COUNTY AGENDA REQUEST

Department:	Administration	Presenter(s):	County Administrator Steve Rapson
Meeting Date:	Thursday, February 14, 2013	Type of Request:	New Business

Wording for the Agenda:

Consideration of the County Administrator's recommendation to restructure the current Pension Committee to include the Chairman of the Board of Commissioners or his/her Designee, Human Resources Director, Finance Director, County Administrator, and an Employee appointed by the County Administrator.

Background/History/Details:

On April 9, 2009, the Board of Commissioners adopted the Defined Benefit Plan with GEBCorp and created the Defined Benefit Plan establishing the five (5) member Board of Trustees (Pension Committee). The approved Defined Benefit Plan document establishes the membership of the Pension Committee as the Chairman of the Board of Commissioners or his/her Designee, Human Resources Director, Finance Director, County Administrator, and an Employee appointed by the County Administrator.

On March 11, 2010, the Board of Commissioners formally established the Pension Committee and established the membership to include the Board of Commissioner Vice Chairman Herb Frady, Human Resources Director, the County Administrator, Director of the Water System, Public Safety Director, and the Sheriff. Note: Commissioner Allen McCarty replaced Vice Chairman Herb Frady on the Retirement Pension Committee in December.

This recommendation restructures the current make up of the Pension Committee to agree with the Defined Benefit Plan document as recommended and approved by the Board of Commissioners. The Pension Committee will continue to meet quarterly to review the funds and financial performance relating to the Defined Benefit and Contribution Plans.

What action are you seeking from the Board of Commissioners?

Approval of the County Administrator's recommendation to restructure the current Pension Committee to include the Chairman of the Board of Commissioners or his/her Designee, Human Resources Director, the Finance Director, County Administrator, and an Employee appointed by the County Administrator.

If this item requires funding, please describe:

Not Applicable.

Has this request been considered within the past two years?	No	If so, when?	
Is Audio-Visual Equipment Required for this Request?*	No	Backup Provided with Request?	No

**** All audio-visual material must be submitted to the County Clerk's Office no later than 48 hours prior to the meeting. It is also your department's responsibility to ensure all third-party audio-visual material is submitted at least 48 hours in advance.***

Approved by Finance	Not Applicable	Reviewed by Legal	
Approved by Purchasing	Not Applicable	County Clerk's Approval	Yes
Administrator's Approval			

Staff Notes:

The County Administrator "appointed Employee" will be selected at the end of February, after the County Administrator has completed meeting individually with each Department Head. This will complete the Pension Committee membership and finally bring the Finance Director into its membership as reflected the Defined Benefit Plan document.

OLD BUSINESS:

C. CONSIDERATION OF A RECOMMENDATION BY THE RETIREMENT STUDY COMMITTEE THAT THE ASSOCIATION OF COUNTY COMMISSIONERS OF GEORGIA/GOVERNMENT EMPLOYEE BENEFITS CORPORATION OF GEORGIA BE THE DESIGNATED VENDOR TO PROVIDE A DEFINED BENEFIT RETIREMENT PLAN FOR FAYETTE COUNTY EMPLOYEES:

Public Safety Director Allen McCullough remarked that this Committee had conducted research and fact finding during the last 22 months ago at the Board direction. He said the Board had directed the Committee to research several questions including (1) recruitment; (2) retention; (3) turnover rates; (4) competitiveness with surrounding cities and counties relative to the County's benefit program; (5) the status of the County's existing Defined Contribution Plan; and (6) the feasibility of the hybrid defined benefit type plan. He said the Committee had determined overwhelmingly that the County employees both supported the re-evaluation of the existing Defined Contribution Plan as well as would support a Defined Benefit Plan with their contributions. He said a survey was done with the County employees and the results in support of that was 97%. He said in the Fall of last year, the Board commissioned an RFP process to begin which would look at both the Defined Contribution Plan and the Defined Benefit Plan. He said the Committee was instructed to report back to the Board by December, 2008. On December 11th he appeared before the Board providing a report from the Committee. He said the Committee's recommendation to the Board at that time was that the Committee unanimously felt that at this time it could not make a recommendation on any of the proposals as submitted by the vendors. He said during the Committee's extensive process of evaluation for several months, the Committee expressed its concern about the lack of clarity regarding the administrative costs, the lack of clarity and uncertainty regarding future legal and actuarial costs, lack of clarity and uncertainty regarding plan oversight including staff time from Human Resources and plan implementation. He said the presentations provided by the various vendors really did not give the Committee at that point the information that it needed to make a good sound recommendation. He said as a

