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Employees' Retirement System of Georgia
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Proposed Amendment to the Rules and Regulations
of the
Employees' Retirement System (ERS)

February 2025

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Overview of Rule Change

The Employees' Retirement System (ERS) is proposing the following amendments to the Official Rules and Regulations of the State of Georgia for your consideration:

- **Proposed Rule Change (*to an existing rule*):** Section 2 update to the post-retirement benefit adjustment may be granted to beneficiaries who are receiving a disability allowance regardless of age.

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Proposed Rule Change (to existing rule)

Rule

ERS Rule 513-1-1-.05

(1) "Post-retirement benefit adjustment" shall not include any increases in member's retirement benefit associated with the type of optional form of payment selected at retirement. Such adjustments shall not include changes to a beneficiary's Supplemental Guaranteed Lifetime Income annuity.

(2) Annually, cost-of-living post-retirement benefit adjustment(s) may be granted to each beneficiary who has surpassed the later of their Retirement Date or Normal Retirement Date (as defined in the Funding Policy) by at least twelve (12) months. The cost-of-living post-retirement benefit adjustment may be granted to beneficiaries who are receiving a disability allowance and have surpassed **~~the later of~~** their Retirement Date **~~or age forty-four (44)~~** by at least twelve (12) months. Any increase shall apply only to the current retirement allowance not in excess of the Social Security wage base as established for that calendar year.

(3) An ad hoc post-retirement benefit adjustment may be granted based upon provisions adopted by the Board of Trustees and shall apply to the retirement allowance not in excess of the Social Security wage base as established for that calendar year.

(4) Any increase in benefit shall become effective only if the necessary appropriations/funds are available to maintain the actuarial soundness of the System.

(5) A member who becomes or became a member of this retirement system on or after July 1, 2009 shall not be entitled to receive any post-retirement benefit adjustment.

Statutory Citation(s)

- O.C.G.A. § 47-2-29(a)

  (a) *On a date to be established by the board of trustees, but not before April 1, 1967, the board of trustees is authorized to adopt a method of providing for postretirement benefit adjustments for the purpose of maintaining essentially no less purchasing power for a beneficiary in his postretirement years. Such method shall be based upon:*

  (1) *Recommendation of the actuary for the board of trustees;*
  (2) *Maintaining the actuarial soundness of the retirement system;*
  (3) *Its application to the retirement income of members retiring on or after the adoption of such method by the board of trustees; and*
  (4) *Any additional contribution by the member in an amount not to exceed one-fourth of 1 percent of his monthly earnable compensation.*
  This Code section shall also be applicable to those members retiring before April 1, 1967.

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Consideration for Adoption

DATE:	**April 17, 2025**
TIME:	**10:00 A.M.**
ADDRESS:	**Two Northside 75** **Board Room** **Atlanta, GA 30318**

Appendix

Funding Policy of the ERS Board of Trustees – Adopted 4/18/2024

The purpose of this Funding Policy is to state the overall objectives for the Employees' Retirement System of Georgia (System), the benchmarks that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks. It is the intent of the ERS Board of Trustees that the Funding Policy outlined herein will remain unchanged until the objectives below are met.

This Funding Policy supersedes and replaces the Funding policy that was originally adopted by the Board of Trustees on December 19, 2013 and most recently amended on April 21, 2022.

I. Funding Objectives

The goal in requiring employer and member contributions to the System is to accumulate sufficient assets during a member's employment to fully finance the benefits the member is expected to receive throughout retirement. In meeting this objective, the System will strive to meet the following funding objectives:

- To develop a pattern of contribution rates expressed as a percentage of employer payroll and measured by valuations prepared in accordance with applicable State laws and the principles of practice prescribed by the Actuarial Standards Board.
- To maintain an increasing funded ratio (ratio of actuarial value of assets to actuarial accrued liabilities) that reflects a trend of improved actuarial condition. The long-term objective is to obtain a 100% funded ratio over a reasonable period of future years.
- To maintain adequate asset levels to finance the benefits promised to members and monitor the future demand for liquidity.
- To promote intergenerational equity for taxpayers with respect to contributions required for the benefits provided by the System.

