Due Diligence Report

October 2022

Report prepared/submitted by:
County Manager
Assistant County Manager
Chief Financial Officer
Human Resources Director

Project Origins

At the September 7, 2021 meeting of the Bulloch County Board of Commissioners (BOC), Sheriff Noel Brown asked the BOC to authorize a feasibility study to examine the possibility of changing the employee retirement plan. Specifically, Sheriff Brown requested consideration for (1) a defined benefit (pension) plan and (2) post-retirement health care benefits. The BOC authorized the formation of an employee study group to evaluate options.

The County Manager's Office conferred with department heads to identify employees to serve on the study group. Group members were selected to represent each functional area within county operations. Individuals appointed to serve on the study group were:

- Tony Morgan, Parks & Recreation
- Dadrian Cosby, Parks & Recreation
- Paul Conner, Tax Assessor/GIS
- Trish White, Tax Commissioner's Office
- Sidney Alston, Development Services
- Wendy Ivey, Animal Services *(later withdrew from the group)*
- Etta Diemert, Fire
- Karen McNair, Clerk of Court
- Michelle Sawyer, Probate Court
- Jack Koon, Correctional Institute
- Kile Deloach, Public Works *(no longer employed)*
- Ben Lienhard, Sheriff's Office
- Marcus Nesmith, Sheriff's Office

The first meeting of the study group was held on September 28, 2021. Several members of administration/support staff (County Manager, Assistant County Manager, and Human Resources Director) were present at the first meeting to discuss the group's charge and to offer logistics support (with arranging meeting space, facilitating the group's discussion with retirement representatives, etc.). The group selected Marcus Nesmith as chairperson.

They study group continued to meet over the next few months. Other than the initial meeting on 9/28/2021, group members directed their own activities and conducted their meetings without the presence of administration/support staff.

Study Group Requests

On February 1, 2022, study group chair Marcus Nesmith asked the BOC to authorize a cost analysis for a pension plan. The analysis would allow ACCG Retirement Services to calculate potential plan costs for the type of plan desired by the study group. The BOC approved the request.

On April 19, 2022, the study group updated the BOC, shared the cost data and options provided by ACCG Retirement Services, and identified the study group's preferences from among those options. Chair Marcus Nesmith indicated that the group had been focused only on retirement and had not reviewed/recommended any post-retirement health benefits. Commissioners expressed a desire to hold a separate work session to discuss options in more detail. At this meeting, there was also discussion about some possible tweaks to the proposed plan design (specifically, to review the cost impact of increasing the normal retirement age in the proposed plan, from 62 to 65).

On August 3, 2022, a work session was held to discuss the proposed pension plan in more detail. Attendees at this work session included: several members of the study group, members of the Board of Commissioners, ACCG Retirement Services representative Greg Gease, members of county administration/support staff, members of the media, and several general employees. During this meeting, the discussion focused on one specific pension option – a 1.5% multiplier with a normal retirement age of 65. The study group indicated their support for a pension plan with these parameters. At the recommendation of the County Manager, there was a consensus to commence a 60-day due diligence period to allow for (1) evaluation of plan structure options, (2) employee communication and education, and (3) collection of employee feedback.

Due Diligence Activities

Evaluation of plan structure options: The study group selected the benefit multiplier, the vesting period, and the normal retirement age of the proposed plan. However, there are many other plan options and variables impacting the plan structure and governing how the proposed plan would be administered, if adopted. County administration and support staff worked closely with ACCG Retirement Services to evaluate and identify the options best suited for the county's plan. A document outlining those specific plan design options was prepared and presented to members of the study group on August 30, 2022. (This document titled "Bulloch County – Proposed Defined Benefit Plan Design" is attached as **Exhibit 1**.)

Employee communication and education: ACCG Retirement Representative Greg Gease narrated an educational presentation which was distributed to all employees on September 14, 2022. The presentation described the proposed defined benefit plan and explained how it differed from the current defined contribution plan. (A copy of the presentation slides is attached as **Exhibit 2**.) In addition, Mr. Gease held an in-person question and answer session on September 28, 2022, inviting employees to attend and seek clarification if they had questions about the proposed plan. The questions and answers from that session were compiled and forwarded to employees on October 4, 2022. (See **Exhibit 3** for a copy of the questions and answers.)

Collection of employee feedback: In an effort to gauge employee opinion about the proposed plan, a short employee survey was created and distributed to employees on September 14, 2022. (Survey results have been summarized and are included as **Exhibit 4**.)

Financial Implications

Under the County's current defined contribution retirement plan, the County contributes a set percentage (6.5% base plus up to an additional 2% matching contribution) to each eligible employee's retirement account after each payroll cycle. The contribution is made as a part of the payroll process and once the funds have been paid in to ACCG and credited to each employee's account, the County's responsibility is complete. The funds are held in individual accounts owned by the employees, and the employee assumes any risks related to how those funds are invested. The County has no long-term liability related to this plan. Contributions are expensed within the funds (General, E911, Fire, etc. corresponding to which fund the employees are paid from) as they occur.

The proposed pension plan is a defined benefit plan, which means that the County is responsible for paying out the benefits to eligible retirees in the amount calculated at their retirement, regardless of the cash balance in the plan. Therefore, the County must make sure to fund the plan well enough to be able to make the payouts as they are due. Under this plan, the County would own the account and would retain the investment risk. If the plan account loses money due to market losses, the County's unfunded liability for the plan would increase.

The contributions to the plan would be paid based on actuarial calculations of how much the plan will need to receive each year to maintain the balances needed to pay future benefits. These contributions will be expensed within the funds as incurred, like the accounting for the current plan contributions – the main difference at the fund level being that the annual amount is not a set percent of covered payroll and can fluctuate from year to year based on market conditions, the number of participants, the number of retirees receiving benefits, etc. However, the County must report a long-term pension liability in the Government-wide Statement of Net Position in the amount of the total pension liability (calculated by an actuary) less the assets held by the plan. This additional liability will represent a decrease in the Government-wide Net Position.