result the Committee had asked the Board for more time to review and also to be able to investigate multi employer provider options at which point the Board gave the Committee permission to proceed.

Mr. McCullough further remarked that the Committee had come back on February 4th, 2009 and the Board voted to accept the Retirement Study Committee's recommendation to reject only those proposals that were related to Defined Benefit. He noted that the Committee's next appearance was on March 12th at which point the Committee had enough time necessary to interview and to further be able to bring back a recommendation to the Board for the Deferred Compensation and Defined Contribution plan. He said at that time, the Board voted to support the Committee's recommendation for Mass Mutual/AmRet. He said the Committee's focus was turned toward the defined benefit retirement plan, and at the Board's meeting on April 1st the Committee presented a recommendation for the Board's consideration. He said it was the Retirement Study Committee's recommendation that the Association of County Commissioners of Georgia/Government Employee Benefits Corporation of Georgia be the designated vendor to provide a Defined Benefit Retirement Plan for Fayette County employees. A copy of the request and backup, identified as "Attachment No. 15", follow these minutes and are made an official part hereof.

Chairman Smith asked Mr. McCullough if the 3.8% County contribution had changed any to give the Board any cause for concern that it was no longer a viable number. Mr. McCullough replied that he did not have any new information that this figure had changed, and Human Resources Director Connie Boehnke confirmed that the figure had not changed. Mr. McCullough said the most current numbers had been run a few weeks ago and still supported the 3.8% was the County's contribution.

Chairman Smith asked Chief McCullough to comment on the issue of high turnover among County employees and especially Public Safety employees. Mr. McCullough replied that he had been with the County for twenty-seven years and the downturn in the economy since last year had been much more significant than the economy downturns in the past. He said Public Safety had historically found that when the economy improves the department's turnover rate increases and there would be a revolving door syndrome. He said the Committee was trying to be proactive so that departments could keep their current employees and give them something that provided a level of security.

Commissioner Frady asked Mr. McCullough to explain the cost savings to the County. Mr. McCullough replied that at the present time the County was contributing up to 8% and at this point the proposal was that amount would be dropped to 6.3% with the County contribution to the Defined Benefit Program being 3.8% and the employee contribution being 2.5%. He said the County had agreed to contribute 2.5% to the Defined Contribution Program if the employee matches that to 5%. He said overall there would be a reduction from 8% to 6.3%. He said the County was not moving in the direction of any unfunded liability where there would be credit for prior years of service. He said the employees who had already been here 30 years would probably not benefit from this plan. He said if the Board approved this plan, it would start at zero on July 1st. Commissioner Frady expressed concern with future Boards and changes that might be made to this Defined Benefits Plan.

Commissioner Maxwell thanked the committee for their diligence and remarked that he had supported a Defined Benefit Plan from day one. He said this was a two part process. He said the Board had already voted 4-1 in November 2008 to go to a Defined Benefit Plan. He said in reviewing the parameters of the Defined Benefits Plan that the Committee was recommending he was satisfied that the parameters of the proposed Defined Benefits Plan were adequate with safeguards in place based on actuarial studies that the decision that this Commission was about to make would not put the County at risk either now or in the future. He said the plan would in fact save the County money. He said he would not be able to support the decision for GEBCorp and wanted to make sure that there was no misunderstanding. He said he supported the Defined Benefit Plan but would prefer a different vendor, and for that reason he would be abstaining from the vote.

