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**GASB STATEMENT NO. 67 REPORT**

**FOR THE**

**CITY OF EAST POINT  
EMPLOYEES RETIREMENT PLAN**

**PREPARED AS OF**

**DECEMBER 31, 2014**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

April 1, 2015

Pension Board of Trustees  
City of East Point Employees Retirement Plan  
P.O. Box 90129  
East Point, Georgia 30364

Dear Trustees:

Presented in this report is information to assist the City of East Point Employees Retirement Plan (Plan) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67. The information is presented for the period ending December 31, 2014.

The annual actuarial valuation was used as a basis for much of the information presented in this report was performed as of January 1, 2014. The valuation was based upon data, furnished by the Plan's staff, concerning active, inactive and retired members along with pertinent financial information.

To the best of our knowledge, this report is complete and accurate. The necessary calculations were performed by, and under the supervision of, independent actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems.

The calculations were prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board, and, in our opinion, meet the requirements of GASB 67.

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. 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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Pension Board of Trustees

April 1, 2015

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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.

The computations presented in this report are for purposes of determining the financial disclosure requirements as prescribed by GASB Statement No. 67 for the City of East Point Employees Retirement Plan. The calculations in the enclosed report have been made on this basis and are consistent with the parameters of GASB Statement No. 67. Please direct any inquiries regarding this report to the Pension Board.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Todd B. Green' followed by a horizontal line.

Todd B. Green, ASA, FCA, MAAA  
Principal and Consulting Actuary

TBG:jmy



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**REPORT OF THE ANNUAL GASB STATEMENT NO. 67  
REQUIRED INFORMATION FOR THE  
CITY OF EAST POINT EMPLOYEES RETIREMENT PLAN  
PREPARED AS OF DECEMBER 31, 2014**

**SECTION I – INTRODUCTION**

The Governmental Accounting Standards Board issued Statement No. 67 (GASB 67), “*Financial Reporting for Pension Plans*”, in June 2012. GASB 67’s effective date is for plan years beginning after June 15, 2013. This report, prepared as of December 31, 2014 (the Reporting Date), presents information to assist the Plan in meeting the requirements of GASB 67. The material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of the City of East Point Employees Retirement Plan as of January 1, 2014. The results of that valuation were detailed in a report dated May 12, 2014.

GASB 67 replaces GASB 25, and represents a significant departure from the requirements of that older statement. GASB 25 was issued as a funding friendly statement that required pension plans to report items consistent with the results of the plan’s actuarial valuations, as long as those valuations met certain parameters. GASB 67 basically divorces accounting and funding, creating disclosure and reporting requirements that may or may not be consistent with the basis used for funding the System.

A major change in GASB 67 is the requirement to determine the Total Pension Liability (TPL) utilizing the Entry Age Normal actuarial funding method. If, as is the case here, the valuation date at which the TPL is determined is before the Measurement Date, the TPL must be rolled forward to the Measurement Date. The Net Pension Liability (NPL) is then set equal to the TPL minus the System’s Fiduciary Net Position (FNP) (the market values of assets) as of the Measurement Date. The benefit provisions recognized in the calculation of the TPL are summarized in Schedule C.

Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan’s provision applicable to the membership and beneficiaries of the System on the Measurement Date. If the FNP is projected to not be depleted at any point in the future, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.



If, however, the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 67 for note disclosure and Required Supplementary Information (RSI).



**SECTION II – FINANCIAL STATEMENT NOTES**

The material presented herein will follow the order presented in GASB 67. Paragraph numbers are provided for ease of reference.

**Paragraphs 30(a) (1)-(3):** The information required is to be supplied by the Plan.

**Paragraph 30(a) (4):** The data required regarding the membership of the City of East Point Employees Retirement Plan were furnished by the Plan’s staff. The following table summarizes the membership of the system as of January 1, 2014, the Valuation Date.

**Membership**

	Number
Inactive Members Or Their Beneficiaries Currently Receiving Benefits	364
Inactive Members Entitled To But Not Yet Receiving Benefits	18
Active Members	446
Total	828

**Paragraphs 30(a)(5)-(6) and Paragraphs 30(b)-(f):** The information required is to be supplied by the Plan.



**Paragraphs 31(a) (1)-(4):** The information is provided in the following table. As stated above, the NPL is equal to the TPL minus the FNP. That result as of December 31, 2014 is presented in the table below.