The attached Summary of Estimated Plan Costs for the Proposed Benefit Plan shows a comparison between the estimates developed in May assuming the 401(a) plan would have $20 million available to fund the new plan initially, and an updated estimate done in early October. Note that the available balance to fund the new plan had decreased to $19 million. This change was based on the existing balances of the 401(a) accounts held by employees that may be used to fund the new plan. All other assumptions and estimates are the same between the two calculations. The purpose of this is to illustrate that due to the market losses that decreased the funding available for the new plan, the amount of the annual contribution required of the County would increase, which means that the contribution as a percentage of covered payroll would also increase. This is a simple illustration of the investment risk that would be assumed by the County under the new plan. (See **Exhibit 5** for the side-by-side comparison)

It is important to note that the financial projections shown in **Exhibit 5** for plan costs and required contributions shown in Exhibit are estimates at this time and cannot be determined accurately until all employee elections are made. These projections assume that every employee will elect to trade their 401(a) balance in exchange for service credit, freeing those account balances to be used for plan funding. Final actual funding requirements will vary depending on the number and ages of the employees who elect to keep their 401(a) balance intact rather than exchange it for service credit.

Timeline

Changes to the retirement plan, if any are ultimately made, must be implemented in several stages. Major activities that would be required include, but are not necessarily limited to:

- ***Drafting a new plan document and adoption agreement*** – The legal team at ACCG Retirement Services would prepare these documents and send to the County for legal and administrative review.
- ***Adopting the new plan document and adoption agreement*** – Following staff review, the documents must be formally adopted by the BOC at a future meeting.
- ***Preparing initial census data for employees to be covered by the plan*** – The Human Resources Department would need to prepare (and submit to ACCG Retirement Services) necessary employment and salary data for all plan-eligible employees.
- ***Preparing employee scenario data*** – ACCG Retirement Services would, using census data provided by HR, prepare individual datasheets for all eligible employees, explaining their current balances and benefits projections.
- ***Conducting employee information sessions*** – ACCG Retirement Services representatives would offer plan-eligible employees an opportunity to meet, individually, to discuss impacts and options under the new plan.
- ***Allowing an employee election period*** – Once employees receive individual information from ACCG Retirement Services, they must be given time to make and document their plan elections (i.e., whether to keep or trade their current 401a accounts).
- ***Updating employee records*** – The Human Resources Department will collect employee elections and update the personnel system to ensure records and future treatment under the plan are handled accurately.
- ***Establishing funding and payment structure*** – The Finance Department will work with ACCG Retirement Services to ensure funding, funds transfer, and periodic payments are established and properly handled.

Given the multiple steps involved in making a retirement plan change, it would be prudent to anticipate several months to make the transition. If the BOC elects (in October 2022) to authorize a plan change, the earliest reasonable effective date would likely be in Spring 2023.

Conclusion

It is anticipated that, at the October 18, 2022 BOC meeting, the retirement study group will present a recommendation to change the employee retirement plan. This due diligence report is intended to provide the BOC members with information and data pertinent to evaluating that request.

Respectfully submitted,

Thomas Couch, County Manager
Cindy Steinmann, Assistant County Manager
Kristie King, Chief Financial Officer
Cindy Mallett, Human Resources Director

EXHIBIT 1

Bulloch County – Proposed Defined Benefit Plan Design

BULLOCH COUNTY – PROPOSED DEFINED BENEFIT PLAN DESIGN

This document provides structure for proposed defined benefit retirement plan.
No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

Basic Plan Design

- 1.5% multiplier
- Vesting – 5 years
- Normal retirement age – 65
- Normal retirement – age 65 with 5 years of service
- Unreduced early retirement – age 60 with 30 years of service
- Reduced early retirement – age 60 with 10 years of service

Employee Decisions About Converting from DC to DB

Prior to plan inception, each current employee must select **one** of the following options:

- Relinquish 401a balance in exchange for credited service in the DB plan:
    - Employee 401a account balance is forfeited and rolled back into plan for funding DB *(Note: Only the base contributions – 6.5% of employee salary – in the 401a account will be forfeited. The employee will retain, if any, 401a funds that were deposited as a 50% match on employee 457 contributions.)*
    - Employee would receive vesting and credited service back to hire date (subject to other provisions about rehires, etc.)
    - Employee will retain balance in 457 account, and may continue contributing, but County match is discontinued

- Maintain 401a balance
    - Employee's 401a balance remains intact and continues to earn interest/market changes, but no additional funds will be deposited into account
    - Employee enters DB plan on plan effective date with zero years of credited service
    - Employee will receive vesting service in DB plan, based on period of employment
    - Employee will retain balance in 457 account, and may continue contributing, but County match is discontinued

Other Plan Details

- Blackout period – A retirement "blackout period" will be in effect at inception of the plan. Length of blackout period will be as shown below:
    - If, as of effective date of DB plan, employee is less than normal retirement age (less than 65), then blackout period is one year
    - If, as of effective date of DB plan, employee is Age 65 or older, then blackout period is six months

- Closure of 401a plan – As of plan effective date, no further deposits will be made into 401a account for any employees.
    - Newly hired (and rehired) employees will be placed into DB upon hire.
    - Employees who, at plan inception, opted to keep 401a balance intact (rather than exchanging for service credit) will receive no additional deposits into 401a account.
    - Employer matching of employee 457 contributions will be discontinued.

- Credit for sick or annual leave
    - Annual leave will not be used for vesting or service credit in the DB plan.
    - Sick leave will not be used for vesting purposes. However, at the time of retirement, accrued sick leave balance will be used for credited service (and therefore will impact the benefit calculation).

- Employees with multiple periods of employment –
    - **At** plan inception, eligible employees who have had multiple periods of employment may receive credit for time previously worked, if they meet all the following criteria:
        - The break in employment must have both begun and ended within the five-year period immediately prior to the plan inception date, and
        - The break in employment must have lasted less than one calendar year, and
        - The employee must not have withdrawn, transferred, or otherwise accessed any 401a account funds, and
        - The employee must elect to exchange the balance in the 401a account for service credit in the defined benefit plan.
    - **After** plan inception, no vesting or credited service will be given to former employees (not employed as of the inception date of the DB plan) who are subsequently rehired.