Commissioner Horgan made a motion to approve the Retirement Study Committee's recommendation that the Association of County Commissioners of Georgia/Government Employee Benefits Corporation of Georgia be the designated vendor to provide a Defined Benefit Retirement Plan for Fayette County employees. Commissioner Hearn seconded the motion, discussion followed.

Chairman Smith commented on the concerns of many companies filing bankruptcy. He said those were private plans and were underfunded. He said the Defined Benefits Plan that this Board was voting on tonight would be a plan that was funded every year and it was not a plan that would put the County in the same position as current private companies that were failing. He remarked on the comment that the County would never be able to get out of this plan and he said actually the County could get out. He said unlike private concern plans, this Board could vote to get out of this plan any time that it wanted to and any future Board could do the same thing. He said concern had also been expressed about Board risk and future Boards making changes. He said the Boards in the future could also make changes to the existing plan and increase the contributions to it by any amount that they saw fit. He said this Board could not obligate or stop future Boards from doing what they want to do while in office. He commented on the loss of revenue and said this was also a very real issue, however, this Board would be saving the County approximately $500,000 per year. He felt it was critical to remember that there was a savings in this plan. He said since this process started approximately 24 months ago, this Board had tried its best to examine, investigated and ask questions and assistance of people who were more knowledgeable about the inner workings of these plans. He commended everyone involved for getting all of the information necessary for this Board to make an intelligent decision tonight.

The motion carried 3-1-1 with Commissioner Frady voting in opposition and Commissioner Maxwell abstaining from the vote.

D. CONSIDERATION OF STAFF'S RECOMMENDATION FOR A DESIGNATED VENDOR TO PROVIDE THE COUNTY'S EMPLOYEE HEALTH INSURANCE SERVICES:

Human Resources Director Connie Boehnke remarked that the Human Resources Department was in the process of reviewing various options for employee health insurance. She briefly discussed the issue of co-pays for employees and noted that the committee was looking to see if there were any options for employees. She said they were also looking into the possibility of self-insurance as an option. She said there would be a formal recommendation for the Board at the April 23, 2009 Board of Commissioners' meeting. A copy of the request and backup, identified as "Attachment No. 16", follow these minutes and are made an official part hereof.

[redacted]

[redacted]

[redacted]

NEW BUSINESS:

D. CONSIDERATION OF STAFF'S RECOMMENDATION TO ESTABLISH A PENSION COMMITTEE FOR THE QUARTERLY REVIEW OF FUND PERFORMANCE FOR THE COUNTY'S DEFINED CONTRIBUTION PLAN, 401A AND 457B RETIREMENT PLANS:

County Administrator Jack Krakeel remarked that consistent with the plan provider that the County has for its 401A and 457B Retirement Plans was the establishment of a pension committee that could monitor fund performance that make up these individual plans. He said the function of this committee would be to meet on a quarterly basis to review that fund performance. He said the objectives that guide the fund performance are actually developed by the plan provider. He said to his knowledge there had never been such a committee in Fayette County and he was asking for the Board's consideration to formally appoint a pension committee that could meet to review how these funds perform and then make recommendations should a fund be closed or a new fund brought in for the employees to consider investing in. He said the Board had already developed a sound and consistent policy and there was a formal policy on investment here in the County. He said the Board had already decided on a suitable investment provider as well as selecting the diversified investment options with varying objectives and risk return objectives. He remarked that the pension committee's purpose would primarily be one of monitoring and evaluating performance results of the individual funds that make up the portfolio of funds that are made available to employees in the 401A and 457B Plans. He said it was his recommendation to appoint the members as identified in the agenda request and specifically to appoint a member of the Board of Commissioners to the pension committee as well.

Chairman Smith asked Commissioner Frady if he would serve on this committee as representative of the Board of Commissioners. Commissioner Frady replied that he would be glad to serve on this committee. Commissioner Maxwell felt Vice Chairman Frady was going to do a good job being the Board's representative on this committee, but suggested a review of the Commissioner position annually or bi-annually or something of that nature might be a good idea.

