BB&T Insurance Services
Global Resources — Client Focused

Terminus Municipal Advisors LLC

Macon-Bibb County, GA
Public Hearing
Healthcare and Pension Discussion
February 19, 2018

Topics of Discussion

I. Opening Remarks

II. Budget Overview

III. Healthcare Discussion- Contract Plan Modifications
- Current Plan Overview/Results
- Proposed Modifications
- Healthcare Committee

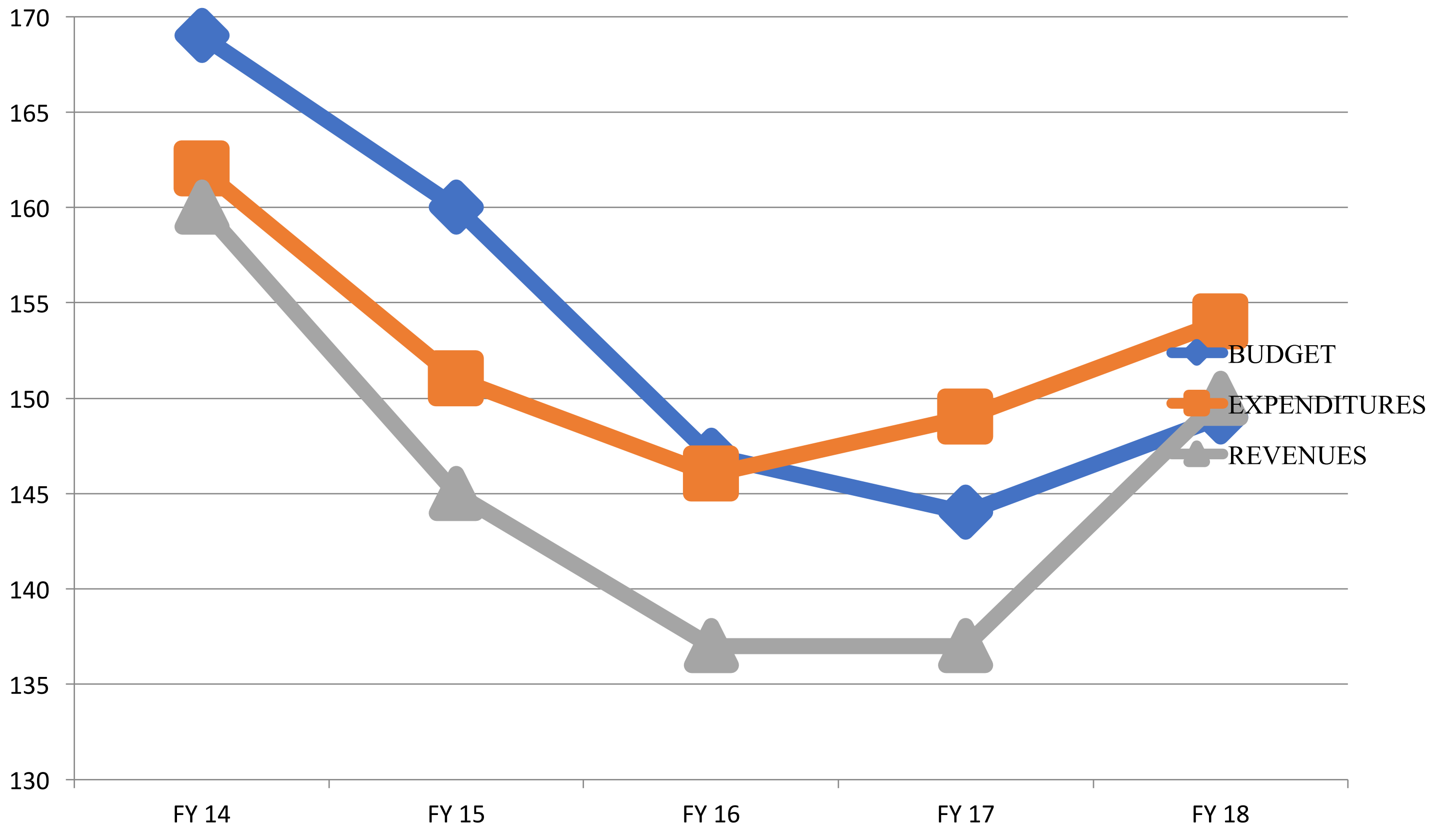
IV. Pension Discussion
- Pension Change Options

SECTION II: Budget Overview

Budget Overview

	FY 14	FY 15	FY 16	FY 17	**FY 18 Projected**
Budget	$169	$160	$147	$144	**$149**
Expenditures	$162	$151	$146	$149	**$154**
Revenues	$160	$145	$137	$137	**$150**

