



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

February 3, 2020

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

SUBJECT: State Auditor's Certification
Substitute to House Bill 336
(LC 43 1515S)

Dear Representative Benton:

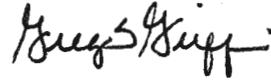
This substitute bill would amend provisions relating to the employment of beneficiaries under the Teachers Retirement System of Georgia. Specifically, this bill would allow certain retired members to return to work full-time and continue receiving their retirement allowance and any postretirement benefit adjustments they are eligible to receive. This substitute bill would only apply to beneficiaries who are certified teachers of pre-kindergarten through grade 12, who have the primary responsibility of academic instruction of students in a classroom in science, technology, engineering, arts, math, or an area of highest need as determined by the Georgia Department of Education after consultation with the Professional Standards Commission. Furthermore, this substitute bill would require beneficiaries to be retired for at least one year before they are eligible to return to work full-time and continue receiving their retirement allowance. This provision would only be in effect from July 1, 2020 through June 30, 2025.

Under the provisions of this substitute bill, an employer would be required to notify the board of trustees that a retired member has been 'restored to service.' Such notification must be made within 30 days of employment. Additionally, employers would be required to pay the required employee and employer contributions attributable to the salaries of retired members who return to work full-time and elect to continue receiving their retirement allowances. In the event the employer does not make the required contributions, any unpaid amounts shall be deducted from any funds payable to such employer by the state and shall be paid to the retirement system.

Retirement Certification for Representative Benton
Substitute to House Bill 336 (LC 43 1515S)
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This is to certify that this substitute bill is a reduction in cost amendment as defined in the Public Retirement System Standards Law. A revised actuarial investigation and State Auditor's Certification are attached for House Bill 336 (LC 43 1515S).

Respectfully,



Greg S. Griffin
State Auditor

GSG/cs



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February 3, 2020

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

SUBJECT: Actuarial Investigation
Substitute to House Bill 336 (LC 43 1515S)
Teachers Retirement System of Georgia

Dear Chairman Benton:

This substitute bill would amend provisions relating to the employment of beneficiaries under the Teachers Retirement System of Georgia. Specifically, this bill would allow certain retired members to return to work full-time and continue receiving their retirement allowance and any postretirement benefit adjustments they are eligible to receive. This substitute bill would only apply to beneficiaries who are certified teachers of pre-kindergarten through grade 12, who have the primary responsibility of academic instruction of students in a classroom in science, technology, engineering, arts, math, or an area of highest need as determined by the Georgia Department of Education after consultation with the Professional Standards Commission. Furthermore, this substitute bill would require beneficiaries to be retired for at least one year before they are eligible to return to work full-time and continue receiving their retirement allowance. This provision would only be in effect from July 1, 2020 through June 30, 2025.

Under the provisions of this substitute bill, an employer would be required to notify the board of trustees that a retired member has been 'restored to service.' Such notification must be made within 30 days of employment. Additionally, employers would be required to pay the required employee and employer contributions attributable to the salaries of retired members who return to work full-time and elect to continue receiving their retirement allowances. In the event the employer does not make the required contributions, any unpaid amounts shall be deducted from any funds payable to such employer by the state and shall be paid to the retirement system.

This substitute bill would not result in any additional cost to the Teachers Retirement System since this bill requires a member to be retired for one year before returning to work full-time. There would be no increase to the employer contribution rate or the unfunded actuarial accrued liability as a result of this legislation. The cost 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. Approximately 52% of any future costs would be paid through State appropriations. The remaining 48% would be paid through federal and other funds.

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> 0</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u> 0</u>
(3)	The number of years that the unfunded actuarial accrued liability created by this bill would be amortized.	<u> </u> N/A
(4)	The amount of the annual normal cost which will result from the bill.	\$ <u> 0</u>
(5)	The employer contribution rate currently in effect.	<u> 19.06%*</u>
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	<u> 19.06%</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> 0</u>

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

Letter to Chairman Benton
Substitute to House Bill 336 (LC 43 1515S)
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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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The experience and dedication you deserve

February 3, 2020

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

SUBSTITUTE TO HOUSE BILL 336 (LC 43 1515S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Substitute to House Bill 336 (LC 43 1515S) on the Teachers Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that, from July 1, 2020 until June 30, 2025, a public school system may employ a beneficiary of the Teachers Retirement System of Georgia (TRS) as a certified pre-kindergarten through grade 12 teacher whose primary responsibility is the academic instruction of students in a classroom in science, technology, engineering, arts or an area of highest need provided that (i) one year has expired from the effective date of the beneficiary's retirement, (ii) he or she was not restored as a teacher under Code Section 47-3-127, and (iii) service earned due to such employment shall not constitute creditable service under TRS and shall not entitle the beneficiary to a re-computation of benefits upon cessation of such service or access to employee contributions made to TRS pursuant to this bill. The beneficiary will remain a beneficiary under TRS and continue receiving his or her retirement allowance and any post-retirement adjustments for which he or she is eligible.

An employer who employs a beneficiary pursuant to this bill shall pay to TRS an amount equal to the product of (A) the sum of the employer and employee contribution rates applicable under TRS and (B) the earnable compensation of the beneficiary.

"Area of highest need" is defined as one of the three content areas for which there are the greatest percentages of unfilled positions for classroom teachers in Georgia as determined annually by the Department of Education in consultation with the Professional Standards Commission and as reported to TRS on an annual basis from July 1, 2020 until July 1, 2024.

There would be no cost to TRS for this legislation. There would be no increase in the unfunded accrued liability and no increase in the total employer contribution rate as a result of 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,

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

Cathy Turcot
Principal and Managing Director

Enclosure

Copy to: Dr. L. C. Evans

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
www.CavMacConsulting.com
Offices in Kennesaw, GA • Bellevue, NE



TEACHERS RETIREMENT SYSTEM

**SUBSTITUTE TO HOUSE BILL 336 (LC 43 1515S)
(All amounts are in \$ thousands)**

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	\$21,880,889		\$21,880,889		\$0	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$1,488,060		\$1,488,060		\$0	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	25.6		25.6		N/A	
Annual Contribution	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	7.25 %	\$ 913,500	7.25 %	\$ 913,500	0.00 %	\$ 0
Accrued Liability	11.81	1,488,060	11.81	1,488,060	0.00	0
Employer Contribution Rate Currently in Effect	19.06 %	\$ 2,401,560	19.06 %	\$ 2,401,560	0.00 %	\$ 0
Employer Contribution Rate Recommended due to Minimum Funding Standards	19.06 %	\$ 2,401,560	19.06 %	\$ 2,401,560	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 \$12,600,000,000 was used for the 2020-2021 Plan Year for all participants.