II. Measures of Funding Progress

To track progress in achieving the System's funding objectives, the following measures will be determined annually as of the actuarial valuation date (with due recognition that a single year's results may not be indicative of long-term trends):

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial methods, and/or actuarial adjustments. The target funded ratio will be 100 percent within 20 years of the valuation date for the first valuation conducted following the adoption of this Policy (i.e. the June 30, 2021 valuation date).
- **Unfunded Actuarial Accrued Liability (UAAL)**
  - **Transitional UAAL** – The UAAL established as of the initial valuation date for which this funding policy is adopted (June 30, 2021) shall be known as the Transitional UAAL.
  - **New Incremental UAAL** – Each subsequent valuation will produce a New Incremental UAAL consisting of all benefit, assumption and method changes and experience gains and/or losses that have occurred since the previous valuations.
- **UAAL Amortization Period**
  - The Transitional UAAL will be amortized over a closed 20-year period beginning on the initial valuation date for which this funding policy is adopted.

- Each New Incremental UAAL shall be amortized over a closed 20-year period beginning with the year it is incurred.

- **Employer Contribution Rates**
  - **Employer Normal Contribution Rate** – the contribution rate determined as of the valuation date each year based on the provisions of Georgia Code Section 47-2-55 (1).
  - In each valuation subsequent to the adoption of this funding policy, the required employer contribution rate will be determined as the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, the amortization rate for the Transitional UAAL and the individual amortization rate for each of the New Incremental UAAL bases.
  - The required employer contribution rate shall not be less than the Employer Normal Contribution Rate unless the funded ratio is greater than or equal to 105%, as determined by the actuarial valuation in which the employer contribution rate is set.
  - In no event shall the employer contribution rate decrease by more than 2% from one fiscal year to the next fiscal year.
  - In no event shall the employer contribution rate be less than 0%.
  - The valuation methodology, including the amortization of the Unfunded Actuarial Accrued Liability (UAAL), is expected to maintain reasonably stable contribution rates over time.

III. Methods and Assumptions

The annual actuarial valuations providing the measures to assess funding progress will utilize the actuarial methods and assumptions last adopted by the Board based upon the advice and recommendations of the actuary. These include the following primary methods and assumptions:

- The actuarial cost method used to develop the benchmarks will be the Entry Age Normal (EAN) actuarial cost method.
- The long-term annual investment rate of return assumption will be:
  - Effective with the June 30, 2021 valuation date, 7.20% net of investment expenses.
  - Effective with the June 30, 2022 valuation date, reduced by 0.10% (10 basis points) from the immediate prior actuarial valuation, as long as the following conditions are met:
    - The actual rate of return for the fiscal year ending with the current valuation date exceeds the assumed rate of return from the immediate prior actuarial valuation, and
    - The assumed rate of return does not decrease below 7.00% net of investment expenses.
- The Actuarial Accrued Liability and Normal Cost of the System will include an amount sufficient to amortize and prefund a variable Cost-of-Living Adjustment (COLA) for eligible retirees and beneficiaries of the System, as described in the Appendix.
- The actuarial value of assets will be determined by recognizing the annual differences between actual and expected market value of assets over a five-year period.

The employer contribution rates determined in an annual actuarial valuation will be at least sufficient to:

1. Satisfy the annual normal cost of the System, and
2. Amortize the UAAL as a level dollar amount over a period not to exceed 20 years (for the UAAL as of the June 30, 2021 valuation date, and for each successive year of gains and losses incurred in years following the June 30, 2021 valuation date).

However, in no event shall the employer contribution rate be less than 0%.

The actuary shall conduct an investigation into the System's experience at least every five years and utilize the results of the investigation to form the basis for recommended assumptions and methods. Any changes to the recommended assumptions and methods that are approved by the Board will be reflected in this Policy.