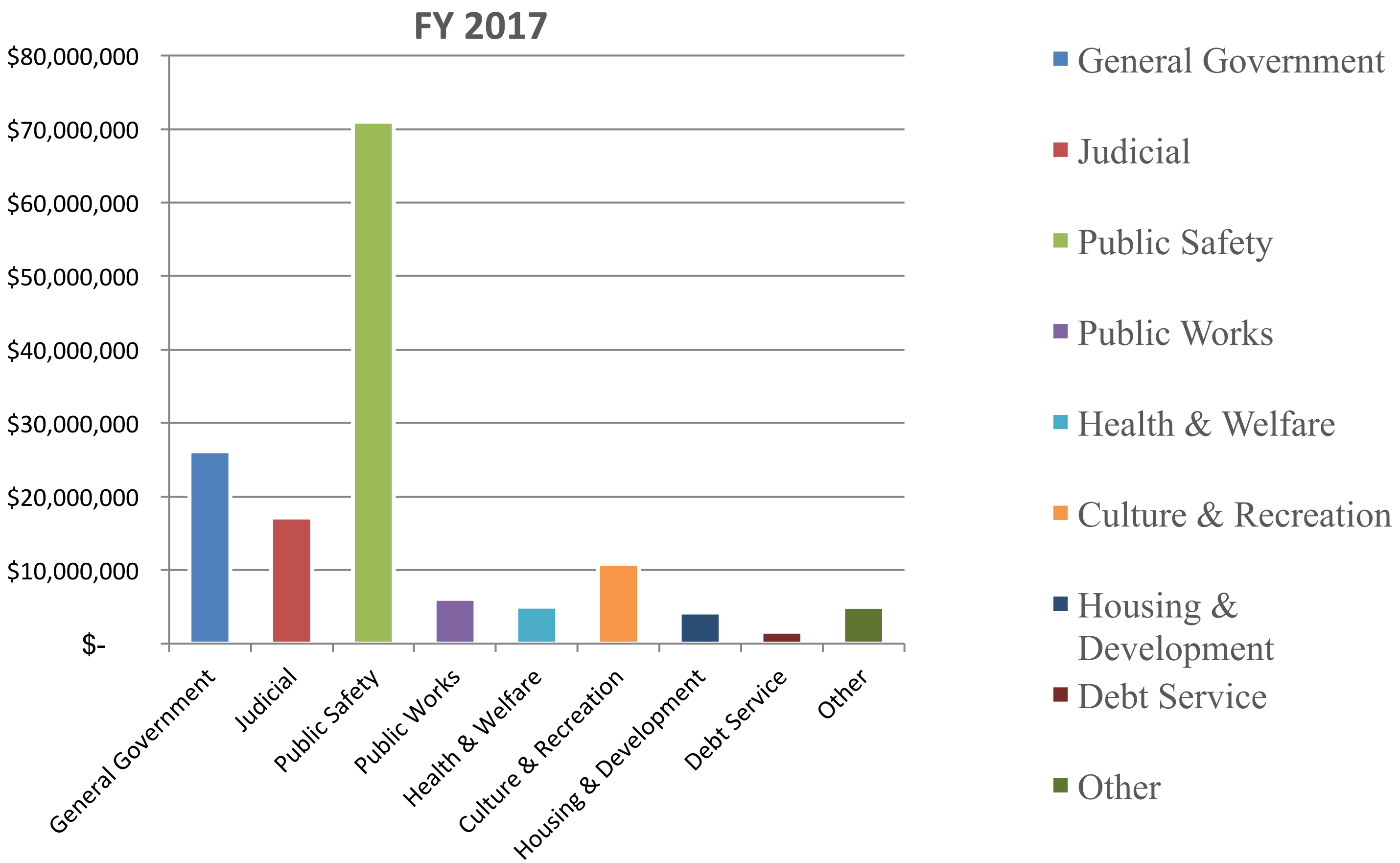
* Millions



Property tax (millage rate)

	Net Millage Rate	Value of mil	Property Tax (includes motor vehicle)
2013	12.003 + 9.7 + 2.649	6.0	$78,484,776
2014	14.652 + 4.850	5.9	$68,941,928
2015	14.652	3.9	$58,606,893
2016	14.652	3.9	$58,566,864
2017	17.652	4.0	$71,320,433

Expenditures



Outside Agency Funding

Agency	FY 2018
Board of Physical Health	$680,000
Board of Mental Health	$403,750
Medical Center - Indigent Care	$451,600
Bibb Co. DFACS	$807,500
MBC Transit Authority	$2,316,500
Para Transit Authority	$503,427
MBC Citizens Advocacy	$4,500
Meals on Wheels	$47,300
Middle GA Food Bank	$15,400
Economic Opp Office	$ 98,000

Agency	FY 2018
Book Mobile-Library	$2,875,000
Douglass Theatre*	$100,000
Museum of Arts & Science	$230,000
Tubman African American Museum	$230,000
Arts Alliance	$40,000
Sports Hall of Fame*	$100,000
Planning & Zoning Comm	$900,000
Urban Development Authority	$108,000
Industrial Authority	$528,000
Industrial Authority-land	$350,000

Agency	FY 2018
Land Bank Authority	$192,000
Keep Macon-Bibb Beautiful	$110,000
21st Century Partnership	$46,000
Dev Clean Air	$36,900

**receives Hotel/Motel funding in addition to General Fund.*

TOTAL

$10,717,600

BB&T Insurance Services Global Resources — Client Focused TerminusMunicipalAdvisors LLC

Employees, Salaries, & Benefits

	General Gov	Judicial	Public Safety	Public Works	Culture & Recreation	Housing & Dev	Total Count
FY 2014	256	188	1,223	294	84	50	2,095
FY 2015	267	197	1,221	214	139	49	2,087
FY 2016	212	179	1,075	163	111	46	1,786
FY 2017	214	179	1,078	163	111	41	1,786

	FY 2014	FY 2015	FY 2016	**FY 2017**
General Fund-Salaries & Benefits	$104,853,624	$102,927,613	$95,304,735	$97,558,800
Other Fund-Salaries & Benefits	$8,921,111	$9,126,387	$8,042,579	$10, 103,674

- Pay Scale implemented in 2015.
- COLA in 2016.
- Raises for Sheriff's Deputies and Firefighters in 2018.
- Retirements in 2015 and 2016 totaled 235 employees.