- Part-time to full-time conversion – An employee who converts from part-time to full-time employment without any break in service will receive vesting/eligibility service, but not credited service, for the time spent in part-time employment. Because no credited service is given, the benefit amount will not be impacted by the time spent in part-time employment. *(NOTE: It is undetermined as of now whether, or how, this provision would apply when the part-time work is seasonal or sporadic, rather than regularly occurring.)*

- Return to employment after retirement – If an employee is rehired, in any capacity, after he/she retires from BC, his/her pension payments will cease and will not restart until the employment ends.

- Funding for POAB/Firefighter Pension – If approved, the DB would be the only pension plan paid by the Bulloch County. County would discontinue funding POAB and Firefighter pension but will offer payroll deduction as an option for those employees who continue in POAB or FF Pension at their own expense. *(Note: County will continue to fund FF pension for volunteer firefighters.)*

- Cost-of-Living Adjustments – The plan will not include cost-of-living adjustments for retirement benefits.

Tentative Plan

- Discussion with retirement study group – Discuss plan structure; determine if there are other variables to be evaluated

- Present plan design information to department heads – Ensure no major issues/concerns; enlist their assistance with employee communications

- Greg Gease to prepare recorded information session – Contents would include explanation of DC vs DB, generally; explanation of proposed DB plan design/structure

- Distribute recorded session to employees – Department heads (with assistance from HR if needed) facilitate employee review and/or ensure employees have access to info session

- Collect employee feedback – Employees asked to complete a short survey identifying themselves, their department, and their own likelihood of converting 401a balance into credited service *(Note: Employee not required to commit to a choice at this point; this is to gather overall employee sentiment)*

Next Steps, If Approved

- Educate employees – Greg Gease and his team will meet with employees to review individual situations and explain options

- Employee chooses what happens with 401a balance – Employees will be asked to document choice on an acknowledgement form, confirming that they have received information on options available

EXHIBIT 2

Bulloch County Retirement Plan Review

Presentation Slides

Bulloch County Retirement Plan Review

September 2022

1

Why are we here?

- ***Presentation Purpose***: To inform employees about **possible** changes to the Bulloch County retirement plan.

- ***Reason***: Potential changes are being evaluated at the request of employee study group, who has proposed a change from a defined contribution (DC) plan to a defined benefit (DB) plan.

- ***Disclaimer***: This is not a full plan summary, but only provides basic information believed to be accurate at this time.

- ***Reminder***: At this time, **no decision has been made** and it is undetermined whether there will be any changes at all.

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

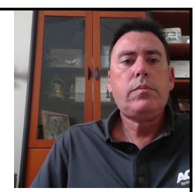
2

Defined Contribution Plan (Current)

- Commonly known as “401a” (in government) or “401k” (in private sector)
- Benefit received is driven by contributions made into the plan
  - In the current Bulloch County plan, BOC contributes 6.5% of salary plus additional matching funds for those who contribute to a 457 account
- Participants can increase fund balance by contributing to 457 and receiving match
- Participant determines how to invest funds; investment choices can be changed any time
- Flexibility & control about when and how funds are withdrawn during retirement
- Any funds remaining would be paid to beneficiary upon participant’s death
- No provisions to withdraw funds while still employed
- Very portable; at separation, can easily move to an IRA or another employer plan

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

3



Defined Benefit Plan (Proposed)

- Commonly known as “Pension”
- Benefit is defined by a set formula using 3 factors:
  - Years of service
  - Average compensation
  - Age at which benefit is drawn
- Plan determines when (at what ages) benefit begins
- Provides a fixed monthly benefit for life
  - Social Security is a defined benefit plan
- Optional survivor benefit to continue payments to a survivor after retiree’s death; choosing survivor option will reduce the monthly benefit for retiree
- Limited portability; does not easily transfer from one employer to another
- No provisions to withdraw funds while still employed
- Employee cannot contribute additional funds to increase benefits

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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Proposed Defined Benefit Plan – Basic Design

- 1.5% multiplier
- Vesting – 5 years
- Normal retirement age – 65

- Normal retirement – Age 65+ AND 5 years of service
- Unreduced early retirement – Age 60+ AND 30 years of service
- Reduced early retirement – Age 60+ AND 10 years of service

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

5

If DB approved, what happens to my 401a?

Employee keeps 401a balance

- 401a balance stays in account (subject to interest and market changes)
- Employee cannot access 401a funds while employed
- No additional deposits into 401a account
- Vesting in DB based on employment date
- Service credit in DB begins on inception

OR*

***Employee chooses (one-time opportunity to decide)**

Employee trades 401a balance

- 401a balance is forfeited which will "buy" credit for time already worked
  - Base amount (6.5%) forfeited; employee may keep any funds originating from County match
- Vesting and service credit in DB based on employment date

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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Fictional Example

Employee Doe:
- Date of Hire 1/1/2005
- Date of Birth 1/1/1965
- Date of Retirement 1/1/2030 (at age 65)
- 401a balance (at plan inception) $81,800
- Retirement based on final average pay of $35,000

Other assumptions:
- Plan inception date of 1/1/2023
- 7% growth rate on 401a account balance

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

7

What happens when Employee Doe retires?