IV. Funding Policy Progress

The Board will periodically have actuarial projections of the valuation results performed to assess the current and expected future progress towards the overall funding goals of the System. These periodic projections will provide the expected valuation results over at least a 30-year period. The projected measures of funding progress and the recent historical trend provided in valuations will provide important information for the Board's assessment of the System's funding progress.

Adopted: April 18, 2024

APPENDIX

Beginning with the June 30, 2021 actuarial valuation, the Actuarial Accrued Liability and the Normal Cost of the System will include an amount sufficient to amortize and prefund a variable Cost-of-Living Adjustment (COLA) for eligible retirees and beneficiaries of the System. The manner in which such prefunded COLA will be calculated is described in this Appendix.

<u>Definitions</u>

1. Actuarial Rate of Return: based on the approximate five-year average annual investment rate of return and assumptions regarding the System's cash flows; calculated by the System's actuaries in the annual valuation (see valuation Schedule B – Development of Actuarial Value of Assets).
2. COLA Rate: the percentage increase to be applied to the payee's monthly retirement benefit under the System.
3. Excess Return: the difference between the Actuarial Rate of Return and the Hurdle Rate.
4. Hurdle Rate: the minimum investment performance, as measured against the Actuarial Rate of Return, required in order for a COLA to be considered in a given year.
5. Normal Retirement Date: generally age 60 (55 for certain law enforcement members) with 10 years of service or any age with 30 years of service.
6. Retirement Date: the effective date of a member's retirement.
7. Shareable Portion: determined by multiplying the Excess Return by a factor which is dependent on the System's funding ratio.
8. Supplemental Guaranteed Lifetime Income (SGLI): monthly payments from the System which are funded entirely by one or more rollovers from either or both of a retiree's Peach State Reserves 401(k) or 457 plans, and not based on the retiree's years of service as a member of the System.

<u>Determination of COLA</u>

1. The COLA for a given fiscal year will be effective no earlier than July 1 following the approval of the most recent actuarial valuation.

2. The Hurdle Rate is set at 6.0%.
3. Determine the Excess Return as the difference between the Actuarial Rate of Return in the most recent actuarial valuation and the Hurdle Rate.
    a. If the Actuarial Rate of Return is below the Hurdle Rate, the Excess Return is 0%, and no COLA will be paid for that year.
    b. If the Actuarial Rate of Return is above the Hurdle Rate, the Excess Return is greater than 0%. Continue to Step 4.

4. Determine the Shareable Portion by multiplying the Excess Return by the factor returned from the following table, based on the most recent approved actuarial valuation:

System Funding Ratio	Factor
< 70.00%	0.00
70.00% - 79.99%	0.25
80.00% - 89.99%	0.50
90.00% - 99.99%	0.75
>=100.00%	1.00

5. Determine the SSA OASDI COLA rate for the current calendar year, as published on www.ssa.gov (generally in October or November of the preceding calendar year).
6. The COLA Rate is the lesser of the Shareable Portion and the SSA COLA rate as determined in Step 5, rounded to the nearest 0.25%.
    a. However, in no event shall the COLA Rate be less than 0% or greater than 3%.
7. The COLA will be paid to all statutorily eligible retirees who have surpassed the later of their Retirement Date or Normal Retirement Date by at least 12 months.
    a. The COLA will also be paid to beneficiaries of deceased members or retirees who have otherwise met the requirements of this Step 7.
8. Effective April 18, 2024, the COLA will also be paid to all statutorily eligible Disabled retirees, regardless of their age.
    a. The COLA will also be paid to beneficiaries of deceased Disabled retirees who have otherwise met the requirements of this Step 8.
9. In no event will the COLA Rate be added or applied to that portion of a retiree's or beneficiary's monthly benefit payment which is in excess of one-twelfth (1/12) of the Social Security Wage Base for that calendar year, as published on www.ssa.gov.
10. In no event will the COLA Rate be added or applied in any fashion to any retiree's SGLI payments.