Chairman Smith made a motion to approve the formation of a Pension Committee consisting of Board of Commissioners Vice Chairman Herb Frady, the County Administrator, Director of Human Resources, Director of the Water System, Public Safety Director and the Sheriff for a quarterly review of fund performance for the County's Defined Contribution Plan, 401A and 457B retirement plans. Commissioner Hearn seconded the motion. The motion carried 5-0. A copy of the request and backup, identified as "Attachment No. 11", follow these minutes and are made an official part hereof.

SAMPLE

INVESTMENT POLICY STATEMENT

FOR

Fayette County, GA 401(a) and 457 RETIREMENT SAVINGS PLANS

February 24, 2010

Plan Information

Plan Name:	Fayette County 401(a) and 457 Retirement Savings Plans
Type of Plan:	Defined Contribution / 401(a) Plan and 457 Deferred Compensation Plan
Plan Adoption Date:	7/1/2009
Plan Number:	60325-1 and 60325-2
Trust ID Number:	

Responsible Parties

The parties responsible for managing and operating the plan include but are not limited to:

Plan Sponsor:	Fayette County Board of Commissioners
Investment Provider:	MassMutual Financial Group
Trustees:	
Broker of Record/Advisor	James M. Fallon

Purpose of This Investment Policy Statement

The Investment Policy Statement establishes investment principles and framework for selecting, monitoring and evaluating investment options under the Plan and has been adopted by the Plan Sponsor.

Periodically we will review this Investment Policy Statement, and if appropriate, amend it to reflect changes in the market, plan participant objectives, or other factors relevant to the Plan.

The Investment Policy Statement defines the Plan's investment objectives as well as the roles of those responsible for the Plan's investments. It also establishes investment, measurement and monitoring procedures.

If this Investment Policy Statement conflicts with the Plan Document, the provisions of the Plan Document will prevail.

Plan Objectives and Purpose

The Fayette County Board of Commissioners sponsors the Fayette County 401(a) and 457 Retirement Savings Plan to provide employees with a vehicle for saving for their retirement. Plan participants direct their individual account balances among the investment options selected by the Plan Sponsor. The plan provides participants with the opportunity to make their own investment choices and permits them to make changes to their allocation instructions daily. The Plan Sponsor strives to provide a range of investment options that will enable all participants to invest in the way that they feel best suits their long-term investment objectives.

This plan is a qualified employee benefit plan intended to comply with all federal laws and regulations. The Plan's investment funds will be selected and monitored with the skill, care and diligence that a prudent individual acting in a like capacity would undertake. The Plan is intended to qualify under the qualified cash or deferred arrangement rules of Code Section 401(k). The Plan is a participant directed individual account plan that is intended to comply as a "404(c) Plan" within the meaning of the Department of Labor Regulations under ERISA Section 404(c) and as such, it provides individual accounts for Plan participants to select how these individual accounts shall be invested and therefore, the Plan Sponsor shall not be liable for any loss that results from a participant's exercise of control over the investment of his or her participant accounts.

Roles and Responsibilities

The responsibilities of the *Plan Sponsor* include:

- Selecting the Trustee
- Hiring the Investment Provider and/or Recordkeeper
- Appointing the member(s) of the Investment Committee

The responsibilities of the *Plan's Trustee(s)* include:

- Investing plan assets in accordance with the Terms of the Trust Agreement as directed by the Plan Sponsor

The responsibilities of the *Investment Provider* include:

- Providing financial information on a regular basis as determined by the Plan
- Making reasonable investment decisions consistent with the stated approach
- Providing information to assist the Plan Sponsor

The responsibilities of the *Investment Committee (the Plan Sponsor)* include:

- Developing a sound and consistent investment policy
- Selecting a suitable investment provider
- Selecting diversified investment options with varying objectives and risk/return characteristics
- Monitoring and evaluating performance results and recommending investment option changes
- Providing employees with investment education to help them be informed investors

The responsibilities of the *Recordkeeper* include:

- Maintaining and updating individual account balances
- Updating plan contributions as well as withdrawals and distributions

Selecting and Monitoring the Investment Options

The Fayette County 401(a) and 457 Retirement Savings Plans recognize different investors have different investment objectives. The Plans strive to provide participants with an appropriate range of investment options to meet the various risk profiles of its participants.