	Fiscal Year Ending
	December 31, 2014
Total Pension Liability	\$117,855,752
Fiduciary Net Position	<u>79,000,656</u>
Net Pension Liability	\$38,855,096
Ratio of Fiduciary Net Position to Total Pension Liability	67.03%

**Paragraph 31(b):** This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The actuarial assumptions utilized in developing the TPL are outlined in Schedule B. The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
Mortality	The rates of mortality for the period after service retirement are according to the RP-2000 Combined Mortality Table for males and females, Projected AA to the valuation date.





**Paragraph 31.b.(1)**

- (a) **Discount rate:** The discount rate used to measure the total pension liability was 7.75%
- (b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed the City would contribute the actuarially required contribution in the future.
- (c) **Long term rate of return:** 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.
- (d) **Municipal bond rate:** the discount rate determination does not use a municipal bond rate
- (e) **Periods of projected benefit payments:** projected future benefit payments for all current plan members were projected through 2116
- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	58.6%	5.34%
Convertible Equity	4.4%	7.40%
Fixed Income	35.0%	1.82%
Cash	2.0%	-0.26%
Total	100.0%	



(g) **Sensitivity analysis:** this paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
System's net pension liability	\$51,731,498	\$38,855,096	\$28,031,150

**Paragraph 31(c):** January 1, 2014 is the actuarial valuation date upon which the TPL is based. The result was rolled forward using standard actuarial techniques to the measurement date. The procedure used to determine the TPL as of December 31, 2014 is shown in the following table:

TPL Roll Forward	
(a) TPL as of January 1, 2014	\$115,671,696
(b) Normal Cost	\$2,121,348
(c) Actual Benefit Payments	\$8,728,041
(d) TPL as of December 31, 2014	\$117,855,752
= [(a + b) * 1.0775] - [c * 1.03875 ]	



### **SECTION III – REQUIRED SUPPLEMENTARY INFORMATION**

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

**Paragraphs 32(a)-(c):** The required tables are provided in Schedule A.

**Paragraph 32(d):** The money-weighted rates of return required are to be supplied by the Plan.

**Paragraph 34:** In addition the following should be noted regarding the RSI:

*Changes of benefit terms:* None.

*Changes of assumption:* None.

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Dollar, closed
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Inflation	2.25 percent
Salary increase	3.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation



**SCHEDULE A**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
GASB 67 Paragraph 32(a)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Total pension liability</b>										
Service Cost	2,121,348									
Interest	8,790,749									
Benefit changes	0									
Difference between expected and actual experience	0									
Changes of assumptions	0									
Benefit payments	(7,653,160)									
Refunds of contributions	(1,074,881)									
<b>Net change in total pension liability</b>	<b>2,184,056</b>									
<b>Total pension liability - beginning</b>	<b>115,671,696</b>									
<b>Total pension liability - ending (a)</b>	<b>117,855,752</b>									
<b>Plan net position</b>										
Contributions - employer	9,178,327									
Contributions - member	1,056,133									
Net investment income	5,165,762									
Benefit payments	(7,653,160)									
Administrative expense	(263,307)									
Refunds of contributions	(1,074,881)									
Other	0									
<b>Net change in plan net position</b>	<b>6,408,874</b>									
<b>Plan net position - beginning</b>	<b>72,591,782</b>									
<b>Plan net position - ending (b)</b>	<b>79,000,656</b>									
<b>Net pension liability - ending (a) - (b)</b>	<b>38,855,096</b>									



**SCHEDULE OF THE NET PENSION LIABILITY**  
**GASB 67 Paragraph 32(b)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total pension liability	117,855,752									
Plan net position	<u>79,000,656</u>									
Net pension liability	38,855,096									
Ratio of plan net position to total pension liability	67.03%									
Covered-employee payroll	17,920,581									
Net pension liability as a percentage of covered-employee payroll	216.82%									



**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**GASB 67 Paragraph 32(c)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined employer contribution	9,178,327	9,585,811	8,106,711	6,884,678	6,334,711	5,087,644	5,518,269	5,341,388	5,054,683	4,461,405
Actual employer contributions	<u>9,178,327</u>	<u>9,585,811</u>	<u>8,106,711</u>	<u>6,884,678</u>	<u>6,334,711</u>	<u>5,087,644</u>	<u>5,518,269</u>	<u>5,341,388</u>	<u>5,054,683</u>	<u>4,461,405</u>
Annual contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered-employee payroll	17,920,581	17,732,754	18,920,699	18,471,549	18,141,948	17,248,956	21,146,659	21,163,964	19,701,757	18,316,832
Actual contributions as a percentage of covered-employee payroll	51.22%	54.06%	42.85%	37.27%	34.92%	29.50%	26.10%	25.24%	25.66%	24.36%



## Schedule B - Actuarial Assumptions & Methods

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**A. Investment Return:**

7.75% per year, compounded annually.

