



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
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October 17, 2019

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

SUBJECT: Actuarial Investigation
House Bill 663 (LC 43 1421S)
Employees' Retirement System of Georgia
Georgia Judicial Retirement System

Dear Chairman Benton:

This bill would amend provisions relating to membership under the Georgia Judicial Retirement System. Specifically, this bill would require all judges employed full-time in the statewide business court to become members of the Georgia Judicial Retirement System. Any person who was employed in such position prior to the effective date of this legislation would be entitled to creditable service provided he or she pays to the retirement system the total amount of employee contributions that would have been paid during such period. Additionally, any person who becomes a full-time statewide business court judge shall be eligible to receive creditable service for all service rendered as an employee while a member of the Employees' Retirement System. To receive such creditable service, the Employees' Retirement System would be required to transfer all funds paid by or on behalf of the member to the Georgia Judicial Retirement System. The member would be required to pay the remaining amount necessary to cover the full actuarial cost of the service.

This bill specifies that such members would be subject to the provisions applicable to solicitors-general of the state courts, except as otherwise specifically provided within Chapter 23 of Title 47 of the Official Code of Georgia Annotated. This bill also specifies that all other employees of the statewide business courts would become members of the Employees' Retirement System of Georgia.

This legislation would not result in any cost to the Employees' Retirement System in the first year since there are no members of the Employees' Retirement System affected by this legislation. There would be no increase in the employer contribution rate or the unfunded actuarial accrued liability as a result of this legislation. The cost estimate is based on current member data, actuarial assumptions and actuarial

methods and changes in any of these variables could affect the cost of this legislation. Any future costs would be paid through State appropriations.

Additionally, this legislation would not result in any first-year costs to the Georgia Judicial Retirement System since the amount of creditable service granted to any person appointed statewide business court judge would be dependent upon the amount of funds transferred from the Employees' Retirement System and any additional funds paid directly by the member, without creating any unfunded actuarial accrued liability to the System. The cost estimate is based on current member data, actuarial assumptions and actuarial methods and changes in any of these variables could affect the cost of this legislation. Any future costs would be paid through State appropriations.

The following is a summary of the relevant findings of the actuarial investigations for this bill pursuant to a request by the House Retirement Committee. The investigations were 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 employee data and the most recent actuarial assumptions and methods.

Employees' Retirement System of Georgia

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	\$ _____ <i>0</i>
(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 for Non-GSEPS Members.	_____ 24.66% *
(6)	The employer contribution rate recommended for Non-GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	_____ 24.66%
(7)	The employer contribution rate currently in effect for GSEPS Members.	_____ 21.57%*
(8)	The employer contribution rate recommended for GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	_____ 21.57%

- (9) 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

**This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2020 in order to meet the minimum funding standards.*

Georgia Judicial Retirement System

- (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. 8.38% *
- (6) The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10). 8.38%
- (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,

/s/ Greg S. Griffin

Greg S. Griffin
 State Auditor

GSG/cs

Attachment



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September 9, 2019

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

HOUSE BILL 663 (LC 43 1421S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 663 (LC 43 1421S) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that on or after July 1, 2020, each individual employed full time as a judge in the state-wide business court established pursuant to Article VI of the Constitution shall become a member of the Georgia Judicial Retirement System (JRS) and be subject to the provisions of JRS applicable to solicitors-general of the state court unless otherwise specified. For the purposes of JRS, such an individual's earnable monthly compensation shall be the full rate of regular monthly compensation paid from state funds for the member's full working time and "salary" under JRS will be average earnable monthly compensation. Each individual covered by this bill shall be entitled to creditable service in JRS for service tendered between January 1, 2020 and June 30, 2020 as a full-time judge in the state-wide business court, provided that he or she pays to JRS within one year the total of the employee contributions that would have been made had he or she been a member of JRS during this period.

In addition, each individual who becomes a member of JRS pursuant to this bill may elect to transfer creditable service from the Employees' Retirement System of Georgia (ERS) to JRS, provided he or she notifies the board within one year of becoming a member of JRS and pays to JRS the remaining amount necessary to pay for the full actuarial cost of the transfer of service. Upon such election and payment, ERS shall transfer to JRS all employee and employer contributions paid to ERS by or on behalf of the member, along with regular interest thereon; the member will then receive service in JRS toward vesting only in the full amount of service rendered as a member of ERS and for which credit was allowable in ERS.

It is our understanding that there is one individual who would be impacted by this legislation; however, the individual has no service in ERS, therefore, there would be no cost to ERS for this legislation. There would be no increase in the unfunded accrued liability and no increase in the employer contribution rates as a result of this legislation. There could potentially be an impact on ERS if, in the future, ERS members become judges in the state-wide business court and choose to transfer ERS service to JRS.

The attached table shows the unfunded actuarial accrued liability and recommended employer contributions under the System before and after the proposed legislation. The recommended employer contribution rates are in conformity with the minimum funding standards specified by Code Section 47-20-10.