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EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA MINUTES OF ANNUAL MEETING OF BOARD OF TRUSTEES BETA BUILDING, BOARD ROOM, FIRST FLOOR
April 18, 2024
10:00 A.M.

The following Trustees were in attendance: Homer Bryson, Chair; Frank F. Thach, Jr, Vice Chair; Eli Niepoky; Greg S. Griffin; Rebecca Sullivan; and Rhonda Wilson. Steve McCoy attended via conference call.

Administrative and support personnel in attendance: Jim Potvin, Executive Secretary (Executive Director); Michelle Heinecke, Executive Assistant to the Director; Angie Surface, Deputy Director and Peach State Reserves Division Director; Susan Anderson, Chief Operating Officer and Member Services Division Director; Kelly Moody, Legislative Affairs Division Director; Chris Hackett, Information Technology Division Director; Danielle Templeton, Communications Division Director; Jennifer Peake, Financial Management Division Director; Flavia Peynado, Quality Assurance Division Director; Nicole McGlathery, Human Resources Division Director; Hanna Canavan, Legal and Policy Research Analyst; Keith Badalamente, Senior Systems Development and Support Manager; Quentin Peterson, Information Technology Help Desk Supervisor; Rosalyn Ridgeway and Adreana Niles, Customer Care Group Specialist; LaToya Bradley, Member Services Manager; Ashley Waller and Angela Gao, Quality Assurance Business Analyst; Anna Geist, Quality Assurance Business Operations Manager; Jamie lanson, Communications Specialist; Patrice Newark, Human Resources Generalist; Laura Lanier, Chief Financial Officer; Mike Jackson, Assistant Controller; and Tom Horkan, Co-Chief Investment Officer, and Trey Shipp, Co-Director of Equities, Division of Investment Services.

Also present were Ed Koebel, Chief Executive Officer, Cathy Turcot, Principal and Managing Director, and Ben Mobley, Senior Actuary, Cavanaugh Macdonald Consulting, LLC; Buster Evans, Executive Director, Teachers Retirement System of Georgia; Dan Regenstein, Chief of Staff, Department of Administrative Services; Patrick Love, Analyst, Office of Policy and Legislative Analysis; Lindsay McVicar, Senior Program Analyst, Georgia Senate Budget and Evaluation Office; Angie Ledford, Human Resources Manager, and Kevin Jones, Deputy Director, Human Resources; Georgia Department of Public Safety; Sara Arroyo, Education Division Analyst, Georgia House of Representatives Budget and Research Office; Bob Bray, Executive Director, Council of State Court Judges; Robert Riddle, Chuck Clay, Jim Sommerville, Beverly Littlefield, Joseph Drolet, and Chuck Freedman, Georgia State Retirees Association; and several retirees.

Chair Homer Bryson called the meeting to order.

Motion was made by Frank Thach, seconded by Rebecca Sullivan, and unanimously adopted to approve the Minutes of the bi-monthly meeting of February 15, 2024.

Motion was made by Eli Niepoky, seconded by Greg Griffin, and unanimously passed approving and confirming all actions of the Investment Committee as set forth in the Investment Committee Minutes of February 15, 2024 and March 21, 2024.

Chair Bryson recognized Mr. Potvin for having 15 years of service with the State of Georgia and presented him with a Faithful Service Award.