If employee kept 401a balance at plan inception
- Estimated value of 401a account - $131,000

  PLUS
- Estimated monthly benefit - $306
  - Vesting credit – 25 years
  - Service credit – 7 years
  - Amount before taxes
  - Single life calculation (Joint/survivor option will decrease benefit)

OR*

***Based on employee choice made at plan inception**

If employee traded 401a balance at plan inception
- Estimated value of 401a account - $0

  PLUS
- Estimated monthly benefit - $1,093
  - Vesting credit – 25 years
  - Service credit – 25 years
  - Amount before taxes
  - Single life calculation (Joint/survivor option will decrease benefit)

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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Other Plan Details for <u>Proposed</u> Plan

- Blackout period
  - If <65 at plan inception, blackout period = 1 year
  - If >= 65 at plan inception, blackout period = 6 months
- Cap on years of service - None
- 457 & Match – Employees may still contribute to 457 but no match will be given
- COLAs – No cost-of-living adjustments built into the plan *(Monthly retirement benefit does not increase once it begins)*

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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Other Plan Details for <u>Proposed</u> Plan

- Unused sick leave credit – At time of retirement, sick leave balance buys additional service credit
- Returning retiree – Pension benefits will stop for any retiree who returns to active employment (*Additional service credit will be earned & the benefit recalculated, but with an offset for benefit checks already received*)
- Other pension plans – County will no longer fund POAB or FF Pension for Public Safety employees *(Employee may continue at his/her cost through payroll deduction)*
- New hires/rehires <u>after</u> plan inception – In DB automatically; no 401a option

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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Other Plan Details for <u>Proposed</u> Plan

- Multiple periods of employment
  - Those employed at plan inception but who had a prior break in employment will receive credit for time previously worked if all the following are true:
    - Break in employment began and ended within 5 years
    - Break in employment lasted less than one year
    - Employee did not withdraw/transfer any 401a funds during break in employment
    - Employee elects to exchange his/her 401a balance for service credit
  - Those not employed at plan inception but later rehired will receive no vesting service credit for prior employment periods

- Option to purchase additional service credit - None

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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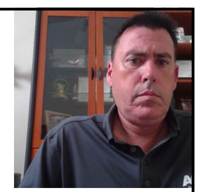
Other Plan Details for <u>Proposed</u> Plan



- Death benefit
  - Pre-retirement – up to $50,000
  - Post-retirement – up to $15,000

- Disability benefit
  - At least 10 years of service AND age 50
  - To qualify, must be determined by Social Security Administration to be totally and permanently disabled

- Social security retirement – DB plan would be separate from social security and does not impact employee’s SS eligibility or benefit

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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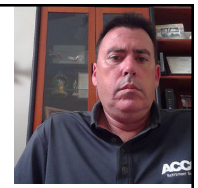
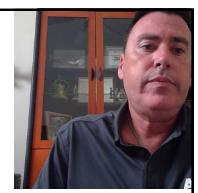


Why are we educating employees?

- To prepare you for a **<u>possible</u>** change in retirement plan
- To have you think about how this change, if made, would impact you
- To assure you that, if there is a change, we will provide individual consultations for employees to ensure they understand their choices
- To collect your feedback

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

13



We want to hear from you!

- Please complete a brief survey. (Survey link distributed via email. Contact HR if you prefer a paper copy.)
- ***Note***: The survey is not intended to be a vote; it is merely to gauge employee opinion and gather feedback
- Survey completion deadline September 23, 2022

This presentation provides the structure for proposed DB plan. No changes to current plan will be made and no action taken unless/until approved by Board of Commissioners.

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EXHIBIT 3

Proposed Pension Plan – Questions & Answers

Proposed Pension Plan – Questions & Answers

Meeting Date: September 28, 2022

General Questions

Can you explain the difference between vesting credit and service credit/credited service?

Vesting refers to ownership, or how much service is required before you become entitled to (or "own") a benefit. Vesting impacts your eligibility for a benefit, but not the amount of your benefit. Service credit (typically referred to as "credited service") refers to the length of your employment that is considered in the benefits calculation. In other words, credited service impacts the amount of your benefit. Part-time employees can earn vesting credit, but part-time employment does not count toward credited service.

If I keep my 401a, I understand that I will enter the pension (if it's approved) with zero credit on day one. Does that mean I have to work five more years before earning a benefit in the pension?

No. Your eligibility for a benefit will not be impacted if you keep the 401a account, but the amount of your future benefit will be. If the pension (DB) is approved, and you elect to keep your 401a balance, you will have no service credit when you enter the new DB plan. However, you will enter the plan with vesting credit back to your hire date. Your vesting service will be the same whether you keep your 401a balance or trade it for service credit. You will not need to "re-vest" because the number of vesting years – which determine eligibility – will not reset to zero.

Before signing for the new plan will someone sit down with you and estimate what your monthly payment will be? At both unreduced and reduced ages?

We will make every effort to provide employees with the materials necessary to make an educated decision. This will include calculation sheets based on your current age, tenure, and salary, and will use that data to project future benefits. (These will only be projections; actual benefits are determined at retirement.) If the plan is approved, an ACCG Retirement representative will offer employees the opportunity to meet one-on-one and discuss individual circumstances potentially impacting that individual's choice.

If you sign over the 401a account in exchange for service credit in the new plan, how do you ensure you won't be reassigned or let go and lose everything or at a reduced rate? (Example, an employee is vested but not old enough for full retirement.)

There will be no guarantee, just as there never has been, as to the length of any individual's employment. However, if your employment ends before retirement age you will not lose the benefit you have earned from credited service in the plan. If, at the time of separation, you are at least age 60 with at least 10 years of service, you may opt to begin drawing a retirement benefit early, though it would be reduced. Or, if you prefer, you could defer the benefit until normal retirement age (65) and begin drawing the unreduced amount at that time.

My understanding of the post-retirement death benefit is that when I retire there will be options for my beneficiary, but those options will reduce the amount I receive based on the age of the beneficiary. Is there a set percentage for age ranges? Is age the only factor or does salary play a role in it as well? Is there a chart that shows the reduction amounts based on beneficiary age differences?

These are separate benefits. The death benefit is paid as a lump sum while the joint-and-survivor benefit involves monthly payments on an ongoing basis.