**B. Inflation:**

2.25% per year

**C. Salary Increases:**

3.50% per year

**D. Pre and Post Retirement Mortality:**

RP-2000 Combined Mortality Table, sex distinct, Projected Scale AA to the valuation date.

Representative values of the assumed annual rates of mortality are shown in the following table.

<b>Age</b>	<b>Male</b>	<b>Female</b>
25	0.03%	0.02%
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.13	0.09
50	0.17	0.13
55	0.28	0.25
60	0.55	0.47
65	1.06	0.91
70	1.82	1.57
75	3.15	2.53
80	5.65	4.19
85	10.11	7.16



## Schedule B - Actuarial Assumptions & Methods

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### E. Post Disablement Mortality:

RP-2000 Disabled Retiree Mortality Table, sex distinct.

Representative values of the assumed annual rates of mortality are shown in the following table.

Age	Male	Female
25	2.26%	0.75%
30	2.26	0.75
35	2.26	0.75
40	2.26	0.75
45	2.26	0.75
50	2.90	1.15
55	3.54	1.65
60	4.20	2.18
65	5.02	2.80
70	6.26	3.76
75	8.21	5.22
80	10.94	7.23
85	14.16	10.02

### F. Separation From Active Service:

Representative values of the assumed annual rates of withdrawal and disability are shown in the following table.

Age	Rates of Termination	Rates of Disability
20	25.80%	.05%
25	19.80	.06
30	15.60	.06
35	12.15	.06
40	9.45	.07
45	7.80	.10
50	5.85	.18
55	0.00	.34





## Schedule B - Actuarial Assumptions & Methods

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Representative values of the assumed annual rates of retirement are shown in the following table.

Age	Rates of Retirement	
	Class 2 & 5	Class 3
50 - 59	5%	5%
60	5	100
61	5	100
62	5	100
63	5	100
64	5	100
65	100	100

**F. Actuarial Value of Assets:**

The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the assumed prior year valuation rate of 7.75%. The amount recognized each year is 20% of the difference between market value and expected market value.

**G. Actuarial Cost Method:**

Entry Age Normal. This method produces a normal cost as a level percentage of pay over the service life of each participant and amortization of the Unfunded Actuarial Accrued Liability (UAAL). Gains and losses are reflected in the Unfunded Actuarial Accrued Liability and are included in its amortization. The unfunded actuarial accrued liabilities are amortized over a level dollar closed «Amortization\_Period» year period.

**H. Percent Married:**

80% of the plan participants are assumed married with males three years older than females.

The active retiree liability contains a 2% load to account for the GATT lump sum option available to retirees upon retirement.



## Section C – Plan Provisions

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### A. Effective Date

As amended and restated to January 1, 2013

### B. Eligibility Requirements

Employees working 40 hours (not casual employees) per week, or firefighters on 24 hour on/48 hour off schedule. Certain management positions may be excluded from the Plan.

### C. Classes

Class 1: Transferred from old Plan on June 19, 1975  
Class 2: General Employees and elected officials hired before April 1, 1992  
Class 3: Police and Firefighters hired before April 1, 1992  
Class 5: Eligible full-time employees hired on or after April 1, 1992

Note: Any Class may elect the Class 5 benefit.

### D. Compensation

Excludes overtime pay, bonuses, fringe benefits and reimbursed expenses. Annual maximum \$200,000 as adjusted by the Secretary of the Treasury.

### E. Average Monthly Compensation (AMC)

Classes 2-3: Monthly average of the highest consecutive five years of earnings.  
Class 5: Sum of highest 78 consecutive pay periods divided by 36.