Fund Balance

- The County is currently projecting a $3.7 million fund balance decrease for FY18.
- This decrease will be the 4th consecutive decrease to the County's reserves.

MACON-BIBB GENERAL FUND			Macon-Bibb County	
Net change in Fund Balance for the Six Months Ended June 30, 2014			(33,503,445)	
Fund Balance June 30, 2014	77.81	days	33,899,061	06/30/2014
Net change in Fund Balance for the Year Ended June 30, 2015			(5,938,970)	
Fund Balance June 30, 2015	69.12	days	27,960,091	06/30/2015
Net change in Fund Balance for the Year Ended June 30, 2016			(8,211,370)	
Fund Balance June 30, 2016	50.46	days	19,748,721	06/30/2016
Net change in Fund Balance for the Year Ended June 30, 2017			(11,985,215)	
Fund Balance June 30, 2017	18.90	days	7,763,506	06/30/2017

Revenue loss, increasing retiree benefits costs

- Loss of revenue from the elimination of City taxes ($20 million/year) and increased employee benefit costs (pension and healthcare) are the two main causes for the decrease in fund balance.

- Past OPEB (retiree benefits) costs were funded by an OPEB trust but that fund scheduled to be depleted by the end of 2018, the County will have to fund retiree benefits from the General Fund Budget. **Annual OPEB costs are $8 million per year.**

Pension & Healthcare Costs

Pension	All funds Contribution		Healthcare	Costs
FY 2014	$12,348,634		CY 2015	$20,757,719
FY 2015	$12,279,723		CY 2016	$20,220,160
FY 2016	$10,318,723		CY 2017	$25,028206
FY 2017	$14,254,906		CY 2018	$25,326,368*

* The increased employee contribution of 1.3 million should impact this projection

BB&T Insurance Services
Global Resources — Client Focused
Terminus Municipal Advisors LLC

Raising revenue, reducing expenditures

- To avoid further fund balance decreases and to successfully bring forth balanced budgets, the County is evaluating revenue enhancements and reviewing measures to decrease expenditures.

- To raise revenue, the County is evaluating several options, including but not limited to:

  - Passage of an OLOST referendum
    - Estimated annual revenue of $26 million
    - Would lead to a property tax reduction
  - Potential millage rate increase
    - 1 mil increase equals $4 million in revenue
  - Increase in fees and fines
    - Business licenses, franchise fees, recreation fees, etc.

Raising revenue, reducing expenditures

- The County is also looking at ways to decrease its expenditures, including:
    - Hiring freeze
    - Reducing Outside Agency funding
    - Reducing departmental operations by at least 2%
    - Considering furloughs and/or a reduction in force
    - Changing employee pension and healthcare benefits

BB&T Insurance Services Global Resources — Client Focused TerminusMunicipalAdvisors LLC

Raising revenue, reducing expenditures

- Without additional revenue and no reductions in expenditures, the County would face another deficit in FY 19. Contributing factors for the projected deficit include committed items such as:
  - Retiree benefits
    - $4 million in FY19
    - $8 million in FY20
  - Sheriff/Fire salary increases - $3.5 million
  - Additional Fire Department recruits - $1.9 million
  - Staffing & maintaining South Bibb Recreation Center - $700,000

BB&T Insurance Services
Global Resources — Client Focused

TerminusMunicipalAdvisors LLC

Pension, Healthcare, and OPEB

As employee headcount and payroll increases, so do pension and healthcare costs.

The County is taking a 2-step approach to amending these benefits.

1. Conducting comparisons and amending benefits to bring the County's benefits in line with other municipalities and other organizations.

2. Reviewing ways to reduce the County's costs while preserving employee benefits. In addition to reducing its exposure, the County is looking to provide options that allow employees to have greater control in the cost and modeling of their healthcare benefits

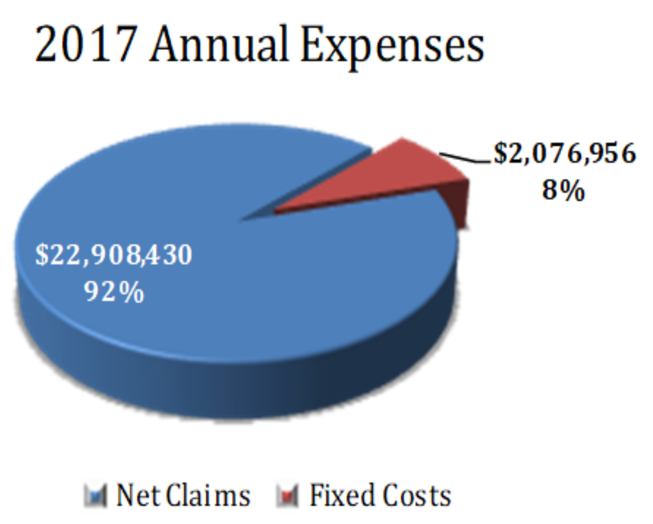
SECTION III: FY18 Healthcare- Contract Plan Modifications