Death benefit*: Death benefits under the proposed plan would be standard and automatic. The retiree does not need to choose (or decline) the benefit and it is a separate benefit from the retiree's monthly payment. The death benefit is a lump sum, paid to the beneficiary, upon the covered individual's death. There are three types of death benefits as shown below:*

- *If the individual dies after retirement (and after monthly retirement payments have begun), the beneficiary would be entitled to a post-retirement death benefit equal to 50 times the monthly benefit or $15,000, whichever is less.*
- *If the individual dies before the monthly benefit begins but after separation from Bulloch County (for example, an employee resigns before retirement age and will wait until age 65 before drawing the benefit), the beneficiary would be entitled to a deferred vested death benefit of 50 times the earned monthly benefit or $50,000, whichever is less.*
- *If the individual dies while an active employee, the beneficiary would receive a pre-retirement death benefit equal to 50 times the projected monthly benefit at normal retirement age, or $50,000, whichever is less.*

Joint-and-survivor benefit*: At the time of retirement, the retiree has an option to choose a joint-and-survivor benefit (sometimes referred to as a spousal option) which will continue to pay a monthly benefit to a spouse or other named beneficiary after the retiree's death. Selecting this option at retirement will reduce the retiree's monthly benefit. After the death of a retiree who has chosen this option, the plan will pay the survivor, each month, a percentage of the retiree's benefit. The retiree decides, at the time of retirement, how large the monthly payment to the survivor will be (for example, 50% of the retiree benefit). Because the survivor will receive this benefit for the rest of his/her life, the cost is determined, in part, by the survivor's life expectancy. Other factors impacting the cost include the amount of the future benefit (how much the survivor will receive each month) and other options the retiree chooses at retirement. As a result, there is no chart or other easy way to determine the cost until the time of retirement. It is important to note that once a joint-and-survivor election is made, it cannot be changed.*

Are there any restrictions on how 457 accounts are drawn at retirement? If I retire in the pension plan at age 60 with 30 years of service with no penalty, can the money in the 457 be drawn at age 60 without penalty? If so, could the 457 account be used to purchase health insurance until I reach age to get on Medicare? Will there be an option to buy into County's health insurance if so desired?

There are no age restrictions on a traditional (pre-tax) 457 account. An employee with a pre-tax 457 may, upon separation from the County, access those 457 funds without penalty regardless of age or years of service. The withdrawal will be subject to taxes. That money can be accessed in a lump sum, can be *withdrawn in periodic payments (e.g., monthly), or can be rolled into another account like an IRA. In most situations, the money cannot be accessed while the individual is still employed.*

Roth 457 accounts have different rules. Money withdrawn from a Roth account before age 59 ½ is subject to both tax and a 10% penalty. After age 59 ½, there is no tax and no penalty for withdrawal from a Roth account. In most situations, the money cannot be accessed while the individual is still employed.

Funds withdrawn from either type of 457 can be used for any purpose, including the purchase of health insurance. At this time there is not an option for retirees to continue coverage under the Bulloch County health plan, except that they will be eligible for COBRA coverage as required by law. (Generally, under COBRA, the separating employee may opt to continue insurance for 18 months after a loss of coverage.) Note that COBRA premiums are considerably higher than employee premiums, as the full cost of the coverage is transferred to the individual (the County does not contribute).

Calculating Retirement Benefit

How is the monthly benefit calculated?

There are three basic components to the pension benefit calculation formula: (1) final average compensation, (2) years of service, and (3) multiplier. Under the proposed plan, the employee would receive a multiplier of 1.5% of his/her "final average compensation" for each year of service credit. The formula for calculating the annual retirement benefit would be final average compensation x years of service x .015. Note that the benefit would be taxable income to the recipient. In addition, the benefit would be reduced if the employee chose a payment option other than the single life option (such as the joint-and-survivor benefit).

Here's an example of how the benefit is calculated. Note that this example assumes (1) that the individual has reached normal retirement age of 65 and (2) that the individual has chosen a "single life" option, which is the highest benefit amount possible, with no joint-and-survivor benefits or other elections that would reduce the monthly payment.

Final Average Compensation	Years of Service	Multiplier	Annual Benefit	Monthly Benefit
$40,000	20	1.5%	$12,000	$1,000

The benefit would be subject to deductions for federal and state taxes, but no FICA or Medicare would be withheld. Retirees receive a 1099 at the end of the year documenting payments made. The payment of pension income under the proposed plan does not impact eligibility for social security benefits.

How is the "final average compensation" (used to determine monthly retirement benefit) calculated?

The final average compensation is the average of the earnings in the highest 60 consecutive months out of the 120 months immediately prior to retirement or separation of employment.

Does the “final average compensation” include overtime or just base pay?

Typical plans use W2 earnings to calculate final average compensation. In some cases, plans have been modified to exclude overtime, but Bulloch County has, to date, had no discussion about excluding.

Can you retire earlier than 65, and still get your benefits? If so, what is the percentage rate that you can calculate that?

Under the proposed plan, the earliest an employee could retire (begin drawing benefits) would be if they are at least 60 years old AND have earned at least 10 years of credited service, with the following calculation rules:

- *If the employee has at least 30 years of credited service, he/she would receive full benefits (final average compensation x years of service x .015)*
- *If the employee has worked at least 10 but less than 30 years, the benefit would be reduced (the amount/percentage of reduction would vary depending on age when the benefit begins).*

The earlier the benefit begins, the less the monthly payment will be. The standard reductions for early retirement are as follows:

Retirement Age	*65+*	*64*	*62*	*60*
Reduction	*No reduction*	*10% reduction*	*26.7% reduction*	*40% reduction*

If for some reason your employment ends before retirement age you will not lose the benefit you have earned, even though you would not be able to begin drawing the benefit immediately. When you reach retirement age, you would be eligible to begin receiving a benefit based on your years of service.

Calculating Years of Service

If an employee worked for several years for another county, then transferred their money from the prior county’s 401a account into the Bulloch County plan, will the employee receive years of service credit for the years they worked at the other county?

No. The employee cannot buy service credit or transfer service credit from another organization. Under the proposed plan, only time worked for Bulloch County would count toward credited service. However, you won’t lose the money transferred from other employment if you trade your 401a for pension credit.

If an employee worked for several years for another county, then transferred their money from the prior county’s 401a account into the Bulloch County plan, will the employee lose that transferred money if he/she gives up his/her 401a account in exchange for service credit?

No. The only funds forfeited in exchange for service credit will be the 6.5% (“base”) contributions that Bulloch County paid into the employee’s account. The employee will keep (in the current accounts):

- *any voluntary contributions the employee made into the 457 account;*
- *any “match” contributions made by the county; and*
- *any money transferred or rolled over into the Bulloch County plan, such as from a former employer.*

If you were with the county at one job for 2 years and left, then came back and have been at your current job for 3 years, does that make you 100 % vested? If not, what are the qualifications you have to meet when you work for the county at different time intervals?