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Mr. Potvin reviewed the ERS Secretary's Report for the annual meeting, which detailed trend data, transactional data, etc. over the years, pointing out the following:

- Fund market values show a steady growth in the asset base of the various systems with a 12.5% year-to-date investment return through March 2024. Currently, the fiscal year-to-date rate of return is approximately 8.5%; which includes a 4% decrease thus far in April.
- Contributions received are up-to-date. Currently, the amount of ERS employer contributions is approximately $850 million per year, compared to $600 million per year two years ago. COLA prefunding, an increase in hiring which has boosted the employee base, and raises which increased the payroll have contributed to the overall increase in contributions.
- Salary spiking invoices have increased to $4,270,000 in 2023. The $5,000 raise given to all State employees in 2022 impacted those that retired within 12 months after the increase and were invariably in receipt of an increase of more than 5%, producing salary spiking invoices to their employers at a very high rate.
- Retiree payroll continues to grow at a slow pace, growing about three quarters of 1 % year over year for ERS and 1% for all systems combined. In the month of March, there was an increase in the number of retirees, especially in the ERS. A letter was sent to vested members who were past their normal retirement age. Some of these contacted members elected to receive their benefit, increasing the number of new retirements.
- Retiree and member deaths have declined to roughly pre-pandemic levels. There had been a 15 to 20% increase for a couple of years, consistent with TRS and other systems around the country.
- A little over 12% of the ERS active population is currently retirement eligible, which is a stable number despite the changes in the active employee population size.

Mr. Potvin reviewed the following legislation:

Signed by the Governor:

- HB 915 – *Amended FY24 budget* – The amended budget includes $26,750,000 to support one-time benefit adjustments for eligible ERS retirees as authorized by the Board of Trustees, as well as $500 million for ERS to strategically invest to increase the plan's funded ratio in order to improve the long-term financial health of the system. The $500 million infusion will show up on next year's actuarial valuation report.

Passed Both Houses (Awaiting Governor Action):

- HB 385 – This bill amends Title 47 to include Space Force, Space Force Reserves, and Marine Corps Reserves to the definition of "uniformed services" relating to the type of military service creditable in State retirement systems.
- HB 481 – Investment decisions are to be made for the benefit of the System and to not take any other factors into account other than the financial interests relative to risk of the System.
- HB 916 – *FY25 budget* – Includes the $26.75 million to allocate towards post-retirement benefit adjustments; however, there is no mention of another $500 million cash infusion at this time. Mr. Potvin expressed during a budget appropriations hearing that it would take about $1.5 billion to get to 80% funding, which suggests the possibility of three $500 million cash infusions.

Failed to Receive Full Passage:

- Alternative Investments (HB 285/SB 240) – This bill would have raised the allowable percentage of assets ERSGA may invest into alternative investments from the current 5% cap to 10%. This bill will be proposed again in a future session.
- HB 472 – This bill would have provided injury in the line of duty benefits to certain law enforcement personnel who are officers, deputy commissioners, and commissioners of the Motor Carrier Compliance Division and the Capital Police Division of the Department of Public Safety.
- HB 824 - This State Law Enforcement Officer (SLEO) plan would have greatly increased the pension benefit available to certain active law enforcement officers.
- SB 117 - This bill would have allowed beneficiaries to assign Group Term Life Insurance (GTLI) benefits to a funeral home to pay for the cost of funeral services for a deceased member.

Mr. Potvin highlighted the following projects:

Communications

- All of the defined benefit (DB) plans now have short summary Retirement Minute videos on the ERSGA website, ers.ga.gov/videos-and-presentations. Continuing to build out the online video library, Communications is now beginning to work on "Navigating your Retirement", which will turn the retirement seminar WRAP session into a 12-part video series members can view online.

Document Center

- There has been a 10% increase in both incoming and outgoing mail.

Financial Management

- Continues their support of payroll processing, data collection and evaluation, Governmental Accounting Standards Board (GASS) 68 and 75 audit support.

Human Resources

- 13 positions were filled throughout the year.
- Participated in a recruitment career fair event at Georgia State University.
- Collaborated with Communications to redesign the career page on our website.
- Facilitated yearly workforce planning.

Information Technology

- The Applications Development Team initiated a pair of projects to make the user experience more secure when web accounts are being created: identity verification through LexisNexis, and multi-factor authentication.
- Operations has installed web applications, firewall, and various email defense mechanisms that protect staff while working remotely.
- The Support Center has issued laptops to nearly 100% of the staff and has made enhancements to audio and visual capabilities to the Board Room, Training Room, and one other heavily used conference room.