Investment Selection

The Plan intends to provide an appropriate range of investment options that will span the risk/return spectrum and allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. In order to offer a broad range of investment alternatives so that each participant has a reasonable opportunity to:

- Materially affect both the potential return and degree of risk relating to his or her accounts
- Choose from diversified investment alternatives
- Diversify his or her investment to minimize the risk of large losses

The Plan will offer a selection of open-ended registered investment companies (i.e. mutual funds) or similar investment vehicles, each of which consists of internally diversified portfolios within their asset classes.

In the process of selecting the funds to be used as the Plan's investment alternatives, the Investment Fiduciary will first select the asset classes and investment styles intended to satisfy the broad range requirement. At a minimum, the Plan's investment alternatives should provide participants the opportunity to invest in vehicles designed to maintain a stable principal value (i.e. cash equivalents), vehicles designed to primarily target domestic bonds, vehicles designed to primarily target domestic equities, and vehicles designed to primarily target international equities.

Major asset classes to be offered will include:

- Short-term/Stable Value
- Fixed Income
- Large Cap Value
- Large Cap Core
- Large Cap Growth
- Mid Cap Growth
- Mid Cap Core
- Mid Cap Value
- Small Cap Growth
- Small Cap Core
- Small Cap Value
- International/Global
- Specialty

Because the Plan Sponsor recognizes some plan participants desire assistance in making investment decisions, the Plan also offers asset allocation/balanced strategies. These options offer a simple means to implement an asset allocation policy by having investment professionals implement and monitor the asset mix. A participant only chooses one balanced/asset allocation option to implement a chosen investment strategy.

Investment Monitoring and Reporting

The ongoing monitoring of each investment option must be a regular and disciplined process. Monitoring will occur on a regular basis. Adherence to the specific investment objectives and criteria contained herein will be evaluated over a full market cycle, which historically has been five to seven years. The Plan Sponsor may, from time to time as warranted, modify these objectives and criteria according to the Plan Sponsor's discretion in consultation with its financial advisors as it deems appropriate. Generally, the Plan Sponsor realizes investment managers should be given a full market cycle to achieve stated objectives; therefore, greater weight will be given to market cycle performance than performance in any given year. However, the Plan Sponsor recognizes that economic, political, social or other changes could occur requiring action sooner than a full market cycle. Investment options that consistently underperform in terms of risk and return will be carefully reviewed to determine if any action is warranted.

When selecting investment options, each investment manager must meet certain minimum criteria:

1. They must be a bank, insurance company or investment management company, or an investment advisor under the Registered Investment Advisors Act of 1940.
2. They must be operating in good standing with regulators and clients, with no material pending or concluded legal actions.
3. They must provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information.

The Plan Sponsor will review the investment objectives and risk characteristics, historical performance, and expenses related to each available Plan investment option and choose a specific option based on these procedures and objectives. The Plan Sponsor recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of risk is warranted and encouraged to allow the Plan Sponsor the opportunity to achieve satisfactory long-term results consistent with these procedures and objectives.

For supported asset classes, an investment manager (fund) "report card" will be maintained and documented (see addendum) in order to substantiate acceptable levels of manager performance and appropriate style characteristics. Based upon objective criteria, derived from Modern Portfolio Theory concepts, each fund will receive a score reflecting its overall performance.

If a fund fails to meet the criteria standards, as determined by its score, it will be placed on a "Watchlist." (In the event a fund receives a score which is below that of "Watchlist" status, or experiences extraordinary circumstances which may render it inappropriate to maintain, it may be considered for removal at the earliest feasible date.) If this fund continues to remain on "Watchlist" for the following three quarters, the fund will be considered for possible removal.

