



## DEPARTMENT OF AUDITS AND ACCOUNTS

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October 1, 2019

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

SUBJECT: Actuarial Investigation  
House Bill 659 (LC 43 1365)  
Employees' Retirement System of Georgia

Dear Chairman Benton:

This bill would amend provisions relating to retirement benefits payable to 'appellate court judges' covered under the Employees' Retirement System of Georgia. As defined in O.C.G.A. §47-2-244 (a), 'appellate court judge' means any Judge, Presiding Judge, or Chief Judge of the Court of Appeals and any Associate Justice, Presiding Justice, or Chief Justice of the Supreme Court. If this legislation is enacted, an 'appellate court judge' would be eligible to receive normal retirement benefits once he or she reaches the age of 60. Currently, such members are not eligible for normal retirement benefits until they reach the age of 65. Additionally, this legislation would allow a surviving spouse to receive a benefit without regard to whether such judge had attained age 60.

The first-year cost of this legislation would be \$682,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This cost represents an increase of 16.24% in the employer contribution rate for 'appellate court judges' based on the current projected payroll of \$4,200,000. The first-year cost includes \$290,000 each year for the next 20 years to amortize the unfunded actuarial accrued liability and \$392,000 each year to fund the normal cost. The administration for 'appellate court judges' is managed by the State's Administrative Office of the Courts. Therefore, the cost associated with this legislation would be covered solely by additional employer contributions paid by the Administrative Office of the Courts. 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 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.	\$ <u>2,951,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>290,000</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>392,000</u>
(5)	The employer contribution rate currently in effect for Appellate Court Judges	<u>40.38%*</u>
(6)	The employer contribution rate recommended for Appellate Court Judges (in conformity with minimum funding standards specified in Code Section §47-20-10).	<u>56.62%</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>682,000</u>

*\*This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2020 for appellate court judges only 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



**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 659 (LC 43 1365)**

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 659 (LC 43 1365) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would decrease the age of eligibility for benefits, disability benefits and survivor benefits for appellate court judges from age 65 to age 60.

Currently, there is an additional employer contribution rate required for appellate court judges who receive special benefits under the Employees' Retirement System (ERS). This employer contribution rate, based on the June 30, 2018 valuation, is 40.38% of the appellate court judges payroll. This legislation would require an increase in this additional contribution rate equal to 16.24% or \$682,000 in the first year based on an estimated payroll for appellate court judges of \$4,200,000. The estimated increase in the unfunded accrued liability would be \$2,951,000.

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 659 (LC 43 1365)**  
**(All amounts are in \$ thousands)**

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability – ERS Total	\$4,400,395		\$4,403,346		\$2,951	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability – ERS Total	\$479,960		\$480,250		\$290	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	15.3		15.3		20	
Annual Contribution: Appellate Court Judges Only	%	Annual Amount	%	Annual Amount	%	Annual Amount
	21.92 %	\$ 921	31.26 %	\$ 1,313	9.34 %	\$ 392
	18.46	775	25.36	1,065	6.90	290
Employer Contribution Rate Currently in Effect	40.38 %	\$ 1,696	56.62 %	\$ 2,378	16.24 %	\$ 682
Appellate Court Judges Only Employer Contribution Rate Recommended due to Minimum Funding Standards	40.38 %	\$ 1,696	56.62 %	\$ 2,378	16.24 %	\$ 682

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 \$4,200,000 was used for the 2020-2021 Plan Year for Appellate Court Judges.