Healthcare Costs- Fixed vs. Variable

BB&T Insurance Services Global Resources — Client Focused
TerminusMunicipalAdvisors LLC

Fixed Costs

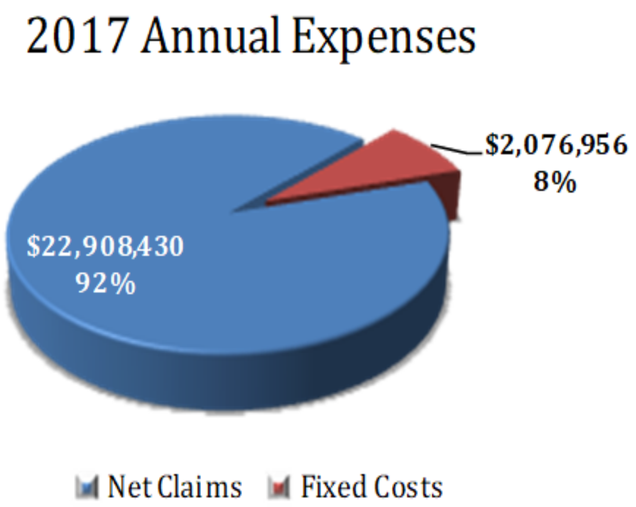
- Administrative Costs- 4% to 5%
  - Pre-Cert/utilization Management
  - Discharge Planning
  - Case Management
  - Subrogation
  - Coordination of Benefits
  - Eligibility Management
  - Network Access Fees (HMO, POS) (The network discounts are a significant cost impactor)
  - Claims Processing
  - Data Storage and Reporting
  - Disease Management
  - Live Health On-Line Access
- Stop-Loss Insurance- 4%-5%
  - Specific Stop Loss (Provides insurance for large claims over $300,000)
  - Aggregate Insurance (Provides insurance for overall bad year of claims)
  - Terms and type of contract as well as financial limits and time frame



Healthcare Costs- Fixed vs. Variable

Variable Costs

- Claims- 90% of plan costs
  - The plan funds claims for all the employees, retirees and their dependents. This makes up of your plan spend, which is driven by your utilization
  - Where they go for treatment
  - Who they see for treatment
  - What they are being seen for (treatment)
  - How often they go or don't go for the right treatment



This is where you focus on things that will impact employee's behavior, plan designs such as deductibles, co-insurance, co-pays, prescription benefits and steerage to lower cost options.

Healthcare Costs- Fixed vs. Variable

BB&T Insurance Services
Global Resources — Client Focused

TerminusMunicipalAdvisors LLC

Macon-Bibb Summary	Actual Experience	Actual Experience	Annualized	Projected
	2015	2016	2017	2018
Fixed Cost	$1,828,311	$1,931,412	$2,083,618	$1,901,745
Expected Claim Cost	$19,571,240	$19,889,472	$20,356,875	$23,424,623
Suggested Budget Number	$21,399,551	$21,820,884	$22,440,493	$25,326,368
Fixed Cost	$1,828,311	$1,931,412	$2,083,618	$1,901,745
Actual Claim Cost	$18,929,408	$18,288,748	$22,944,588	$23,424,623
Total Plan Cost	$20,757,719	$20,220,160	$25,028,206	$25,326,368
Fixed Cost	$1,828,311	$1,931,412	$2,083,618	$1,901,745
Maximum Claim Cost	$24,464,051	$24,861,840	$25,446,093	$29,280,779
Maximum Plan Cost	$26,292,362	$26,793,252	$27,529,711	$31,182,524

2017 Total Claims

Self Funded (ASO) Claims
1/01/17 - 12/31/17

Contract & Member Exposure by Month with Benefits

Reporting Month	Contracts	Members	Medical/Rx Paid Claims	PEPM	PMPM	Specific Stop Loss Reimbursements	Adjusted Paid Claim
Jan-17	2,081	3,927	**$1,564,949**	$752	$399	$0	$1,564,949
Feb-17	2,068	3,914	**$1,627,720**	$787	$416	$0	$1,627,720
Mar-17	2,064	3,917	**$2,047,373**	$992	$523	$0	$2,047,373
Apr-17	2,056	3,900	**$1,804,255**	$878	$463	$0	$1,804,255
May-17	2,046	3,894	**$1,853,211**	$906	$476	$0	$1,853,211
Jun-17	2,045	3,901	**$2,055,221**	$1,005	$527	$0	$2,055,221
Jul-17	2,054	3,909	**$1,913,055**	$931	$489	$0	$1,913,055
Aug-17	2,049	3,908	**$2,259,135**	$1,103	$578	$85,437	$2,173,698
Sep-17	2,035	3,899	**$2,109,370**	$1,037	$541	$33,518	$2,075,852
Oct-17	2,014	3,868	**$2,022,497**	$1,004	$523	$41,346	$1,981,151
Nov-17	2,014	3,872	**$1,987,916**	$987	$513	$52,860	$1,935,056
Dec-17	2,016	3,881	**$1,991,110**	$988	$513	$114,221	$1,876,889
Totals/Avg.:	**2,045**	**3,899**	**$23,235,812**			**$327,382**	**$22,908,430**

