



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

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GREG S. GRIFFIN
STATE AUDITOR
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October 24, 2019

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

SUBJECT: Actuarial Investigation
House Bill 195 (LC 43 1171)
Georgia Firefighters' Pension Fund

Dear Chairman Benton:

This bill would amend provisions relating to death benefits payable under the Georgia Firefighters' Pension Fund. Currently, the Fund provides a death benefit of \$5,000 to beneficiaries upon the death of an active member. Additionally, the beneficiaries of a retired member receive a death benefit if the retired member has not received benefits equal to \$5,000 prior to death. If this legislation is enacted, the amount of the death benefit payable to beneficiaries would increase to \$10,000.

This legislation is estimated to increase first-year costs to the Fund by \$24,441. This first-year cost includes \$7,828 each year for the next 20 years to amortize the unfunded actuarial accrued liability and \$16,613 to fund the normal cost. Current employer contributions are sufficient to cover the additional costs associated with this legislation and to ensure the concurrent funding requirements of O.C.G.A. §47-20-50 are met. This 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 estimate for this legislation. Any future costs would be paid through the tax on premiums charged by fire insurance companies.

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.	\$ <u>89,792</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>7,828</u>
(3)	The number of years that the unfunded actuarial accrued liability created by this bill would be amortized.	<u>20</u>
(4)	The amount of the annual normal cost which will result from the bill.	\$ <u>16,613</u>
(5)	The employer contribution rate currently in effect.	1% tax on premiums from fire insurance companies
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	1% tax on premiums from fire insurance companies
(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.	\$ <u>24,441*</u>

**According to the actuary, the first-year cost of this legislation is \$24,441. However, the required employer contribution would not need to increase since the amount of revenue currently generated from the 1% tax on premiums from fire insurance companies is sufficient to cover the additional costs associated with this bill and to ensure the Fund remains funded in accordance with the State's 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



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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 195 (LC 43 1171)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 195 (LC 43 1171) on the Georgia Firefighters Pension Fund (GFPF) in accordance with the requirements of Code Section 47-20-36.

This bill would increase the amount of the death benefit paid to beneficiaries of members from \$5,000 to \$10,000 effective on July 1, 2020. The cost to the GFPF of increasing the death benefit is estimated to be \$24,441 for this legislation. There would be an increase in the unfunded accrued liability of \$89,792 as a result of this legislation.

The attached table shows the unfunded actuarial accrued liability and recommended employer contributions under the Fund before and after the proposed legislation. The recommended employer contributions 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 D. Mobley, ASA, FCA, MAAA
Senior Actuary

Enclosure

Copy to: Morgan Wurst

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GEORGIA FIREFIGHTERS' PENSION FUND

HOUSE BILL 195 (LC 43 1171)

Cost	Before Legislation	After Legislation	Increase Due to Legislation
Unfunded Actuarial Accrued Liability	\$190,005,949	\$190,095,741	\$89,792
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$14,550,353	\$14,558,181	\$7,828
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	26.3	26.3	20.0
Annual Contribution			
Normal Cost	\$15,181,997	\$15,198,610	\$16,613
Accrued Liability	<u>14,550,353</u>	<u>14,558,181</u>	<u>7,828</u>
Employer Contribution Currently in Effect	\$29,732,350	\$29,756,791	\$24,441
Employer Contribution Recommended due to Minimum Funding Standards	\$29,732,350	\$29,756,791	\$24,441

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 Fund.