That depends on how long the break in employment lasted and when it occurred. For those with a break in service, the look-back window is five (5) years. If the individual withdrew or transferred 401a funds at or during separation, there is no option to restore previous vesting, so vesting service would begin at the rehire date. If 401a funds were left in the plan during the employee's break in service, the employee may be able to receive credit for prior service, based on the guidelines for multiple periods of employment, as shown below.

At plan inception, eligible employees who have had multiple periods of employment may receive credit for time previously worked, if they meet all the following criteria:

- *The break in employment must have both begun and ended within the five-year period immediately prior to the plan inception date, and*
- *The break in employment must have lasted less than one calendar year, and*
- *The employee must not have withdrawn, transferred, or otherwise accessed any 401a account funds, and*
- *The employee must elect to exchange the balance in the 401a account for service credit in the defined benefit plan.*

After plan inception, no vesting or credited service will be given to former employees who are subsequently rehired.

I have worked for the county twice. My break in employment lasted more than 5 years. I understand that under the rules for multiple periods of employment that I will not receive credit for my first employment period. However, what happens to the 401a funds that the County gave me during that first period of employment? I did not withdraw those funds and the county began contributing to the account again when I returned to work the second time. If I can't count that first period of employment toward my service credit, I shouldn't be required to give up the funds the county contributed during my first employment period. Can I trade just part of my 401a account (the portion contributed during my second employment) in exchange for service credit?

This is an unusual situation and should impact a very small number of people. ACCG is considering how/if those 401a balances can be separated. If the pension is approved, we will have a definitive answer for the person who asked this question.

Audience Questions (Asked During the Q & A Session)

When will the Board of Commissioners decide whether to approve the proposed plan?

At this time, it appears that the matter will be considered by mid-October, most likely at the October 18th Board of Commissioners meeting. However, it's possible that date could change.

If the plan is approved, will employees have at least 30 days to decide whether to trade their 401a balance?

There is no definite timeline at this point, but we would like to give employees sufficient time to consider their options and make that decision.

If the proposed new plan is implemented, how soon after implementation must employees decide whether to exchange their 401a account balance?

These decisions must be made before the effective date of the new plan. If the proposed plan is approved, ACCG will run benefit calculations for all eligible employees, share that information with the individuals, and we will allow some time for the decision. Please note that the choice made by the employee will be an irrevocable, one-time election, and cannot be changed.

Will we receive calculations on joint-and-survivor benefits?

Before plan implementation, employees will receive projections on the single life benefit. It would be nearly impossible to generate joint-and-survivor calculations for everyone because those calculations are dependent on several variables including age at retirement, tenure at retirement, and spouse's date of birth. The exact calculations are made and alternative options explained at the time of retirement.

If I separate before age 60, will there be a supplement paid to bridge the gap between end of my employment and normal retirement age?

No. The earliest time any retirement benefit can be drawn is age 60 AND 10 years of service.

Will there be cost-of-living adjustments (COLAs) in the retirement benefits (i.e., after retirement, will my monthly payment increase from time to time)?

COLAs are not common in Georgia local government pension plans, and the proposed plan does not include those types of adjustments.

What happens if a county terminates a pension plan? Does that impact those already drawing a benefit?

Your earned benefit can never be taken away. The State of Georgia governs these accounts and sets a funding requirement for the plan. However, a pension plan can be shut down (frozen). If the plan is frozen on some future date, employees already receiving benefits would continue to receive them. If the plan is frozen while you are an active employee, you would remain entitled to the benefit you earned before the pension was shut down, but you would not accrue any additional benefits (i.e., increase your future monthly retirement payment) based on continued service after the plan is frozen.

If the proposed plan passes, but I choose to keep my 401a account rather than trade it for service credit, can I go ahead and withdraw my 401a money?

No. As long as you are employed by Bulloch County, you cannot touch your retirement money. (You are also prohibited, in accordance with county policy and IRS rules, from separating from employment for the purpose of withdrawing your money and then returning to employment for Bulloch County.) Those funds will remain in your 401a account just as in the past, though no new contributions will be added to the account.

If I separate from Bulloch County before retirement age, do I then have to contact the county when I turn 65 and want to start drawing my benefit?

ACCG maintains records of plan participants and will attempt to contact individuals when they become eligible for a benefit. Alternatively, the participant can contact ACCG to inquire and begin the process.

If the proposed plan is adopted, does that mean there will be no more merits or across-the-board increases for County employees?

Decisions about raises and other pay adjustments are made each year during budget season, based on funding availability. That would continue to be the process if the plan is adopted.

EXHIBIT 4

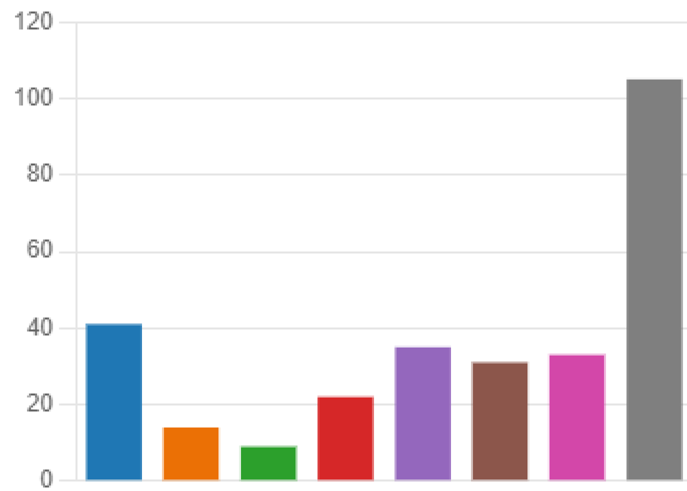
Results of Employee Feedback Survey

NOTE:

The first two pages in this Exhibit contain "raw" survey results as reported from the survey tool. The remaining two pages were prepared after validating the responses and removing duplicates.

