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September 10, 2019

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

SENATE BILL 262 (LC 43 1422S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Senate Bill 262 (LC 43 1422S) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would revise certain provisions in Code Section 47-2-121, relating to optional retirement allowances as provided by the Employees' Retirement System of Georgia (ERS). Effective January 1, 2021, an individual shall no longer be eligible to elect Option Five upon retirement from ERS. Option Five provides that in the event the spouse or dependent child predeceases the retired member, the retirement allowance payable to the retired member after the death of the spouse or dependent child shall be equal to the maximum retirement allowance which the retired member would have been entitled to receive.

Instead, a member could get the same benefit as Option Five if he or she selects Option Two, Three or Four and each of those options add language that allows the member to designate one or more beneficiaries and includes a provision that in the event that all individuals so designated by the member to receive a lifetime retirement allowance payable after his or her death predecease said member, the retirement allowance payable to the member shall thereafter be increased to the maximum retirement allowance that such member would have been entitled to receive. The member will continue to pay the full cost of this payment option.

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. However, there could be additional administrative costs associated with 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

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

Ben Mobley

Ben Mobley, ASA, FCA, MAAA
Senior Actuary

Enclosure

Copy to: Jim Potvin

EMPLOYEES' RETIREMENT SYSTEM

SENATE BILL 262 (LC 43 1422S)
(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.