier.

The insurance amount for a disability retiree who retires before July 1, 1998 with no creditable service prior to April 1, 1964 is 18 times earnable compensation at retirement, reduced to 40% of such amount at age 60.

The insurance amount for a service retiree who retires on or after July 1, 1998 with no creditable service prior to April 1, 1964 is 70% of the amount of insurance at age 60 or at termination, if earlier.

The insurance amount for a disability retiree who retires on or after July 1, 1998 with no creditable service prior to April 1, 1964 is 18 times earnable compensation at retirement, reduced to 70% of such amount at age 60.



**SCHEDULE F**

**CAFR SCHEDULE**

<b>GA SEAD Post-retirement: Solvency Test</b>							
Actuarial Valuation as of 7/1	Actuarial Accrued Liability for:			Valuation Assets	Portion of Aggregate Accrued Liabilities Covered by Assets		
	Active Member Contributions	Retirants & Beneficiaries	Active Members (Employer Funded Portion)		(1)	(2)	(3)
	(1)	(2)	(3)				
2013	\$0	\$586,228	\$168,558	\$907,831	N/A	100.0%	100.0%
2012	0	528,165	176,452	818,284	N/A	100.0%	100.0%
2011	0	503,327	175,093	807,893	N/A	100.0%	100.0%
2010	0	516,633	174,368	680,449	N/A	100.0%	93.9%
2009	0	524,718	208,953	628,199	N/A	100.0%	49.5%
2008	0	486,569	213,315	737,114	N/A	100.0%	100.0%
2007	0	436,530	206,001	778,048	N/A	100.0%	100.0%

*All dollar amounts are in thousands.*