Fully Insured Voluntary Vision and Dental claims are not included in totals above.
Specific Stop Loss Reimbursements *are amounts that were returned to Macon-Bibb County as having met the specific stop loss deductible and aggregating corridor amounts (see HCM_Stop Loss tab)*
Adjusted Paid Claims includes: *Medical and Rx Paid Claims reduced by Specific Stop Loss Reimbursements*
Quarterly Admin Fees/Stop Loss Premium *include: Administrative Service fees and Specific & Aggregate Stop Loss premium. Voluntary Vision and Dental premium is not included.*

3 Year Comparison

The Macon-Bibb County plan is experiencing an increase in overall cost on both the medical and pharmacy programs in 2017. While the average Paid **Per Member Per Month (PMPM)** trend is reasonable, there are some cost driving components in the plan that are causing the 2017 year to run higher than the prior two years, creating a projected increase in total Paid Plan costs of approximately **$4,000,000** by the end of 2017.

	2017	2016	2015	Avg. Trend
Medical Paid Amount	$11,222,165	$8,362,453	$9,034,175	
Paid Medical PMPM	$359.22	$276.84	$303.41	10.5%
Pharmacy Paid Amount	$4,013,230	$3,251,828	$3,383,445	
Paid Pharmacy PMPM	$128.14	$108.02	$112.42	7.3%
Combined Paid Amount	**$15,235,395**	**$11,614,281**	**$12,417,620**	
Combined Paid PMPM	**$487.36**	**$384.86**	**$415.83**	**9.6%**

Data above compares each year January through August.

Medical Cost Drivers

	2017	2016	2015
Inpatient Paid Amount	$3,372,590	$2,411,280	$2,904,395
- Admissions	192	139	153
- High Cost Claimants > $75,000	22	15	18
- Total Paid Amount	$3,206,824	$1,656,431	$2,622,642
Outpatient Paid Amount	$3,432,428	$2,217,722	$2,385,928
- Emergency Room Visits	749	663	579
- Emergency Room Paid Amount	$998,603	$810,042	$709,403
- Average Paid per ER Visit	$1,333	$1,222	1,225

Looking at Macon-Bibb County ER detail, there are numerous members that visit the ER multiple times through the year. This points to two potential scenarios (1) No Primary Care Physician (evidenced by the diagnosis and multiple members of the same family) and (2) uncontrolled chronic conditions (evidenced by the diagnosis and frequency pattern).

Stop-Loss Claims 2017

BB&T Insurance Services
Global Resources — Client Focused

TerminusMunicipalAdvisors LLC

Month	Product	Contracts	Estimated Attachment Point Monthly	Estimated Attachment Point Cumulative	Claims Paid	Less Specific Stop Loss Reimbursements	Net Claims Paid Under Aggregate	Cumulative Claims Paid Under Aggregate
Jan-17	EPO/POS	2,081	$2,155,729	$2,155,729	$1,564,949	$0	$1,564,949	$1,564,949
Feb-17	EPO/POS	2,068	$2,142,262	$4,297,991	$1,627,720	$0	$1,627,720	$3,192,669
Mar-17	EPO/POS	2,064	$2,138,118	$6,436,109	$2,047,373	$0	$2,047,373	$5,240,042
Apr-17	EPO/POS	2,056	$2,129,831	$8,565,940	$1,804,255	$0	$1,804,255	$7,044,297
May-17	EPO/POS	2,046	$2,119,472	$10,685,412	$1,853,211	$0	$1,853,211	$8,897,508
Jun-17	EPO/POS	2,045	$2,118,436	$12,803,848	$2,055,221	$0	$2,055,221	$10,952,729
Jul-17	EPO/POS	2,054	$2,127,759	$14,931,607	$1,913,055	$0	$1,913,055	$12,865,784
Aug-17	EPO/POS	2,049	$2,122,580	$17,054,187	$2,259,135	$85,437	$2,173,698	$15,039,482
Sep-17	EPO/POS	2,035	$2,108,077	$19,162,263	$2,109,370	$33,518	$2,075,852	$17,115,334
Oct-17	EPO/POS	2,014	$2,086,323	$21,248,586	$2,022,497	$41,346	$1,981,151	$19,096,485
Nov-17	EPO/POS	2,014	$2,086,323	$23,334,909	$1,987,916	$52,860	$1,935,056	$21,031,541
Dec-17	EPO/POS	2,016	$2,088,395	$25,423,304	$1,991,110	$114,221	$1,876,889	$22,908,430
Totals			**$25,423,303**		**$23,235,812**	**$327,382**	**$22,908,430**	

1. Cumulative Claims Paid Under Aggregate:	**$22,908,430**
2. Cumulative Estimated Attachment Point:	**$25,423,303**
3. Loss Ratio:	**90.1%**

Individual Claims Over Specific Deductible	Specific Stop Loss Deductible	Amount in Excess of Specific	Aggregating Deductible	Amount in Excess of Deductibles	Month
$353,754	$250,000	$103,754	$50,000	$53,754	Dec-17
$319,249	$250,000	$69,249		$69,249	Dec-17
$314,924	$250,000	$64,924		$64,924	Dec-17
$298,507	$250,000	$48,507		$48,507	Dec-17
$297,895	$250,000	$47,895		$47,895	Dec-17
$277,274	$250,000	$27,274		$27,274	Dec-17
$265,779	$250,000	$15,779		$15,779	Dec-17
				$327,382	

Once the Aggregating Specific Corridor is satisfied, all monthly specific stop loss reimbursements are shown in the table above under Aggregate Report and on the Enrollment_Claims tab.