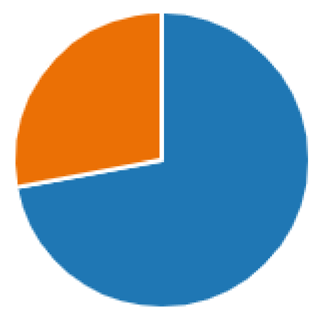
Possible Retirement Changes – Employee Feedback (Results – September 2022)

Administration (Tax Offices, HR, ...	41
Correctional Institute	14
Development Services	9
Judicial	22
Parks & Recreation	35
Public Safety (Animal Services, E...	31
Public Works (Airport, Fleet Mai...	33
Sheriff's Office	105



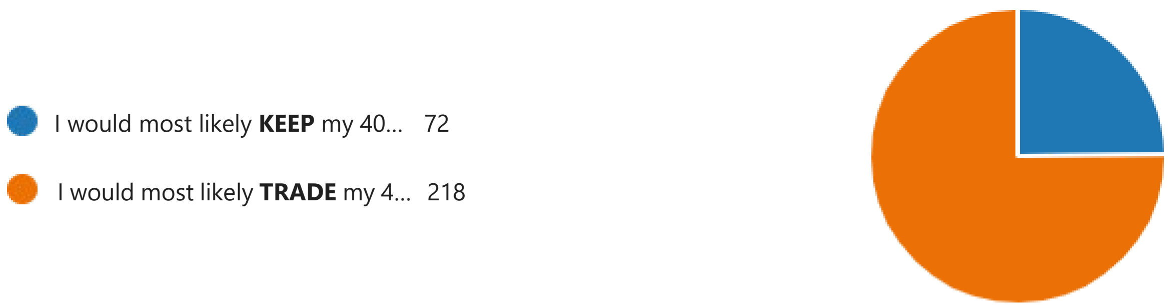
Are you in favor of closing the county's 401(a) Defined Contribution (DC) plan and replacing it with a Defined Benefit (DB) retirement plan?

Yes	209
No	81



(Please answer this question based on how you currently feel. Your answer does NOT restrict your decision at a later date.)

IF Bulloch County closes the 401(a) Defined Contribution (DC) plan and replaces it with a Defined Benefit (DB) plan:



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RESULTS OF EMPLOYEE FEEDBACK SURVEY – VALIDATED RESULTS

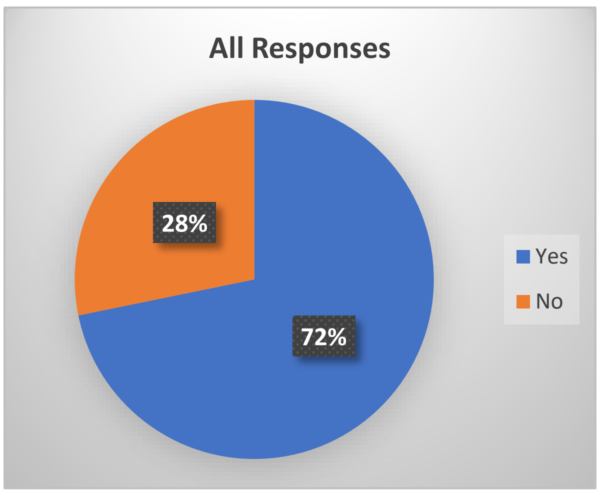
In September 2022, full-time employees were invited to complete a short survey, seeking their opinion on the proposed retirement plan changes being discussed. The results of that survey are reported here.

Results Tally – There were 290 total responses received. Of those:

- 8 responses were duplicates and were removed
- 2 were impossible to validate (no name was listed)
- The remaining 280 "usable" responses are included in this report

Response Rate – The current Bulloch County full-time employee count is 432. Of those, 280 (64.8%) were credited with a survey response.

Questions – The survey asked two substantive questions, as shown below.



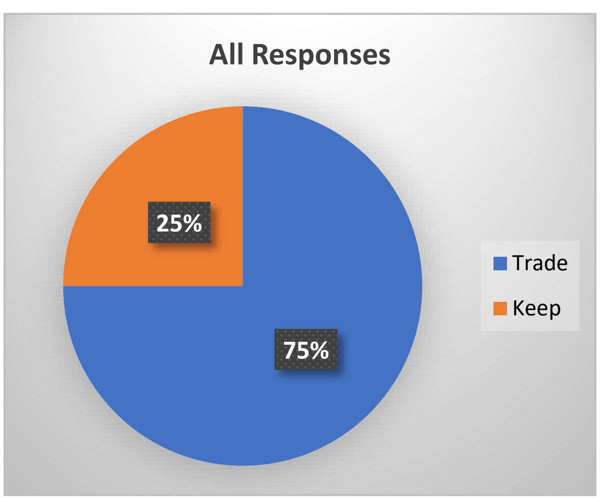
<u>Question</u>

Are you in favor of closing the county's 401(a) Defined Contribution (DC) plan and replacing it with a Defined Benefit (DB) retirement plan?

- Yes *(201 responses)*
- No *(79 responses)*

The results of this question were also analyzed by tenure, to determine whether/how opinions differ based on presumed proximity to retirement.

- Among those hired in the last three years, 61% responded "yes" and 39% responded "no"
- Among those hired in 1999 or earlier, 89% responded "yes" and 11% responded "no"



<u>Question</u>

If Bulloch County closes the 401(a) Defined Contribution (DC) plan and replaces it with a Defined Benefit (DB) plan:

- I would most likely **KEEP** my 401(a) balance and enter the DB plan with no prior service credit *(70 responses)*
- I would most likely **TRADE** my 401(a) balance in exchange for buying credit in the DB plan for the years of service I have already worked *(210 responses)*

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Results by department are shown here.

In each graph shown, "yes" responses appear in blue; orange represents those who responded "no".