Sincerely yours,

Edward J. Koebel, EA, FCA, MAAA
Principal and Consulting Actuary

Ben Mobley, ASA, FCA, MAAA
Senior Actuary

Enclosure

Copy to: Jim Potvin

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EMPLOYEES' RETIREMENT SYSTEM

HOUSE BILL 663 (LC 43 1421S)
(All amounts are in \$ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	\$4,400,395		\$4,400,395		\$0	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$479,960		\$479,960		\$0	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	15.3		15.3		N/A	
Annual Contribution: Non-GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	6.20 %	\$ 62,000	6.20 %	\$ 62,000	0.00 %	\$ 0
Accrued Liability	18.46	184,600	18.46	184,600	0.00	0
Employer Contribution Rate Currently in Effect	24.66 %	\$ 246,600	24.66 %	\$ 246,600	0.00 %	\$ 0
Non-GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	24.66 %	\$ 246,600	24.66 %	\$ 246,600	0.00 %	\$ 0
Annual Contribution: GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	3.11 %	\$ 49,760	3.11 %	\$ 49,760	0.00 %	\$ 0
Accrued Liability	18.46	295,360	18.46	295,360	0.00	0
Employer Contribution Rate Currently in Effect	21.57 %	\$ 345,120	21.57 %	\$ 345,120	0.00 %	\$ 0
GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	21.57 %	\$ 345,120	21.57 %	\$ 345,120	0.00 %	\$ 0

The preceding figures are based on the employee data, actuarial assumptions, and actuarial methods used to prepare the June 30, 2018 actuarial valuation of the System. An estimated payroll of \$2,600,000,000 was used for the 2020-2021 Plan Year for all participants, of which \$1,600,000,000 was for GSEPS members and \$1,000,000,000 was for non-GSEPS.



Cavanaugh Macdonald

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September 9, 2019

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

HOUSE BILL 663 (LC 43 1421S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 663 (LC 43 1421S) on the Judicial Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that on or after July 1, 2020, each individual employed full time as a judge in the state-wide business court established pursuant to Article VI of the Constitution shall become a member of the Georgia Judicial Retirement System (JRS) and be subject to the provisions of JRS applicable to solicitors-general of the state court unless otherwise specified. For the purposes of JRS, such an individual's earnable monthly compensation shall be the full rate of regular monthly compensation paid from state funds for the member's full working time and "salary" under JRS will be average earnable monthly compensation. Each individual covered by this bill shall be entitled to creditable service in JRS for service tendered between January 1, 2020 and June 30, 2020 as a full-time judge in the state-wide business court, provided that he or she pays to JRS within one year the total of the employee contributions that would have been made had he or she been a member of JRS during this period.

In addition, each individual who becomes a member of JRS pursuant to this bill may elect to transfer creditable service from the Employees' Retirement System of Georgia (ERS) to JRS, provided he or she notifies the board within one year of becoming a member of JRS and pays to JRS the remaining amount necessary to pay for the full actuarial cost of the transfer of service. Upon such election and payment, ERS shall transfer to JRS all employee and employer contributions paid to ERS by or on behalf of the member, along with regular interest thereon; the member will then receive service in JRS toward vesting only in the full amount of service rendered as a member of ERS and for which credit was allowable in ERS.

There would be no cost to JRS for this legislation. There would be no increase in the unfunded accrued liability and no increase in the employer contribution rates as a result of this legislation.

The attached table shows the unfunded actuarial accrued liability and recommended employer contributions under the System before and after the proposed legislation. The recommended employer contribution rates are in conformity with the minimum funding standards specified by Code Section 47-20-10.

Sincerely yours,

Edward J. Koebel, EA, FCA, MAAA
Principal and Consulting Actuary

Ben Mobley, ASA, FCA, MAAA
Senior Actuary

Enclosure

Copy to: Jim Potvin

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JUDICIAL RETIREMENT SYSTEM

HOUSE BILL 663 (LC 43 1421S)
(All amounts are in \$ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	(\$37,063)		(\$37,063)		\$0	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	(\$3,298)		(\$3,298)		\$0	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	15.6		15.6		N/A	
Annual Contribution	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	13.70	\$ 8,494	13.70	\$ 8,494	0.00	\$ 0
Accrued Liability	(5.32)	(3,298)	(5.32)	(3,298)	0.00	0
Employer Contribution Rate Currently in Effect	8.38	\$ 5,196	8.38	\$ 5,196	0.00	\$ 0
Employer Contribution Rate Recommended due to Minimum Funding Standards	8.38	\$ 5,196	8.38	\$ 5,196	0.00	\$ 0

The preceding figures are based on the employee data, actuarial assumptions, and actuarial methods used to prepare the June 30, 2018 actuarial valuation of the System. An estimated payroll of \$62,000,000 was used for the 2020-2021 Plan Year for all participants.