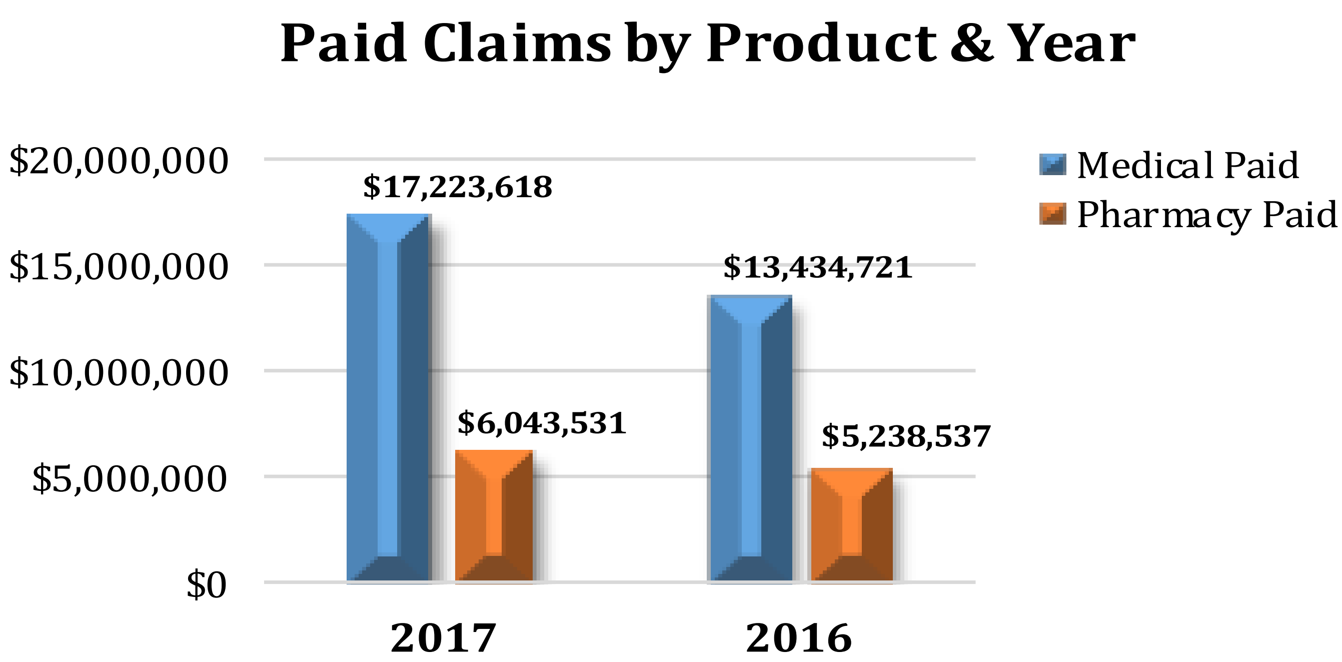
2016 vs. 2017

Paid January - December

	2016			2017	
Site	**Claim Count**	**Paid**	**Site**	**Claim Count**	**Paid**
Inpatient	306	$4,049,352	Inpatient	349	$5,219,458
Outpatient	4,674	$3,612,062	Outpatient	4,887	$5,077,118
Professional	44,075	$5,773,307	Professional	45,986	$6,927,042
Medical Total	**49,055**	**$13,434,721**		**51,222**	**$17,223,618**
Pharmacy		**$5,238,537**	Pharmacy		**$6,043,531**
Script Count	*52,428*			*55,567*	
Total Paid		**$18,673,258**			**$23,267,149**

Claim/Script count is not a indicator of cost trend. With the implementation of targeted benefit design changes, even a projected claim count increase of 5% - 8% would not translate into similar cost increases.

BB&T Insurance Services Global Resources — Client Focused
TerminusMunicipalAdvisors LLC



2016 vs. 2017

January - November Paid
Medical Only

Paid Amount Range	YTD 2017 Unique Claimants	YTD 2017 Percent Total Claimants	YTD 2017 Total	YTD 2017 Percent Paid Amount
$0 to $999	1,933	52.7%	$701,124	4.4%
$1,000 to $1,999	615	16.8%	$889,565	5.6%
$2,000 to $2,999	323	8.8%	$783,033	4.9%
$3,000 to $3,999	176	4.8%	$612,832	3.9%
$4,000 to $4,999	109	3.0%	$484,827	3.1%
$5,000 to $9,999	222	6.1%	$1,587,096	10.0%
$10,000 to $24,999	178	4.9%	$2,714,330	17.1%
$25,000 to $49,999	52	1.4%	$1,816,939	11.5%
$50,000 to $74,999	24	0.7%	$1,503,074	9.5%
$75,000 to $99,999	10	0.3%	$845,182	5.3%
$100,000+	23	0.6%	$3,889,882	24.6%
Total - All Claimants	**3,665**	**100.0%**	**$15,827,883**	**100.0%**
YTD 2017 Paid Thresholds				
$25,000 and Above	109	3.0%	$8,055,077	50.9%
$50,000 and Above	57	1.6%	$6,238,137	39.4%
$75,000 and Above	33	0.9%	$4,735,064	29.9%
$100,000 and Above	23	**0.6%**	**$3,889,882**	**24.6%**
$200,000 and Above	6	**0.2%**	**$1,668,578**	**10.5%**
YTD 2016 Paid Thresholds				
$25,000 and Above	89	2.5%	$5,200,458	43.1%
$50,000 and Above	40	1.1%	$3,626,909	30.0%
$75,000 and Above	23	0.6%	$2,548,970	21.1%
$100,000 and Above	10	0.3%	$1,472,071	**12.2%**
$200,000 and Above	2	0.1%	$482,731	**4.0%**