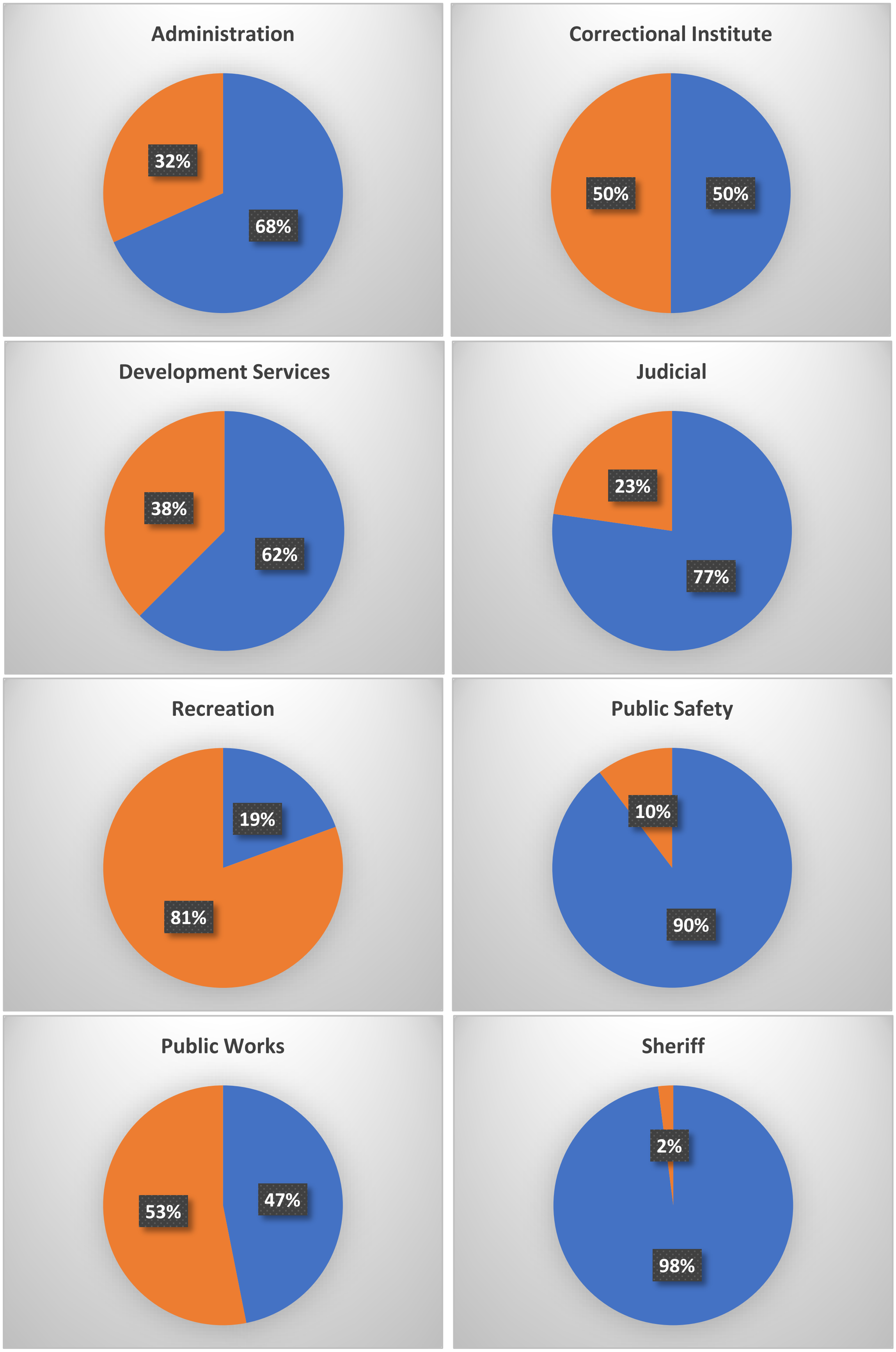

EXHIBIT 5

Summary of Estimated Plan Costs

Bulloch County
Proposed Benefit Plan

Summary of Estimated Plan Costs

Assuming 20 Year Amortization of Initial Liability

		NRA= 65/5 1.50% Multiplier Vesting = 5 years Unred: Age 60 &30yos Red: Age 60 & 10Yos	NRA= 65/5 1.50% Multiplier Vesting = 5 years Unred: Age 60 &30yos Red: Age 60 & 10Yos
1	Estimated Initial Liability as of 1/1/2022	$ 22,694,200	$ 22,694,200
2	Assume Asset Transfer **	20,000,000	19,000,000
3	Estimated Unfunded Initial Liability as of 1/1/2022	2,694,200	3,694,200
4	Estimated Amortization of unfunded initial liability as a Level Percentage of Future Compensation (amortized over 20 years)	178,800	245,100
5	Estimated Normal Cost for 2022	788,100	788,100
6	Estimated Term Cost for 2022	13,400	13,400
7	Administration Fee	69,600	69,600
8	Covered Payroll for 2021	15,300,000	15,300,000

Required Contributions

9	Required Employer Contribution After Proposed Plan Change	$ 1,049,900	$ 1,116,200
	Estimated Employee Contribution After Proposed Plan Change	-	-
	Required Contribution After Proposed Plan Change	1,049,900	1,116,200
	- *Employer contribution as a percent of payroll*	6.9%	7.3%

Recommended Contributions

10	Recommended Employer Contribution After Proposed Plan Change	$ 1,065,500	$ 1,137,600
	Estimated Employee Contribution After Proposed Plan Change	-	-
	Recommended Contribution After Proposed Plan Change	$ 1,065,500	$ 1,137,600
	- *Employer contribution as a percent of payroll*	7.0%	7.4%

Note: 1) The results shown above are based on 1/1/2022 data provided by Bulloch County.
2) If the proposed plan is adopted, the full amount of the unfunded actuarial accrued liability will be recognized in the GASB 68 annual pension expense, in the year the Plan is adopted.
3) The initial liability is amortized over 20 years on a level percent of pay basis.

**The assumed asset transfer amounts in line #2 are based upon a rough estimate of the funds held in the 401(a) accounts of all employees at two specific times. The difference between the two is indicative of the market losses that occurred during the interim. The first column estimate was done in May 2022, and the second column was done in early October 2022.