### F. Normal Form of Payment

Class 1: 66 2/3% Joint and Survivor Annuity  
Class 3: Life Annuity  
Class 2 & 5: 75% Joint and Survivor Annuity

### G. Participant Contributions

Effective July 1, 1998, participants contribute 6% of pay on a before-tax basis. The plan was noncontributory prior to July 1, 1998.



## Section C – Plan Provisions

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### H. Normal Retirement Date

- Class 2: Age 65 and 10 years of service. If elected official, Age 60 and 5 years of service.
- Class 3: Age 55 and 10 years of service.
- Class 5: Age 65 (55 Police and Firefighters) and 10 years of service. If elected official, Age 60 and 5 years of service.

### I. Early Retirement

- Class 2 & 3: Age 50 and 10 years of service
- Class 5: Age 55 and 10 years of service for general employees. Age 55 and 10 years of service for Police and Firefighters.

The benefit is reduced 3% for each year retirement proceeds Normal Retirement Date.

### J. Retirement Benefit Formula (Accrued Benefit)

- Class 2 & 3: 2.25% times AMC times service
- Class 5: Elected: \$30 times service.  
Non Elected: AMC times service times Applicable Benefit Percentage

<u>Retirement Age</u>	<u>Applicable Benefit Percentage</u>
50	1.75%*
51	1.80*
52	1.85*
53	1.90*
54	1.95*
55	2.00
56	2.05
57	2.10
58	2.15
59	2.20
60	2.30
61	2.40
62	2.50
63	2.60
64	2.70
65 and above	2.80

\*Applicable to Police Officers and Firefighters



## Section C – Plan Provisions

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### K. Vesting

Class 2 & 3: 10 years

Class 5: Must be age 45 (age 40 for police and firefighters) and have 10 years of service and be within 10 years of earliest retirement date. If elected official, 5 years of service.

### L. Termination of Employment Before Retirement

Class 5: A 1-time lump sum payment in accordance with the following schedule:

<u>Years of Credited Service</u>	<u>Percentage of Employee Contributions</u>
<1	100%
1 < 2	110
2 < 3	120
3 < 4	130
4 < 5	140
5 < 6	150
6 < 7	160
7 < 8	170
8 < 9	180
9 < 10	190
10 < 11	200
11 < 12	220
12 < 13	240
13 < 14	260
14 < 15	280
15 < 16	300
16 < 17	320
17 < 18	340
18 < 19	360
19 < 20	380
20 < 21	400
21 < 22	420
22 < 23	440
23 < 24	460
24 < 25	480
25 or more	500

Payments to deceased active or retired Class 5 participants will at least equal the above lump sum. Vested employees may elect a deferred monthly benefit.



## Section C – Plan Provisions

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### M. Disability Benefit

Class 2 & 3: Annuity payable immediately equal to the greater of Accrued Benefit or 20% times average monthly compensation for the last 12 calendar months.

Class 5: For less than 10 years of service, lump sum termination benefit. For 10 or more years of service, annuity payable immediately equal to the Accrued Benefit payable at the Normal Retirement Date.

### N. Death Benefits for Death Prior to Retirement

Class 2 & 3: Actuarial reserve at age 65 with add-on (maximum 10 years) for full-time employees employed prior to December 1, 1987. Actuarial reserve without add-on for elected officials and full-time employees employed on and after December 1, 1987.

Class 5: For active and terminated vested employees, spouse's annuity equal to the greater of the Accrued Benefit or, if an active employee, but not elected official, 60% of AMC. This is actuarially reduced for a qualified spouse under age 50. Minimum of service time \$30.

### O. Death Benefits after Retirement

Class 1: Married: Spouse will receive 2/3 of the benefit received by the member until the earlier of his/her death or remarriage.  
Unmarried: The benefit paid to the beneficiary is dependent on the form of payment chosen at retirement by the member.

Class 2 & 3: The benefit paid to the beneficiary is dependent on the form of payment chosen at retirement by the member.

Class 5: Qualified Spouses, or Children until age 18 (24 if a full-time student), will receive a benefit equal to 75% of the member's benefit. The total distribution to member and beneficiary must be at least equal to the lump sum termination benefit.

### P. Cost of Living Adjustment (COLA)

Class 1-3: The yearly percentage increase of the Consumer Price Index (CPI) of the most recent November CPI reading. The maximum COLA is 3%, and there is no reduction of benefits if the CPI decreases.

Class 5: Retirement benefits are subject to a cost of living review and possible adjustment each two years by the City Council.