YTD 2017 Average Members	3,901
YTD 2016 Average Members	3,788

- Medical plan costs are challenging and increasing.

- How have your costs been going?
  - 2015 $20,935,892
  - 2016 $20,666,478
  - 2017 $25,079,918 (Projected)

- What has impacted your cost?
  - Emergency Room and outpatient claims are up
  - Prescription drug costs are up
  - Increase in cancer patients along with their associated costs
  - Maternity claims are up

Proposed FY18 Modifications

- Change to the *Essential Drug List*. Projected savings is estimated at approximately $325,000.

- Change the copayment amounts as follows:
  - $15/$55/$70 Retail (30 day supply)
  - $38/$138/$175 Home Delivery (90 day supply)
  - Projected savings is estimated at approximately $400,000.

- Implement *Home Delivery Complete*. This requires maintenance medication to be filled through mail order. Projected savings is estimated at approximately $130,000. (*Savings assumes adoption of plan copay changes above)*

- Implement a *4th Tier Specialty* cost share of 20% to $300 max/Rx. Projected savings is estimated at approximately $35,000.

Proposed FY18 Modifications

- Implement the standard edit of *Dose Optimization*. This increases the medication strength so members take a single dosage at a higher strength to improve compliance. Projected savings is estimated at approximately $12,000.

- Implement the *Choice Tiered Network*. Retail tiered network anchored by CVS/Target and includes Walmart, Kroger, Safeway as well as other regional grocery stores and independents, plus the option to use one of the remaining National Plus pharmacies for an additional cost share. Projected savings is estimated at approximately $125,000.

- Increase the EPO/HMO PCP office visit to $25. Projected savings is estimated at approximately $70,000.

- All plans, implement a $250 copayment for Outpatient surgery. Projected savings is estimated at approximately $68,000.

Proposed FY18 Modifications- Cont.

- Make ER copayments consistent across all plans at $300. This means increasing the EPO plan another $100. Projected savings is estimated at approximately $25,000.

- For non-emergency use of the Emergency Room being non-covered. While this coding can be done in our system, layperson definitions will continue to apply. Much harder to project a savings on this given the volatility of what may/may not hit the exclusion, however, looking at the 2016 annual report, avoidable ER costs were estimated at approximately $118,000, so this would serve as a control feature around the most difficult aspect of their plan, ER use. Projected savings is $118,000.

BB&T Insurance Services Global Resources — Client Focused

TerminusMunicipalAdvisors LLC

Total Projected Savings to be realized
in between 2018 and 2019
$1,308,0000

Please keep in mind that timing is critical on a few of the changes (i.e. 3 Tier Pharmacy Network), which means if an effective date of July 1, 2018 were selected, that decision must be final by no later than ***March 15, 2018*** *to allow enough time to begin communication, education and, where necessary, contact with a physician's office to redirect medications as needed.*

Next Steps

- Determine which options Commissioners would want to implement by July 1, 2018 vs. January 1, 2019.

- Formation of Benefits Committee comprised of all stakeholders and professionals

- Began monthly detailed budgetary reporting on benefits by February/March 2018.

- Bring forth final recommendations to Commissioners by November 2018 for January 2019 start date.

Healthcare Opportunities- Inclusion

BB&T Insurance Services Global Resources — Client Focused | TerminusMunicipalAdvisors LLC

- Implementation of a Macon-Bibb County Benefits/Healthcare Committee comprised of representatives from:
  - Board of Commissioners, Human Resources,.Mayor's Office, County Manager's Office, Finance Department, County Attorney's Office, Employees and Retirees representation
- Committee would meet to monitor the process and provide guidance and feedback to Human Resources, the BOC and consultants.
- Consultants would participate to provide guidance and education but will serve as non-voting members.
- Framework of a 7-15 member committee will be presented to the Commissioners on February 27, 2018.

SECTION IV: Pension

Pension Plan

The County's contributions to its three pension plans in FY17 were:

▪ Employee Pension Trust	$6,299,000
▪ General Employees' Pension (Former Macon)	$4,745,000
▪ Fire and Police Pension	$3,461,000
▪ Total	**$14,505,000**

**Source: Macon-Bibb County FY17 Audit/ Cavanaugh MacDonald*

1. **<u>No Change</u>**: Keep pension plan for current and future employees
   a) Costs will continue to fluctuate and likely increase with raises and poor market performance

2. **<u>Require Employee Contributions</u>**: Require employees to contribute to pension plan.
   a) One suggestion is to calculate the total normal cost for each of the tiers in the plan and require employees to split the cost with the employer. There are three tiers within the Plan (hired before 5/1/2011, hired between 5/1/2011 and 1/1/2014 and those hired after 1/1/2014).
   b) For example, for the last tier (hired after 1/1/2014), the total normal cost rate is approximately 5% of payroll. The Plan could require employees to pay 2.5% and then the employers would pay about 2.5%.