Investment Option Termination

Generally, all investment options are expected to:

- Perform as well as or better than their prescribed performance standards and risk objectives
- Maintain a consistent investment style

Any recommendation to terminate an investment option will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include investment option manager turnover, or material change to investment processes. Considerable judgment will be exercised in the termination decision process. In any case, the Plan Sponsor shall have full discretion and reserves the right to offer or terminate an investment option at any time, for any reason. Once the decision to terminate an investment option is made, asset transfer and liquidation should be handled to the best advantage of the Plan by removing and replacing with an alternative manager and moving existing assets directly to the alternative manager.

Administrative Review Procedures

The Plan Sponsor is accountable for monitoring and evaluating the investment options chosen for the plan. All chosen investment options will be reviewed periodically for acceptability, under the guidelines outlined above.

Communication Policies

At enrollment and on an ongoing basis, the record-keeper provides participant communication materials that include sufficient information for participants to make informed decisions regarding their individual asset allocations and retirement planning needs.

ADDENDUM: INVESTMENT MONITORING AND REPORTING

Methodology:
Morgan Stanley Smith Barney Report Card Point System

When investing in actively managed non-index mutual funds, investors make two critical assumptions: 1) that skillful managers exist, and 2) that they have the ability to recognize them. The MSSB Report Card System attempts to identify skillful active managers by evaluating mutual fund managers on both quantitative and qualitative factors.

The scores, based on pass/fail criteria, range from 0 to 10 (with 10 being the best).
Eighty percent of a fund's score is quantitative, based on modern portfolio theory statistics and peer group rankings. The quantitative aspect consists of eight factors which are evaluated over a five year rolling return period. The remaining 20% of the score is qualitative, reflecting such measures as manager tenure, the fund's expense ratio relative to the average fund expense ratio in that asset class category, and the fund's strength of statistics (statistical significance). Other criteria that may be considered in the qualitative score includes the viability of the firm managing the assets, management or personnel issues at the firm, and/or whether there has been a change in direction of the fund's stated investment strategy.

Considered together, these factors allow us to measure the relative performance, characteristics, behavior and overall appropriateness of a fund for inclusion into a plan as an investment option in accordance with the plan's Investment Policy Statement.

Quantitative Factors (1-8):
Evaluation Criteria
Style Factors – 30%

1) Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. A fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the plan.
2) Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. A fund passes if it exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.
3) R-Squared: Measures the % of a fund's returns that are explained by the benchmark.
A fund passes with an R2 > 80%. This statistic measures whether the benchmark used in the analysis is appropriate.

Risk/Return Factors – 30%

4) Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.
5) Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture > its down capture. This analysis measures the relative value by the manager in up and down markets.
6) Information Ratio: Measures a funds relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.

Peer Group Rankings – 20%

7) Returns Peer Group Ranking: Fund passes if its median rank is above the 50th percentile.
8) Information Ratio Peer Group Ranking: Fund passes if its median rank is above the 50th percentile. This ranking ranks risk adjusted excess return.

Qualitative Factors – 20%

9-10) Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account non-quantitative factors, which may impact future performance.

The MSSB Report Card analysis helps identify both managers who have skillfully performed in the top half of their specific sectors and also to identify those that have been rather less successful. The Report Card provides guidelines to assess the funds.

We typically rank funds according to the following scale:

9-10 - Excellent
7-8 – Good
5-6 – Marginal
0-4 – Poor

These reports provide us with actionable measures. A fund scoring 6 or higher is considered acceptable. A report of below 6 raises quality concerns and we believe that the manager would warrant further scrutiny. A report of 6 or lower puts a fund on the Watchlist. If no improvement or extenuating circumstances present themselves over subsequent quarters, a recommendation to remove the particular fund and replace it with a better alternative may be made for the pension board's approval.