Legislative Affairs

- Tracked over 180 Bills throughout Session.

- The new District Mapping Vendor, FiscalNote, allows us to share pertinent information for not only ERS and PSERS, but for all of the Systems, including Peach State Reserves.

Member Services
- Started a project to reach out to vested members and beneficiaries of deceased members, proactively informing them that there is a benefit available to them and to inform them of how to start the process to receive it.

Quality Assurance
- Assisted with testing behind the scenes on various projects, most notably the annual statements.

Two charts were reviewed that reflect the following:
(1) ERS membership changes for 1990-2023 for active and retired members - Last year the retiree to active ratio was less than one. This year active members increased, so the System is currently at a one-to-one ratio.
(2) ERS historical sources of funds to pay benefits from 1990-2023 include employee contributions, employer contributions, investment earnings and the benefits distributed. Cash flow, including investment returns, were positive last year, as well as this year thus far.

Mr. Potvin reviewed the Secretary's Report for the Legislative Retirement System (LRS), stating that market value is about $41.5 million, and there are 219 active members and 280 retirees.

Mr. Potvin reviewed the following legislation:

Passed Both Houses (Awaiting Governor Action):
- HB 385- This bill amends Title 47 to include Space Force, Space Force Reserves, and Marine Corps Reserves to the definition of "uniformed services" relating to the type of military service creditable in State retirement systems.
- HB 481 - Investment decisions are to be made for the benefit of the System and to not take any other factors into account other than the financial interests relative to risk of the System.

Failed to Receive Full Passage:
- Alternative Investments (HB 285/SB 240) - This bill would have raised the allowable percentage of assets ERSGA may invest into alternative investments from the current 5% cap to 10%. This bill will be proposed again in a future session.
- HB 823 HB 829, and SB 308 - These three bills in various ways sought to enhance the benefits to LRS members. Some focused on the retired population, and at least one of these bills would have further increased the active multiplier from $50 to $75.

Mr. Potvin highlighted the following projects: Legislative

Affairs
- Member statements, which are sent every other year, were sent to active LRS members this year.

Mr. Potvin reviewed two charts that reflect the following:

(1) ERS membership changes for 1990-2023 for active and retired members - Not a lot of change in active membership; however, retired membership continues to grow, currently totaling around 300 making the active to retiree ratio about 0.75 to 1.
(2) ERS historical sources of funds to pay benefits from 1990-2023 include employee contributions, employer contributions, investment earnings and the benefits distributed. The chart shows the effects of a good investment return in FY23 of about 11%.

Mr. Potvin reviewed the Secretary's Report for the Georgia Military Pension Fund (GMPF), pointing out that this is the newest of the plans ERSGA has. The plan continues to grow with just under 14,000 active members and over 1,000 retirees. Communications finished the GMPF plan video featuring enthusiastic participation from the Guard.

Mr. Potvin reviewed the Secretary's Report for the Georgia Defined Contribution Plan (GDCP), pointing out that the active population has remained in the 15,000 - 16,000 range for several years. Members do not always take a refund when they leave, so market value has grown close to $150 million.

Mr. Potvin reviewed the Secretary's Report for Peach State Reserves (PSR), pointing out the following:

- Total assets are very close to $3 billion for both plans, with a little over two-thirds of assets residing in the 401(k) plan.
- Participants are approximately 93,000 for both plans, with roughly 60,000 contributing.
- Out of the 42,000 active GSEPS members, about 95% of them are actively contributing.
- Employer matching contributions more than doubled to $94.5 million in FY23, and this year contributions are on pace for $109.4 million.

Mr. Potvin highlighted the PSR projects:

- Annual statements were sent out at the end of March.
- The GSEPS population has had some pay increases, particularly in the last two years, moving members closer towards the designated retirement saving goal of 80% income replacement in their first year of retirement.

