



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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October 28, 2019

Honorable Tommy Benton, Chairman
House Retirement Committee
State Capitol, Room 217
Atlanta, Georgia 30334

SUBJECT: Actuarial Investigation
House Bill 245 (LC 43 1167)
Peace Officers' Annuity and Benefit Fund

Dear Chairman Benton:

This bill would amend provisions relating to benefits for surviving spouses under the Peace Officers' Annuity and Benefit Fund. Currently, benefits paid to surviving spouses terminate if the surviving spouse remarries. If this legislation is enacted, this provision would be eliminated, allowing the surviving spouse to continue receiving benefits upon remarriage.

This bill would not result in any additional costs to the Fund in the first year since the actuarial assumptions do not currently consider the probability of remarriage among surviving spouses. However, if this legislation is enacted, the Fund will no longer recognize future actuarial gains upon remarriage of surviving spouses. The actuary estimates this to be an immaterial future cost. There would be no increase in the employer contribution rate or the unfunded actuarial accrued liability if this legislation is enacted. The cost estimate is based on current member data, actuarial assumptions and actuarial methods. It should be noted that changes in any of these variables could affect the cost of this legislation. Any future costs would be paid through revenue generated from fines, fees, and bond forfeitures.

The following is a summary of the relevant findings of the actuarial investigation for this bill pursuant to a request by the House Retirement Committee. The investigation was to be conducted according to O.C.G.A. §47-20-36, which outlines the factors to be considered in an actuarial investigation. The figures are based on member data and the most recent actuarial assumptions and methods.

- (1) The amount of the unfunded actuarial accrued liability which will result from the bill.
\$ 0
- (2) The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill. \$ 0
- (3) The number of years that the unfunded actuarial accrued liability created by this bill would be amortized. N/A _____
- (4) The amount of the annual normal cost which will result from the bill.
\$ 0
- (5) The employer contribution rate currently in effect. A portion of fines, fees, and bond forfeitures _____
- (6) The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section 20-10). _____ forfeitures A portion of fines, fees, and bond §47-
- (7) The total dollar amount of the increase in the annual employer contribution which is necessary to maintain the retirement system in an actuarially sound condition.
\$ 0

It should be noted that any subsequent changes in the retirement bill will invalidate the actuarial investigation and the findings included therein.

Respectfully,



Greg S. Griffin
State Auditor

GSG/cs

Attachment

July 29, 2019

Honorable Greg S. Griffin, State Auditor
Georgia Department of Audits and Accounts
270 Washington Street, Suite 1-156
Atlanta, GA 30334

Re: House Bill 245/LC 43 1167

Dear Mr. Griffin,

As requested, we have completed an actuarial investigation of the impact of House Bill 245/LC 43 1167 ("HB 245") on the Peace Officers' Annuity and Benefit Fund of Georgia ("Fund") in accordance with the requirements of 47-20-36 of the Official Code of Georgia Annotated ("OCGA"). Below provides a summary of the proposed legislative bill and the results of our findings.

Summary of HB 245

HB 245 amends Code Section 47-17-80 of the OCGA, relating to retirement benefit options, payment to surviving spouse, requirements, effect of reemployment, effect of changes in retirement benefits, and payment on death of member relative to the Fund by striking section (e)(1) that requires benefits payable to surviving spouses to be terminated upon remarriage. As a result of HB 245, any benefits payable to surviving spouses will continue to be paid in the event such surviving spouses remarry.

Actuarial Impact of Proposed Legislation

No probability of remarriage of surviving spouses or corresponding termination of benefits payable to spouses upon remarriage is assumed in the actuarial valuation of the Fund. Therefore, the actuarial cost of the proposed legislation is \$0 in the first year in order to meet the concurrent funding requirements of OCGA 47-20-50. The following table provides key funding information based on the Actuarial Valuation for the Fund as of June 30, 2018 both before and after reflecting HB 245. As there is no actuarial impact, the actuarial results are unchanged due to the reflection of HB 245.

Dollars in Thousands	Before HB 245	After HB 245	Increase Due to HB 245
A. Unfunded Actuarial Accrued Liability ("UAAL") (negative numbers indicate surplus assets)	\$ (27,253)	\$ (27,253)	\$0
B. Amount of the Annual Amortization of the UAAL	\$ (2,022)	\$ (2,022)	\$0
C. Number of Years the UAAL would be Amortized	30	30	
D. Normal Cost (plus assumed expenses less membership dues)	\$12,452	\$12,452	\$ 0
E. Annual Contribution	\$10,430	\$10,430	\$0
F. Contribution Amount Recommended Due to Minimum Funding Standards (E.)	\$10,430	\$10,430	\$0
G. Expected Court Revenues Amount in Effect (expected revenues from fines and forfeitures)	\$13,826	\$13,826	\$ 0
H. Expected Contribution Shortfall / (Surplus)			\$0

Summary of Results and Additional Comments

HB 245 has no actuarial impact on the Fund. Currently, no probability of remarriage of surviving spouses is assumed in the actuarial valuation of the Fund. As a result, an actuarial gain will be incurred upon remarriage of surviving spouses in the future due to the termination of benefits. Due to the enactment of HB 245, future actuarial gains will no longer be incurred upon remarriage of surviving spouses. This will result in an immaterial impact on the cost of providing benefits in the future.

Actuarial Notes and Certifications

This analysis is provided to meet the requirements of 47-20-36 regarding actuarial impacts of proposed legislation. This analysis may not be appropriate for use by other parties and/or other purposes. The results presented in this report rely on the data, assumptions, methods and plan provisions as provided in the June 30, 2018 Actuarial Valuation Report for the Peace Officers' Annuity and Benefit Fund of Georgia. Please see this report for details.

Discussion of Variances in Future Actuarial Measurements and Risks:

Future actuarial measurements may differ significantly from the current measurements presented herein for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope, we did not perform an analysis of the potential range of such future measurements.

The June 30, 2018 Actuarial Valuation Report provides a detailed discussion of key risks that should be considered when reviewing the results. We have identified no additional risks that should be reviewed in consideration of HB 245.

Actuarial Certification:

To our knowledge, no associate of Foster & Foster, Inc. has any direct financial interest or indirect material interest in the Fund, nor does anyone at Foster & Foster, Inc. act as a member of the Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

The undersigned are familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein.

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to Georgia Public Retirement System Law, Code Title 47, Chapter 20, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this report, as adopted by the Fund, represent reasonable expectations of anticipated plan experience.

The undersigned would be pleased to discuss this report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

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. Griffin, MA

A, ASA, FCA


Timothy G. Bowen, MAAA, EA, FCA

Timothy Bowen, MAAA, EA, 17-07204

17-038

Cc: Ms. Carol G. Schwinne, Director of Administration, Department of Audits and Accounts
Mr. Robert Carter, Secretary-Treasurer, Peace Officers' Annuity and Benefit Fund