3. **<u>COLA Options:</u>** Amend Annual Cost of Living Adjustments. This will reduce actuarial assumptions and lower costs.
   a) Voted on by Commission until funding ration is above 80%
   b) Tie COLA to CPI or some index

**Source: Macon-Bibb County FY17 Audit/ Cavanaugh MacDonald*

4. **<u>Create New Tier with changes</u>:** New Tier will have same characteristics of current plan but with adjustments. Examples include:

   a) Final Average Earnings changed from 3 years to 5 years
   b) Extend Normal Retirement Age to age 67 for General Employees
   c) Extend Early Retirement Age to age 57 for General Employees
   d) Apply a 5% subsidy on Early Retirement – now only 2%
   e) Smaller COLA in retirement for anyone in this tier (e.g. 1.0% vs. 1.5%)
   f) Employees contribute ½ of Total Normal Cost rate of pay

5. **<u>Cash Balance Plan Tier</u>:** A cash balance plan is a hybrid plan in the sense that the plan combines features of both defined contribution and defined benefit plans. Similar to most defined benefit plans, there are no participant contributions. Like a traditional defined contribution plan, cash balance benefits are payable as a lump sum payout upon termination at any age. This gives the cash balance plan the advantage of having completely portable benefits.

** Cavanaugh MacDonald*

SIMPLICITY – Benefits are structured in a way that is easily communicated to employees. Employees are better able to appreciate the value of the plan since benefits are communicated in the form of a lump sum account balance including employer provided allocations and investment earnings.

PORTABILITY – Portability reinforces participant appreciation as benefits may be distributed at any age as a lump sum payment, benefits are also available as an annuity.

COST CONTROL – Cash balance plans tend to reduce pension costs because benefit targets are based on current salary rather than projected final average salary. In this sense, cash balance plans are similar in design to career average traditional defined benefit plans. Employers typically find they can get “more for less” by providing a more easily understood and appreciated benefit at a lower cost.

FLEXIBILITY – Plan features afford the employer maximum flexibility and can be designed to meet both cost and benefit objectives. Employers often find they can achieve a greater degree of equity through a cash balance plan. Equity can be achieved through either an age-based or service-based plan design which provides higher allocation rates to older or longer-service plan participants.

**Source: www.pentegra.com*

HOW IS THE PLAN TRANSITIONED FROM A TRADITIONAL DEFINED BENEFIT PLAN TO A CASH BALANCE PLAN?

There are several ways to transition from a traditional defined benefit plan to a cash balance plan. All benefits accrued to the transition date are guaranteed under the prior plan provisions. Several of the transition approaches are described below.

CONVERSION STEPS

In the simplest case, a lump sum equal to the present value of accrued benefits under the defined benefit plan are calculated for each employee. This present value is then credited to each participant's account as the participant's "opening balance" under the cash balance plan.

GRANDFATHERED BENEFIT

In converting from a traditional defined benefit plan to a cash balance plan, the employer can guarantee, for a select group of employees, that projected benefits under the new plan will not be less than they would have been under the prior plan. Using a grandfathered approach, the cash balance plan can incorporate the defined benefit formula as the minimum benefit. This essentially creates a "minimum benefit" based on the prior plan benefit formula. The group of employees that would benefit under such a provision would need to satisfy IRS nondiscrimination requirements.

**Source: www.pentegra.com*

Next Steps - Pension

BB&T Insurance Services Global Resources — Client Focused | TerminusMunicipalAdvisors LLC

- Need Commission input on which plan changes they would like to see detailed projections. Presented to Commission on 2/13; if approved, results to be delivered to Commission by 4/1. Any approved changes would be implemented by 7/1.

- Current focus is on Macon-Bibb Employees Pension Plan. Division A (Former Macon) and Police & Fire to be evaluated next.

- Changes can involve mixture of options presented (i.e. required contribution, COLA change and addition of 4th tier).

- Scope of work with involve Financial Advisor, County's Actuary and Current Pension Consultants (Graystone/Morgan Stanley).

- Goal is to determine budgetary impact of each proposed implementation. Depending on chosen strategy savings can be realized immediately and/or over time. Goal of proposed changes should include:
  - Lower (more manageable) annual contributions
  - Less dependency on market performance
  - Preserve and enhance employee pension benefits
  - Decrease/eliminate unfunded liability

Credit and Risk Disclosure

This presentation has been prepared by Terminus Municipal Advisors, LLC, ("Terminus") for the exclusive use of the party to whom Terminus delivers this presentation. This presentation has been prepared solely for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The Company should not construe the contents of this presentation as legal, tax, accounting ,or investment advice or a recommendation. The Company should consult its own counsel, tax, and financial advisors as to legal and related matters concerning any transaction described herein. This presentation does not purport to be all-inclusive or to contain all of the information that the Company may require. No investment, divestment or other financial decisions or actions should be based solely on the information in this presentation.