DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
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October 25, 2019

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

SUBJECT: Actuarial Investigation
House Bill 67 (LC 43 1120)
Legislative Retirement System of Georgia

Dear Chairman Benton:

This bill would amend several provisions under the Georgia Legislative Retirement System. Specifically, this bill would:

- Provide definitions for the terms 'average monthly salary,' 'monthly salary,' and 'term of office.' Based on the definition of 'term of office,' members could become eligible to receive a retirement benefit before completing eight years of service;
- Increase the member contribution from 8 ½ percent to 9 ½ percent of the member's monthly salary;
- Revise the method for calculating the cost of purchasing creditable service for prior military service;
- Increase the monthly retirement benefit payable to retired members and inactive members to $50 multiplied by the number of years of creditable service;
- Change the method for calculating retirement benefits for current active members and for any person who first becomes a contributing member after July 1, 2020. This change would allow the member to receive a retirement allowance equal to the greater of (1) thirty-eight percent of the member's average monthly salary, or (2) the monthly retirement allowance provided by O.C.G.A. §47-6-80 (d); and
- Clarify that the retirement allowance for any person who is a contributing member on July 1, 2020 but does not remain a contributing member until at least December 31, 2020 will be calculated in accordance with O.C.G.A. §47-6-80 (d).

The first-year cost of this legislation would be $531,406 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This cost would require the employer contribution to increase by $2,393.72 per active member. The first-year cost includes $435,458 each year for the next 20 years to amortize the unfunded actuarial accrued liability and $95,948 each year to fund the normal cost. 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 State appropriations.

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 employee data and the most recent actuarial assumptions and methods.

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	$ 8,295,505
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	$ 435,458
(3)	The number of years that the unfunded actuarial accrued liability created by this bill would be amortized.	20
(4)	The amount of the annual normal cost which will result from the bill.	$ 95,948
(5)	The employer contribution rate currently in effect.	$0.00 per active member*
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	$2,393.72 per active member
(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.	$ 531,406

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

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

September 13, 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 67 (LC 43 1120)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 67 (LC 43 1120) on the Georgia Legislative Retirement System (LRS) in accordance with the requirements of Code Section 47-20-36.

This bill would would add three new definitions to LRS under Code Section 47-6-1 as follows:

1.1 ""Average monthly salary"" means the average of the monthly salary of a member during the 24 consecutive months of membership producing the highest such average

7.1 ""Monthly salary"" means the full rate of the total combined regular monthly salary, not including any per diems, allowances or expense reimbursements, payable to a member pursuant to Code Section 45-7-4, plus any additional monthly salary payable to the member pursuant to a resolution adopted by the House or Senate.

11 "Term of office" means the period of time beginning when an individual receives his or her commission as a member of the General Assembly from the Secretary of State, which is issued in accordance with paragraph (2) of subsection (b) of Code Section 21-2-502, until the second Monday in January of the next odd-numbered year.

The definition of term of office could allow a member to become eligible to receive a benefit before completing eight years of service.

The bill would also change the employee contribution rate under LRS from 8.5% to 9.5% of monthly salary, delete the current provisions that allow the substitution of four terms in the General Assembly in lieu of eight years of service, and change certain provisions relating to prior service credit for military service. In addition, this bill would change the monthly retirement benefit to be the greater of:

a. 38% of the member's average monthly salary, or
b. $50.00 multiplied by the member's credited service for any person who was or first becomes a contributing member of LRS on or after July 1, 2020 and who remains a contributing member until at least December 31, 2020.

The cost of this bill would be about $531,406 in the first year. The estimated increase in the unfunded actuarial accrued liability would be $8,295,505. There would be an increase of $2,393.72 per active member in the employer contribution rate as a result of this legislation.

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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

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

Ben Mobley

Ben Mobley, ASA, FCA, MAAA
Senior Actuary

EAM:mjn

Enclosure

Copy to: Jim Potvin

LEGISLATIVE RETIREMENT SYSTEM

HOUSE BILL 67 (LC 43 1120)

Cost	Before Legislation		After Legislation		Increase due to Legislation	
Unfunded Actuarial Accrued Liability	($7,965,806)		$329,699		$8,295,505	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	($403,608)		$31,850		$435,458	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	N/A		20		20	
Annual Contribution	$ per active Member	Annual Amount	$ per active Member	Annual Amount	$ per active Member	Annual Amount
Normal Cost	$ 1,818.05	$ 403,608	$ 2,250.25	$ 499,556	$ 432.20	$ 95,948
Accrued Liability*	(1,818.05)	(403,608)	143.47	31,850	1,961.52	435,458
Employer Contribution Rate Currently in Effect	$ 0.00	$ 0	$ 2,393.72	$ 531,406	$ 2,393.72	$ 531,406
Employer Contribution Rate Recommended due to Minimum Funding Standards	$ 0.00	$ 0	$ 2,393.72	$ 531,406	$ 2,393.72	$ 531,406

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. The valuation included 222 active members.

*If the unfunded actuarial accrued liability is amortized in accordance with Board's funding policy, the ADEC (Before Legislation) is less than $0, which is not allowed under the funding policy. Therefore, the accrued liability contribution (Before Legislation) has been set to such that the total ADEC equals $0.