Mr. Potvin completed the Secretary's Report.

Mr. Koebel reviewed the actuarial information for ERS as of June 30, 2023, highlighting the following:

- Investment returns for 2023 fiscal year were above expectations on a Market Value basis at 11.1% and slightly below expectations on an Actuarial Value basis at 6.9%.
- The investment return assumption decreased from 7.2% to 7.1% for this valuation.
- The Board granted a 0.5% Cost of Living Adjustment (COLA) to certain retirees and beneficiaries effective July 1, 2023.
- The Unfunded Liability increased and Funded Ratio decreased slightly.
- The GSEPS contribution remained the same.
- Pay raises were much higher than our assumption.

The number of active members as of June 30, 2023 was 54,781, while the number of retirees totaled 54,688. The fair value of assets increased from $13.8 billion to $14.7 billion, and the actuarial value of assets increased from $14.6 billion to $15.0 billion. The unfunded actuarial accrued liability increased from $5.6 billion to $5.9 billion, mainly due to the investment assumption change and the pay raises being greater than expected. The funded ratio decreased from 72.2% as of June 30, 2022 to 72.0% as of June 30, 2023. The unfunded actuarial accrued liability as of June 30, 2023 will be amortized as a level dollar amount over a closed 15.3-year period. The actuarially determined employer contribution rate of payroll for fiscal year 2026 decreased from 24.45% to 24.40% for Old Plan; decreased from 29.20% to 29.15% for New Plan; and remained at 25.51% for GSEPS.

Motion was made by Greg Griffin, seconded by Frank Thach, and unanimously adopted to approve the ERS valuation report.

Mr. Potvin reviewed the proposed change to the ERS Funding Policy removing the minimum age requirement for disabled retirees, making all disabled retirees (hired before 7/1/2009) eligible to receive a COLA or any form of post-retirement adjustment.

Motion was made by Rebecca Sullivan, seconded by Eli Niepoky, and unanimously adopted to approve the proposed change to the ERS Funding Policy.

Mr. Potvin reviewed the COLA Formula Definitions from the Funding Policy:

- Actuarial Rate of Return (ARR) - actuarial calculation based on approximate five-year average investment return and certain cash flow assumptions.
- Hurdle Rate - the minimum investment performance required in order for a COLA to be considered in a given year
- Excess Return - the difference between the ARR and the Hurdle Rate
- Shareable Factor - the percentage of the Excess Return that can be given as a COLA, based on the System's Funding Ratio.
- Inflation Rate - equal to the Old-Age, Survivors, and Disability Insurance (OASDI) COLA rate provided by the Social Security Administration (SSA) for current Social Security (SS) recipients as of the most recent January 1.

Based on the COLA calculation for FY25 below, Mr. Potvin recommended the Board approve a 0.25% COLA to be effective July 1st.

1. Actuarial Rate of Return = 6.87%
    - Hurdle Rate= 6.00%
2. Excess Return = 6.87% - 6.00% = 0.87%
3. Funding Ratio = 70.0%
    - Shareable Factor= 0.25
4. Shareable Portion = 0.87% x 0.25 = 0.22%
    - Rounded to nearest 0.25% = 0.25%
5. Inflation Rate (per SSA COLA Rate)= 3.20%
    - Inflation Rate capped at 3.00%
6. COLA Rate = lesser of 0.25% and 3.00% = 0.25%

Motion was made by Eli Niepoky, seconded by Frank Thach, and unanimously approved for a 0.25% COLA for retirees and beneficiaries, effective July 1st, 2024, per Mr. Potvin's recommendation.

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As mentioned previously by Mr. Potvin, the AFY 24 budget includes $26.75 million for the Board to distribute to eligible retirees and beneficiaries in the form of a non-compounded one-time payment. Last year the Board approved a flat payment of approximately $530 per payee, with some exceptions. This year, Mr. Potvin proposed a target one-time, non-compounding payment of 4.75% of annual benefit to payees with lowest benefit amounts, to the extent supported by the budgeted amount and a flat payment to the remainder of the {higher-income) population.

