



DEPARTMENT OF AUDITS AND ACCOUNTS

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

Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

January 27, 2020

The Honorable Tommy Benton
State Representative
State Capitol, Room 217
Atlanta, Georgia 30334

SUBJECT: State Auditor's Certification
Substitute to House Bill 652
(LC 43 1486S)

Dear Representative Benton:

This substitute bill would amend provisions relating to retirement and death benefits for the Sheriffs' Retirement Fund of Georgia. Specifically, this bill would increase death benefit from \$15,000 to \$35,000. This benefit is payable to:

- Inactive members who would otherwise qualify to be carried upon the active membership rolls except for the fact that the member no longer holds the office of sheriff;
- Members who are receiving retirement benefits;
- Members who are qualified to receive retirement benefits except they have not reached the age of 55 years, have not filed an application, or have not yet been approved for benefits; and
- Active members.

Additionally, this substitute bill would increase the payments to the Fund from fees collected in civil actions. Currently, \$1.00 is charged on certain civil proceedings filed in superior courts, as well as state courts and magistrate courts in which the sheriff of the superior court also fulfills the function as sheriff of such inferior court. If this substitute bill is enacted, this fee would be increased to \$2.00 for such proceedings.

This is to certify that the changes made in this substitute bill are nonfiscal amendments as defined in the Public Retirement Systems Standards Law. The costs associated with increasing the death benefit remained the same from LC 43 1404S to LC 43 1486S since there was no change to the death benefit amount in these bills. The substitute bill only changed the amount of the court proceeding fee. Under LC 43 1404S, the fee would increase from \$1.00 to \$3.00. This substitute bill (LC 43 1486S) sets the fee at \$2.00 per court

proceeding. The actuarial investigation for the substitute bill (LC 43 1486S) had determined that the revenue generated from a \$2.00 fee would be sufficient to ensure the Fund remains funded in accordance with minimum funding standards. A copy of HB 652 (LC 43 1486S) is attached.

Respectfully,



Greg S. Griffin
State Auditor

GSG/cs



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GREG S. GRIFFIN
STATE AUDITOR
(404) 658-2174

January 27, 2020

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

SUBJECT: Actuarial Investigation
House Bill 652 (LC 43 1486S)
Sheriffs' Retirement Fund of Georgia

Dear Chairman Benton:

This substitute bill would amend provisions relating to retirement and death benefits for the Sheriffs' Retirement Fund of Georgia. Specifically, this bill would increase death benefit from \$15,000 to \$35,000. Additionally, this bill would increase the payments to the Fund from fees collected in civil actions. Currently, \$1.00 is charged on certain civil proceedings filed in superior courts, as well as state courts and magistrate courts in which the sheriff of the superior court also fulfills the function as sheriff of such inferior court. If this legislation is enacted, this fee would be increased to \$2.00 for such proceedings.

This legislation is estimated to increase first-year costs to the Fund by \$228,743. This first-year cost includes \$194,111 each year for the next 20 years to amortize the unfunded actuarial accrued liability and \$34,632 to fund the normal cost. However, this legislation also provides for an increase in fees collected per civil case for superior court and for any court of the state where a sheriff serves. It is estimated that the Fund would receive an additional \$689,000 annually from such fees. This revenue is sufficient to fund the increase in the death benefit, thus enabling the Fund to meet the concurrent funding requirements of O.C.G.A. §47-20-50. 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 fines and bond forfeitures collected from civil cases.

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

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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>2,277,838</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>194,111</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>34,632</u>
(5)	The employer contribution rate currently in effect.	A portion of fines and bond <u>forfeitures</u>
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	A portion of fines and bond <u>forfeitures</u>
(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>228,743*</u>

**According to the actuary, this legislation would increase costs to the Fund by \$228,743 in the first-year. However, it is estimated that this legislation would also increase annual revenue by \$689,000 increase in revenue through fines and bond forfeitures collected from civil cases. The increased revenue 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

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Attachment



Cavanaugh Macdonald

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January 27, 2020

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 652 (LC 43 1486S) as Amended

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 652 (LC 43 1486S) as amended on the Sheriffs' Retirement Fund of Georgia 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 \$15,000 to \$35,000 effective on July 1, 2020. This portion of the bill increases liability and cost for the Fund.

In addition, the bill would also increase the fees collected for the Fund from \$1 per civil case to \$2 per civil case for superior court and any court of the state including magistrate courts where a Sheriff serves. While this portion of the bill does not increase or decrease liability, it does offset the cost incurred by the death benefit increase.

As shown on the next page, there would be an increase in the unfunded accrued liability to the Sheriffs' Retirement Fund of Georgia of increasing the death benefit of \$2,277,838 as a result of this legislation. The combined annual normal cost and amortization of the increase in the unfunded accrued liability is estimated to be \$228,743 for this legislation.

However, the increase in fees collected from \$1 to \$2 per civil case for superior court and any court of the state including magistrate courts where a Sheriff serves is estimated to be \$689,000 yearly. This annual increase in contributions more than offsets the annual increase in cost.

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: Lisa Petty

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SHERIFFS' RETIREMENT FUND OF GEORGIA

HOUSE BILL 652 (LC 43 1486S) AS AMENDED*

Cost	Before Legislation	After Legislation	Increase Due to Legislation
Unfunded Actuarial Accrued Liability	\$5,451,144	\$7,728,982	\$2,277,838
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$446,195	\$640,306	\$194,111
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	21.7	21.2	20.0
Annual Contribution			
Normal Cost	\$1,612,765	\$1,647,397	\$34,632
Accrued Liability	<u>446,195</u>	<u>640,306</u>	<u>194,111</u>
Employer Contribution Currently in Effect	\$2,030,767	\$2,287,703	\$228,743
Employer Contribution Recommended due to Minimum Funding Standards	\$2,058,960	\$2,287,703	\$228,743

* The increase in fees collected from \$1 per civil case to \$2 per civil case for superior court and any court of the state including magistrate courts where a Sheriff serves is estimated to be \$689,000 yearly. This annual increase in contributions more than offsets the annual increase in cost shown above.

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.