If a survivor benefit is spread between multiple beneficiaries, each beneficiary will share proportionally in the one-time payment described above, so that the total one-time benefit payable on behalf of the deceased member does not exceed a payment of about $560.

Motion was made by Frank Thach, seconded by Rebecca Sullivan, and unanimously approved for a one-time payment equal to 4.75% of the annual ERS benefit in pay as of June 2024, to a maximum payment of about $560 for ERS retirees and beneficiaries.

The exact amount of payment will be determined at the time of payment.

Mr. Koebel reviewed the actuarial information for LRS as of June 30, 2023, highlighting the following:

- The investment return assumption decreased from 7.2% to 7.1% for this valuation.
- Demographic experience showed more than 20% of active membership in 2022 valuation either retired, terminated, or lost their seat in the 2022 election.
- The Board granted a 2.0% COLA to certain retirees and beneficiaries effective July 1, 2023.

There were 221 active members and 297 retirees as of June 30, 2023. There was an increase in the fair value of assets from $36.0 million to $38.3 million and an increase in the actuarial value of assets from $38.1 million to $39.0 million. The unfunded accrued liability is negative, meaning that that this plan has a surplus of assets to cover all accrued liabilities. The funded ratio is 130.0%, which is a decrease from last year's funded ratio of 133.7%. The system remains very well-funded. Since the system is over 100% funded, there are no annual required employer contributions.

Motion was made by Greg Griffin, seconded by Frank Thach, and unanimously adopted to approve the LRS valuation report.

Based on the COLA calculation for FY25 below, Mr. Potvin recommended the Board approve a 1.00% COLA.

1. Actuarial Rate of Return = 6.90%
   - Hurdle Rate = 6.00%
2. Excess Return = 6.90% - 6.00% = 0.90%
3. Funding Ratio = 130.0%
   - Shareable Factor = 1.00
4. Shareable Portion = 0.90% x 1.00 = 0.90%
   - Rounded to nearest 0.25% = 1.00%
5. Inflation Rate (per SSA COLA Rate) = 3.20%
   - Inflation Rate capped at 3.00%
6. COLA Rate = lesser of 1.00% and 3.00% = 1.00%

Motion was made by Eli Niepoky, seconded by Frank Thach, and unanimously approved for a 1.0% COLA for retirees and beneficiaries, effective July 1, 2024, per Mr. Potvin's recommendation.

The 1.0% increase as of July 1, 2024 will be reflected in the July monthly benefit payment payable at the end of July. This increase will be payable for life. A one-time payment will NOT be paid this year.

Mr. Koebel reviewed the actuarial information for GMPF as of June 30, 2023, highlighting the following:

- The investment return assumption decreased from 7.2% to 7.1% for this valuation.

There are 13,913 active members and 1,551 retirees as of June 30, 2023. There was an increase in the fair value of assets from $34.9 million to $39.8 million and an increase in the actuarial value of assets from $37.2 million to $40.6 million. The unfunded actuarial accrued liability is $17.9 million, which will be amortized as a level dollar amount over a closed 11.0-year period. The funded ratio has increased from 66.4% last year to 69.5% on June 30, 2023. The actuarially determined employer contribution amount for fiscal year 2026 is $2.8 million, which is relatively level from fiscal year 2025.

Motion was made by Rebecca Sullivan, seconded by Greg Griffin, and unanimously adopted to approve the GMPF valuation report.

Mr. Shipp recommended that the Supplemental Guaranteed Lifetime Income (SGLI) interest rate be set at 4.75%.

Motion was made by Frank Thach, seconded by Greg Griffin, and unanimously approved for the FY25 interest rate for the Supplemental Guaranteed Lifetime Income conversions at 4.75.

With no further business to discuss, motion was made by Eli Niepoky, seconded by Rebecca Sullivan, to adjourn.